Level 11, 139 Macquarie Street
Sydney, NSW, 2000
ABN: 38 078 257 799

ASX ANNOUNCEMENT

17 July 2013

Notice of Extraordinary General Meeting and Buy-Back Offer

As foreshadowed in the update to the proposal provided to the ASX on 1 July 2013, the following documents in relation to an Extraordinary General Meeting of Murchison Metals Ltd (**Murchison**) to be held on 16 August 2013 to approve Murchison's proposed equal access off-market share buy-back (**Buy-Back**) have today been despatched to shareholders:

- Shareholder Booklet comprising a Notice of Meeting, Explanatory Statement and Offer to participate in the Buy-Back;
- Independent Expert's Report; and
- Proxy Form.

Shareholders will separately receive an Acceptance Form for the Buy-Back if it is approved at the Extraordinary General Meeting.

Shareholders should note the eligibility criteria to participate in the Buy-Back. Please refer to the definition of "Eligible Shareholder" in the Glossary to the Shareholder Booklet.

Shareholders are also asked to note the following:

After finalising the Shareholder Booklet for printing and dispatch (comprising the Notice of Meeting, Explanatory Statement and Offer to participate in the buy-back) to effect the share buy-back, it has come to the attention of the Board of Directors that an error was made in relation to Murchison's total carry forward tax losses.

The Addendum outlined below, amends the Notice of Meeting dated 17 July 2013 by deleting the first paragraph of Section 3(f) and replacing it with the following:

> *The Buy-Back may impact upon the Company's ability to utilise prior tax losses against future taxable income of the Company. The losses as disclosed in the consolidated 2012 tax return were $20.475 million. Estimated losses for the year ended 30 June 2013 are approximately $11.0 million however this is subject to external review by the Company's tax advisers. This would bring the Company's total carry forward tax losses to approximately $31.493 million.*

This Addendum serves as notice of amendment of the information in the Notice of Meeting, specifically the Explanatory Statement.

-ENDS-

For further information, please contact:

Mark Licciardo
Company Secretary
Murchison Metals Ltd
Ph +61 3 8689 9997

Murchison Metals Ltd
ACN 078 257 799

Shareholder Booklet

in relation to

Extraordinary General Meeting and
proposal for an equal access off-market share buy-back

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to how to deal with it,
you should consult your financial, taxation or other adviser.

Contents

About this Shareholder Booklet

This Shareholder Booklet contains a Notice of Meeting and Explanatory Statement convening a Shareholder meeting to consider a proposed equal access off-market share buy-back (**Buy-Back**) by Murchison Metals Ltd (**Company** or **Murchison**). This Shareholder Booklet also contains and constitutes an offer to Eligible Shareholders (defined in the Glossary to the Shareholder Booklet) to participate in the Buy-Back on the basis set out in **Section 6** of **Part B** (**Offer**).

This is an important document and requires your immediate attention.

Forward looking statements

This Shareholder Booklet contains forward looking statements that are not based solely on historical facts but are based on current expectations about future events and results. These forward looking statements are subject to inherent risks and uncertainties. Such risks and uncertainties include factors and risks specific to the operations of the Company, as well as general economic conditions, prevailing interest rates, conditions in the financial markets, government policies and regulations and competitive pressures. As a consequence, actual events or results may differ materially from the expectations expressed or implied in such forward looking statements.

None of the Company or its directors, officers, employees and advisers makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. Accordingly, you are cautioned about placing undue reliance on forward looking statements contained in this Shareholder Booklet.

Responsibility for information in this Shareholder Booklet

The Company is responsible for the contents of this Shareholder Booklet, other than, to the maximum extent permitted by law, the information below for which other persons are stated to be responsible.

Mercantile Investment Company Limited (**Mercantile**) is responsible for the information regarding Mercantile (including its intentions) in **Sections 2**, **3**, **4** and **5** of **Part B** of this Shareholder Booklet, but does not assume responsibility for the accuracy or completeness of any other part of this Shareholder Booklet. None of the Company, its related bodies corporate and their respective directors, officers, employees and advisers assumes any responsibility for the accuracy or completeness of the information regarding Mercantile.

Responsibility for information in the Independent Expert's Report

Grant Thornton has prepared the Independent Expert's Report which accompanies this Shareholder Booklet and is responsible for that report. None of the Company, its related bodies corporate and their respective directors, officers, employees and advisers assumes any responsibility for the accuracy or completeness of the information in the Independent Expert's Report except, in the case of the Company, in relation to information supplied by the Company to the Independent Expert.

Investment decisions

This Shareholder Booklet does not take into account your individual investment objectives, financial situation, taxation position or particular needs. The information in this Shareholder Booklet should not be relied on as the sole basis for any decision in relation to your Shares or how to vote on the resolution referred to in the Notice of Meeting. You should seek independent professional advice before making any decision in relation to your Shares or how to vote on the resolution referred to in the Notice of Meeting.

Foreign Shareholders

Shareholders in countries other than Australia should refer to the important information in **Sections 8.3** to **8.20** of **Part B** of this Shareholder Booklet.

This Shareholder Booklet has been prepared having regard to applicable Australian disclosure requirements. These requirements may be different from those in other jurisdictions.

Shareholders who are not Australian residents for tax purposes or who are liable for tax outside of Australia should seek specific tax advice in relation to the Australian and overseas tax consequences of the transactions contemplated by this Shareholder Booklet.

Definitions

Capitalised words and phrases in this Shareholder Booklet have defined meanings that are set out in **Part C** of this Shareholder Booklet. The Independent Expert's Report has its own defined words and phrases, which are set out on page 40 of that report.

Date of this Shareholder Booklet

This Shareholder Booklet is dated 17 July 2013.

Independent Director's Letter

17 July 2013

Dear Shareholder

On 28 December 2012, Murchison announced its intention to put forward for Shareholder approval an equal access off-market share buy-back (**Buy-Back**).

The announcement of the Buy-Back is consistent with the current Board's intention to offer Shareholders a choice between exiting their investment in the Company at a price higher than that proposed by the previous Board under its liquidation plans and retaining their Shares.

The Buy-Back

The Buy-Back is a $15,663,015 equal access off-market share buy-back of Murchison's issued Shares at $0.042 per Share. The Buy-Back will facilitate a sell-down by Shareholders who wish to realise their investment in the Company (and who will receive $0.042 for each Share bought back), which is above the volume weighted average price of Shares prior to the announcement of the Buy-Back price on 28 December 2012 and the release of the Buy-Back documentation. The Buy-Back price is also above price range of $0.035-$0.04 per Share under the previous Board's Liquidation Option.

Mercantile has confirmed that while it will vote in favour of the Buy-Back Resolution, it will not participate in the Buy-Back, which will enable all other Shareholders the opportunity to dispose of 100% of their holdings, should they choose to do so.

Shareholders will be given the opportunity to vote on the Buy-Back at the EGM. Details on the Buy-Back along with the Offer to participate in the Buy-Back (**Offer**) are contained in the accompanying document. Importantly, if Shareholders approve the Buy-Back they are not obliged to participate in the Buy-Back.

Your Directors believe the Buy-Back provides an appropriate choice that responds to the different investment objectives of Shareholders, namely:

- **Retain investment and provide other Shareholders with the opportunity to participate in the Buy-Back**: Those Shareholders who wish to retain their investment in Murchison can consider voting in favour of the Buy-Back to authorise the implementation of a Buy-Back to provide other Shareholders with different investment objectives an opportunity to sell down their investment in Murchison.
- **Realise investment**: Those Shareholders who wish to realise their investment in Murchison can consider voting in favour of the Buy-Back and, if the Buy-

Back Resolution is approved at the EGM, consider participating in the Buy-Back for up to 100% of their Shares.

- **Rebalance**: Those Shareholders who wish to rebalance their holding of Shares by realising some of their investment, but also maintaining some exposure to Murchison, can consider voting in favour of the Buy-Back and, if the Buy-Back Resolution is approved at the EGM, participate in the Buy-Back for some (but not all) of their Shares.

The proposed Buy-Back has advantages and disadvantages which will likely be regarded differently by Shareholders, depending on their circumstances and investment objectives.

As the Independent Director, I consider that the Buy-Back is an appropriate option for the Company and its Shareholders and responds to the different objectives of Shareholders. The Buy-Back price is above the high end of the range of potential outcomes under the previous Board's Liquidation Option. The equal access buy-back mechanism also provides Shareholders with the choice of either remaining or departing as Shareholders. Liquidation of the Company would have applied to all Shareholders, irrespective of whether they supported liquidation or not. Accordingly, as Independent Director I recommend that Shareholders vote in favour of the resolution to undertake the Buy-Back. This recommendation has been made by me as an Independent Director having regard to the advantages and disadvantages associated with the Buy-Back.

Although as Independent Director I recommend that Shareholders vote in favour of and approve the Buy-Back Resolution, I do not makes any recommendation to Shareholders as to whether they should accept the Offer for their Shares under the Buy-Back. Such a decision is a matter for each Shareholder to determine having regard to their own individual circumstances and if appropriate or required, after taking into account professional and financial advice and the contents of the Explanatory Statement, including the Independent Expert's Report.

As Independent Director I have set out a detailed commentary in **Section 4** of the Explanatory Statement in **Part B** of this Shareholder Booklet, which Shareholders should take into account.

Mercantile

The Company's largest Shareholder, Mercantile, has confirmed that it is willing to support the Buy-Back by voting in favour of the Buy-Back Resolution. Mercantile has also advised the Company that it will not participate in the Buy-Back should it proceed, which means that Mercantile will continue to hold its Shares in Murchison. Depending on the extent to which other Shareholders elect to participate in the Buy-Back, Mercantile's percentage shareholding in Murchison may increase up to a maximum of 100% after the Buy-back is implemented. Shareholders should review **Section 2.5(e)** in **Part B** of this Shareholder Booklet for information regarding Mercantile and its intentions in respect of its investment in Murchison.

Should the Buy-Back proceed, Mercantile's non-participation in the Buy-Back will mean that the Maximum Buy-Back Pool of $15,663,015 (equivalent to 372,928,938 Shares) will be sufficient to enable Shareholders who participate in the Buy-Back to realise 100% of their investment in Murchison.

Position of existing Directors

Gabriel Radzyminski and I are willing to continue as Directors of the Company, regardless of whether or not the Buy-Back is approved by Shareholders.

Soocheol Shin was nominated as a non-executive director in Murchison by POSCO, which has voting power of 13.45% of the Shares. POSCO has not yet decided whether it will participate in the Buy-Back. Mr Shin will continue as a Director if POSCO decides to remain a Shareholder and not participate in the Buy-Back. If POSCO decides to participate in the Buy-Back and sell its Shares, Mr Shin has advised the Board that he intends to resign as a Director.

Shareholder vote

Shareholders will be given the opportunity to vote on the Buy-Back at the Company's EGM to be held at 10 am on 16 August 2013 at History House, 133 Macquarie Street, Sydney, NSW 2000.

The Buy-Back will be subject to approval by an ordinary resolution of Shareholders.

You should read carefully the Important Notes section of the Notice of Meeting for further information on procedures for attending and voting at the EGM.

Independent expert's report

In order to assist Shareholders in their consideration of the Buy-Back, the Board commissioned Grant Thornton to prepare an independent expert's report containing a valuation of the Shares and a discussion of the advantages and disadvantages to Shareholders of the Buy-Back. The Independent Expert has concluded that the Buy-Back is fair and reasonable to Shareholders. A copy of that report accompanies this Shareholder Booklet.

Offer

This Shareholder Booklet comprises and accordingly constitutes an offer to Eligible Shareholders (defined in the Glossary set out in **Part C** of this Shareholder Booklet) to participate in the Buy-Back on the basis set out in **Section 6** of **Part B** of this Shareholder Booklet.

Shareholders will receive an Acceptance Form for the Buy-Back if it is approved at the Extraordinary General Meeting.

The Offer Period will open on 30 August 2013 (**Opening Date**). You can accept the Offer by lodging your Acceptance Form at any time between the Opening Date and 7.00pm on 27 September 2013 (**Closing Date**).

Minimum Holding Buy-Back

Following implementation of the Buy-Back, Murchison intends to institute a buy-back of ordinary shares from holders of unmarketable parcels of shares in accordance with the provisions of Corporations Act (**Minimum Holding Buy-Back**). Under the ASX Listing Rules, any shareholding valued at less than $500 is considered to be an unmarketable parcel (**Unmarketable Parcel**).

On the basis of the 60 day VWAP for Shares as at the close of business on 12 July 2013 of $0.0406, an Unmarketable Parcel is currently a parcel of Shares of 12,316 or less.

Under the ASX Listing Rules, the Company is able to purchase Unmarketable Parcels held by Shareholders, unless the Shareholder instructs the Company not to purchase some or all of the Shares.

The Minimum Holding Buy-Back will enable Shareholders holding an Unmarketable Parcel to realise their Shares without brokerage and other expenses and to reduce the significant administrative and registry costs associated with the Unmarketable Parcels.

A separate notice setting out the terms and conditions of the Minimum Holding Buy-Back will be provided to relevant Shareholders following implementation of the Buy-Back.

Further information regarding the proposed Minimum Holding Buy-Back is set out in **Section 2.5(i)**.

Conclusion

Please carefully read the entirety of this Shareholder Booklet and the Independent Expert's Report, before making a decision in relation to your vote on the Buy-Back Resolution and your participation in the Buy-Back.

For those of you who can attend in person, the Directors look forward to welcoming you at the EGM.

Yours sincerely

Paul Jensen
Independent non-executive director

Important Dates

Dates for Extraordinary General Meeting	
EGM Record Date (Date for determining entitlement to vote at the EGM)	**7:00 pm, 14 August 2013**
Proxy cut-off time (Proxy forms and the authority (if any) under which they are signed must be lodged by this time)	**10 am, 14 August 2013**
Extraordinary General Meeting	**10 am, 16 August 2013**
If the Buy-Back is approved	
Ex-entitlement date for the Buy-Back	**21 August 2013**
Buy-Back Record Date (Date for determining entitlement to participate in the Buy-Back)	**7:00 pm, 27 August 2013**
Despatch of Acceptance Forms	**30 August 2013**
Opening Date - Offer Period commences	**30 August 2013**
Closing Date - Offer Period closes (Shareholders wanting to withdraw or amend their Acceptance Forms must do so before this time)	**7.00pm, 27 September 2013**
Announcement of the outcome of the Buy-Back	**by 9:30 am, 1 October 2013**
Transfer to the Company of Shares bought back and cancellation of those Shares	**1 October 2013**
Payment and despatch date for Buy-Back	**4 October 2013**
Notice of Minimum Holding Buy-Back	**9 October 2013**
Transfer to the Company of Shares bought back under Minimum Holding Buy-Back and cancellation of those Shares	**8 November 2013**
Payment and despatch date for Minimum Holding Buy-Back	**13 November 2013**

Unless stated otherwise, all times in this Shareholder Booklet are references to Sydney time.

While Murchison does not presently anticipate any changes to these dates and times, it reserves the right to vary them. Any changes will be announced to the ASX as soon as practicable.

Part A

Notice of Extraordinary General Meeting

Notice is hereby given that the Extraordinary General Meeting of the Company will be held as follows:

Date: 16 August 2013

Time: 10 am

Venue: History House
133 Macquarie Street
Sydney, NSW 2000

Items of business

1. Approval of Buy-Back

To consider and if thought fit, pass the following as an ordinary resolution:

"That for the purposes of Section 257C of the Corporations Act 2001 (Cth) and for all other purposes, the Shareholders of the Company authorise and approve the Company to undertake an equal access off-market buy-back of up to 372,928,938 of the Company's issued ordinary shares on the terms described in the Explanatory Statement."

2. Other Business

To transact any other business that may be lawfully brought forward.

Please refer to the Explanatory Statement accompanying this Notice of Meeting for the reasons for, and information in relation to, the resolution set out in this Notice of Meeting.

Capitalised words and phrases used in this Notice of Meeting have the meaning given to them in **Part C** of this Shareholder Booklet.

Important Notes

Registration at meeting

The Extraordinary General Meeting is a meeting of Shareholders and their representatives. Accordingly, in order to enter the meeting, it will be necessary for all attendees to register their attendance and be issued with an admission card. A registration desk will be located in the foyer.

At the discretion of the Company and subject to capacity, visitors will be allowed to enter the meeting. All visitors must also register before entering the meeting room.

Eligibility to vote

The Board has determined that under Corporations Regulation 7.11.37, for the purposes of the Extraordinary General Meeting, Shares will be taken to be held by the persons who are registered as Shareholders at 7:00 pm (Sydney time) on 14 August 2013 (**EGM Record Date**). Accordingly, Share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Extraordinary General Meeting.

If you wish to vote in person, you must attend the Extraordinary General Meeting. If you cannot attend the meeting, you may vote by proxy, attorney or, if you are a body corporate, by appointing a corporate representative.

Proxies

Number of proxies and proportion of votes per proxy

Each Shareholder who is entitled to attend and vote has a right to appoint a proxy, and if a Shareholder is entitled to cast two or more votes that Shareholder may appoint two proxies. If a Shareholder appoints two proxies, the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints two proxies and the appointment does not specify the proportion or number of votes, each proxy may exercise one half of the Shareholder's votes. Neither proxy is entitled to vote on a show of hands if more than one proxy attends.

Proxy need not be a Shareholder

A proxy need not be a Shareholder of the Company.

Proxy may be individual or body corporate

A proxy may be either an individual or a body corporate. If you wish to appoint a body corporate as your proxy, you must specify on the proxy form the name of the body corporate appointed as proxy.

Directing your proxy

You can direct your proxy how to vote by marking the "for", "against" or "abstain" boxes on the proxy form. If you choose to direct your proxy in relation to any resolution, but do not correctly mark either the "for", "against" or "abstain" box in relation to that resolution, the proxy's vote on that resolution will be invalid.

If you do not direct your proxy how to vote, that person may vote, or abstain from voting at their discretion.

The Chairman of the Meeting intends to vote all proxies available to be voted by him in favour of the Buy-Back Resolution.

Lodgement of proxy forms

A proxy form is enclosed with this Shareholder Booklet. A proxy form and the authority (if any) under which it is signed or a certified copy of that authority must be returned no later than 10 am (Sydney time) on 14 August 2013. Proxy Forms may be lodged:

- Online:

  By going to the Registry's website (www.linkmarketservices.com.au) and logging in using the holding details shown on your Proxy Form. Select "Voting" and follow the prompts to lodge your vote

- By mail to:

  Link Market Services
  Locked Bag A14
  Sydney South NSW 1235

- By fax to:

  +61 2 9287 0309

- By hand delivery:

  Link Market Services
1A Homebush Bay Drive
Rhodes NSW 1238 **OR** Level 12
680 George Street
Sydney NSW 2000

Body corporate representatives

A Shareholder that is a body corporate may appoint an individual to act as its corporate representative. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the meeting evidence of his or her appointment, including any authority (or a certified copy of the authority) under which it is signed.

Poll

On a poll, each Shareholder eligible to vote and present either in person, by proxy, attorney or authorised representative has one vote for every ordinary share that they hold.

By order of the Board

Mark Licciardo
Company Secretary

Date: 17 July 2013

Part B: Explanatory Statement and Offer

1 Introduction

1.1 This Explanatory Statement and Offer

This Shareholder Booklet includes an explanatory statement which provides background to, and information relevant to, your consideration of the resolution proposed to be considered at the Company's Extraordinary General Meeting on 16 August 2013 concerning the equal access off-market buy-back of Shares in the Company announced on 28 December 2012 (**Buy-Back**). This Shareholder Booklet also comprises and accordingly constitutes an offer to Eligible Shareholders to participate in the Buy-Back on the basis set out in **Section 6**.

You should read in full this Explanatory Statement and Offer, together with the Independent Expert's Report accompanying this Shareholder Booklet, before deciding how to vote on the Buy-Back Resolution and whether to participate in the Buy-Back.

Under the Corporations Act, a company undertaking a share buy-back must ensure that invitations to participate in a buy-back are accompanied by all information known to the company that is material to the decision whether to participate in the buy-back. A company is not permitted to omit information because it has previously been provided to Shareholders.

This Shareholder Booklet may therefore include information which has already been provided to you. Regardless of this, you are encouraged to read it carefully before voting on the Buy-Back Resolution and deciding whether to participate in the Buy-Back.

1.2 Defined terms

Throughout **Part A** and **Part B** of this Shareholder Booklet, certain capitalised words and phrases have defined meanings. Their definitions can be found in the Glossary in **Part C** of this Shareholder Booklet.

1.3 Further advice

This Shareholder Booklet is not intended to provide personal financial or taxation advice and has been prepared without taking into account your personal circumstances, objectives or needs. You should consider obtaining independent professional advice (including financial and taxation advice) before making any decisions about the contents of this Explanatory Statement and Offer.

1.4 Opportunity to ask questions

Detailed below are explanatory notes relating to the item of business to be considered at the Extraordinary General Meeting. Shareholders will have a reasonable opportunity to ask questions or make comments on the item of business at the Extraordinary General Meeting.

2 Overview of the Buy-Back

2.1 The Proposal

At the Extraordinary General Meeting, Shareholders will be asked to consider the proposed Buy-Back, the details of which are summarised below. Please refer to **Section 6** for further details of the terms and conditions on which the Company proposes to undertake the Buy-Back.

Buy-Back Price:	$0.042 per Share
Eligibility to participate:	Eligible Shareholders are Shareholders on the Buy-Back Record Date (7:00 pm 27 August 2013) Participation in the Buy-Back is voluntary. An Eligible Shareholder may elect not to participate in the Buy-Back.
Shares that may be accepted into the Buy-Back:	Eligible Shareholders may accept the Buy-Back Offer in relation to some or all of the Shares held by the Eligible Shareholder on the Buy-Back Record Date. Shares acquired on or after the Ex-Entitlement Date (currently expected to be 21 August 2013) will not be registered in the new Shareholder's name in time for the Buy-Back Record Date, so will not confer an entitlement to participate in the Buy-Back.
Offer and acceptance process:	This Shareholder Booklet comprises and accordingly constitutes an offer to Eligible Shareholders to participate in the Buy-Back on the basis set out in **Section 6**. If the Buy-Back is approved by Shareholders at the Extraordinary General Meeting, the Company will be able to implement the Buy-Back and Acceptance Forms will be despatched to Shareholders. Eligible Shareholders will have until the end of the Offer Period to accept the Offer in respect of some or all of their Shares. When the Board receives your Acceptance Form, a contract to buy-back your Shares will immediately be formed. You can withdraw or amend your acceptance by lodging a Withdrawal/Amendment Form before 7.00 pm on 27 September (the **Closing Date**), in accordance with the instructions set out in **Section 6.12** and on the Withdrawal/Amendment Form. The Company reserves the right to withdraw the Offer if the Board determines it is necessary to do so.
Maximum Buy-Back Pool:	$15,663,015, equivalent to 372,928,938 Shares at the Buy-Back Price of $0.042 per Share (representing 82.78% of Shares currently on issue).
Cancellation of Shares bought	All Shares bought back by the Company will be cancelled upon being bought back. This will reduce the total number of Shares on

back:	issue.
Minimum holdings:	As described in **Section 2.5(i)**, following the Buy-Back, Murchison intends to institute a buy-back of ordinary shares from holders of Unmarketable Parcels of Shares in accordance with the provisions of the Corporations Act (**Minimum Holding Buy-Back**).
Timing:	Please see the 'Important Dates' section at the front of this Shareholder Booklet regarding the timing of the steps in the Buy-Back.
Source of the Buy-Back Price:	The Buy-Back Price will be paid out of the Company's existing cash reserves. No part of the Buy-Back Price will be paid out of the profits of the Company, or constitute a dividend.

2.2 Strategic review of potential investment activities

On implementation of the Buy-Back, Murchison will undertake a strategic review of potential investment activities. The results of the strategic review and the investment activities eventually undertaken by Murchison will be influenced by the level of Mercantile's shareholding following the Buy-Back. Please refer to **Sections 2.4** and **2.5** below for more details.

2.3 Statutory requirements in relation to the Buy-Back

The Corporations Act sets out requirements which must be satisfied if a company wishes to reduce its share capital and undertake a share buy-back.

Each of these requirements is set out below, together with a description of how the Directors believe that requirement is met.

Requirement	How satisfied
The buy-back must not materially prejudice the Company's ability to pay its creditors.	The Company is using its existing cash reserves to fund the Buy-Back and will retain sufficient cash reserves to meet its obligations. Please refer to **Section 2.5(c)** for further details. The Company does not have any debt or other debt facilities.
The buy-back must be approved by Shareholders.	Shareholders will vote on whether to approve the Buy-Back by the resolution in Item 1 of the Notice of Meeting.

2.4 Potential outcomes for Shareholders under the Buy-Back

Shareholders who choose to participate in the Buy-Back will receive $0.042 for each Share they accept into the Buy-Back.

As noted above, the Buy-Back is subject to a Maximum Buy-Back Pool of $15,663,015 (equivalent to 372,928,938 Shares at the Buy-Back Price of $0.042, or 82.78% of Shares currently on issue).

However, the Company's largest Shareholder, Mercantile which holds 17.22% of Shares, has indicated it will not participate in the Buy-Back. Mercantile's non-participation will mean that the Maximum Buy-Back Pool will be sufficient to buy-back 100% of the Shares held by other Shareholders.

The table below illustrates potential outcomes for Shareholders who elect not to participate in the Buy-Back, including the potential for accretion in NAV per Share:

Illustration of potential outcomes for Shareholders who elect not to participate in the Buy-Back					
Mercantile percentage ownership before Buy-Back	17.22%	17.22%	17.22%	17.22	17.22%
Other Shareholders who do not participate in the Buy-Back	82.78%	57.78%	32.78%	7.78%	0.00%
Total Shareholders electing not to participate in Buy-Back	100%	75%	50%	25%	17.22%
NAV* per Share post Buy-Back	0.046	0.047	0.050	0.057	0.064
Murchison's cash and cash equivalents post Buy-Back ($ million)	20,658,000	15,927,778	11,197,556	6,467,334	4,994,985

*Unaudited net asset value per Share was $0.459 as at 31 May 2012. The NAV per share post Buy-Back in the table above shows pro forma net asset value per Share following implementation of the Buy-Back based on different levels of participation in the Buy-Back. Pro forma net asset value per share under each scenario deducts the cash required to fund each Buy-Back scenario from the unaudited cash balance. All other balance sheet items are held constant. All pro forma figures are derived from the 31 May 2013 unaudited NAV. Actual NAV figures could differ in the future.

2.5 Implications of the Buy-Back for the Company

(a) Introduction

This **Section 2.5** sets out the implications of the Buy-Back for the Company, should it be implemented.

(b) **How will the Buy-Back be paid and funded?**

The Buy-Back will be completely paid out of the Company's issued capital and funded from its existing cash resources.

No part of the Buy-Back will be paid out of any reserve or profits account of the Company.

(c) **Effect on the Company's financial position**

Assuming acceptances are received in respect of the maximum number of Shares able to be acquired under the Buy-Back, the Buy-Back will reduce the Company's cash reserves by $15,663,015.

In order to illustrate the potential financial impact of the implementation of the Buy-Back, set out below is a pro forma statement of financial position, which shows the effect of the Buy-Back if they had occurred on 31 May 2013.

The pro forma statement of financial position is based on historical financial information for the consolidated group and certain assumptions about the likely effect of the Buy-Back. It is provided for illustrative purposes only. The actual financial performance and position of the consolidated group following implementation of the Buy-Back may ultimately differ from the information presented in this Section.

The financial information contained in this Section is unaudited and presented in an abbreviated form. It does not contain all of the disclosures usually provided in financial statements.

Murchison Metals Ltd

Consolidated Pro-Forma Statement of Financial Position

		Consolidated	
	Reviewed	**Pro forma**	**Pro forma**
	31-Dec-12	**Post-Buy-Back Assuming 50% of shares are bought back**	**Post-Buy-Back Assuming 100% of shares are bought back**
	$'000	**$'000**	**$'001**
ASSETS			
Current Assets			
Cash and cash equivalents	22,191	12,731	6,528
Receivables	230	230	230
Prepayments	92	92	92
	22,513	13,053	6,850
Non current assets classified as held for sale			
Available for sale financial assets	-	-	-
Exploration and evaluation expenditure	-	-	-
Property, Plant and Equipment	-	-	-
	0	0	0
Total Current Assets	22,513	13,053	6,850
Non current assets			
Available for sale financial assets	-	-	-
Exploration and evaluation expenditure	77	77	77
Property, Plant and Equipment	40	40	40
Total Non-Current Assets	117	117	117
Total Assets	22,630	13,170	6,967
Liabilities			
Current Liabilities			
Trade and other payables	294	294	294
Provisions	700	700	700

Total Current Liabilities	994	994	994
Total Liabilities	994	994	994
Net Assets	**21,636**	**12,176**	**5,973**
Equity			
Equity Attributable to Equity Holders of the Parent			
Contributed equity	38,838	29,378	23,175
Reserves	24,834	24,834	24,834
Accumulated losses	-42,036	-42,036	-42,036
Total Equity	**21,636**	**12,176**	**5,973**

Notes:

- Under the 50% Buy-Back scenario, total cash required to fund the Buy-Back of shares is $9,460,000.
- Under the 100% Buy-Back scenario, total cash required to fund the Buy-Back of shares is $15,663,000.

(d) Effect on the Company's capital structure

As at the date of this Shareholder Booklet, the Company has 450,497,346 fully paid ordinary shares on issue. All of the Shares that are bought back under the Buy-Back will be cancelled. Consequently, the Buy-Back will reduce the total number of Shares on issue.

If the Company buys back the maximum number of Shares under the Buy-Back, being 372,928,938 Shares (or 82.78% of Shares currently on issue), then the number of Shares on issue will be reduced by 372,928,938 to 77,568,408.

The Company also has the following options on issue:

Number	Class
4,200,000	173c Options expiring March 2014
1,855,651	116c Options expiring July 2014
607,137	104c Options expiring July 2014
576,495	108c Options expiring July 2014
766,714	67c Options expiring July 2014
1,418,922	66c Options expiring October 2014
425,811	58c Options expiring October 2014

(e) **Effect on control of the Company**

As a consequence of the cancellation of Shares bought back by the Company if the Buy-Back is implemented, the percentage shareholding and voting power of Shareholders who do not participate in the Buy-Back will increase.

This may materially alter the ownership makeup of the Company. At this point, it is not possible to determine the precise extent to which the ownership makeup of the Company will change, as that will be dependent on the level of participation in the Buy-Back.

Shareholders should however take into account the following considerations:

(i) ***Position of Mercantile***

The Company's largest Shareholder, Mercantile, has confirmed to the Company that it will not participate in the Buy-Back (ie, it intends to continue holding Shares).

The table below illustrates the potential outcomes for Mercantile in terms of ownership percentage and voting power at different levels of participation in the Buy-Back by other Shareholders:

Level of participation in the buy-back	**0% of Shareholders** (current levels of shareholdings)	**10% of Shareholders**	**25% of Shareholders**	**50% of Shareholders**	**75% of Shareholders**	**100% of Shareholders***
Shares bought back	Nil	45,049,735	112,624,337	225,248,673	337,873,010	372,928,938
Total Shares on issue following Buy-Back	450,497,346 (current level)	405,447,611	337,873,009	225,248,673	112,624,337	77,568,408
Number of Mercantile Shares following Buy-Back	77,568,408 (current level)	77,568,408 (current level)	77,568,408 (current level)	77,568,408 (current level)	77,568,408 (current level)	77,568,408 (current level)
Mercantile percentage of post Buy-Back Shares and voting power	17.22% (current level)	19.13%	22.96%	34.44%	68.87%	100%

Notes:

- Total number of Shares on issue before the Buy-Back is 450,497,346.
- 100% of Shareholders* represents the maximum number of Shares which can be brought back under the Buy-Back so excludes Mercantile's shareholding.
- Mercantile has advised that if following completion of the Buy-Back if it holds 90% or more of the Shares on issue it will proceed to compulsory acquisition of the outstanding Shares. See **Section 2.5(iii)** for further information about Mercantile's intentions.
- Calculations are rounded up to nearest whole Share where necessary.

Accordingly, in deciding how to vote on the Buy-Back, Shareholders should take into account the information below regarding Mercantile.

(ii) ***About Mercantile***

Mercantile is an ASX listed Australian company.

Mercantile invests in listed securities it believes offer attractive risk-adjusted returns.

As at 24 June 2013, Mercantile had a market capitalisation of approximately $24 million.

Mercantile's directors, and their qualifications and experience, are:

- **Sir Ron Brierley** - (Chairman and Non-Executive Director) Sir Ron founded Brierley Investments Ltd in 1961 and as Chairman of that company implemented his investment approach successfully over the next 30 years, retiring as a director in 2001. Sir Ron was appointed Chairman of Guinness Peat Group plc (GPG) in 1990 where he also applied his investment approach. Sir Ron stepped down as Chairman of GPG in 2010, and remains a non-executive director.

  He is the Chairman of Mercantile and is a director of Guinness Peat Group plc.

- **Mr. James Chirnside** - (Independent Non-Executive Director) James has been focused in emerging markets and absolute return investment management for twenty-one years in Melbourne, Sydney, Hong Kong, and London.

  James is the Managing Director of Asia Pacific Asset Management, a specialist emerging market investment firm based in Sydney. James previously worked for Challenger Financial Group and prior to that was country head for India, Indonesia and Australia whilst at Regent Fund Management in Hong Kong and London. James has also worked for County Natwest in London as head of proprietary trading for Asia and focused on country funds and arbitrage strategies.

  James holds directorships in WAM Capital Limited and Cadence Capital Limited.

- **Mr. Ronald Langley** *BCom (Hons)* - (Independent Non-Executive Director) Ron is a non executive director of PICO Holdings, Inc., having retired as executive chairman in 2007 and non executive chairman in 2012. He is a past director of Guinness Peat Group plc, Jungfraubahn Holding AG and Redflex Holdings Limited.

  He has been an international value investor for the past 33 years and has held directorships in companies in several countries around the world. After living in the US for 25 years and building two substantial businesses, Ron returned to Sydney in 2009 and manages a personal investment fund which includes some unlisted emerging companies.

- **Mr. Gabriel Radzyminski** *BA (Hons), MCom* - (Executive Director) Gabriel is the founder and Managing Director of Sandon Capital Pty Ltd, a boutique investment management and advisory firm. He is portfolio manager of the Sandon Capital Activist Fund. Sandon Capital also provides advisory services to Shareholders seeking to implement activist strategies.

  Gabriel also holds directorships in RHG Limited, Armidale Investment Corporation Limited and Murchison Metals Limited.

- **Dr. Gary Weiss** *LLB (Hons), LLM, JSD* - (Non-Executive Director) Gary is the Chairman of Secure Parking Pty Ltd, Executive Director of Ariadne Australia Limited, and a director of Premier Investments Limited, Ridley Corporation Limited, Pro-Pac Packaging Limited and Victor Chang Cardiac Research Institute.

  Gary has extensive international business experience and has been involved in numerous cross border mergers and acquisitions.

Further details regarding Mercantile, including the names and biographies of its board of directors, can be found by visiting Mercantile's ASX announcements.

(iii) ***Mercantile's intentions***

In view of the potential increase in Mercantile's percentage shareholding and voting power in Murchison following implementation of the Buy-Back, the Company has sought confirmation from Mercantile regarding its intentions in the event the Buy-Back is implemented.

This Section sets out the present intentions of Mercantile as communicated to the Company. The present intentions of Mercantile set out below may change as a consequence of the passage of time or a change in circumstances of the Company or Mercantile.

(A) **Mercantile's intentions if it holds 90% or more of the Shares after the Buy-Back**

This section sets out Mercantile's current intentions if following completion of the Buy-Back it holds 90% or more of the Shares and is entitled to proceed to compulsory acquisition of the outstanding Shares.

Intention to compulsory acquire and delist

If it becomes entitled to do so under the Corporations Act, Mercantile intends to proceed with compulsory acquisition of the remaining Shares in accordance with the Corporations Act, including if possible any outstanding options.

At the conclusion of the compulsory acquisition process, Mercantile intends to arrange for Murchison to be removed from the official list of the ASX.

Murchison's investment strategy

Mercantile intends to operate the Company as a wholly owned subsidiary of Mercantile in accordance with the investment strategies of Mercantile. Further information regarding the risks associated with Murchison's investment strategies are set out in **Section 5.2**.

Operations and employees

While it currently has no active operations and no employees, the Company has a number of ongoing obligations and financial commitments which are set out in **Section 5.2(g)**.

Murchison's Board

Mercantile will replace all members of the Board that are not Mercantile nominee directors with its own nominees, which may include current Mercantile directors.

(B) **Mercantile's intentions if it holds more than 50% but less than 90% of the Shares after the Buy-Back**

This section sets out Mercantile's intentions if following completion of the Buy-Back Mercantile were to gain effective control of Murchison, but not become entitled to compulsorily acquire the outstanding Shares.

Murchison's investment strategy

If following completion of the Buy-Back, Mercantile holds more than 50% but less than 90% of the issued share capital in Murchison and is not entitled to any compulsory acquisition of the Shares, it is proposed that Murchison will undertake a review of the strategic options available to it.

Mercantile has not identified any specific investment opportunities to be put to Murchison as at the date of this Explanatory Statement.

Murchison's Board

Following completion of the Buy-Back, Mercantile will undertake a review of the makeup of the Board. Whether or not Mercantile seeks to replace any of the existing Directors or seeks to have any additional nominee directors appointed to the Board, will depend on the level of its shareholding in Murchison following implementation of the Buy-Back and the results of its strategic review.

Whilst potential replacement Board members have not yet been identified, it is likely that the candidates who will be considered by Mercantile for appointment to the Board will be executives or officers with appropriate experience, qualifications and skills for Murchison and its business and to implement Mercantile's intentions for Murchison.

Operations and employees

While it currently has no active operations and no employees, the Company has a number of ongoing obligations and financial commitments which are set out in **Section 5.2(g)**.

It is anticipated that depending on the level of participation in the Buy-Back and the results of Murchison's strategic review following implementation of the Buy-Back, the Company will need to recruit and retain staff and management personnel and pay directors' fees to all directors. This will result in increased costs to the Company.

ASX listing

Whether Mercantile will support Murchison's continued listing on the ASX will depend on the level of concentration of ownership of Shares following implementation of the Buy-Back.

Following implementation of the Buy-Back, Mercantile may support Murchison's delisting from the ASX if ownership of the Shares is significantly concentrated and the costs and regulatory burdens associated with retaining its ASX listing outweigh the advantages of remaining listed.

Minimum Holding Buy-Back

If following completion of the Buy-Back, Mercantile holds more than 50% but less than 90% of the issued share capital in Murchison, Mercantile intends to support the Minimum Holding Buy-Back on the terms and conditions set out in **Section 2.5(i)**.

If the Minimum Holding Buy-Back proceeds, Mercantile will further increase its proportion of Shares.

Intentions to inject further capital into Murchison

Mercantile has no plans to inject further capital into Murchison.

Financial and dividend policies

Mercantile does not believe it is appropriate for the Company to commit to a pre-set dividend policy. Mercantile believes it would instead be preferable for the Board to determine dividend payments from time to time having regard to the Company's financial position and investment plans.

Mercantile does not otherwise have any intention of seeking any change in Murchison's financial policies.

Intention to increase shareholding

Owing to the size of its shareholding, Mercantile's ability to substantially increase its voting power in Murchison will be subject to limitations under the Corporations Act, unless the increase occurs by way of a control transaction such as a takeover or scheme of arrangement or pursuant to an exception such as the ability to "creep" by three percent every six months.

(iv) ***Position of other substantial Shareholders***

As at the date of this Shareholder Booklet, POSCO is the only other substantial Shareholder to confirm its intentions in relation to the Buy-Back. POSCO has advised the Company that it supports the Buy-Back but has not yet decided whether it will participate in the Buy-Back by selling its Shares.

Shareholders should note that the Register is relatively concentrated, with 20 Shareholders holding approximately 72% of all issued Shares as at 14 June 2013.

If a proportion of the large Shareholders in addition to Mercantile do not participate in the Buy-Back and instead choose to retain their Shares, and other Shareholders choose to participate in the Buy-Back, it is likely that ownership of Shares will become more concentrated following implementation of the Buy-Back than is currently the case.

(f) **Strategic review**

Following implementation of the Buy-Back, Murchison intends to conduct a strategic review of the options and investment opportunities available to it. The strategic review will take into consideration the level of concentration of ownership of Shares following implementation of the Buy-Back.

Murchison has historically invested in the natural resources sector. Murchison's current natural resources assets comprise:

- a 3.2% shareholding in unlisted iron ore company, Cashmere Iron Ltd. On 21 December 2012, the Board announced to the ASX that it had written down the value of its stake in Cashmere from $2 million to nil;
- exploration licenses

Exploration License	Annual Expenditure Commitment
E45/4004 – Ripon Hills	$15,000
E45/4005 – Ripon Hills	$15,000
E31/733 – Duck Hills (50% interest)	$15,000*

*The manager of the joint venture is responsible for the expenditure program and budget and at this stage the Company has not received this information.

- royalties from four tenements the Company sold in 2010. Under the agreement, the Company is entitled to royalties as follows:
  - in the case of iron ore, 1% of free on board gross revenue received by the purchaser from the sale of iron ore mined from the tenements; and
  - in the case of all other minerals mined and sold from the tenements 1% of the gross sales revenue received by the purchaser.

Any proposal by the Company to make a significant change to the nature or scale of its activities will be subject to the disclosure and Shareholder approval requirements imposed by the ASX Listing Rules.

(g) **Impact on the liquidity of the Shares**

As noted in **Section 2.5(e)** above, the Buy-Back may have the effect of significantly concentrating the ownership of Shares, including a concentration of up to 100% of Shares being held by Mercantile alone. Since the announcement of the Company's proposal to undertake an equal access Buy-Back, the Shares have generally experienced low trading liquidity. The cancellation of Shares under the Buy-Back, combined with the potential for a significant concentration of ownership of the remaining Shares, may further reduce the liquidity of those remaining Shares, especially if there are high levels of participation in the Buy-Back.

As a consequence of the outflow of funds under the Buy-Back, the market capitalisation of the Company is likely to fall after the implementation of the Buy-Back. This may lead to a reduction in the level of investor interest in the Company and therefore further reduce trading liquidity in the Shares.

(h) **What are the general tax implications for the Company?**

It is unlikely that the Buy-Back will result in any adverse income tax implications for the Company.

The Buy-Back may impact upon the Company's ability to utilise prior year tax losses against future taxable income of the Company. These implications are discussed in further detail at **Section 3(f)**.

(i) **Unmarketable parcels and Minimum Holding Buy-Back**

Following the Buy-Back, Murchison intends to institute Minimum Holding Buy-Back. The ASX Listing Rules provide that any shareholding valued at less than $500 is considered to be an Unmarketable Parcel.

Under the ASX Listing Rules, the Company is able to purchase Unmarketable Parcels held by Shareholders, unless the Shareholder instructs the Company not to purchase some or all of the Shares.

The Minimum Holding Buy-Back will enable Shareholders holding an Unmarketable Parcel to realise their Shares without brokerage and other expenses and to reduce the significant administrative and registry costs associated with the Unmarketable Parcels.

On the basis of the 60 day VWAP for shares in Murchison as at the close of business on 12 July 2013 of $0.0406, an Unmarketable Parcel is currently a parcel of Murchison Shares of 12,316 or less. However, the definition of Unmarketable Parcel for the purpose of the Minimum Holding Buy-Back and the price at which Shares will be bought back will be determined based on the VWAP of Shares at the time of the Minimum Holding Buy-Back.

Under the Minimum Holding Buy-Back, holders of Unmarketable Parcels will have their Shares bought back by the Company and then cancelled in accordance with the Corporations Act, unless they otherwise elect to retain their Shares.

Holders of Unmarketable Parcels should consider the information set out **Sections 3** and **5** when deciding whether to elect to retain their Shares.

A separate notice setting out the terms and conditions of the Minimum Holding Buy-Back will be provided to relevant Shareholders following implementation of the Buy-Back.

(j) **ASX spread requirement**

Under ASX Listing Rule 12.4.1, the Company must maintain a spread (that is, dispersion) of Shareholders which, in the opinion of the ASX, is sufficient to ensure that there is an orderly and liquid market in its securities.

The minimum spread requirement is generally the same as that which applies to a newly listed entity, although the ASX has the discretion under the Listing Rules to apply other benchmarks to determine the sufficiency of a company's spread.

As noted previously in this Shareholder Booklet, the Buy-Back may have the effect of significantly concentrating the ownership of the Shares following the implementation of the Buy-Back, which may impact the Company's ability to satisfy the ASX's spread requirements.

The effect of Listing Rule 12.4.1 is that if the ASX determines that the Company does not have a sufficient spread of Shareholders, it may require the Company to do each of the following:

- obtain the required spread within three months after the date the ASX requires it to do so; and
- tell all Shareholders in writing that if the required spread is not obtained within three months after the date specified by the ASX, the ASX may suspend quotation of Shares.

In those circumstances, the Company would need to take actions with a view to ensuring that it obtains the relevant level of spread. This may include the issue of new Shares.

If the Company is unable to achieve the required level of spread, the ASX may exercise its discretion to suspend quotation of the Shares, which would materially adversely affect the ability of Shareholders to buy and sell Shares.

2.6 Other alternatives considered by the Board

On 20 February 2012, Murchison announced that it had completed the sale of its 50% interest in Crosslands Resources Ltd (the owner of the Jack Hills iron ore project) and its 50% economic interest in the Oakajee Port and Rail project, to Mitsubishi Development Pty Ltd (**Mitsubishi Transaction**).

Following completion of the Mitsubishi Transaction, the Board undertook an extensive review to assess the distribution of the majority of Murchison's cash assets to Shareholders, against the alternative of potential investment opportunities in the natural resources sector.

After an exhaustive process, the Board concluded that none of the investment opportunities considered by it had the potential to enhance Shareholder value within an acceptable time horizon and accordingly the Board resolved to focus on the distribution of Murchison's cash assets to Shareholders. Approximately $207 million was returned to Shareholders in September 2012.

Shareholders were updated on the progress of the Board's capital management reviews through disclosures to the ASX, including those made in the Notice of Extraordinary General Meeting dated 13 July 2012 and in Murchison's 2012 Annual Report released on 25 October 2012.

Under the previous Board, the Company was pursuing a path of a final return of capital in February/March 2013 in the range of $0.035 – $0.04 per Share ($15.84 million - $18.09 million), following which the previous Board intended to conduct a voluntary members' liquidation of the listed shell and subsidiaries (**Liquidation Option**). The Liquidation Option was not supported by Mercantile.

On 29 November 2012 there was a change in the composition of the Board, with the Chairman and Managing Director both resigning in favour of two new directors proposed by Mercantile. The new Board, comprising Messrs Paul Jensen, Gabriel Radzyminski and SC Shin, considered the Company's capital management options and various ways to return capital to Shareholders.

As a result of further consideration of the Company's capital management options and advice received from management, the Board concluded that an equal access off-market share buy-back was the most efficient means of returning capital to those Shareholders wanting to exit the Company at a price equal to or above the price they would have received if the Company pursued the Liquidation Option and above the prevailing market price of the Company's shares.

In considering the price at which the Buy-Back will be conducted, Directors had regard to the ability of the Company to continue to operate and remain solvent for a minimum of 12 months from the date the Buy-Back is effected.

3 Advantages and disadvantages of the Buy-Back for Shareholders

(a) **Introduction**

Set out below are the advantages and disadvantages of the Buy-Back for Shareholders as identified by the Board. A discussion of the advantages and disadvantages associated with the Buy-Back is also set out in the Independent Expert's Report at page 4.

In recognition of the potentially differing objectives of Shareholders, the advantages and disadvantages are arranged as follows:

- advantages of the Buy-Back for Shareholders who sell their Shares;
- disadvantages of the Buy-Back for Shareholders who sell their Shares;
- advantages of the Buy-Back for Shareholders who retain their Shares; and
- disadvantages of the Buy-Back for Shareholders who retain their Shares.

The Independent Director considers that the Buy-Back is the most appropriate option for the Company and its Shareholders as it responds to the different objectives of Shareholders. Accordingly the Independent Director (as defined in **Section 4.1**) recommends that Shareholders vote in favour of the Buy-Back Resolution. This recommendation has been made by the Independent Director having regard to the advantages and disadvantages associated with the Buy-Back.

(b) **Advantages of the Buy-Back for Shareholders who sell their Shares**

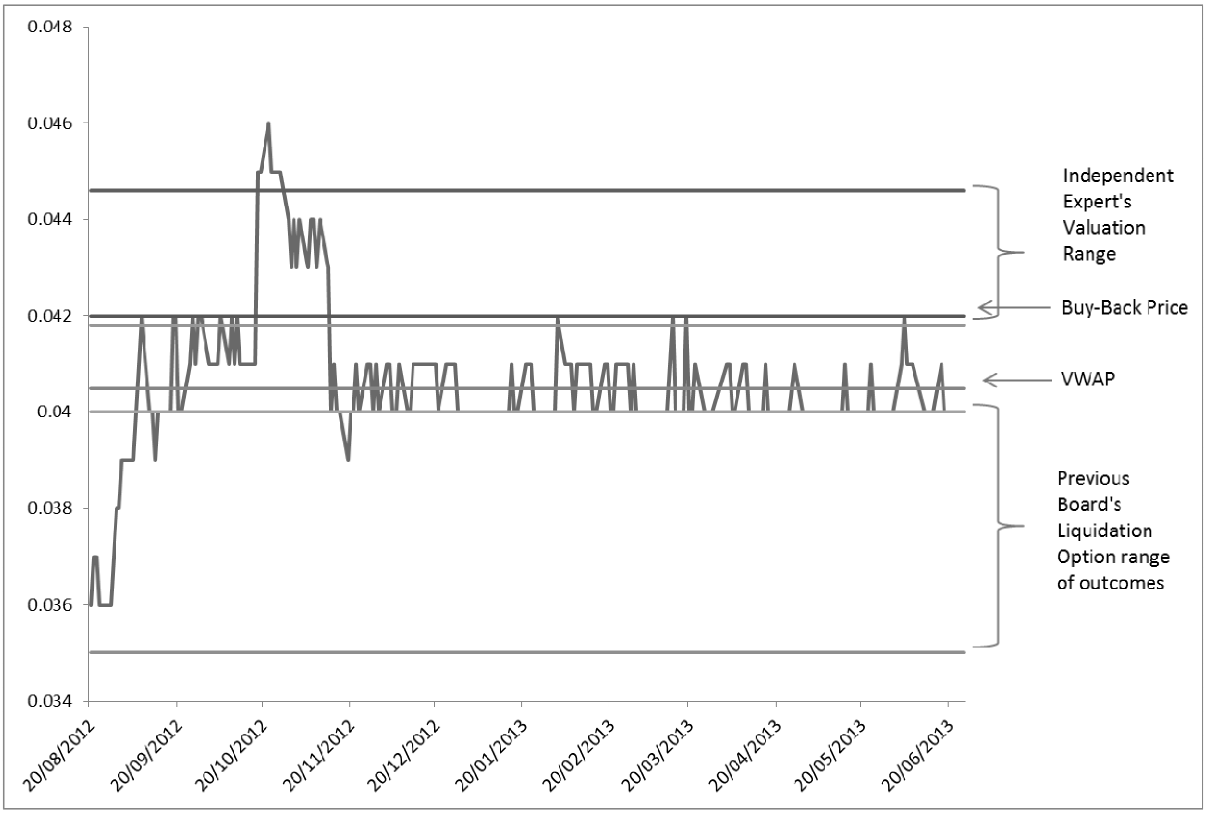
(i) ***The Buy-Back Price provides a certain cash price and is at a premium to market price***

The Buy-Back provides Shareholders who wish to sell Shares with the opportunity to receive \$0.042 for each Share sold under the Buy-Back.

The amount of \$0.042 represents a 3.7% premium to the 30-day VWAP of Shares prior to the announcement of the Buy-Back on 28 December 2012 (of \$0.0408).

The graph below shows:

- the Independent Expert's valuation range;
- the Buy-Back price;
- the Share price performance of Murchison from 20 August 2012 to 25 June 2012; and
- previous Board's Liquidation Option range of outcomes.



(ii) ***Ability to realise all or a proportion of your investment in the Company***

Since 20 August 2012 (when shares went ex-entitlement to the $0.46 per share return of capital), Murchison has generally experienced relatively low levels of trading liquidity in its Shares on the ASX.

Shareholders who participate in the Buy-Back will be able to sell back to the Company 100% of their Shares, at $0.042 per Share which represents a premium to recent trading prices.

There is no guarantee that Shareholders could achieve such a level of liquidity if the Buy-Back does not proceed. Indeed, since the announcement of the proposed Buy-Back, the Shares have generally experienced low trading liquidity.

Since 20 August 2012, when Shares went ex-entitlement to the $0.46 per Share return of capital, average daily volume of Shares traded has been 1,924,516 per day, which at the VWAP since that date has an average daily value of $76,018.

It is possible that current levels of liquidity in the Shares are based on an expectation of the Buy-Back occurring. There is the potential for liquidity to decrease following the Buy-Back (or if the Buy-Back is not approved). Further, as the size of the Company may be substantially reduced following completion of the Buy-Back, there is the potential that liquidity in the Shares may be further reduced.

Shareholders should note that there is no guarantee that following the Buy-Back Shares will trade near the post-Buy-Back net asset value. Indeed there is a risk the Shares may trade at market prices below the post-Buy-Back net asset value.

(iii) ***More flexibility than under the previous Board's Liquidation Option***

Under the previous Board's Liquidation Option, if liquidation had been put to Shareholders and approved, all Shareholders would be bound by the decision of the majority, whether they supported liquidation or not. This means that even if a Shareholder did not want to exit their investment, they would be forced to exit under liquidation of the Company.

The equal access buy-back mechanism provides Shareholders with choice, both as to whether to support the Buy-Back and whether to participate in the Buy-Back.

(iv) ***Ability to rebalance***

The Buy-Back enables Shareholders who wish to do so to rebalance their investment in the Company, by participating in the Buy-Back for some (but not all) of their Shares. Such Shareholders have the opportunity to benefit from the liquidity offered by the Buy-Back in respect of some of their Shares but retain some exposure to Murchison as it recommences investment activities.

(v) ***No brokerage***

Ordinarily Shareholders will not need to pay brokerage under the Buy-Back. Conversely, you may have to pay brokerage if you were to sell your Shares on the ASX.

(vi) ***Reduced exposure to the Company's business***

Shareholders who sell back their Shares will reduce their exposure to the Company's business accordingly.

(c) **Disadvantages of the Buy-Back for Shareholders who sell their Shares**

(i) ***Loss of potential benefits***

Shareholders who sell their Shares under the Buy-Back will forgo (to the extent they sell down their shareholding) any benefits of remaining a Shareholder.

Equally, such Shareholders will reduce their exposure to the risks of remaining a Shareholder, as outlined in **Section 5**.

(ii) ***Exit price***

As outlined in **Section 2.5(e)**, the Buy-Back may allow Mercantile to significantly increase its voting power in Murchison and potentially acquire a level of control over Murchison.

In that event, Shareholders may consider the consideration of $0.042 per Share under the Buy-Back does not include a sufficient premium for their Shares.

Any increase in Mercantile's voting power in Murchison and the level of control, if any, it is able to exercise over the Company following implementation of the Buy-Back, will depend on the level of participation in the Buy-Back by other Shareholders.

(iii) ***Delisting of Murchison***

As outlined in **Section 2.5(j)**, implementation of the Buy-Back may have the effect of significantly concentrating the ownership of the Shares, which may impact the Company's ability to satisfy the ASX's spread requirements.

Further, Murchison may elect to delist if ownership of the Shares is significantly concentrated and the costs and regulatory burdens associated with retaining its ASX listing outweigh the advantages of remaining listed.

If following implementation of the Buy-Back, ASX requires Murchison to delist or Murchison chooses to delist, the delisting may materially adversely affect the trading liquidity in the Shares.

(d) **Advantages of the Buy-Back for Shareholders who retain their Shares**

(i) ***Flexibility***

Implementation of the Buy-Back does not prevent a Shareholder from deciding in the future that they would like to sell their Shares in the Company (although the liquidity of Shares may be reduced; see **Section 3(e)(iii)**).

(ii) ***Increase in voting power***

The cancellation of Shares bought back under the Buy-Back will have the effect of increasing the percentage shareholding, and voting power, of Shareholders who do not participate in the Buy-Back. The extent of the increase will depend on the number of Shares bought back and cancelled under the Buy-Back.

(iii) ***Increase in net asset value (NAV) per Share***

Shareholders who retain their Shares will have the opportunity to participate in the potential accretion to NAV per Share arising from the cancellation of Shares bought back under the Buy-Back. Please refer to the table in **Section 2.4** for an illustration of the potential accretion to NAV per Share, depending on different levels of participation in the Buy-Back.

(iv) ***No liquidation costs***

As described in **Section 2.6**, it was previously proposed that the Company would seek to realise all non-cash assets, seek approval from Shareholders to wind-up the Company and return available cash to Shareholders. The current Buy-Back proposal ensures cash can be returned to those Shareholders looking to sell their Shares without the need to incur the significant costs associated with liquidating a company.

(v) ***Continued exposure to Murchison's business***

Shareholders who choose not to participate in the Buy-Back will continue to own their Shares and will retain exposure to Murchison and its business, including any value which may result from any new investment activities undertaken by the Company.

Not participating in the Buy-Back may therefore appeal to Shareholders who consider there is an opportunity for value enhancement in respect of any recommencement of Murchison's investment activities.

Subject to the results of a strategic review to be conducted following implementation of the Buy-Back and any required Shareholder approvals of a significant change to the nature or scale of its activities, Murchison may adopt an investment strategy that is different to Murchison's existing strategy. Shareholders may consider the potential that Murchison may pursue such an investment approach an advantage of remaining invested in the Company.

However, there will also be continuing investment risks associated with owning Shares, as outlined in **Section 5**.

(vi) ***Diversification***

If and when new investments are made by the Company, this will have the effect of spreading investment risk across a more diverse investment portfolio.

However, this is unlikely to be an immediate benefit, since Murchison's reduced capital base following implementation of the Buy-Back is likely to constrain, at least initially, the level of new investment activity undertaken by the Company (as explained further in **Section 3(e)** below).

(e) **Disadvantages of the Buy-Back for Shareholders who retain their Shares**

(i) ***Impact of the Mercantile shareholding on control and takeovers***

Depending on the number of Shares bought back by the Company, the percentage shareholding of Mercantile may increase to as much as 100%. It is unlikely that Mercantile's shareholding would increase to 100%, however, it is likely that Mercantile's shareholding would increase to 50% or greater. If Mercantile were to obtain a shareholding of 50% or greater, it would give Mercantile effective control of the Company and the ability to determine the outcome of certain resolutions put to Shareholders. The interests of Mercantile may be different from those of other Shareholders.

Under the Buy-Back, Mercantile may obtain such a level of control without having made a formal takeover offer for Murchison.

If at any time in the future Mercantile were to decide to takeover the Company, its large percentage shareholding may mean that it may offer a lower price to acquire the remaining Shares than would be the case if it did not have such a substantial shareholding in the Company.

Shareholders should note that whilst **Section 2.5(e)(iii)** above sets out Mercantile's intentions for Murchison, they are only Mercantile's intentions as at the date of this Shareholder Booklet, and may change over time, potentially resulting in changes to Murchison and its strategy and activities.

If Mercantile owns more than 25% of the Shares after the Buy-Back, it will be sufficient to prevent a third party from acquiring the Company by way of a scheme of arrangement. As Mercantile already owns more than 10% of the Shares, it can prevent a third party from proceeding to compulsory acquisition following a takeover. Accordingly, if any person wished to acquire 100% of the Company, they would need the support of Mercantile in these circumstances. This may deter takeover bids for the Company from being made and deprive Shareholders of the potential benefit of any control premium that an acquirer may be willing to pay for the Company.

(ii) ***Reduction in cash***

There will be a reduction in the overall cash in the Company following implementation of the Buy-Back. The amount of the reduction will depend on the level of Shareholder participation in the Buy-Back and the number of Shares bought back. See the table in **Section 2.4** for an illustration of potential outcomes for Shareholders who elect not to participate in the Buy-Back.

In the initial period following the implementation of the Buy-Back, the Company's ability to execute a strategy of recommencing investment activities may be constrained by its reduced capital base.

The Company may need to raise more funds from debt or equity markets to make investments, which may be more expensive than would have been the case had cash not been distributed as part of the Buy-Back.

(iii) ***Potential impact on liquidity***

Taken together, the impact of:

- Mercantile's shareholding (see **Section 3(e)(i)**);

- the Company's reduced capital base following implementation of the Buy-Back (see **Section 3(e)(ii)**);
- the potential for additional Share ownership concentration in the event that other large Shareholders choose not to participate in the Buy-Back (see **Section 2.5(e)(iv)**); and
- the Company's likely lower market capitalisation and the potential for reduced investor interest as a result (see **Section 2.5(g)**),

may materially adversely affect the trading liquidity in the Shares following the implementation of the Buy-Back. This in turn may adversely affect the trading prices of the Shares.

(iv) ***Increase in proportion of Company costs borne by remaining Shareholders***

The costs involved in operating the Company, including accounting, legal, insurance, asset maintenance and regulatory compliance costs are expected to remain at current levels following implementation of the Buy-Back (subject to the potential de-listing of the Company which would have the effect of reducing costs). Further information regarding Murchison's current levels of expenditure is set out at **Section 5.2(g)**.

A concentration of ownership of the Shares following implementation of the Buy-Back would have the effect of proportionally concentrating the costs incurred in operating the Company among the remaining Shareholders.

Current estimates provided by management indicate a cost of approximately $620,000 per annum of ongoing expenses should the Company remain listed.

(v) ***Exposure to ongoing investment activities***

Shareholders will remain exposed to the potential risks associated with the Company, as set out in the **Section 5**. Shareholders should carefully review **Section 5** before making a decision on how to vote on the Buy-Back Resolution.

(f) **Tax losses**

The Buy-Back may impact upon the Company's ability to utilise prior year tax losses of approximately $19 million against future taxable income of the Company.

Generally, the Company must pass the continuity of ownership (**COT**) to set off prior year tax losses against its taxable income in a given income year. While the proportionate change in ownership of the Company as a result of the Buy-Back will depend on the number of Shares that are ultimately bought back, a material risk exists that the Buy-Back will result in the Company failing the COT. Even if the Company does not fail the

COT as a result of the Buy-Back, the Buy-Back could increase the likelihood that the Company will fail the COT in the future.

Even if the Company fails COT, it may nonetheless utilise prior year tax losses if it is able to pass the same business test (**SBT**). It is not possible to measure the risk of the Company failing to pass SBT as it is not possible to predict the nature of the Company's business activity in the future. However, it is noted that the Commissioner of Taxation takes a strict view of the application of the SBT in determining whether tax losses are available for utilisation.

4 Independent Director's commentary regarding the Buy-Back

4.1 Independent Director

This **Section 4** sets out the commentary of the Independent Director regarding the Buy-Back.

ASIC Regulatory Guide 110 recommends that a commentary of this nature be provided by the independent directors of a company undertaking a significant share buy-back. The ASX Corporate Governance Principles and Recommendations list being an officer of a substantial shareholder of a company or an officer of, or otherwise associated directly with, a substantial shareholder of the company as factors to consider when determining the independent status of a director. In accordance with the guidance of ASIC and ASX, this commentary is being given by the Independent Director of Murchison (being Mr Paul Jensen) (the **Independent Director**) and not Messrs Gabriel Radzyminski and Soocheol Shin.

(a) Mr Gabriel Radzyminski

Mr Gabriel Radzyminski is a director of Mercantile which has voting power of 17.22% of the Shares. Mercantile has confirmed that it will not participate in the Buy-Back which will see its relevant interest and voting power in the Company increase (as will occur in respect of all Shareholders who do not participate in the Buy-Back (see also the table at **Section 2.5(e)(i)**)).

As a result of his relationship with Mercantile, Mr Gabriel Radzyminski has advised the Board that he does not consider himself an independent director of Murchison or accordingly does not consider it appropriate to make a recommendation to Shareholders in respect of the Buy-Back.

(b) Mr Soocheol Shin

Mr Soocheol Shin is a Managing Director of POSCO Australia Pty Ltd which is a 100% subsidiary of POSCO. On 1 March 2012, Mr Soocheol Shin was nominated as a non-executive director in Murchison by POSCO which has voting power of 13.45% of the Shares. POSCO has advised the Company that it supports the Buy-Back but has not yet decided whether it will participate in the Buy-Back by selling its Shares.

As a result of his relationship with POSCO, Mr Soocheol Shin has advised the Board that he does not consider himself an independent director of Murchison or accordingly does not consider it appropriate to make a recommendation to Shareholders in respect of the Buy-Back.

4.2 Recommendation to vote in favour

The Independent Director considers that the Buy-Back is an appropriate option for the Company and its Shareholders that responds to the different objectives of Shareholders. Accordingly the Independent Director recommends that Shareholders vote in favour of Buy-Back Resolution. This recommendation has been made by the Independent Director having regard to the advantages and disadvantages associated with the Buy-Back.

Although the Independent Director recommends that Shareholders vote in favour of and approve the Buy-Back Resolution, he makes no recommendation to Shareholders as to whether they should accept the Offer to buy-back their Shares. Such a decision is a matter for each Shareholder to determine having regard to their own individual circumstances and if appropriate or required, after taking into account professional and financial advice and the contents of this Shareholder Booklet and the accompanying Independent Expert's Report.

The Independent Director also wishes to provide the following commentary and guidance regarding the Buy-Back for consideration by Shareholders.

4.3 Independent Expert's Report

To assist Shareholders in their consideration of the Buy-Back, the Board commissioned Grant Thornton (the **Independent Expert)** to prepare an independent expert's report containing a valuation of the Shares and a discussion of the advantages and disadvantages of the Buy-Back. A copy of the report accompanies this Shareholder Booklet and should be read carefully by Shareholders.

The Independent Expert has concluded that the Buy-Back is fair and reasonable to Shareholders.

The Independent Director stresses that the Independent Expert's Report is the work and opinion of the Independent Expert and does not necessarily represent the Independent Director's views.

The Independent Director does however consider the Independent Expert's Report to be a useful document for Shareholders to consider when assessing the potential financial effects of the Buy-Back, enabling Shareholders to take those effects into account when deciding on the action to take in their particular circumstances.

For the reasons outlined in the Independent Expert's Report, the Independent Expert has determined a valuation range of the Shares of \$0.0418 to \$0.0446 per Share on a control basis. In comparison, Shareholders are being offered the opportunity under the Buy-Back of receiving \$0.042 for each Share bought back.

The Independent Director believes that Shareholders should have regard to the following matters when considering the Independent Expert's Report:

(a) advantages for participating Shareholders:

    (i) opportunity for Shareholders who are seeking to realise their investment in Murchison to do so via an off-market transaction; and

    (ii) no transaction costs.

(b) disadvantages for participating shareholders:

   (i) potential for relative increase in interest for Murchison's largest Shareholder; and

   (ii) investment in Cashmere and other exploration assets.

(c) other factors

   (i) decrease in number of shares on issue and potential impact on liquidity;

   (ii) tax liability;

   (iii) ability to pay its creditors; and

   (iv) share price of Murchison in the absence of the Proposed Buy-Back.

4.4 The Buy-Back

(a) **Introduction**

The Independent Director believes the Buy-Back provides a means to appropriately address the differing investment objectives of the Company's Shareholder base, by providing the opportunity for the following outcomes:

- **Retain Shares and provide other Shareholders with the opportunity to participate in the Buy-Back:** Those Shareholders who wish to retain their Shares in Murchison can consider voting in favour of the Buy-Back to authorise the implementation of a buy-back to provide other Shareholders with different investment objectives an opportunity to sell down their investment in Murchison.
- **Realise investment:** Those Shareholders who wish to sell their Shares in Murchison and not participate in any recommencement of Murchison's investment activities, can consider voting in favour of the Buy-Back and, if the Buy-Back Resolution is approved at the EGM, consider participating in the Buy-Back for up to 100% of their Shares.

  The Buy-Back provides a means for Shareholders to realise their investment without the Company incurring the significant costs associated with a liquidation.
- **Rebalance:** Those Shareholders who wish to rebalance their holding of Shares by realising some of their investment, but also maintain some exposure to Murchison can consider voting in favour of the Buy-Back and, if the Buy-Back Resolution is approved at the EGM, participate in the Buy-Back for some (but not all) of their Shares.

Considering each of these possibilities in turn:

(b) **The Buy-Back and Shareholders who wish to retain their Shares**

For Shareholders who are minded to retain their investment in the Company, there is a threshold question as to whether they wish Murchison to resume investment activities or not.

In considering this issue, such Shareholders should take into account the proposed investment objectives of the Company following implementation of the Buy-Back (see **Section 2.2**) and the disadvantages and risks associated with remaining a Shareholder as Murchison recommences investment activities after the Buy-Back, as outlined in **Sections 3** and **5**.

The Independent Director recognises that following the implementation of the Buy-Back, Murchison, amongst other things, may have a significantly smaller capital base, a very significant Shareholder in Mercantile and a more concentrated ownership spread, all of which may materially affect the liquidity of Shares at least in the initial period following implementation of the Buy-Back.

However, Murchison will also have experienced management and a significant cornerstone investor in Mercantile, providing a platform for any recommencement of the Company's investment activities.

Shareholders who continue to hold Shares following the implementation of the Buy-Back will also:

- have the potential to benefit from an NAV uplift as a result of the cancellation of Shares under the Buy-Back and from any upside from the Company's future investment activities. Shareholders should refer to the table in **Section 2.4** for an illustration of potential outcomes for Shareholders who elect not to participate in the Buy-Back ; and
- bear a significantly greater proportion of Murchison's fixed costs and obligations. Shareholders should refer to **Section 3(e)(iv)** for a discussion on these consequences.

Taking into account these considerations, the Independent Director considers the Buy-Back merits consideration by Shareholders who:

- are comfortable with the balance of the advantages and disadvantages associated with remaining a Shareholder following implementation of the Buy-Back as set out in **Section 3**, including the possibility of Mercantile having a very significant shareholding, the Company's reduced capital base and the potential for reduced trading liquidity in the Shares; and
- who are prepared to accept the risks of such a strategy as outlined in **Section 5**.

For such Shareholders, the Independent Director recommends that they vote in favour of the Buy-Back and consider not participating, or at least not electing to participate in full, in the Buy-Back.

(c) **The Buy-Back and Shareholders who wish to realise their investment in Murchison**

The Independent Director recognises there are other Shareholders who are looking for an exit from their investment and wish to sell their Shares. Since the announcement of the proposed Buy-Back on 28 December 2012, those Shareholders have faced the challenge of insufficient liquidity at appropriate prices. The Buy-Back presents such Shareholders with an opportunity to realise their investment in Murchison at a certain cash price per Share.

As a result of Mercantile agreeing not to participate in the Buy-Back, other Shareholders who wish to do so will be able to participate in the Buy-Back for 100% of their shareholding, regardless of the extent that other Shareholders choose not to participate in the Buy-Back.

The Independent Director is also conscious that $0.042 is less than the NAV of the Company of $0.047 as at 31 May 2013 (the most recently announced NAV figure as at the date of this Shareholder Booklet) and within the valuation range of $0.0418 to $0.0446 per Share contained in the Independent Expert's Report. However:

- Shareholders should refer to the comments in **Section 4.3** regarding the valuation range in the Independent Expert's Report.
- The Buy-Back represents an opportunity to provide substantial liquidity, at a certain cash sum per Share, to a large number of Shareholders in circumstances where liquidity in Shares has been limited in the past.
- The Buy-Back is at a price superior to the range outcomes proposed under the previous Board's Liquidation Option ($0.035-$0.04).
- The Buy-Back provides Shareholders with choice as to whether they approve the Buy-Back and also whether they elect to participate in the Buy-Back. For example, a Shareholder might support the Buy-Back, but elect to have only a portion of their Shares bought back.
- Shareholders electing to continue will be required to bear costs required for the Company to continue to operate (as described in **Section 3(e)(iv)**). These costs are, depending on the level of participation in the Buy-Back, likely to represent an increased proportion of the Company's remaining capital base.
- As set out in **Section 5**, continuing Shareholders also face certain risks as a result of retaining their investment in the

Company. These include the possibility that ASX may require Murchison to delist or Murchison may elect to delist (see **Section 5.2(c)**), the potential that liquidity in the Shares may be further reduced (see **Section 5.2(d)**) and the risks associated with the potential significant increase in Mercantile's shareholding in the Company, following implementation of the Buy-Back (see **Section 5.2(a)**).

- The Independent Expert has attributed limited value to Murchison's investment in Cashmere. The valuation of Cashmere is uncertain and based on limited information. If Shareholders do not agree with the Board and the Independent Expert's assessment of the fair market value of Cashmere, they can decide not to participate in the Buy-Back.
- The total per Share cash amount of $0.042 is a 3.7% premium to the pre-announcement 30-day VWAP of Shares of $0.0408.[1]
- The total per Share cash amount of $0.042 represents a premium of between 5% and 20% to the low and high outcomes proposed under the previous Board's liquidation proposal.

Set out below is a table showing the price of Shares on the ASX from March 2012 to prior to the announcement of the Buy-Back on 28 December 2012, adjusted for the $0.46 per Share return of capital as at 20 August 2012[2].

Period	Low[3]	High[3]	VWAP[4]
March 2012	$0.023	$0.025	$.0241
April 2012	$0.023	$0.025	$0.0242
May 2012	$0.023	$0.025	$0.0240
June 2012	$0.024	$0.025	$0.0242
July 2012	$0.024	$0.025	$0.0247
August 2012	$0.025	$0.039	$0.0352
September 2012	$0.038	$0.046	$0.0405
October 2012	$0.041	$0.049	$0.0433
November 2012	$0.037	$0.045	$0.0405
December 2012[5]	$0.040	$0.042	$0.0408
30-day VWAP to 27 December 2012	–	–	0.0408

Source: *Bloomberg*

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1 VWAP over the 30 days ending 27 December 2012, being the last date before the Buy-back was announced.
2 Murchison shares traded ex-entitlement to the $0.46 per share return of capital on 20 August 2012.
3 Based on the daily closing prices for Shares.
4 The volume-weighted average price of Shares; see **Part C** for definitions.
5 Period from 1 December 2012 to 28 December 2012.

It is possible that more value may accrue to Shareholders over time, as the Company builds, manages and realises a portfolio of investments following the Buy-Back. However, those strategies will take time to execute and are subject to the risks and uncertainties outlined in **Section 5**. There is no guarantee that they would produce a better outcome, and, moreover, there is no guarantee that alternative opportunities will emerge in the near term which will enable Shareholders who seek liquidity to realise a significant proportion of their shareholdings for a certain cash sum.

Accordingly, for those Shareholders who:

- wish to sell their Shares in Murchison in the short-term;
- do not wish to accept the risks and uncertainties associated with remaining a Shareholder (see **Section 5**);
- are comfortable with the balance of advantages and disadvantages associated with realising their investment in Murchison as outlined in **Section 3**; and
- have considered the valuation of the Shares in the Independent Expert's Report, but are willing to forego the possibility of higher returns in the long run in return for the opportunity for liquidity presented by the Buy-Back,

the Independent Director recommends that those Shareholders vote in favour of the Buy-Back Resolution and consider participating in the Buy-Back.

(d) **The Buy-Back and Shareholders who wish to rebalance their investment**

Owing to the ability of Shareholders to participate in the Buy-Back for some, but not all, of their Shares if they so choose, the Buy-Back provides the opportunity for Shareholders to realise a proportion of their shareholding and retain exposure to Murchison as it resumes investment activities.

This possibility will cater for those Shareholders whose need for liquidity is not immediate but who would prefer not to be wholly invested in Murchison when its resumes investment activities. The Independent Director recommends that such Shareholders vote in favour of the Buy-Back Resolution and consider participating in the Buy-Back for some, but not all of, their Shares.

(e) **Shareholders who may not favour the Buy-Back**

Shareholders who believe the Company should pursue a different capital management strategy to the Buy-Back may consider voting against the Buy-Back Resolution.

Such Shareholders should consider the Company's ASX disclosures regarding the formulation of Murchison's capital management strategy and the information regarding other alternatives considered by the Board before it proposed the Buy-Back to Shareholders, as described at **Section 2.6**.

5 Risks to Shareholders that retain Shares after the Buy-Back

5.1 Introduction

This Section describes what are considered to be the material risks that Shareholders may face to the extent they continue to hold Shares after implementation of the Buy-Back. Individually or in combination, these risks may adversely affect the future financial position, performance or prospects of Murchison and the value of an investment in Murchison.

A number of these risks are risks to which Shareholders already have some exposure.

Additional risks and uncertainties not currently known to Murchison, or which Murchison currently considers to be immaterial, may also have an adverse effect on the future financial position, performance or prospects of Murchison or the value of an investment in Murchison. The information set out below does not purport to be, nor should it be construed as representing, an exhaustive summary of all possible risks.

Shareholders should also take into account the advantages and disadvantages associated with the Buy-Back set out in **Section 3** when considering what action they should take in relation to the Buy-Back.

5.2 Risks specific to an investment in Murchison

(a) ***Mercantile shareholding***

As described in **Sections 2.5(e)** and **3(e)(i)**, Mercantile's shareholding in the Company is likely to significantly increase following implementation of the Buy-Back.

If Mercantile were to obtain a shareholding of between 50% and 90%, it would give Mercantile effective control of the Company and the ability to determine the outcome of certain resolutions put to Shareholders. The interests of Mercantile may be different from those of other Shareholders. Shareholders should consider Mercantile's intentions following implementation of the Buy-Back; as set out at **Section 2.5(e)(iii)**.

As outlined out at **Section 3(e)(i)**, a significant increase in Mercantile's shareholding following implementation of the Buy-Back may also have the effect of deterring takeover bids for the Company from being made and deprive Shareholders of the potential benefit of any control premium that an acquirer may be willing to pay for the Company.

(b) ***The Company has not identified new investments in which to invest its funds***

As of the date of this Explanatory Statement, the Company has not identified new investments to pursue following implementation of the

Buy-Back. If following completion of the Buy-Back, Mercantile holds less than 90% of the issued share capital in Murchison and is not entitled to any compulsory acquisition of the Shares, it supports a strategic review by Murchison of the options available to the Company.

As a result, Shareholders cannot at this point evaluate the manner in which the Company will invest following the Buy-Back, nor the economic merits of any investments that the Company intends to make. Furthermore, delays in making investments after the Buy-Back may adversely affect the financial performance of the Company and the value of an investment in the Company.

The Company cannot provide any assurance that it will be able to identify investments that meet its investment objectives or that the investments that it makes will produce a positive return. The Company may be unable to make investments following the implementation of the Buy-Back on acceptable terms or at all, which could adversely affect the performance of the Company.

As described in **Section 2.5(f)**, Murchison has historically invested in the natural resources sector. Any proposal by the Company to make a significant change to the nature or scale of its activities will be subject to the disclosure and Shareholder approval requirements imposed by the ASX Listing Rules.

(c) ***Delisting of Murchison***

As outlined in **Sections 2.5(j)** and **3(c)(iii)**, it is possible that following implementation of the Buy-Back, ASX may require Murchison to delist or Murchison may elect to delist.

Delisting from ASX may present the following difficulties to remaining Shareholders:

- trading liquidity in the Shares would be materially adversely affected with Shares only capable of sale by private transaction; and
- the ASX Listing Rules will no longer apply to the Company and Shareholders would forgo protections inherent in the ASX Listing Rules (including those relating to disclosures, restrictions on share issues and making significant changes to the Company's activities).

(d) ***Liquidity risk***

Section 3(e)(iii) describes the factors which may materially adversely affect the trading liquidity in the Shares following the implementation of the Buy-Back. A material adverse effect on liquidity in the Shares may in turn adversely affect the trading prices of the Shares.

(e) ***Potential for Shares to trade below Buy-Back Price or NAV***

Following implementation of the Buy-Back, Shares may trade at prices below the Buy-Back Price.

(f) ***Possibility of cash constraints***

Under the Buy-Back, there will be a reduction in the overall cash in the Company. Although the Directors are satisfied that the Company will retain an appropriate amount of cash reserves, there is a risk that unforeseen developments may occur which place unexpected demands on those reserves. This would inhibit the Company's investment activities.

If the Company is required to raise additional funding, it may be more expensive than would have been the case had cash not been distributed as part of the Buy-Back.

If funding cannot be obtained, or cannot be obtained on appropriate terms, this may adversely affect the Company's ability to maximise the value of its existing investment and generate returns by making new investments.

(g) ***Ongoing commitments***

While it currently has no active operations and no employees, the Company has a number of ongoing obligations and financial commitments, including:

- a minimum expenditure commitment totaling $45,000 by March 2014 to maintain its exploration licences: Ripon Hills E45/4004 & E45/E4005 and the Company's half share of the Duck Hills Joint Venture. A tenement manager is also retained to manage these exploration licenses, at a minimum cost of approximately $12,500 per annum;
- an obligation to maintain insurances in respect of the Company and the Directors; and
- retention payments promised by the previous Board on 30 June 2012. The retention payments are payable by 30 June 2013 and will be for the amount of $246,783.

As outlined at **Section 3(e)(iv)**, following implementation of the Buy-Back, the Company will be required to satisfy its ongoing commitments from a position of decreased cash reserves. As noted above, the Directors are satisfied that the Company will retain an appropriate amount of cash reserves however the Company's investment activities may be inhibited.

(h) ***Funding risks***

Murchison may elect to raise debt or equity funding to fund the future operations of the Company. The unavailability of such funding, or the unavailability of such funding on commercially favourable terms, may limit those operations.

Debt funding will expose the Company to the risk of movements in interest rates. An increase in interest rates would make it more expensive for Murchison to use debt or other senior securities to finance the Company's future operations, which in turn may adversely affect the Company's profitability.

(i) ***Recruitment and retention of key personnel***

The Company does not currently employ any staff or management personnel (although it does retain a tenement manager as a contractor to manage its exploration licenses (as described in **Section 2.5(f))**, at a minimum cost of approximately $12,500 per annum). Further, two of the Company's three directors are not paid directors' fees. It is anticipated that depending on the level of participation in the Buy-Back and the results of Murchison's strategic review following implementation of the Buy-Back, the Company will need to recruit and retain staff and management personnel and pay directors' fees to all directors. This will result in increased costs to the Company.

The Company's future performance is significantly dependent on the talents and efforts of skilled individuals able to identify and implement value accretive transactions, and manage investments which are potentially in a variety of industries. The Company's future ability to operate effectively will depend on its ability to recruit, retain and motivate employees. The Company's financial performance may be adversely affected if it is unable to recruit, retain and motivate management and investment professionals.

5.3 General risks

Shareholders should also note the following general risks that are associated with an investment in a listed entity such as Murchison:

(a) ***Dependence on general economic conditions***

Changes in Australian and international economic conditions may adversely affect Murchison's financial performance, financial position or prospects, or the value or price of Shares. Amongst other things, these general conditions may impact on the availability of new investment opportunities, the availability, terms and costs of funding and the Company's operating costs.

(b) ***Share market conditions***

There are risks associated with an investment in shares (such as the Company's) that are listed on a stock exchange. Share price movements can affect the value of an investment in Murchison. The value of listed shares can be expected to fluctuate depending upon a number of general factors including changes in international and local share markets, changes in the economic conditions, inflation, interest rates, government fiscal, monetary and regulatory policies and investor perceptions. These risk factors are unpredictable and may have implications for the price or value of shares that are unrelated or disproportionate to the operating performance of the listed company.

(c) ***Governmental or regulatory actions***

The Company's operations could be affected by government actions in the countries or jurisdictions in which it has interests. The possible extent of introduction of additional legislation, regulations, standards (including accounting standards), guidelines or amendments to existing legislation that might affect the Company's business is difficult to predict. Any such government action may require increased capital or operating expenditures and could prevent or delay the execution of the Company's plans or have a material adverse effect on the Company's business and financial condition.

(d) ***Taxation***

The Company and its investee entities are and will be subject to taxation and other imposts in Australia and any other jurisdictions in which they operate. Future changes in taxation laws in those jurisdictions, including changes in interpretation or application of existing laws by the courts or taxation authorities in those jurisdictions, may affect the tax liabilities of Murchison or its investee entities, or the taxation treatment of holding or disposing of Shares.

(e) ***Disputes and litigation***

Disputes or litigation may arise from time to time in the course of Murchison's business activities. There is a risk that material or costly disputes or litigation which the Company may become party to or be required to assist with could adversely affect financial performance. The Company will take out insurance to cover certain risks where it appears appropriate to the Company to do so. To the extent that any such claims are not covered by insurance, the costs of responding to the claim and any adverse outcome from any claim may materially adversely affect the Company's financial position.

6 Terms on which the Buy-Back will be undertaken and offer to participate in the Buy-Back

6.1 Introduction

The Buy-Back will only proceed if the Buy-Back Resolution is approved by Shareholders at the EGM. In that event, Murchison will undertake the Buy-Back following the EGM on the basis described in this **Section 6**.

6.2 Offer

This Shareholder Booklet comprises and accordingly constitutes an offer to Eligible Shareholders to participate in the Buy-Back on the basis set out in this **Section 6** (**Offer**).

6.3 Buy-back process

(a) If the Buy-Back Resolution is approved, the Company will be able to proceed with the Buy-Back and Acceptance Forms will be despatched to Shareholders.

(b) Eligible Shareholders may accept the Offer in respect of some or all of their Shares on and from 30 August 2013 (**Opening Date**), by completing and returning the Acceptance Form in accordance with the instructions on that form and set out in this **Section 6**.

(c) Eligible Shareholders will have until the end of the Offer Period to accept the Offer in respect of some or all of their Shares.

(d) When the Board receives your Acceptance Form, a contract to buy-back your Shares will immediately be formed.

(e) You can withdraw or amend your acceptance by lodging a Withdrawal/Amendment Form before 7.00pm on 27 September 2013 (**Closing Date**), in accordance with the instructions set out in **Section 6.12** and on that form.

This process is described in more detail in the following paragraphs.

6.4 Shareholders who will be entitled to participate in the Buy-Back

Shareholders who are listed on the Register on the Buy-Back Record Date (currently expected to be 7.00pm on 27 August 2013) will be eligible to participate in the Buy-Back. Shareholders entitled to participate in the Buy-Back are referred to in this Shareholder Booklet as **Eligible Shareholders**.

Entitlement to participate in the Buy-Back will be personal. An Eligible Shareholder will not be able to transfer their right to participate in the Buy-Back.

6.5 Participation is not compulsory

Participation in the Buy-Back will be optional. If an Eligible Shareholder does not wish to participate, they will not need to do anything.

Shareholders who do not participate in the Buy-Back will continue to hold their Shares. Shareholders who do not believe they will participate in the Buy-Back should carefully consider **Sections 2**, **3** and **5**, which set out considerations relevant to, and the risks associated with, remaining a Shareholder in these circumstances.

6.6 Shares that may be accepted into the Buy-Back

An Eligible Shareholder may accept the Offer in respect of some or all of the Shares held by them on the Buy-Back Record Date, provided that at 7.00pm (Sydney time) on the Closing Date (currently expected to be 27 September 2013), they hold at least as many Shares as they accept into the Offer. (See also **Section 6.13** in relation to restrictions on trading accepted Shares.)

Shares acquired on or after the Ex-Entitlement Date (currently expected to be 21 August 2013) will not be registered in your name by the Buy-Back Record Date (currently expected to be 7.00pm on 27 August 2013) and therefore will not carry an entitlement to participate in the Buy-Back.

If an Eligible Shareholder purports to accept the Offer in respect of more Shares than they are the registered holder of at the Buy-Back Record Date, the Company may, in its absolute discretion and without prejudice to its other rights or remedies, reject the acceptance or treat the acceptance as relating to the maximum number of Shares the Eligible Shareholder is the registered holder of on the Buy-Back Record Date.

Shareholders should note that it will be a term of the Buy-Back that they warrant to Murchison that:

- any of their Shares accepted into the Offer will, at the date of the transfer to Murchison, be fully paid and free from all mortgages, charges, liens, encumbrances and interests of third parities of any kind, including any restrictions on transfer;
- they have full power and capacity to sell and transfer their Shares to Murchison; and
- they are a person who may lawfully participate in the Buy-Back.

Please see **Section 6.10** for further details.

6.7 Buy-back Price

The price Murchison will pay for each Share bought back is $0.042 per Share.

6.8 Maximum limit of the Buy-Back

The maximum amount that Murchison will spend to buy-back Shares under the Buy-Back is $15,663,015 (**Maximum Buy-Back Pool**). At the Buy-Back Price of $0.042 per Share, this will amount to 372,928,938 Shares (or 82.78% of Shares currently on issue).

This limit will enable the Company to buy-back all Shares in the Company other than those held by Mercantile, which has indicated that it does not intend to participate in the Buy-Back. Shareholders should review **Section 2.5(e)** of this Shareholder Booklet for information regarding Mercantile and its intentions in respect of its investment in Murchison.

6.9 Offer Period

The Offer Period is currently scheduled to open on the Opening Date. Shareholders may accept the Offer at any time from that date until 7.00pm on the Closing Date. The Company may reschedule, withdraw or extend the Offer Period, but does not currently plan to. If the Closing Date is changed, the change will be announced to ASX.

You will be taken to have submitted your acceptance when the Registry receives your validly signed and completed Acceptance Form. If you have an issuer sponsored holding or, if you have a CHESS Holding, your acceptance is processed by your controlling participant through CHESS.

When the Board receives your Acceptance Form, a contract to buy-back your Shares will be immediately formed.

6.10 The effect of accepting the Offer

The Acceptance Form contains detailed instructions for how to accept the Offer.

The effect of participating in the Buy-Back is that you will accept the Offer to buy your Shares on the terms and conditions set out below.

An Eligible Shareholder who submits an Acceptance Form will be agreeing to sell to the Company the number of Shares nominated in the Acceptance Form, or such lesser number of Shares as may result from the application of any adjustment to the number of Shares accepted into the Offer, contemplated by **Section 6.6** or **Section 6.13**, on the following basis:

(a) the Buy-Back Price is $0.042 per Share;

(b) a contract to buy-back your Shares will be formed upon the Board receiving your Acceptance Form and posting an announcement on its website, and the purchase of the relevant Shares is taken to occur at that point (the date being referred to in this Shareholder Booklet as the **Buy-Back Date**);

(c) Murchison posting an announcement on its website is an effective communication by the Company of the agreement to buy-back your Shares;

(d) you waive any requirement to receive further notice or communication from the Company of the agreement to buy-back your Shares;

(e) you warrant to the Company that:

 (i) you are the registered holder of the Shares and that all your Shares (including any rights and entitlements attaching to those Shares) that are transferred to the Company under the Buy-Back will, at the date of the transfer of them to the Company, be fully paid and free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind;

(ii) you have full power and capacity to sell and to transfer the Shares together with all rights attaching to such shares; and

(iii) you are a person to whom the Offer may lawfully be made, can receive the proceeds of the sale of your Shares and whose participation in the Buy-Back is permitted under the laws of the jurisdiction in which you are resident;

(f) you authorise the Company (and its officers, agents, contractors and advisers) to correct any error in or omission from your Acceptance Form and/or Withdrawal/Amendment Form, and to insert any missing details;

(g) you undertake not to sell or offer to sell Shares to any other person if, as a result, you will at any time after you submit your Acceptance Form until the Buy-Back Date hold fewer Shares than the number of Shares you have accepted into the Buy-Back;

(h) you authorise the Company to procure the number of Shares accepted into the Buy-Back to be transferred to a subposition on the Register which will prevent them from being dealt with the following receipt of your Acceptance Form otherwise than in accordance with the Buy-Back;

(i) you acknowledge that neither the Company nor any other party involved in the Buy-Back has provided you with financial product advice, or any securities recommendation, or has any obligation to provide this advice or recommendation, concerning your decision to participate in the Buy-Back;

(j) you authorise the Company to make payment by cheque mailed to your address shown on the Register at 7.00pm (Sydney time) on the Closing Date, and:

(i) you will be taken to have accepted the risk associated with the form of payment; and

(ii) the despatch of cheques to addresses as shown on the Register at 7.00pm on the Closing Date will satisfy the Company's obligation to pay Eligible Shareholders for any Shares bought back;

(k) you accept the responsibility for fully observing the laws and regulatory requirements of the relevant jurisdiction(s) that apply to you in connection with this Shareholder Booklet and the Buy-Back, including the obtaining of any governmental, exchange control or other consents, the making of any filings that may be required, the compliance with other necessary formalities and the payment of any taxes or other requisite payments due in such jurisdiction;

(i) you recognise damages are not an adequate remedy for breach of these covenants, undertakings, agreements, representations and warranties;

(ii) you undertake that if you breach any of these covenants, undertakings, agreements, representations or warranties you will indemnify the Company for all its costs or losses arising from the breach; and

(iii) any obligation of the Company to buy-back Shares from you is conditional on your compliance with the covenants, undertakings, agreements, representations and warranties listed above.

6.11 Payment for Shares acquired under the Buy-Back

Despatch of cheques is expected to be completed within four Business Days after the announcement of the outcome of the Buy-Back.

6.12 Withdrawing or amending acceptances

Set out below are the procedures for withdrawing or amending your acceptance. The effect of withdrawing or amending one or more of your acceptances will be to withdraw those acceptances, and, in the case of an amendment, to replace the relevant acceptances with new acceptances.

Withdrawals or amendments made in accordance with these procedures may not take immediate effect. You should take this into account if you wish to sell any Shares which you have accepted into the Buy-Back.

(a) ***Issuer sponsored holdings***

To withdraw or amend an acceptance that has been received by the Registry, you will need to complete and submit a Withdrawal/Amendment Form, using the procedures set out on the back of the Withdrawal/Amendment Form.

You will need to submit your form to the address noted on the form, so that it is received by no later than 7.00pm (Sydney time) on the Closing Date. Any forms received after this time will not be effective for withdrawing or amending your acceptance.

A copy of the Withdrawal/Amendment Form is available by telephoning the Registry on 1300 554 474 (within Australia) or +61 1300 554 474 (outside Australia).

(b) ***CHESS Holdings***

If you have a CHESS Holding, you will need to instruct your controlling participant in sufficient time for them to process your withdrawal or amendment by 7.00pm (Sydney time) on the Closing Date.

If you have a CHESS Holding, you should NOT send a Withdrawal/Amendment Form to the Registry.

After your controlling participant has withdrawn or amended your acceptance, you will be sent written confirmation from CHESS of the withdrawal/amendment made in relation to your holding by your controlling participant. Irrespective of its wording, this confirmation is not an acceptance by Murchison of the withdrawal or amendment of your acceptance.

6.13 Restriction on trading accepted Shares

Shares accepted into the Buy-Back at any time during the Offer Period must not be sold or otherwise transferred to any other person unless they have first been withdrawn from the Buy-Back pursuant to a withdrawal or amendment made in accordance with the procedures described above.

The number of Shares in respect of which an Eligible Shareholder accepts the Offer will be removed from their holding and placed in a "subposition" in the Register. The Eligible Shareholder will not be able to deal with those Shares until they have been released from the subposition. For the Shares to be released from that subposition, the Eligible Shareholder must withdraw or amend their acceptance in accordance with the procedures described above.

If an Eligible Shareholder sells Shares after submitting an acceptance such that at the Buy-Back Date they do not hold at least the number of Shares they successfully accepted into the Buy-Back, the Company may, in its absolute discretion and without prejudice to its other rights and remedies, reject their acceptance in its entirety or treat the acceptance as if they had accepted the Offer in respect of the number of Shares held by them at 7.00pm on the Closing Date.

6.14 The Company's right to vary dates and times or to terminate the Buy-Back

While the Company does not presently anticipate changing any of the dates and times in relation to the Buy-Back (including the Closing Date and the Buy-Back Date), it reserves the right to vary them where lawful to do so.

Any change in date or time will take effect from the time it is authorised by the Board and will be publicly announced on the ASX as soon as practicable following the Board's authorisation. Any such change will be taken to amend this Shareholder Booklet (and the Acceptance Form and/or Withdrawal/Amendment Form) accordingly.

The Company may also decide not to proceed with the Buy-Back. Without limitation, the Company reserves the right to terminate the Buy-Back at any time prior to the date on which the Company enters into the contracts to buy-back its shares, by making an announcement to the ASX to that effect.

6.15 The Company's right to adjust or reject acceptances

The Company may, in its absolute discretion and at any time, deem any acceptance it receives to be a valid acceptance, disregard or not accept any acceptance and may waive any or all of the requirements for making, amending or withdrawing an acceptance. It may do each of these things in relation to some, all or any number of acceptances it receives.

6.16 Cancellation of bought back Shares

In accordance with the Corporations Act, all Shares bought back under the Buy-Back will be cancelled.

6.17 Unsuccessful acceptances

Shares that are accepted into the Buy-Back but are not bought back will be released to Shareholders' holdings as soon as processing of the Buy-Back has been completed after the Closing Date.

6.18 Governing law

Contracts under which the Company buys back certain of its Shares, and the Buy-Back generally, will be governed by the laws of New South Wales.

7 Australian taxation implications for Shareholders

7.1 Introduction

This **Section 7** contains a summary of the potential Australian taxation implications of the Buy-Back for Shareholders.

The tax implications for Shareholders arising from the Buy-Back will vary depending on a Shareholder's particular circumstances.

The information set out below is provided as a general guide only and should not be viewed as tax advice in relation to the specific circumstances of Shareholders. The information provided does not represent a complete analysis of all potential tax implications associated with the Buy-Back. Shareholders should consult their own tax advisers as to the potential tax consequences in respect of their own particular circumstances, including advice regarding tax return reporting requirements, applicable tax laws and the effect of any proposed changes in tax laws.

The general description provided in this Section is only relevant to the Australian taxation position of Shareholders who hold Shares on capital account and who continue to be Shareholders at the time the relevant transactions are undertaken. It does not apply to Shareholders who hold their Shares on revenue account or as trading stock.

Shareholders who are not residents of Australia for tax purposes should also seek their own advice in relation to the taxation consequences arising from the relevant transactions under the laws of their country of residence.

7.2 Income tax consequences of the Buy-Back for Australian resident Shareholders

The whole of the Buy-Back price will be debited against the Company's share capital account. Accordingly, no part of the Buy-Back Price is expected to be a dividend and therefore, no franking credits attach to the Buy-Back Price. On this basis, a Shareholder whose Shares are bought back under the Buy-Back should realise a capital gain or loss on the disposal of their Shares under the Buy-Back.

This capital gain or loss arises at the time the contract for the disposal is entered into. This should be when the Company accepts the Shareholder's offer to sell Shares under the Buy-Back.

The capital gain or loss that arises under the Buy-Back should equal the difference between the capital proceeds received under the Buy-Back, being the Buy-Back Price of $0.042 per Share, and the cost base or reduced cost base of the Share. The capital proceeds are equal to the Buy-Back Price of $0.042 per Share as this is the consideration that Shareholders are entitled to receive in respect of their disposal of Shares under the Buy-Back.

Any capital gain that arises under the Buy-Back may qualify as a discount capital gain for some Shareholders (for example, an individual or a complying superannuation fund) if they have held their Shares for at least 12 months before disposing of them under the Buy-Back. Shareholders should obtain their own advice on the amount of any capital gain that is to be included in their taxable income.

7.3 Income tax consequences of the Buy-back for non-resident Shareholders

Non-resident Shareholders who do not hold Shares through a permanent establishment that carries on business in Australia will not be liable to capital gains tax in Australia unless the non-resident, together with associates, has a holding of at least 10% (**non-portfolio interest**) of all of the issued Shares.

Non-resident Shareholders that have a non-portfolio interest together with their associates in the circumstances described above should seek specific Australian tax advice. Non-resident Shareholders that have previously been Australian residents should also seek specific Australian tax advice.

7.4 GST and stamp duty

GST and stamp duty will not be payable on the transfer and cancellation of Shares following acceptance of Offers.

8 Additional information

8.1 Recent financial information

The Company released its Financial Report for the financial year ended 30 June 2012 to the ASX on 17 August 2012. A copy is contained in the 2012 Annual Report, which was made available to Shareholders on 25 October 2012.

The Company also released its Activities Report for the Quarter ended 31 March 2013 to the ASX on 30 April 2013.

8.2 Directors' interests

No Director will receive any payment or benefit of any kind as a consequence of Buy-Back.

Directors who hold Shares at the Buy-Back Record Date will be able to participate in the Buy-Back to the same extent as all other Shareholders.

As at the date of this Shareholder Booklet, the Directors either directly or indirectly, have interests in Shares as follows:

Director	Shares	Percentage of total on issue
Paul Jensen	Nil	Nil
Gabriel Radzyminski	Nil	Nil
Soocheol Shin	Nil	Nil

8.3 Notice to Shareholders located in the United States

Shareholders located in the United States should be aware that the Buy-Back is being conducted in accordance with applicable law and practice in Australia. The disclosure requirements in relation to a tender offer in Australia differ from those applying in the United States.

The Company is an Australian corporation. All of its directors and executive officers reside outside the United States and all of its assets are located outside the United States. As a result, it may be difficult for US investors to effect service of process in the United States upon such persons or to enforce against the Company or such persons in foreign courts a judgement predicated upon the civil liability provisions of the federal securities laws of the United States.

This Shareholder Booklet has not been submitted to or reviewed by the US Securities and Exchange Commission or any US state securities regulator. None of these authorities has passed upon the merits of the Buy-Back nor the accuracy or adequacy of the Shareholder Booklet. Any representation to the contrary is a criminal offence.

US Shareholders should consult their tax adviser to ascertain the specific tax implications of the Buy-Back in relation to their own affairs.

8.4 Notice to Shareholders located in Hong Kong

WARNING: The contents of this Shareholder Booklet have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Offer. If you are in any doubt about any of the contents of this Shareholder Booklet, you should obtain independent professional advice.

8.5 Notice to Shareholders located in the United Kingdom

Neither the information in this Shareholder Booklet nor any other document relating to the Offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of the Securities. This Shareholder Booklet is issued on a confidential basis to Shareholders of the Company and does not relate to the Offer of transferable securities to the public in the United Kingdom or the admission of transferable securities to trading on a regulated market situated or operating in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received in connection with the Offer has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of FSMA does not apply to the Company.

In the United Kingdom, this Shareholder Booklet is being distributed only to, and is directed at, persons to whom it may lawfully be made within the circumstances described in Article 43 of the FSMA (Financial Promotion) Order 2005 and/or any other persons to whom it may lawfully be communicated (all such persons being referred to as **Relevant Persons**).

The investments to which this Shareholder Booklet relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this Shareholder Booklet or any of its contents.

8.6 Notice to Shareholders located in Brunei

This Shareholder Booklet may not be distributed to, and no offer of securities can be made to, the public in Brunei Darussalam.

8.7 Notice to Shareholders located in Canada (Provinces of Ontario and British Columbia only)

This Shareholder Booklet is important and requires your immediate attention. If you are in doubt as to how to deal with it, you should consult you our investment dealer, stock broker, lawyer or other professional advisor. The Offer has not been approved or disapproved by any securities commission or similar regulatory authority in any Province of Canada (**Provinces**) nor has any securities commission or similar regulatory authority in any Province passed upon the fairness of the Offer or upon the adequacy of the information contained in this Shareholder Booklet. Any representation to the contrary is unlawful.

This Shareholder Booklet does not constitute an offer or a solicitation in any jurisdiction in which such offer or solicitation is unlawful. The Offer is being made to certain residents of the Provinces of British Columbia and Ontario pursuant to exemptions from the requirements of the formal issuer bid rules under applicable Canadian securities law. As such, any person lawfully participating in the Offer will not receive the information, legal rights or protections that would be afforded had the Offer not being made pursuant to such exemptions.

8.8 Notice to Shareholders located in China

The information in this Shareholder Booklet does not constitute a public offer to purchase any securities, whether by way of buy-back or otherwise, in the People's Republic of China (**PRC**) (excluding, for purposes of this paragraph, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan). The securities may not be offered or sold or purchased directly or indirectly in the PRC to or from legal or natural persons other than directly to or from "qualified domestic institutional investors".

8.9 Notice to Shareholders located in Guernsey (Channel Islands)

The Offer to purchase securities is not being made in or from the Bailiwick of Guernsey and may only be made in or from within the Bailiwick of Guernsey either (i) by persons licensed to do so under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 (as amended) (**POI Law**); or (ii) to persons licensed under the POI Law, the Insurance Business (Bailiwick of Guernsey) Law, 2002, the Banking Supervision (Bailiwick of Guernsey) Law, 1994, or the Regulation of Fiduciaries, Administration Businesses and Company Directors, etc, (Bailiwick of Guernsey) Law, 2000.

8.10 Notice to Shareholders located in Indonesia

This Shareholder Booklet has not been and will not be filed with the Financial Services Authority (OJK) of the Republic of Indonesia. This Shareholder Booklet is not intended as an offer document and may only be distributed in the Republic of Indonesia in accordance with the prevailing laws and regulations in the Republic of Indonesia. The Offer is not intended to constitute an offer to sell or an invitation to purchase securities in Indonesia and therefore it shall not be construed as an offering of securities in Indonesia.

8.11 Notice to Shareholders located in Japan

The Shares have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (**FIEL**). This Shareholder Booklet is not a prospectus under the FIEL and has not been registered, filed with or approved by any Japanese regulatory authority under or in accordance with the FIEL.

8.12 Notice to Shareholders located in Papua New Guinea (PNG)

This Shareholder Booklet is being distributed only to Shareholders of the Company. This Shareholder Booklet has not been registered as a prospectus in PNG and no notice of the Offer will be submitted to the Registrar of Companies. No other documents are being lodged with the Registrar of Companies or the PNG Securities Commission in respect of the Offer. The Offer is not and should not be construed as an offer to sell, or a solicitation of an offer to purchase, securities to the public in PNG.

8.13 Notice to Shareholders located in Qatar

This Shareholder Booklet does not, and is not intended to, constitute an invitation or offer of securities in the State of Qatar and accordingly should not be construed as such.

This Shareholder Booklet is being issued to a limited number of institutional and/or sophisticated investors (i) upon their request and confirmation that they understand that the Company has not been approved or licensed by or registered with the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or any other applicable licensing authorities or governmental agencies in the State of Qatar; and (ii) on the condition that it will not be provided to any person other than the original recipient, is not for general circulation and may not be reproduced or used for any other purpose.

Persons into whose possession this Shareholder Booklet comes are advised to consult with their own legal advisors with respect to any applicable laws that may restrict the distribution of this Shareholder Booklet. Neither this Shareholder Booklet nor any part of it shall be relied upon in any way in connection with any contract for the acquisition of the Shares nor shall its issue be taken as any form of commitment on the part of the Company to proceed with any transaction.

In making an investment decision regarding the Offer, investors must rely on their own examination of the terms of the offering, including without limitation the merits and the risks involved.

8.14 Notice to Shareholders located in Saudi Arabia

This Shareholder Booklet may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority. The Capital Market Authority does not make any representation as to the accuracy or completeness of this Shareholder Booklet, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Shareholder Booklet. Prospective sellers of the Shares should conduct their own due diligence on the accuracy of the information relating to the Shares. If you do not understand the contents of this Shareholder Booklet you should consult an authorized financial adviser.

8.15 Notice to Shareholders located in Singapore

This Shareholder Booklet and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this Shareholder Booklet and any other document or materials in connection with the offer to purchase Shares may not be issued, circulated or distributed, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (**SFA**), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This Shareholder Booklet has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) “a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this Shareholder Booklet immediately. You may not forward or circulate this Shareholder Booklet to any other person in Singapore.

8.16 Notice to Shareholders located in South Africa

The Offer does not constitute an offer of securities to the public in terms of the South African Companies Act and accordingly, this Shareholder Booklet does not, nor is it intended to, constitute a prospectus prepared and registered under the Companies Act.

8.17 Notice to Shareholders located in Switzerland

The Shares are and will not be listed on the SIX Swiss Exchange (**SIX**) or on any other stock exchange or regulated trading facility in Switzerland. This Shareholder Booklet has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. This Shareholder Booklet does not constitute an issuance or listing prospectus in the sense of these provisions. Likewise, this Shareholder Booklet does not constitute an offering prospectus in the sense of art. 24 of the Swiss Federal Act on Stock Exchanges and Securities Trading.

Neither this Shareholder Booklet nor any other offering or marketing material relating to the Shares have been or will be filed with or approved by any Swiss regulatory authority, including, in particular, the Takeover Board.

Neither this Shareholder Booklet nor any other offering or marketing material relating to the Shares may be publicly distributed or otherwise made publicly available in Switzerland. This Shareholder Booklet is personal to the recipient only and not for general circulation in Switzerland.

8.18 Notice to Shareholders located in Taiwan

The Company is an Australian corporation listed on the ASX. Neither the Company's Shares nor the Offer have been registered in the Republic of China (Taiwan) (**Taiwan**), nor is approved by the Financial Supervisory Commission, Executive Yuan, Taiwan (**FSC**). The Shareholder Booklet is not a prospectus, invitation material or advertisement in Taiwan within the meaning under the Taiwan securities laws and regulations. Shareholders should review the financial information and relevant information set forth in the Shareholder Booklet, consult with an independent consultant, make independent decision and bear the risks of accepting any buy-back offer.

8.19 Notice to Shareholders located in Thailand

The Offer does not constitute an offering of securities nor a tender offer under the Securities and Exchange Act B.E. 2535 (1992) (as amended). This Shareholder Booklet is not intended to be a prospectus, an offer, sale or invitation for subscription or purchase of securities in Thailand. This Shareholder Booklet has not been registered as a prospectus or filing with the Office of the Securities and Exchange Commission of Thailand. Accordingly, this Shareholder Booklet and any other documents and material in connection with the Offer may not be circulated or distributed whether directly or indirectly, electronically or otherwise, to the public or any members of the public in Thailand.

8.20 Notice to Shareholders located in the United Arab Emirates

Neither this Shareholder Booklet nor the Shares have been approved, disapproved or passed on in any way by the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or any other governmental authority in the United Arab Emirates, nor has the Company received authorization or licensing from the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or any other governmental authority in the United Arab Emirates to market, buy or sell the Shares within the United Arab Emirates. No marketing of any financial products or services may be made from within the United Arab Emirates and no subscription to any financial products or services may be consummated within the United Arab Emirates. This Shareholder Booklet does not constitute and may not be used for the purpose of an offer or invitation. No services relating to the Shares, including the receipt of applications and/or the allotment or redemption of Shares, may be rendered within the United Arab Emirates by the Company.

No offer or invitation to buy or sell Shares is valid in, or permitted from any person in, the Dubai International Financial Centre.

8.21 Consents

Grant Thornton has consented to the inclusion of the statements based on the Independent Expert’s Report in this Shareholder Booklet, and has not withdrawn that consent as at the date of this Shareholder Booklet.

Mercantile has consented to the inclusion in this Shareholder Booklet of the information contained in **Sections 2**, **3** and **4**, and has not withdrawn that consent as at the date of this Shareholder Booklet.

8.22 No other additional information

Other than as set out in this Shareholder Booklet, there is no other information that is known to the Board that may reasonably be expected to be material to the making of a decision by Shareholders whether or not to:

- vote in favour of the Buy-Back; or
- accept the Offer.

8.23 Applicable law

This Shareholder Booklet and the Buy-Back are governed by the laws of New South Wales.

8.24 Lodgement

In accordance with subsection 257C(3) of the Corporations Act, a copy of the Notice of Meeting and the Explanatory Statement have been lodged with ASIC.

PART C: Glossary

1 Definitions

Acceptance Form	means the personalised acceptance form provided to Eligible Shareholders with this Shareholder Booklet.
ASX	means ASX Limited ABN 98 008 624 691 or, as the context requires, the financial market known as the Australian Securities Exchange operated by it.
ASX Listing Rules	means the listing rules of ASX which govern the admission of entities to the official list, quotation of securities, suspension of securities from quotation and the removal of entities from the official list.
Australia	includes the Commonwealth of Australia and its external territories.
Board	means the board of Directors of the Company.
Business Day	means a day that is not a Saturday, Sunday, bank holiday or public holiday in New South Wales.
Buy-Back	means the proposed equal access off-market share buy-back of Shares on the terms and conditions set out in **Section 6**.
Buy-Back Date	has the meaning given in **Section 6.10(b)**.
Buy-Back Price	means the price at which Shares are proposed to be bought back under Buy-Back, being $0.042 per Share.
Buy-Back Record Date	means the time and date for determining Shareholders eligible to participate in the Buy-Back, currently expected to be 7:00pm on 27 August 2013.
Buy-Back Resolution	means the resolution to authorise and approve an off-market buy-back as set out at Item 1 of the Notice of Meeting.
Cashmere	Cashmere Iron Limited ACN 126 738 949.
CHESS	means the Clearing House Electronic Subregister System operated by ASX Settlement Corporation, which provides for electronic share transfer in Australia.
Chess Holding	means a holding of Shares on the CHESS subregister.

Closing Date	means the last day of the Offer Period for the Buy-Back, currently expected to be 27 September 2013.
Company or **Murchison**	means Murchison Metals Ltd ACN 078 257 799.
Corporations Act	means the *Corporations Act 2001* (Cth).
Directors	means the directors of the Company.
EGM or **Extraordinary General Meeting**	means the extraordinary general meeting of Shareholders, convened for 10 am on 16 August 2013.
EGM Record Date	means the time and date for determining Shareholders eligible to attend and vote at the EGM, being 7:00 pm on 14 August 2013.
Eligible Shareholders	means a person who is a registered holder of Shares on the Buy-Back Record Date.
Ex-Entitlement Date	means the date the Shares commence trading without an entitlement to participate in the Buy-Back, currently expected to be 21 August 2013.
Grant Thornton	means Grant Thornton Corporate Finance.
Independent Director	has the meaning given in **Section 4.1**.
Independent Expert	means Grant Thornton.
Independent Expert's Report	means the report by the Independent Expert, accompanying this Shareholder Booklet.
Liquidation Option	has the meaning given in **section 2.6**.
Maximum Buy-Back Pool	means the maximum sum that the Company will spend to buy-back Shares under the Buy-Back (if approved), being $15,663,015, equivalent to 372,928,938 Shares at the Buy-Back Price of $0.042 per Share (representing 82.78% of Shares currently on issue).
Mercantile	means Mercantile Investment Company Limited ACN 121 415 576.
Minimum Holding Buy-Back	means the proposed buy-back of ordinary shares from holders of unmarketable parcels of shares in accordance with the provisions of the Corporations Act, as set out in **Section 2.5(i)**.
NAV	means net asset value per Share as reported by the Company from time to time.
Notice of Meeting	means the notice of extraordinary general meeting dated 17 July 2013, found in **Part A** of this Shareholder Booklet.
Offer	means the offer to Eligible Shareholders to participate in

	the Buy-Back on the basis set out in **Section 6**.
Offer Period	means the period for accepting the Offer to participate in the Buy-Back, as described in **Section 6.9**.
Opening Date	means the first day of the Offer Period for the Buy-Back, currently expected to be 30 August 2013.
Part	means a part of this Shareholder Booklet.
Register	means the register of members of the Company maintained by or on behalf of the Company in accordance with section 168(1) of the Corporations Act.
Registry	means Link Market Services Pty Ltd which operates the Register.
Section	relates to the section numbering within a Part of this Shareholder Booklet.
Shareholder	means a registered holder of Shares.
Shares	means fully paid ordinary shares in the Company.
Unmarketable Parcel	means a parcel of securities with a value of less than $500 as defined by the ASX Listing Rules.
VWAP	means volume-weighted average price.
Withdrawal/Amendment Form	means a form to withdraw or amend an Acceptance Form.

2 Interpretation

In this Shareholder Booklet, unless the context otherwise requires:

- singular includes the plural, and vice versa;
- words importing one gender include other genders;
- other parts of speech and grammatical forms of a word or phrase defined in this Shareholder Booklet have a corresponding meaning;
- terms used in this Shareholder Booklet and defined in the Corporations Act have the meanings ascribed to them in the Corporations Act;
- a reference to currency is to Australian dollars; and
- a reference to time is to Sydney time.

The postal acceptance rule will not apply to acceptances submitted under the Buy-Back.

Murchison Metals Ltd

Independent Expert's Report and Financial Services Guide

28 June 2013

The Independent Director
Murchison Metals Ltd
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Sydney NSW 2000

Grant Thornton Corporate Finance Pty Ltd
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28 June 2013

Dear Independent Director

Independent Expert's Report and Financial Services Guide

Introduction

On 20 February 2012, Murchison Metal Ltd ("MMX") sold its interests in Crosslands Resources Ltd ("Crosslands") and Oakajee Port and Rail Project ("OPR") to Mitsubishi Development Pty Ltd ("Mitsubishi") for $325 million in cash ("Mitsubishi Transaction"). Following the Mitsubishi Transaction, MMX Shareholders approved a reduction of the Company's share capital by the return of an amount of $0.46 per ordinary share to eligible shareholders. This capital return, totalling $207 million was paid on 14 September 2012.

Following the completion of the capital return, the Company's major remaining asset was a cash holding of approximately $22 million as at 31 December 2012.

On 28 December 2012, the Directors of Murchison Metals Ltd ("MMX" or "the Company") announced an off market equal access buyback of shares in MMX ("MMX Shares").

Under the proposed buyback, the Board of MMX is seeking shareholder approval to undertake an off market equal access share buy-back at 4.2 cents per share ("Buy-Back Price") of up to a maximum of 372,928,938 shares, at a total cost of up to $15,663,015 ("the Proposed Buy-Back"). The Company's largest shareholders, Mercantile Investment Company Limited ("Mercantile") has confirmed that if it is eligible, it will vote in favour of the Proposed Buy-Buck, but it will not participate into the Buy-Back. Mercantile currently holds 17.22% of the share capital of the Company. Mercantile's non participation into the Buy-Back will mean that the maximum buyback pool will be sufficient to buyback 100% of the MMX Shares held by shareholders of MMX ("MMX Shareholders") other than Mercantile.

The Proposed Buy-Back will be open to all MMX Shareholders on an equal basis and participation by MMX Shareholders is entirely voluntary.

All the shares bought back will be cancelled by the Company. The Company currently has 450,497,346 fully paid ordinary shares on issue. If all MMX Shareholders other than Mercantile accept the Proposed Buy-Back the number of MMX Shares on issue will be reduced by 372,928,938 to 77,568,408.

If the Proposed Buy-Back is implemented, MMX will undertake a strategic review of the potential investment activities. The results of the strategic review and the investment activities eventually undertaken by MMX will be influenced by the level of Mercantile's shareholding following the Proposed Buy-Back.

If the Buy-Back is implemented, the percentage shareholding and voting power of MMX Shareholders who do not participate in the Proposed Buy-Back will increase. This may materially alter the ownership makeup of the Company. If all MMX Shareholders other than Mercantile participate in the Proposed Buy-Back, Mercantile will increase its shareholding in the Company from 17.22% to 100%. Set out in the table below is Mercantile's Shareholding in the Company in conjunction with different level of participation into the Proposed Buy-Back.

Level of participation in the Proposed Buy-Back	0% (current level of shareholdings)	10%	25%	50%	75%	100%
Shares bought back	Nil	45,049,735	112,624,337	225,248,673	337,873,010	372,928,938
Total Shares on issue following the Proposed Buy-Back	450,497,346	405,447,611	337,873,010	225,248,673	112,624,337	77,568,408
Number of Shares held by Mercantile following the Proposed Buy-Back	77,568,408	77,568,408	77,568,408	77,568,408	77,568,408	77,568,408
Mercantile's interest in Shares and voting power following theProposed Buy-Back	**17.22%**	**19.13%**	**22.96%**	**34.44%**	**68.87%**	**100.00%**

Source: MMX Management and Grant Thornton Corporate Finance calculations

Mercantile is listed on the ASX and it had a market capitalisation of $24.1 million as at 19 June 2013. Mercantile invests in listed securities including by way of short term trading, profit making ventures and holding shares for dividend yield/long term capital appreciation, as appropriate. Refer to the Explanatory Memorandum for information on Mercantile.

As set out in the Explanatory Memorandum, if it becomes entitled to do so under the Corporations Act, Mercantile intends to proceed with compulsory acquisition of the remaining MMX Shares in accordance with the Corporations Act, including if possible any outstanding options. At the conclusion of the compulsory acquisition process, Mercantile intends to arrange for MMX to be removed from the official list of the ASX.

If following completion of the Buy-Back, Mercantile holds more than 50% but less than 90% of the issued share capital in MMX and is not entitled to any compulsory acquisition of the MMX Shares, it is proposed that MMX will undertake a review of the strategic options available to it.

Mercantile has not identified any strategic options to be put to MMX as at the date of this Explanatory Statement.

The Independent Director recommends that MMX Shareholders vote in favour of the Proposed Buy-Back, however the Independent Director makes no recommendation to MMX Shareholders as to whether they should accept the offer for their MMX Shares under the Proposed Buy-Back.

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Purpose of the report

The directors of MMX have requested Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton Corporate Finance") to prepare an independent expert's report stating whether, in our opinion, the proposed Buy-Back Price is fair and reasonable to MMX Shareholders in accordance with the requirements of Australian Securities and Investment Commission ("ASIC") Regulatory Guide 110 "Share buy-backs" ("RG 110").

Conclusion

Grant Thornton Corporate Finance has concluded that the Proposed Buy-Back is fair and reasonable to MMX Shareholders.

Fairness of the Proposed Buy-Back

In forming our opinion on the fairness of the Proposed Buy-Back, Grant Thornton Corporate Finance has compared the fair market value of MMX Shares on a control basis with the Buy-Back Price as summarised below:

Assessment of fairness

	Section Reference	Low cents	High cents
Fair market value of MMX Share (on control basis)	6.9	4.18	4.46
The Buy-Back Price		4.20	4.20
Difference		**0.02**	**(0.26)**
Variance		**0.38%**	**-5.91%**

Source: Grant Thornton Corporate Finance calculations

Albeit at the low-end, the Buy-Back Price is within our assessment of the valuation range of MMX on a control basis. Accordingly, we conclude that the Proposed Buy-Back is fair to MMX Shareholders.

In our valuation assessment of MMX, we have attributed limited value to MMX's 3.2% interest in Cashmere Iron Limited ("Cashmere") refer to Section 6.2 for details. The valuation of Cashmere is uncertain and based on limited information at the time of our valuation. If MMX Shareholders have a different opinion on the fair market value of Cashmere, they can decide not to participate in the Proposed Buy-Back. This should be also considered in the light of our reasonableness considerations.

Reasonableness of the Proposed Buy-Back

As the Proposed Buy-Back is fair to the MMX Shareholders, the Proposed Buy-Back is also reasonable in accordance with ASIC Regulatory Guide 111 "Content of experts reports") ("RG 111"). Nonetheless, we have summarised below some of the relevant factors associated with the Proposed Buy-Back.

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Advantages for participating shareholders

Opportunity for shareholders who are seeking to realise their investment in MMX to do so via an off-market transaction

Management of MMX have advised that some MMX Shareholders have indicated a desire for a return of capital. The Proposed Buy-Back, if it proceeds, will be an opportunity for all MMX Shareholders to exit part or all of their investment through an off-market transaction at a premium to the recent trading prices of MMX shares.

Ability to realise their investment in MMX

The Proposed Buy-Back provides an opportunity to minority MMX Shareholders to exit their investment in MMX at a premium to minority prices which is unlikely to be available in the absence of the Proposed Buy-Back.

No transaction costs

MMX Shareholders participating in the Proposed Buy-Back will be able to do so without incurring brokerage costs.

Disadvantages for participating shareholders

Potential for relative increase in interest for MMX's largest shareholder

The Proposed Buy-Back may provide MMX's largest shareholder, Mercantile with the ability to increase its influence on the Company without paying a premium for control. Should the Proposed Buy-Back go ahead there is the potential for Mercantile relative interest in MMX to increase from 17.22% to 100%, assuming that all MMX Shareholders except for Mercantile participate in the Proposed Buy-Back.

Investment in Cashmere and other exploration assets

MMX Shareholders who elect to participate in the Proposed Buy-Back will not be able to share in any potential future benefits of MMX's investment in Cashmere and exploration assets.

Other factors

Decrease in number of shares on issue and potential impact on liquidity

Should the Proposed Buy-Back go ahead, there will be a reduction of up to 372.9 million, or approximately 82.78%, in the number of MMX shares on issue. The substantial decrease of the shares on issue expected after implementation of the Proposed Buy-Back will further reduce the free float and attractiveness of MMX shares to investors which may result in decreased liquidity of its shares.

Tax liability

MMX Shareholders who participate in the Proposed Buy-Back, should it go ahead, may incur a tax liability. Participating MMX Shareholders should consult their tax advisors in relation to their personal circumstances.

Ability to pay its creditors

We have been advised that the Company is using its existing cash reserves to fund the Proposed Buy-Back and it will retain sufficient cash reserves to meet its obligations. Please refer to Section 2.5(c) of the Explanatory Memorandum for further details. The Company does not have any interest bearing debt or other financial facilities as at the date of this report.

Share price of MMX in the absence of the Proposed Buy-Back

If the Proposed Buy-Back is not approved, the share price of MMX may fall from the current levels as the Company continues incur administrative expenses whilst seeking to find alternative strategic options.

Reasonableness conclusion

Based on the qualitative factors identified above, it is our opinion that the Proposed Buy-Back is reasonable to the MMX Shareholders.

Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

The decision of whether or not to accept the Proposed Buy-Back is a matter for each MMX Shareholder to decide based on their own views of value of MMX and expectations about future market conditions, MMX's performance, risk profile and investment strategy. If MMX Shareholders are in doubt about the action they should take in relation to the Proposed Buy-Back, they should seek their own professional advice.

Yours faithfully
GRANT THORNTON CORPORATE FINANCE PTY LTD

ANDREA DE CIAN
Director

LIZ SMITH
Director

28 June 2013

Financial Services Guide

1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton Corporate Finance") carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by Murchison Metals Ltd ("MMX" or the "Company") to provide general financial product advice in the form of an independent expert's report in relation to the proposed buy-back of shares in MMX ("the Proposed Buy-Back").

This report is included in the Notice of Meeting and Explanatory Memorandum outlining the Proposed Buy-Back.

2 Financial Services Guide

This Financial Services Guide ("FSG") has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3 General financial product advice

In our report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

4 Remuneration

When providing the report, Grant Thornton Corporate Finance's client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of the Report, Grant Thornton Corporate Finance will receive from MMX fees in the order of A$30,000 plus GST, which is based on commercial rate plus reimbursement of out-of-pocket expenses for the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.

5 Independence

Grant Thornton Corporate Finance is required to be independent of MMX in order to provide this report. The guidelines for independence in the preparation of an independent expert's report are set out in Regulatory Guide 112 *Independence of expert* issued by the Australian Securities and Investments Commission ("ASIC"). The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

"Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with MMX (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the Proposed Buy-Back.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the transaction, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

Grant Thornton Corporate Finance considers itself to be independent in terms of Regulatory Guide 112 "Independence of expert" issued by the ASIC."

6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Ombudsman Service (membership no. 11800). All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service who can be contacted at:

PO Box 579 – Collins Street West
Melbourne, VIC 8007
Telephone: 1800 335 405

Grant Thornton Corporate Finance is only responsible for this report and FSG. Complaints or questions about the General Meeting should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

6 Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

Contents

1 Outline of the Equal Access Buyback

1.1 Background and the Proposed Buyback

Murchison Metals Ltd ("MMX" or "the Company") is an Australian public company listed on the Australian Securities Exchange Limited ("ASX"). On 20 February 2012, MMX sold its interests in Crosslands Resources Ltd ("Crosslands")[1] and Oakajee Port and Rail Project[2] ("OPR") to Mitsubishi Development Pty Ltd[3] ("Mitsubishi") for $325 million in cash ("Mitsubishi Transaction").

Following completion of the Mitsubishi Transaction, the Board of MMX undertook an extensive review to assess the distribution of MMX's cash assets to MMX Shareholders, versus alternative potential investment opportunities in the natural resources sector.

In April 2012, the Board concluded that none of the investment opportunities considered had the potential to enhance shareholder value within an acceptable time horizon and announced that it would focus on the distribution of the MMX's available cash to MMX Shareholders.

At a General Meeting held on 16 August 2012, MMX Shareholders approved a reduction of the Company's share capital by the return of an amount of $0.46 per ordinary share to eligible shareholders. This capital return, totalling $207 million was paid on 14 September 2012.

Following the completion of the capital return, the Company's remaining assets included a cash holding of approximately $22 million as at 31 December 2012 and a 3.2% interest in Cashmere Iron Limited ("Cashmere"), an unlisted public company based in Western Australia.

On 16 November 2012, the Board announced their intentions to appoint a liquidator to commence the wind up the Company. The expected final capital return to MMX Shareholders was estimated to be in the range of 3.5 cents per share to 4.0 cents per share.

On 23 November 2012, MMX announced a restructure of its Board with the appointment of Messers Gabriel Radzyminski and Paul Jensen as non-executive directors. The new Board of Company shortly announced that it was undertaking a review of the Company's capital management program and considering the strategies for the efficient return of capital to MMX shareholders.

On 28 December 2012 ("the Announcement Date"), the Board announced its intention to put forward for shareholder approval an equal access off market share buy back in the range of 4.0 cents per share to 4.2 cents per share.

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[1] Crosslands is the owner of the Jack Hills iron ore project located in the mid-west region of Western Australia.
[2] OPR was established to construct new port and rail infrastructure to provide logistics services to miners (including Crosslands) and other potential customers in the mid-west region of WA.
[3] Mitsubishi Development Pty Ltd is a subsidiary of Mitsubishi Corporation, Japan's largest general trading company.

Under the proposed buyback, the board of MMX is seeking shareholder approval to undertake an off market equal access share buy-back at 4.2 cents per share ("Buy-Back Price") of up to 372,928,938 shares, at a total cost of up to $15,663,015[4] ("the Proposed Buyback").

The Company's largest shareholders, Mercantile Investment Company Limited ("Mercantile") has confirmed that if it is eligible, it will vote in favour of the Proposed Buy-Buck, but it will not participate into the Buy-Back. Mercantile currently holds 17.22% of the share capital of the Company. Mercantile's non participation into the Buy-Back will mean that the maximum buyback pool will be sufficient to buyback 100% of the MMX Shares held by shareholders of MMX("MMX Shareholders") other than Mercantile.

The announcement of the Proposed Buy-Back is consistent with the board's intention to offer MMX Shareholders the opportunity to exit their investment at fair market value if they desire to do so.

The Proposed Buyback is open to all MMX Shareholders on an equal basis and participation by MMX Shareholders is entirely voluntary.

[4] We note that Mercantile Investment Company Pty Ltd has confirmed that if it is eligible, it will vote in favour of the Proposed Buy-Back but it will not participate into the Proposed Buy-Back

2 Purpose and scope of the report

The Board of MMX has appointed Grant Thornton Corporate Finance to prepare this report to express an opinion as to whether the Proposed Buy-Back is fair and reasonable to the MMX Shareholders.

The following section sets out the purpose of our report as applicable to the Proposed Buy-Back.

2.1 Purpose

Australian Securities and Investment Commission ("ASIC") Regulatory Guide 110 "Share buy-backs" ("RG 110") sets out what ASIC expects a company to provide when disclosing information to shareholders with a notice of meeting for the purposes of a buyback offer.

RG 110.18 states:

If a company proposes to buy back a significant percentage of shares or the holdings of a major shareholder, it should consider providing:

- *a report by its independent directors about whether shareholders should vote in favour of the buy-back, particularly regarding how much the company is paying for the shares; and*

- *an independent expert's report with a valuation of the shares.*

Further, RG 110.20 states:

- *It is usually appropriate for shareholders to have the benefit of independent advice on whether to vote for a buy-back.*

Accordingly, the directors of MMX have appointed Grant Thornton Corporate Finance to prepare an independent expert's report stating whether in our opinion, the Proposed Buyback is fair and reasonable to MMX Shareholders.

2.2 Basis of assessment

Whilst the Corporations Act, 2001 (the "Corporations Act") does not provide a definition as to the meaning of fair and reasonable, ASIC Regulatory Guide 111 "Content of expert's report" ("RG 111") provides some guidelines as to what independent experts should consider and how 'fair and reasonable' should be interpreted for a range of transactions.

In forming our opinion as to whether the Proposed Buy-Back is fair and reasonable to the MMX Shareholders, Grant Thornton Corporate Finance has had regard to the following:

- The overall terms of the Proposed Buy-Back.

- The underlying fair market value of the shares to be acquired under the Proposed Buy-Back in comparison with the Buyback Price.

- The trading history of MMX shares on ASX.

- The potential impact of the Proposed Buy-Back upon MMX's cash and investment position, NTA per share, share structure and control of MMX.

- The likely implications for the Company if the Proposed Buy-Back is not implemented.

2.3 Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to the Proposed Buy-Back with reference to the ASIC Regulatory Guide 112 "Independence of Experts" ("RG112").

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the Proposed Buy-Back other than that of independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.

Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the Proposed Buy-Back.

2.4 Consent and other matters

Our report is to be read in conjunction with the Notice of Meeting and Explanatory Memorandum dated on or around 28 June 2013 in which this report is included, and is prepared for the exclusive purpose of assisting the MMX Shareholders in their consideration of the Proposed Buy-Back. This report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this report in its form and context and consents to its inclusion in the Notice of Meeting and Explanatory Memorandum.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Proposed Buy-Back to MMX Shareholders as a whole. We have not considered the potential impact of the Proposed Buy-Back on individual shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Proposed Buy-Back on individual shareholders.

The decision of whether or not to approve the Proposed Buy-Back is a matter for each MMX Shareholders based on their own views of value of MMX and expectations about future market conditions, MMX's performance, risk profile and investment strategy. If MMX Shareholders are in doubt about the action they should take in relation to the Proposed Buy-Back, they should seek their own professional advice.

3 Profile of Murchison Metals Ltd

3.1 Company overview

MMX is an Australian public company listed on the ASX.

Prior to 20 February 2012, MMX was a 50% shareholder in Crosslands, the owner of the Jack Hills iron ore project located in the mid-west region of Western Australia. MMX also had a 50% economic interest in an independent infrastructure business, OPR, which was established to construct new port and rail infrastructure to provide logistics services to mining companies and other potential customers in the mid-west region of WA.

On 20 February 2012, MMX sold its interests in Crosslands and OPR to Mitsubishi for $325 million in cash ("Mitsubishi Transaction"). Part of the proceeds received from Mitsubishi were used to repay the balance of debt facility and transaction costs.

Following the completion of the Mitsubishi Transaction and the payment of all the Company's associated obligations, including debt repayments, transaction costs, employee entitlements, corporate costs and allowance for operations and closure costs, the Company's net available funds were $223 million.

On 18 April 2012, MMX announced that it would not continue to actively pursue new investment opportunities and would focus on distribution of the Company's available cash to MMX Shareholders.

On 2 July 2012, the Company announced subject to shareholder approval, the intention to return an amount of approximately $207 million to MMX shareholders ($0.46 per share). At a General Meeting held on 16 August 2012, MMX shareholders approved a reduction of the Company's share capital.

Following the completion of the capital return, the Company remaining assets included cash holding of approximately $22 million as at 31 December 2012 and a 3.2% interest in Cashmere, an unlisted public company based in Western Australia[5]. Refer to Section 4 for a brief overview of Cashmere.

On 16 November 2012, the Board announced their intentions to appoint a liquidator to commence the wind up the Company. The expected final capital return to MMX Shareholders was estimated to be in the range of 3.5 cents per share to 4.0 cents per share.

On 23 November 2012, MMX announced a restructure of its Board with the appointment of Messers Gabriel Radzyminski and Paul Jensen as non-executive directors. The new Board of the Company shortly announced that it was undertaking a review of the Company's capital management program and considering the strategies for the efficient return of capital to MMX shareholders.

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[5] The Company also held 100% interest in an iron ore project located in the Pibara province between the towns of Tom Price and Paraburdoo ("Rocklea Project"), which was sold for $3.2 million in cash in August 2012.

3.2 Financial information

3.2.1 Financial Performance of MMX

The audited consolidated income statement of MMX for the year ended 30 June 2012 ("FY12"), the reviewed consolidated income statement for the six months ended 31 December 2012 ("1HFY13") and the unaudited consolidated income statement for the 11 months ended 31 May 2013 ("YTDFY13") are set out in the table below:

Income Statement

	FY2012 Audited $'000	1HFY13 Reviewed $'000	YTDFY13 Unaudited $'000
Revenue	4,905	2,620	2,937
Other Income	2,324	96	87
Total revenue	**7,229**	**2,716**	**3,024**
Expenses			
Administration expenses	(4,896)	(633)	(855)
Employee and director expenses	(5,817)	(2,109)	(2,131)
Hired services expenses	(3,623)	(746)	(784)
Travel expenses	(611)	(58)	(60)
Impairment write-down expense	(8,934)	(2,000)	(2,035)
Other expenses	(18)	(3,551)	(3,553)
Total expenses	**(23,899)**	**(9,097)**	**(9,419)**
EBITDA	**(16,670)**	**(6,381)**	**(6,395)**
Depreciation and amortisation expense	(144)	-	(5)
EBIT from continuing operations	**(16,814)**	**(6,381)**	**(6,400)**
Discontinuing Operations			
Gain on disposal of jointly controlled assets	8,438	-	-
Gain on disposal of jointly controlled entity	28,821	-	-
Employee and director expenses	(10,603)	-	-
Share of expenses from jointly controlled assets	(1,383)	-	-
Share of profit / (loss) from a jointly controlled entity	311	-	-
EBIT from discontinuing operations	**25,584**	**-**	**-**
Total EBIT	**8,770**	**(6,381)**	**(6,400)**
Finance costs	(6,465)	-	-
Profit / (Loss) before income tax	**2,305**	**(6,381)**	**(6,400)**
Income Tax	**-**	**-**	**-**
Total comprehensive profit / (loss) for the year	**2,305**	**(6,381)**	**(6,400)**

Source: MMX Annual Reports, Half yearly report 31 December 2012 and Unaudited YTD 31 May 2013 Management accounts

We note the following in regards to the consolidated statement of comprehensive income of MMX.

FY12

- The gain on disposal of jointly controlled assets and entities of $8.4 million and $28.8 million respectively relates to the disposal of MMX's interest in Crosslands and the OPR joint venture assets which were sold to Mitsubishi.
- The impairment expense of $8.9 million relates to exploration assets, which have subsequently been sold.

1HFY13

- Employee and director expenses of $2.1 million included employee redundancy expenses of approximately $766,000.

- In December 2012, the Directors of MMX made the decision to write down its $2 million investment in Cashmere to $Nil. The key reasons for the write down are set out below:

  - Cashmere was planning an initial public offering ("IPO") of its shares in 2012, but these plans were abandoned as market conditions for iron and capital raisings had deteriorated. In November 2012, Cashmere wrote to its shareholders advising that market conditions have not been conducive for iron ore companies such as Cashmere to proceed with an IPO and management of Cashmere have focused on reducing the costs of its operations.

  - The latest audited accounts of Cashmere as at 30 June 2012 included a matter of emphasis in relation to the material uncertainty in relation to the consolidated entity's ability to continue as a going concern.

  - The directors of MMX engaged external advisors in relation to the sale of MMX's interest in Cashmere. No interested parties were secured as part of this process.

- Other expenses of $3.5 million relates to the payment of settlement expenses in relation to disputes with former advisors. As at 31 December 2012, there were no further legal matters or contingent liabilities outstanding.

YTDFY13

- The increase in revenue of approximately $317,000 relates to interest received on cash deposits.

- The results indicate very limited activity since 31 December 2012 with only minor movement in administration expenses.

- Management have advised that business activities have been significantly curtailed since 31 December 2012 as the Company has been focused on returning the remaining cash to MMX Shareholders. As a result, the current level of corporate costs being incurred by the Company since 31 December 2012 may not be reflective of the level of corporate costs going forward.

- Hired services relates to external consulting fees in relation to accounting, company secretarial and other administrative services.

3.2.2 Financial Position of MMX

The consolidated balance sheet of MMX as at 30 June 2012, 31 December 2012 and 31 May 2013 are set out in the table below:

Statement of Financial Position

	30-Jun-12 Audited $'000	31-Dec-12 Reviewed $'000	31-May-13 Unaudited $'000
Current assets			
Cash and cash equivalents	226,192	22,191	21,739
Trade and other receivable	4,528	230	115
Prepayments	182	92	-
Current assets classified as held for sale			-
Available-for-sale financial assets	2,000	-	-
Exploration and evaluation expenditure	3,279	-	-
Property, plant and equipment	233	-	-
Total current assets	**236,414**	**22,513**	**21,853**
Non-current assets			
Exploration and evaluation expenditure	-	77	78
Property, plant and equipment	-	40	-
Investments accounted for using the equity method	-	-	-
Available-for-sale financial assets	-	-	-
Other non-current assets	-	-	-
Total non-current assets	**-**	**117**	**78**
Total assets	**236,414**	**22,630**	**21,932**
Current liabilities			
Trade and other payables	830	294	27
Provisions	483	700	247
Total current liabilities	**1,313**	**994**	**274**
Total liabilities	**1,313**	**994**	**274**
Net assets	**235,101**	**21,636**	**21,658**
Equity			
Contributed equity	245,944	38,838	38,839
Reserves	24,812	24,834	24,833
Accumulated losses	(35,655)	(42,036)	(42,014)
Total equity	**235,101**	**21,636**	**21,658**

Source: MMX Annual Reports, Half yearly report 31 December 2012 and Unaudited YTD 31 May 2013 Management accounts

We note the following in relation to the consolidated balance sheet:

30 June 2012

- Cash and cash equivalents comprises of cash on hand and short-term deposits. The substantial cash balance was largely attributable to the following:
  - Proceeds of $306 million from the divestment of MMX interest in the OPR project of which a portion ($223 million) was invested into term deposits.
  - Repayment of the bridging facility loan obtained in March 2011 from Resource Capital Fund V. L.P ("RCF") of approximately $61 million.

- Payment of approximately $30 million to suppliers and employees in preparation for an intial planned winding up of the Company.

- Payments to settle litigation claims of approximately $5 million.

- Available for sale financial assets of $2 million relates to the investment in Cashmere.

31 December 2012

- The significant decrease in cash is largely attributable to the distribution of net cash from the proceeds of the Mitsubishi Transaction as a return of capital for a total amount of $207 million.

- In August 2012, MMX divested its interest in Rocklea Project for a total consideration of $3.2 million. As a result the exploration and evaluation expenditure reduced to $0.77 million from a total of $3.3 million as at 30 June 2012.

- Available for sale financial assets relate to the investment in Cashmere, which was written down to $Nil during December 2012.

- In September 2012, $207 million was distributed to shareholders as a return of capital, as a result, contributed equity reduced to approximately $39 million.

- The provisions balance of $0.7 million relates to annual leave, employee entitlements and retention payments.

31 May 2013

- The decrease in cash of $452,000 since 31 December 2013 mainly relates to the payment of redundancy entitlements and annual leave.

3.3 Capital Structure

As at the date of our report, MMX has the following securities on issue:

- 450,497,346 fully paid listed ordinary shares ("MMX Shares").
- 10,005,730 unlisted options ("MMX Options").

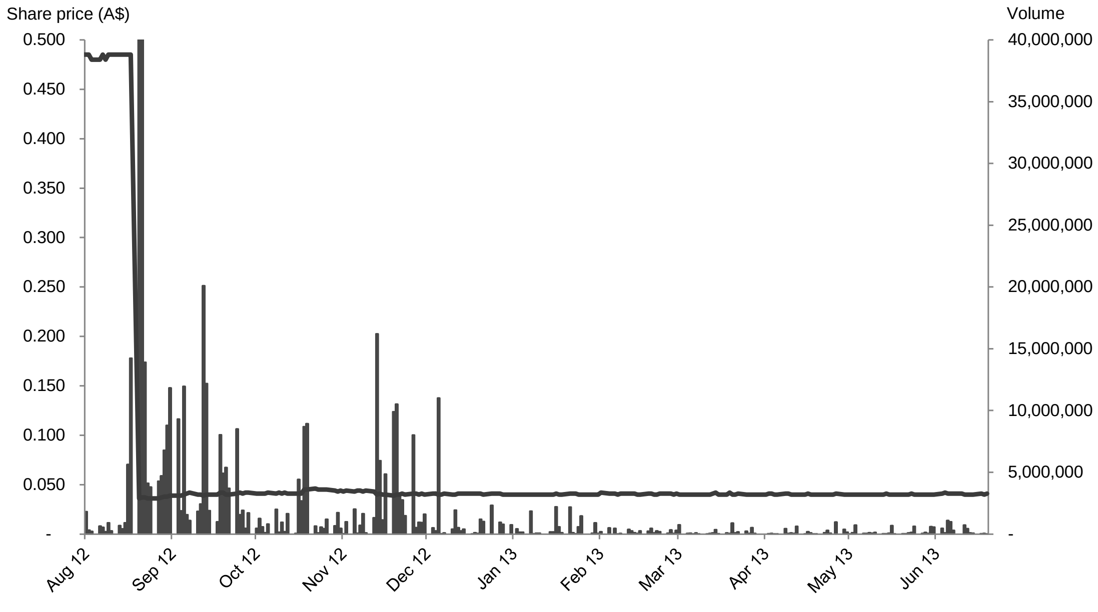
3.3.1 MMX Shares

Top 10 Shareholders	No. of shares	Interest
Mercantile Investment Ltd	77,568,408	17.22%
POSCO Australia Pty Ltd	60,567,000	13.44%
Ayersland Pty Ltd	53,110,905	11.79%
Colbern Fiduciary Nominees Pty Ltd	25,114,408	5.57%
UBS Wealth Management Australia Nominees Pty Ltd	17,447,913	3.87%
Ms Franciska Lasic	16,975,501	3.77%
RBC Investor Services Australia Nominees Pty Ltd	10,983,086	2.44%
ABN AMRO Clearing Sydney Nominees Pty Ltd	8,419,859	1.87%
Buttonwood Nominees Pty Ltd	6,773,158	1.50%
JP Morgan Nominees Australia Ltd	5,764,539	1.28%
Other Shareholders	167,772,569	37.24%
Total	**450,497,346**	**100.00%**

The top ten shareholders of MMX as at the date of this report are set out below.

Source: MMX Management

The daily movements in MMX's share price and volumes for the period from August 2012 to June 2013 is set out below:



Source: Capital IQ

We note the following with regard to the share price history since February 2012.

Date	Comments
20 February 2012	MMX announced the completion of the Mitsubishi Transaction for $335 million in cash. Share price closed at $0.455.
22 February 2012	Chameleon Mining NL announced that the agreement to settle the litigation against MMX for $25 million has been successfully approved by the Federal Court. Share price closed at $0.465.
1 March 2012	MMX announced significant changes to the Board of the Company following the successful completion of the Mitsubishi transaction. Share price closed at $0.485.
18 April 2012	MMX released the activities report for the quarter ended 31 March 2012. MMX announced that it will not proactively seek new investment opportunities and will focus on advancing the Distribution Process which involves the distribution of net cash proceeds from the Mitsubishi Transaction to shareholders as a return of capital. Share price closed at $0.470.
4 May 2012	MMX advises that it has received a claim from Premar Capital Ltd ("PCL") for services PCL claims to have provided pursuant to the terms of a mandate letter executed in March 2005. PCL is claiming $6.8 million for commission sales of iron ore from the Jack Hills mine. Share price closed at $0.480.
27 June 2012	MMX announces that it has received a final class ruling from the Australian Taxation Office ("ATO") regarding the proposed distribution of funds to shareholders. Share price closed at $0.470.
2 July 2012	MMX announced that a General Meeting of shareholders will be held on 16 August 2012 to consider the distribution of the majority of MMX's available funds. If shareholders approve, an amount of approximately $207 million would be distributed to shareholders. Share price closed at $0.475.
4 July 2012	MMX advises it has received a claim from O'Sullivan Partners Advisory Pty Ltd ("OP") for fees OP claims are payable pursuant to a letter of engagement between OP and MMX for the provision of advisory services of approximately $5 million. Share price closed at $0.485.
10 July 2012	MMX announced that it has entered into a sale agreement with Dragon Energy Limited ("Dragon Energy") to sell its Rocklea iron ore project for $3.2 million in cash. Share price closed at $0.480.
16 August 2012	MMX announced that the resolution to approve a reduction of MMX's share capital by returning an amount of 46% per ordinary share to eligible Shareholders was passed on a show of hands (99.35%). Share price closed at $0.485.
21 August 2012	MMX announces that it has completed the sale of it Rocklea iron ore project to Dragon Energy for $3.2 million cash. Share price closed at $0.037.
18 October 2012	MMX announced that the dispute with OP in regards to a claim has passed through a binding determination process where an expert has ruled against the entitlement. However, by way of a quantum merit claim, MMX is entitled to pay OP retainer fees and administrative charges totalling $35,862 and a further sum of $1.75 million plus interest. Share price closed at $0.045.
12 November 2012	MMX announced that it was entered into a Deed of Settlement with PCL in regards to the claimed amount of $6.8 million for commissions on sales of iron ore. MMX has agreed to pay $1.6 million in full and final satisfaction of all claims PCL has against MMX. Share price closed at $0.043.
16 November 2012	MMX announced it will distribute the second and final capital return to shareholders estimated to be in the range of $15.84 million to $18.09 million in total. MMX also announces its intention to appoint a liquidator to wind up the Company in February/March 2013. Share price closed at $0.040.
16 November 2012	The Board announced their intentions to appoint a liquidator to commence the wind up the Company. The expected final capital return to MMX Shareholders was estimated to be in the range of $0.035 to $0.040 per share.
23 November 2012	MMX announced a restructure of its Board of Directors with the appointment of Messers Gabriel Radzyminski and Paul Jensen as non-executive directors and the retirement of Mr Ken Scott-Mackenzie who had been the Non-Executive Chairman and Mr Greg Martin who was the Managing Director.
7 December 2012	The Board announced that it was undertaking a review of the Company's capital management program and considering the strategies for the efficient return of capital to MMX shareholders.
21 December 2012	MMX announced its decision to write down the value of its stake in Cashmere Iron Ltd from its original cost of $2 million to nil. Share price closed at $0.040.
28 December 2012	MMX announced its completion of its review of potential capital management options and intends to put forward for shareholder approval, an off-market equal access share buy-back for an expected price to be in the range of 4.0 cents to 4.2 cents per share. Share price closed at $0.040.
25 February 2013	MMX lodged its half yearly finance accounts to 31 December 2012. Share price closed at $0.041.

Source: MMX ASX announcements

Set out below is the share price performance of MMX:

Murchison Metals Limited	Share Price		
	High	Low	Close
	$	$	$
Month ended			
May 2012	0.48	0.45	0.47
Jun 2012	0.48	0.46	0.47
Jul 2012	0.49	0.47	0.49
Aug 2012	0.49	0.03	0.04
Sep 2012	0.05	0.04	0.04
Oct 2012	0.05	0.04	0.04
Nov 2012	0.05	0.04	0.04
Dec 2012	0.04	0.04	0.04
Jan 2013	0.04	0.04	0.04
Feb 2013	0.04	0.04	0.04
Mar 2013	0.04	0.04	0.04
Apr 2013	0.04	0.04	0.04
May 2013	0.04	0.04	0.04
Week ended			
1 Mar 2013	0.04	0.04	0.04
8 Mar 2013	0.04	0.04	0.04
15 Mar 2013	0.04	0.04	0.04
22 Mar 2013	0.04	0.04	0.04
29 Mar 2013	0.04	0.04	0.04
5 Apr 2013	0.04	0.04	0.04
12 Apr 2013	0.04	0.04	0.04
19 Apr 2013	0.04	0.04	0.04
26 Apr 2013	0.04	0.04	0.04
3 May 2013	0.04	0.04	0.04
10 May 2013	0.04	0.04	0.04
17 May 2013	0.04	0.04	0.04
24 May 2013	0.04	0.04	0.04
31 May 2013	0.04	0.04	0.04
7 Jun 2013	0.04	0.04	0.04
14 Jun 2013	0.04	0.04	0.04

Source: Capital IQ

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The following table summarises the monthly trading volume of MMX since 2011: We note that the trading prices prior to August 2012 are not comparable as these trading prices were before the capital return to shareholders of $207 million.

Month end	Volume traded ('000)	Monthly VWAP ($)	Total value of shares traded ($'000)	Volume traded as % of total shares
Dec 2011	123,807	0.3950	48,898	28.0%
Jan 2012	48,244	0.4210	20,309	10.9%
Feb 2012	60,868	0.4497	27,374	13.7%
Mar 2012	37,275	0.4718	17,585	8.3%
Apr 2012	26,362	0.4710	12,417	5.9%
May 2012	46,995	0.4655	21,874	10.4%
Jun 2012	51,376	0.4689	24,092	11.4%
Jul 2012	24,427	0.4787	11,693	5.4%
Aug 2012	178,401	0.1041	18,569	39.6%
Sep 2012	101,523	0.0405	4,111	22.5%
Oct 2012	38,946	0.0433	1,686	8.6%
Nov 2012	75,175	0.0405	3,045	16.7%
Dec 2012	22,674	0.0408	924	5.0%
Jan 2013	11,502	0.0404	464	2.6%
Feb 2013	4,340	0.0408	177	1.0%
Mar 2013	3,737	0.0404	151	0.8%
Apr 2013	3,699	0.0405	150	0.8%
May 2013	4,539	0.0402	183	1.0%
Jun 2013	4,427	0.0409	181	1.0%

Source: Capital IQ

3.3.2 Options

The following table summarises the unlisted options issued by MMX:

Option Number	Exercise price ($)	Expiry date
125,000	1.26	Dec-13
4,200,000	1.73	Mar-14
1,885,651	1.16	Jul-14
607,137	1.04	Jul-14
576,495	1.08	Jul-14
766,714	0.67	Jul-14
1,418,922	0.66	Oct-14
425,811	0.58	Oct-14
10,005,730		

Source: MMX 2012 Annual Report and Appendix 3B

4 Exploration assets

4.1 Cashmere Iron Limited

Cashmere was formed in 2007 as a public unlisted company to explore and develop the Cashmere Downs iron ore project in the Eastern Goldfields of Western Australia, approximately 700 kilometres north east of Perth, in the East Murchison mineral field. This brief overview is only based on publicly available information and we have not had access to confidential information. We have only had been able to have limited discussions with the management and directors of Cashmere.

We also note that based on the size of MMX's investment in Cashmere, the Company does not have any ability to influence the strategy and operations of Cashmere and MMX does not receive updates on the financial performance of Cashmere.

According to its presentations, Cashmere has spent in excess of $18 million on drilling and exploration studies, with over 35,000 metres drilled and assayed. The proposed project development is divided into 3 stages.

A Stage 1 Hematite Detrital study was completed in January 2012 and a definitive feasibility study ("DFS") is currently underway, which is due for completion in the second half 2013.

Cashmere has a current JORC[6] Code compliant resource of 1.059 billion tonnes ("Bt") of which 166 million tonnes ("Mt") is at JORC Code Probable Reserve. The summary of mineral resource for Cashmere is set out in the table below:

[6] A reported Mineral Resource as defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code – 2004 Edition)

Summary of Mineral Resource

Proposed Development Stage	Resource Description	JORC Classification	Tonnage MT	Fe%	SiO_2 %	Al_2O_3%
Stage One	Dentrial Hematite >30% Fe	Indicated	42	37.8	33.8	6.6
	Other BIF >30%	Indicated	3	43.7	22.9	6.4
Stage Two	BIF Hematite	Measured	42	33.5	48.5	0.6
	>20% Fe	Indicated	137	32.9	49.3	0.6
		Inferred	13	31.3	51.2	0.8
Stage Three	BIF Hematite	Measured	160	33.4	48.3	0.4
	>20% Fe	Indicated	597	32.5	494	0.5
		Inferred	65	31	51.1	0.5
Total		**Measured & Indicated**	**981**	**33**	**48.5**	**0.8**
		Inferred	**78**	**31.1**	**51.1**	**0.6**

Proposed Development Stage	Resource Description	JORC Classification	Tonnage MT	Fe%	SiO_2 %	Al_2O_3%
Stage 2	BIF Hematite >20% Fe	Reserves	166	33.8	48.1	0.6

Source: Cashmere Iron Limited Company Presentation

Whilst the total measured, indicated and inferred resources reported above is over 1 billion MT, these resources are located 510 km west of the port of Geraldton and 585 km southeast of the port of Esperance. Given the large distance from port and the lack of any close rail infrastructure, large upfront capital expenditure would be required before the value of these resources can be unlocked.

In order to fund these large capital requirements, during 2012, Cashmere actively pursued a listing on the ASX however this was subsequently aborted due to a lack of institutional support which arose from poor market conditions.

In November 2012, Cashmere wrote to its shareholders advising that marketing conditions have not been conducive for iron ore companies such as Cashmere to proceed with an initial public offering and they have focussed on reducing the cost of their operations.

4.1.1 Financial Information

The latest balance sheets of Cashmere available to MMX and made available to us are set out in the table below:

Statement of Financial Position

	30-Jun-11 Audited $	30-Jun-12 Audited $
Current assets		
Cash and cash equivalents	5,655,405	504,058
Trade and other receivables	1,060,242	653,324
Prepayments and deposits	121,355	102,789
Total current assets	**6,837,002**	**1,260,171**
Plant and equipment		
Available-for-sale financial assets	66,582	50,290
Exploration and evaluation expenditure	13,174,363	14,363,203
Other assets	993,389	2,952,456
Total non current assets	**14,234,334**	**17,365,949**
Total assets	**21,071,336**	**18,626,120**
Current liabilities		
Trade and other payables	1,176,056	565,717
Provisions	10,577	32,496
Borrowings	-	254,425
Total current liabilities	**1,186,633**	**852,638**
Total liabilities	**1,186,633**	**852,638**
Net assets	**19,884,703**	**17,773,482**
Equity		
Contributed equity	21,360,758	21,745,758
Reserves	5,414,907	6,236,904
Accumulated losses	(6,890,962)	(10,209,180)
Total equity	**19,884,703**	**17,773,482**

Source: Cashmere 2012 Annual Report

During the year ended 30 June 2012 the Group recorded a net loss after tax of $3,318,218, a cash outflow from operating activities of $2,305,761 and had a working capital surplus (net current assets) of $407,533.

The directors of Cashmere included in Note 2(a) of the financial report stating the following:

The Group has sufficient cash resources to meet its commitments for the subsequent financial year. However immediately beyond the end of the next financial year the Group will need to raise additional funding to continue its normal business activities.

The audit report also contained the following note on material uncertainty note regarding continuation as a going concern.

Without further qualification, we draw attention to Note 2(u) in the financial report which indicates that the consolidated entity incurred a net loss of $3,318,218 during the year ended 30 June 2012, and had net cash outflows from operating activities of $2,305,761. These conditions, along with other matters as set forth in Note 2(u), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to *continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.*

Based on discussions with management of Cashmere, we understand that Cashmere has placed its operations on care and maintenance while the directors of Cashmere continue to seek capital funding to finance its planned exploration and development activities. We have not been provided with an estimate of the cash balance of Cashmere at the date of this report.

4.1.2 Potential rights issue (now withdrawn)

On 18 April 2013, shareholders of Cashmere were notified of a proposed fund raising between $4 million and $5 million by way of a rights priority issue to shareholders with any shortfall to be offered to other investors. The proposed priority rights issue was priced at 20 cents per share, which would result in a rights issue based on one new share subscribed for each 12.5 shares currently held. In the letter to shareholders, Cashmere indicated that the capital raising would have been dependent on Cashmere achieving a listing on ASX via an IPO.

Based on discussions with management of Cashmere and its advisors, we understand that the proposed rights issue has been withdrawn as there was insufficient support from existing shareholders of Cashmere.

We understand that it is possible that Cashmere may look at a deeply discounted rights issue to stay as a private company and keep the project moving on. However, we understand that the Board of Cashmere has not come to a resolution on it future capital raising options as at the date of this report.

4.1.3 MMX history with Cashmere

In April 2008, MMX invested $2 million in Cashmere in return for 10 million ordinary shares at 20 cents per share. MMX's shareholding in Cashmere represents approximately 3.2% equity interest in Cashmere.

On 21 December 2012, the Board of MMX announced to the ASX that it had impaired the value of its stake in Cashmere from $2.0 million to $nil. MMX engaged an external advisor to work with management and potential strategic options were considered to realise the Company's holding in Cashmere. The following strategic options were identified:

- Exit investment in Cashmere on IPO.
- Sale of MMX's investment in Cashmere to existing Cashmere Shareholder or new Cashmere Shareholder.
- In specie distribution of Cashmere shares to MMX Shareholders.
- Cashmere to find a buyer for MMX's holding in Cashmere.

However, MMX has not been able to implement or pursue any of the above strategies due to poor market conditions and lack of interested parties to purchase MMX's investment in Cashmere.

4.2 Exploration Licenses

We have been advised that MMX holds the following exploration licenses:

Exploration license	Annual Expenditure Commitment
EL 45/4004 – Rippon Hills	$15,000
EL 45/4005 – Rippon Hills.	$15,000
EL 31/733 – Duck Hills (50% interest)	$15,000*

Source: MMX Management

** The manager of the joint venture is responsible for the expenditure program and budget and at this stage, MMX has not received this information*

The exploration licenses above were granted on 11 March 2013 and expire 10 March 2018. The Applications were lodged on 5 December 2011.

EL 45/4004 and EL 45/4005 cover an area of approximately 15 kilometres square in the Pilbara Mineral Field of Western Australia in an area known as Ripon Hills. The ground was previously held by Jupiter Mines Ltd ("Jupiter") and formed part of its Oakover Manganese Project.

The exploration licences formed part of MMX's tenement monitoring project which included an interest in manganese. The ground was previously held by Jupiter and relinquished from its E45/2638 to comply with a 50% compulsory surrender.

Management of MMX are not aware of the exploration licenses containing any reported JORC resources and reserves. A tenement manager is also retained to manage these exploration licenses, at a minimum cost of approximately $12,500 per annum.

In addition to the above exploration licences, MMX is entitled to receive royalties from four tenements the Company sold in 2010. Under the terms of the royalty agreement, the Company is entitled to receive the following royalties:

- In the case of iron ore, 1% of free on board gross revenue received by the purchaser from the sale of iron ore mined from the tenements.

- In the case of all other minerals mined and sold from the tenements 1% of the gross sales revenue received by the purchaser.

Management of MMX are not aware of any drilling activity undertaken on the tenements or any reported JORC resources and reserves.

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5 Valuation methodologies

5.1 Introduction

Grant Thornton Corporate Finance has assessed the value of MMX using the concept of fair market value. Fair market value is commonly defined as:

"the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm's length."

Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

5.2 Valuation methodologies

RG111 outlines the appropriate methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

- Discounted cash flow ("DCF") method and the estimated realisable value of any surplus assets.
- Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets.
- Amount available for distribution to security holders on an orderly realisation of assets.
- Quoted price for listed securities, when there is a liquid and active market.
- Any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

Further details on these methodologies are set out in Appendix A to this report. Each of these methodologies is appropriate in certain circumstances.

RG111 does not prescribe the above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert's skill and judgement and after considering the unique circumstances of the entity or asset being valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.

5.3 Methodology selected to value MMX

We note that the key asset of MMX is its cash balance of approximately $22 million. In our valuation assessment, we have adopted the following approaches:

- Net realisable assets / net asset backing approach to value 100% of the issued capital in MMX assuming different level of participation into the Proposed Buy-Back and assuming that MMX will continue as a going concern.

- Wind-up scenario approach. We note that if the Proposed Buyback is accepted by all the shareholders other than Mercantile, Mercantile will own 100% of the share capital of the Company and MMX will be delisted from ASX.

In assessing the fair market value of MMX, we have aggregated:

- The fair market value of MMX's exploration assets.

- The realisable value of other assets net of liabilities.

- The capitalised corporate overheads/realisation expenses.

- The transaction costs payable in relation to the Proposed Buyback.

Further, MMX is a listed Australian company and is quoted on ASX. We have utilised the market value of listed securities approach to cross check our values under the net asset assets approach.

6 Valuation assessment of MMX

6.1 Financial position as at 31 May 2013

As discussed in Section 4 of this report, we have used the unaudited balance sheet of MMX as at 31 May 2013 as a base to our net realisable assets / net asset backing valuation. The balance sheet of MMX as at 31 May 2013 is set out below:

Statement of Financial Position

	31-May-13 Unaudited $'000
Current assets	
Cash and cash equivalents	21,739
Trade and other receivable	115
Total current assets	**21,853**
Non-current assets	
Exploration and evaluation expenditure	78
Total non-current assets	**78**
Total assets	**21,932**
Current liabilities	
Trade and other payables	27
Provisions	247
Total current liabilities	**274**
Total liabilities	**274**
Net assets	**21,658**

Source: MMX unaudited Management accounts

6.2 The fair value of MMX's exploration assets

6.2.1 Cashmere Iron Limited

As discussed in section 3.2, MMX has written down to $nil its investment in Cashmere. As part of our valuation assessment, we have undertaken a high level review of the information available to test the reasonableness of the assumption adopted by the Directors of MMX in relation to the fair value of MMX's investment.

We note that based on MMX's shareholding in Cashmere, we have not been provided with confidential information and we have only had limited access to Cashmere management.

Set out below are some qualitative comments in relation to Cashmere.

Cashmere's projects challenges

- Cashmere's projects are located in the Mid-West of Western Australia, approximately 700 km northeast of Perth, in the East Murchison mineral field. The ports of Geraldton and Esperance are located 510 km west and 585 km southeast respectively. Given the large distance to port, significant commitment to capital investment in infrastructure is required before Cashmere's project becomes feasible. In addition, Cashmere will require significant financial resources in order to fund and advance its exploration projects. The costs that Cashmere will incur in advancing its exploration projects include, drilling, exploration, bank feasibility studies and subsequent capital construction costs. The current market conditions are not conducive for raising large funding for early stage development projects requiring significant infrastructure investments.

- We understand that the Government of Western Australia has announced the approval for expansion of the Esperance Port and that the Esperance Ports Sea & Land and has just shortlisted two consortia to receive the request for proposal for the design, finance, build and operate a new multi-user iron ore facility at the Esperance Port. Nonetheless, there is no guarantee that the expansion of the Esperance Port will proceed in the medium term and there is uncertainty in relation to reaching a commercial agreement on the allocation of port capacity to Cashmere.

- Whilst current iron ore prices have recovered from the lows in September 2012 of approximately US$90 per tonne, the current price iron ore price of US$110 per tonne[7] are materially below the levels achieved in 2011 where iron ore prices were at its peak[8].

- Many iron ore producers have been ramping up production in Australia, which will increase supply and may put additional potential downside pressure on iron ore prices.

Funding challenges

- Cashmere was planning an IPO in the second quarter of 2012 to fund its large capital requirements and development expenses. However the IPO was deferred due to unfavourable economic climate at the time. In a letter to shareholders in November 2012, the directors of Cashmere advised that:

  - *In the period Cashmere deferred the IPO process in June 2012, market conditions have not been conducive for iron ore companies such as Cashmere to proceed with and IPO or some other transaction that enables*

    - *Shareholders to have equity in a listed company (so that there is liquidity in the stock) and*

    - *The Cashmere project to be progressed.*

  - *Cashmere has appointed joint advisers to assist in the initiatives above.*

- In April 2013, Cashmere proposed a potential rights issue to raise approximately $4 million to $5 million, however Cashmere has not received sufficient support from existing shareholders.

- The capital raising required to fund working capital, capital expenditure and infrastructure investment will likely be highly dilutive to existing shareholders of Cashmere. We note that Grant Thornton has analysed the right issues undertaken by public companies in Australia over the past couple of years across all industry sectors. We have compared the rights issue price to the closing share price of the stock on the day prior to the announcement of the rights issue.

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[7] As at 31 May 2013 sourced from www.macrobusiness.com.au
[8] Iron ore prices reached its peak in 2011 trading around US$180 per tonne.

Based on the analysis undertaken, the discount prior to the rights issue price has ranged between 0% and 100% with a median around 20%.

- The latest audited accounts of Cashmere as at 30 June 2012 included a matter of emphasis in relation to the material uncertainty in relation to the consolidated entity's ability to continue as a going concern. We note that the cash balance as at 30 June 2012 was approximately $0.5 million and we have been advised that Cashmere has not raised funds since then.

Sale process of MMX's interest in Cashmere

As discussed in section 4.1.3, MMX engaged an external advisor to assist MMX management in reviewing different options to realise the Company holding in Cashmere. The following strategic options were identified:

- Exit investment in Cashmere on IPO.

- Sale of MMX's investment in Cashmere to existing Cashmere Shareholder or other investors. We have been advised that as part of this process, the advisor has approached domestic and international potential investors.

- In specie distribution of Cashmere shares to MMX Shareholders.

- Cashmere to find a buyer for MMX's holding in Cashmere.

To date, no parties have been identified that have an interest in acquiring MMX's shares in Cashmere.

Marketability discount

In our opinion, a marketability discount should be applied to the value of MMX's investment in Cashmere, as Cashmere's shares are not publicly traded (refer to appendix B for further details). We note that in the absence of an IPO, MMX's investment in Cashmere is not highly marketable for the following reasons:

- MMX only holds 3.2% interest in Cashmere.

- Cashmere is an unlisted public company, which is less marketable to potential investors.

- The future funding of the underlying exploration projects held by Cashmere are likely to be very dilutive for existing shareholders.

- Cashmere is not expected to generate any revenue or distribute any dividend in the medium term.

Restricted stock and pre-IPO studies have shown discounts for lack of marketability in the range of 20% to 56%.

Summary and valuation of MMX's interest in Cashmere

Based on the above, we have adopted a valuation range of MMX's interest in Cashmere between $Nil and $0.6 million. The high end of the range is based on the NTA of Cashmere as at 30 June 2012 (latest financial accounts available to us) as summarised below:

Value of MMX's interest in Cashmere	Section Reference	
Number of Cashmere shares on issue (1)		312,676,243
Number of Cashmere Shares held by MMX		10,000,000
Equity interest		**3.20%**
Net tangible assets of Cashmere as at 30 June 2012	4.1.1	17,773,482
Value of MMX's interest in Cashmere		**568,431**

(1) Source: Cashmere 2012 Annual Report

The value of MMX's interest in Cashmere of approximately $568,000 set out in the table above implies a value per Cashmere share of $0.056 which is materially lower than the potential rights issue price of $0.20 per share. In our opinion, this material difference is reasonable due to the following:

- The recent capital raising attempt through the potential rights issue has been withdrawn.
- Cashmere has placed its operations on care and maintenance whilst management seek financing arrangements, which is an indication of Cashmere's weak financial position.
- A hypothetical purchaser of MMX's interest in Cashmere is likely to apply a marketability discount at the high end of observed ranges (i.e. close to 50%).
- The directors of MMX have impaired the Company's investment to $Nil.

As discussed above, we note that we have not undertaken an assessment of the fair market value of Cashmere, but we have only undertaken a high level review of the information available to test the reasonableness of the assumption adopted by the Directors of MMX in relation to the fair value of MMX's investment as at 31 December 2013.

6.2.2 Exploration licences and royalties

In relation to EL 45/4004, EL 45/4005 and EL 31/733, Management of MMX represented to us that MMX has not undertaken any exploration activities since acquiring the exploration licences. Further, Management of MMX are not aware of there being any reported reserves or resources within the exploration licences or adjacent to the exploration licences.

The exploration licences formed part of MMX's tenement monitoring project which included an interest in manganese. Ground previously held by Jupiter who relinquished it from its E45/2638 to comply with a 50% compulsory surrender. The ground relinquished is peripheral to Jupiter's project.

For the purposes of our valuation, we have adopted the book value of exploration assets of $78,000 in our assessment of MMX

In relation to the royalties from the four tenements sold by the Company in 2010 discussed in section 4.2, Management have advised that they have no information on when or indeed if ever, payments will be received from these royalty entitlements. Further, Management have confirmed that they are not aware of any exploration activity being undertaken on the tenements or any reported JORC resource or reserves.

6.3 The realisable value of other assets and net of liabilities

Other assets and liabilities have been valued based on their net book value as at 31 May 2013 and are summarised in the following table:

MMX other assets and liabilities

	31-May-13 Unaudited $'000
Cash	21,739
Trade and other receivable	115
Trade and other payables	(27)
Provisions	(247)
Total other assets net of liabilities	**21,579**

Source: MMX unaudited Management accounts

(1) The table above excludes the exploration and evaluation balance which is separately considered in Section 6.2.2

6.4 Corporate overheads/realisation expenses

We have assessed the corporate costs under two scenarios:

- Scenario 1 – a theoretical orderly realisation/wind-up of MMX.
- Scenario 2 - the Company continues to trade as a going concern.

6.4.1 Realisation/wind-up scenario

As discussed above, we have also considered the value of MMX under a wind-up scenario. Under this scenario, we have adjusted the realisable value of net assets assessed above for expected costs associated with the notional realisation and the wind-up of MMX assessed in the range of $1.1 million and $2.1 million. These costs include:

- 2013 compliance costs including statutory financial reporting, audit and tax compliance reporting costs.
- Liquidator's fees and costs and legal costs.
- Overheads and other administrative expenses during a reasonable realisation period. This includes staff costs in relation to the handling of legacy issues which may arise from former employees, shareholders, creditors and other regulatory bodies.
- Contingency for unforeseen matters or issues that arise throughout the shareholder approval and legal process associated with the final return of capital and closure of the Company. We

note that the Company has been involved in several litigation matters which have resulted in the payment of large amounts of settlement claims within the past 12 months. Accordingly, in our opinion, the contingency for unforeseen matters is necessary, however the quantum of any future expenses is difficult to determine with any certainty.

In relation to the wind-up costs, we note the following:

- They are based on an indicative assessment undertaken by the current Directors.

- Grant Thornton's recovery and reorganisation team has reviewed the Directors' estimate and they do not believe they are unreasonable. However, as outlined above, they have indicated that there is always a material degree of uncertainty and subjectivity in the estimate of the potential contingencies, in particular for a company like MMX which had significant operating activities and was widely held in the past.

- The theoretical wind-up expenses included in our valuation assessment are materially lower than the wind-up expenses announced by MMX on the ASX on 16 November 2012.

6.4.2 Going concern

MMX will incur ongoing corporate costs which are not incorporated into the value of its net assets. These costs are associated with maintaining offices, management and finance teams administration expenses and maintaining a listing status such as annual listing fees, registry fees and non-Executive Directors' fees. We have excluded from the capitalised value of corporate overheads costs associated with maintaining a listing status such as annual listing fees, registry fees and non-Executive Directors' fees as we have valued MMX on a 100% basis in accordance with the requirements of RG111.

Management have provided a budget for on-going corporate overhead costs amounting to approximately $500,000 per annum. Based on this information, Grant Thornton Corporate Finance has assessed the normalised, annual corporate overheads, excluding those associated with maintaining a listed status and one-off expenses in the range of $175,000 and $210,000 per annum on an after-tax basis.

For the purpose of the valuation, we have estimated the capitalised value of the corporate overheads between $1.5 million and $2.0 million[9].

Under a going concern scenario, it is likely that the Company will invest its cash resources in selected investment opportunities and accordingly the impact of the corporate overheads may be mitigated by the return generated by those investments. However, we believe our assessment of the capitalised value of the corporate overheads is not unreasonable for the adopted valuation methodology due to the following:

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[9] We note that the earnings multiple in the range of 8.5 times and 9.5 times applicable to the corporate overheads have been estimated based on the inverse of cost of equity (i.e. 1/11.8%=8.5x and 1/10.5% = 9.5x). The cost of equity has been assessed having regard to the capital asset pricing model.

- The selected level of the annual corporate overheads is materially lower than indicated by the Company.

- It is not inconsistent with the costs that would be incurred by the Company under a wind-up scenario.

- If the Company reinvest its cash resources in the short term, the corporate overheads are expected to increase materially.

6.5 Tax losses

As at 30 June 2012 MMX had accumulated gross revenue tax losses of approximately $19.5 million. The future utilisation of these tax losses is dependent on the ability of MMX to meet the requirements of the Australian Tax Office ("ATO") in respect of the "continuity of ownership" or "same business" tests.

We have attributed no value to the existing tax losses due to the following:

- After the Proposed Buy-Back there are doubts of the ability of the Company to meet the ATO's "continuity of ownership" requirement.

- At the time the losses were incurred, MMX was a 50% shareholder in Crosslands, the owner of the Jack Hills iron ore project located in the mid-west region of Western Australia and had a 50% economic interest in an independent infrastructure business, OPR, which was established to construct new port and rail infrastructure. Accordingly, there is uncertainty in relation to the ability of the Company to meet the "same business test".

- A hypothetical purchaser would be unlikely to be prepared to pay for the tax losses due to the uncertainty of meeting the requirements of the ATO and the level and timing of potential future taxable profits.

6.6 Value of listed shell company

For the purposes of our assessment of MMX, we have considered whether there is any potential value attributed to the company "shell" which could be extracted through a possible back-door listing transaction. During favourable share market conditions it is possible for shareholders in companies in the position of MMX to generate additional value by approving the acquisition of businesses / assets, resulting in a change of control of the company.

The share market conditions conducive to the use of MMX as a possible back-door listing vehicle do not currently prevail. Since the global financial crisis there has been a general lack of interest and support from the investment community in initial public offerings (IPOs). Further, the Directors of MMX announced that as none of the potential investment opportunities that were presented to, or identified by, the Company were considered to represent a compelling reinvestment opportunity with the potential to enhance shareholder value.

In the circumstances of MMX therefore we consider that any value that might attach to the backdoor listing potential in the current market conditions would be nominal.

6.7 Value of options

MMX currently has approximately 10 million MMX Options on issue as set out in section 3.3.2 with different exercise prices and expiry dates. We have undertaken a valuation of the MMX Options using the Black Scholes Option Pricing Model.

The assumptions adopted in our valuation assessment of the MMX Options are set out below:

- Risk free interest rate – 3.04% based on the Australian Government bond yields.
- Dividend Yield - nil
- Volatility – 100%
- Exercise price – various as per the terms of the MMX Options
- Share price - $0.04
- Expiry Period – various as per the terms of the MMX Options

Based on our calculations the MMX Options have nominal value as the MMX Options are significantly out of the money.

6.8 Costs associated with the Proposed Buyback

Management of MMX has advised that the estimated transaction costs to be incurred by MMX are approximately $150,000. In addition to these transaction costs, MMX may be required to make a one-off payment of $480,000 in relation to directors and officers indemnity insurance 7 year run-off cover arising from MMX's Deeds of Indemnity, which requires the previous retired directors and officers of MMX to be covered. We note that none of these costs are included in the cash balance as at 31 May 2013.

Accordingly, for the purposes of our valuation assessment we have allowed for cost associated with the Proposed Buy-Back of $630,000.

6.9 Valuation summary

The following table summarises our valuation assessment of MMX:

Valuation Summary

	Section Reference	Liquidation scenario Low $'000	Liquidation scenario High $'000	Going concern Low $'000	Going concern High $'000
Investment in Cashmere	*6.2.1*	-	-	-	568
Exploration and evaluation expenditure	*6.2.2*	-	-	78	78
Other assets net of liabilities	*6.3*	21,579	21,579	21,579	21,579
Estimated wind-up costs	*6.4.1*	(2,100)	(1,100)	-	-
Present value of corporate overheads	*6.4.2*	-	-	(1,995)	(1,488)
Estimated one-off and transaction costs	*6.8*	(630)	(630)	(630)	(630)
Value of 100% of MMX		**18,849**	**19,849**	**19,033**	**20,108**
Number of shares on issue		450,497,346	450,497,346	450,497,346	450,497,346
Cents per share		**4.18**	**4.41**	**4.22**	**4.46**

Source: Grant Thornton calculations

Based on the above, we have assessed the fair market value of MMX between 4.18 cents and 4.46 cents on a control basis.

6.10 Valuation cross check

Prior to reaching our valuation conclusion, we have considered the quoted security price of MMX Shares to cross check our values under the orderly realisation of assets approach.

The following table summarises the monthly trading volume of MMX Shares since September 2012 following the capital return to shareholders:

Month end	Volume traded ('000)	Monthly VWAP ($)	Total value of shares traded ($'000)	Volume traded as % of total shares
Sep 2012	101,523	0.0405	4,111	22.5%
Oct 2012	38,946	0.0433	1,686	8.6%
Nov 2012	75,175	0.0405	3,045	16.7%
Dec 2012	22,674	0.0408	924	5.0%
Jan 2013	11,502	0.0404	464	2.6%
Feb 2013	4,340	0.0408	177	1.0%
Mar 2013	3,737	0.0404	151	0.8%
Apr 2013	3,699	0.0405	150	0.8%
May 2013	4,539	0.0402	183	1.0%
Jun 2013	4,427	0.0409	181	1.0%

Source: Capital IQ

Based on the above table, we note the following:

- The monthly volume traded as a percentage of free-float shares has been limited over the last 6 months.
- In the Proposed Buyback, the trading share price represents the value in which minority shareholders could realise if they wanted to exit their investment.

Whilst the level of liquidity is limited, we have adopted the trading share price as an indicative cross check of our valuation assessment of MMX.

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Set out below is a summary of the share market prices for MMX plus the VWAP before the first buyback announcement on 16 November 2012 and the revised buyback announcement on 28 December 2012.

VWAP	Low A$	High A$	VWAP A$
Prior to 19 June 2013			
5 day	0.040	0.041	0.040
10 day	0.040	0.042	0.041
1 month	0.040	0.042	0.041
2 month	0.040	0.042	0.041
3 month	0.040	0.042	0.040
4 month	0.040	0.042	0.041
5 month	0.040	0.042	0.041
6 month	0.040	0.042	0.041
Prior to 28 December 2012			
5 day	0.040	0.042	0.041
10 day	0.040	0.042	0.041
1 month	0.040	0.042	0.041
2 month	0.037	0.045	0.041
3 month	0.037	0.049	0.041
Prior to 16 November 2012			
5 day	0.037	0.044	0.040
10 day	0.037	0.045	0.041
1 month	0.037	0.049	0.042
2 month	0.037	0.049	0.042

Source: Capital IQ and calculations

Based on the above, we have observed the trading prices of MMX Shares ranging between 4.0 cents and 4.2 cents per share on a minority basis.

Based on the above analysis, we have concluded that our adopted value of MMX Shares, in the range of 4.18 cents to 4.46 cents per share is reasonable.

7 Sources of information, disclaimer and consents

7.1 Sources of information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- Draft Notice of Meeting and Explanatory Memorandum
- Annual reports of MMX for FY11 and FY12
- Half-year financial report of MMX for 1HY13
- Year to date management accounts of MMX
- Releases and announcements by MMX on ASX
- Cashmere Iron Limited investor presentations
- Cashmere Iron Limited annual report for FY12.
- Other information provided by MMX
- Capital IQ
- Mergermarket
- Other publicly available information
- Discussions with Management

7.2 Qualifications and independence

Grant Thornton Corporate Finance Pty Ltd holds Australian Financial Service Licence number 247140 under the Corporations Act and its authorised representatives are qualified to provide this report.

Grant Thornton Corporate Finance provides a full range of corporate finance services and has advised on numerous takeovers, corporate valuations, acquisitions, and restructures. Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to MMX and all other parties involved in the Proposed Buy-Back with reference to the ASIC Regulatory Guide 112 "Independence of experts" and APES 110 "Code of Ethics for Professional Accountants" issued by the Accounting Professional and Ethical Standard Board. We have concluded that there are no conflicts of interest with respect to MMX, its shareholders and all other parties involved in the Proposed Buy-Back.

Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with MMX or its associated entities that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Buy-Back.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Proposed Buy-Back, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Proposed Buy-Back. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

7.3 Limitations and reliance on information

This report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by MMX and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by MMX through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of MMX.

This report has been prepared to assist the directors of MMX in advising the MMX Shareholders in relation to the Proposed Buy-Back. This report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Proposed Buy-Back is fair and reasonable to the MMX Shareholders.

MMX has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by MMX, which MMX knew or should have known to be false and/or reliance on information, which was material information MMX had in its possession and which MMX knew or should have known to be material and which MMX did not provide to Grant Thornton Corporate Finance. MMX will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

7.4 Consents

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Target Statement to be sent to the MMX Shareholders. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.

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Appendix A – Valuation methodologies

Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

Discounted future cash flows

An analysis of the net present value of forecast cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

Orderly realisation of assets

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

Market value of quoted securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

Comparable market transactions

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction.

Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company.

The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

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Appendix B – Marketability discount

The lack of marketability is often the largest dollar discount factor in the valuation of a business, in particular if the subject of the valuation is a minority interest. The liquidity benchmark is defined by Shannon P. Pratt as the ability to "sell your stock instantly at, or very close to, a known public price and receive cash within three days". Anything short of that attracts a discount for lack of marketability.

Restricted stock and pre-IPO studies have shown discounts for lack of marketability in the range of 20% to 56% as set out below:

Discount for lack of marketability Study	Source	Years	Discount
Restricted stock studies			
Alex W Howard	Valuation issues in estate planning - study	2003	21%-25%
Aswath Damodaran	Illiquidity in the market	2003-2005	25%-35%
Michael A Paschall	Banister Financial Inc - Newsletter	2004	26%-36%
Russel T Glazer	The CPA Journal	2000-2005	30%-35%
Phil Williams & John Linder	FFECT Winter Journal	1997-2002	25%-40%
Pre-IPO studies			
Shannon Pratt	Pratt	2000-2003	37.5%-56.4%
Michael Paschall	Banister Financial Inc - Newsletter	1980-2006	46%
Russell Glazer	The CPA Journal	2000-2005	45%
Phil Williams & John Linder	FFECT Winter Journal	1997-2002	35%

Source: Various

The size of the marketability discount is driven by the following factors:

- The prospect for liquidity within a known timeframe. The shorter is the expected holding period for an investment and more certain is the potential prospective transaction or initial public offering, the lower is the discount.

- The dividend policy of the Company. A company will usually attract a lower marketability discount if it has a sustainable and consistent dividend policy as the shareholders receive their returns along the way as opposed to at the end when they dispose of their investment.

- The pool of potential buyers. The greater is the pool of potential buyers the lower is the level of marketability discount.

- The level of risk in the industry and in the Company. Typically higher level of risks is usually associated with higher level of marketability discount. The underlying principle is that the potential adverse impact of risk factors is enhanced by the inability to dispose of the investments in a liquid market.

Appendix C – Glossary

1HFY13	Half year ended 2013
ASIC	Australian Securities Investment Commission
ASX	Australian Securities Exchange
APES 110	Code of Ethics for Professional Accountants
ATO	Australian Taxation Office
Bt	Billion tonnes
CAGR	Compounded average annual growth rate
CAPM	Capital Asset Pricing Model
Cashmere	Cashmere Iron Limited
Corporations Act	Corporations Act 2001
Crosslands	Crosslands Resources Ltd
DCF	Discounted cash flow
DFS	Definitive feasibility study
Dragon Energy	Dragon Energy Limited
FSG	The Financial Services Guide
FY11	Financial Year ended 30 June 2011
FY12	Financial Year ended 30 June 2012
Grant Thornton Corporate Finance	Grant Thornton Corporate Finance Pty Ltd
IPO	Initial public offering
Jupiter	Jupiter Mines Ltd
Mitsubishi	Mitsubishi Development Pty Ltd
MMX or the Company	Murchison Metals Ltd
Mt	Million tonnes
Mercantile	Mercantile Investment Limited
NTA	Net tangible assets
OP	O'Sullivan Partners Advisory Pty Ltd
p.a.	Per annum
PCL	Premar Capital Ltd
RCF	Resource Capital Fund V.L.P
RG 110	Regulatory Guide 110 Share buy-backs
RG 111	Regulatory Guide 111 Content of expert's report
RG112	Regulatory Guide 112 Independence of experts
WACC	Weighted Average Cost of Capital
YTDFY13	11 months ended 31 May 2013

murchison

Murchison Metals Limited
ABN 38 078 257 799

LODGE YOUR VOTE

ONLINE www.linkmarketservices.com.au

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By fax: +61 2 9287 0309

All enquiries to: Telephone: 1300 554 474

SHAREHOLDER PROXY FORM

I/We being a member(s) of Murchison Metals Ltd and entitled to attend and vote hereby appoint:

STEP 1 APPOINT A PROXY

☐ **the Chairman of the Meeting *(mark box)***

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy

or failing the person/body corporate named, or if no person/body corporate is named, the Chairman of the Meeting, as my/our proxy and to vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company to be held at **10:00am on Friday, 16 August 2013, at History House, 133 Macquarie Street, Sydney, NSW** and at any adjournment or postponement of the meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of all items of business.

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

STEP 2 VOTING DIRECTIONS

	For	Against	Abstain*
Resolution 1 Approval of Buy-Back	☐	☐	☐

* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3 SIGNATURE OF SHAREHOLDERS - THIS MUST BE COMPLETED

Shareholder 1 (Individual)	Joint Shareholder 2 (Individual)	Joint Shareholder 3 (Individual)
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

MMX PRX301

HOW TO COMPLETE THIS PROXY FORM

Your Name and Address

This is your name and address as it appears on the company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in Step 1. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the company. A proxy may be an individual or a body corporate.

Votes on Items of Business – Proxy Appointment

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

(a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.

(b) return both forms together.

Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

Corporate Representatives

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the company's share registry.

Lodgement of a Proxy Form

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:00am on Wednesday, 14 August 2013,** being not later than 48 hours before the commencement of the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy Forms may be lodged using the reply paid envelope or:

ONLINE www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the proxy form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the proxy form).

by mail:

Murchison Metals Ltd
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

by fax:

+61 2 9287 0309

by hand:

delivering it to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138 or Level 12, 680 George Street, Sydney NSW 2000.

If you would like to attend and vote at the Extraordinary General Meeting, please bring this form with you. This will assist in registering your attendance.