

# Murchison Metals Ltd

ABN 38 078 257 799

# Scheme Booklet

Scheme with Mercantile Investment Company Limited (ABN 15 121 415 576)

## RECOMMENDATION

Each of the Independent Directors recommends that you **VOTE IN FAVOUR** of the Scheme Resolution, Subscription Resolution and, where permitted in the Class Meeting, the Capital Reduction Resolution.

All Scheme Participants should note that, unless all resolutions put to the Scheme Meeting, General Meeting and Class Meeting are passed, none of the matters the subject of those resolutions will proceed.

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. YOU SHOULD READ THE DOCUMENT IN ITS ENTIRETY BEFORE YOU DECIDE WHETHER TO VOTE IN FAVOUR OF THE SCHEME. IF YOU ARE IN DOUBT AS TO WHAT YOU SHOULD DO, YOU SHOULD CONSULT YOUR LEGAL, FINANCIAL OR OTHER PROFESSIONAL ADVISER.**

If, after reading this Scheme Booklet, you have any questions about the Scheme, please call the Shareholder Information Line on 1300 306 230 (in Australia) or +61 1300 306 230 (outside Australia) Monday to Friday between 8.30am and 5.30pm (Sydney Time). If you have questions regarding the number of MMX Shares you hold or how to vote, please contact the Registry on 1300 554 474 (in Australia) or +61 1300 554 474 (outside Australia) Monday to Friday between 8.30am and 7.30pm (Sydney Time).

If you have recently sold all of your MMX Shares, please disregard this document.

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# The Scheme at a glance

The Scheme Meeting will be held at the Vintage Room Royal Automobile Club, 89 Macquarie Street, Sydney at 10.00am on Thursday, 19 June 2014.

## *The Scheme*

- 1 MMX is proposing the Scheme to its shareholders to effect a merger with MVT by way of a scheme of arrangement under section 411 of the Corporations Act.
- 2 Subject to the approval of the Scheme at the Scheme Meeting, MMX Shareholders will be asked to approve MMX's subscription for New MVT Shares (**Subscription Resolution**) and the reduction and cancellation of their Scheme Shares (**Capital Reduction Resolution**). Pursuant to requirements of the Corporations Act, approval will be sought in a general meeting (**General Meeting**) and a class meeting (**Class Meeting**), each to be held following the Scheme Meeting.
- 3 In the General Meeting, MMX Shareholders will be asked to approve the Subscription Resolution and the Capital Reduction Resolution. Voting restrictions apply in respect of the General Meeting (these restrictions are explained in section 2.2).
- 4 In the Class Meeting, a meeting of Scheme Participants will be convened (i.e. all MMX Shareholders other than MVT and its Associated Shareholders), at which the Scheme Participants will be asked to approve the Capital Reduction Resolution as a special resolution. MVT and its Associated Shareholders are not eligible to vote on this resolution.
- 5 As consideration for the cancellation of the Scheme Shares, Scheme Participants can elect to receive either Scrip Consideration or Cash Consideration or a combination of both in equal proportions.
- 6 The Independent Expert has concluded that while the scrip only option is not fair and not reasonable, overall, in the absence of a superior proposal, the Scheme is in the best interests of MMX Shareholders.
- 7 The Independent Directors believe that, for the reasons set out in this Scheme Booklet, you should vote in favour of the Scheme Resolution, the Subscription Resolution and, where permitted at the Class Meeting, the Capital Reduction Resolution.

## *Scrip Consideration*

- 8 MMX Shareholders may elect to receive Scrip Consideration for their MMX Shares. An NTA Formula will be used to determine the number of New MVT Shares to be issued for each MMX Share, calculated on the Calculation Date. The calculation of the NTA Ratio is described in section 1.7C.
- 9 Based on the most recently reported monthly net asset backing per share for MVT as at 31 March 2014 and the net asset backing per share for MMX (based on MMX's management accounts) as at 31 March 2014, and taking into account estimated transaction costs, each eligible MMX Shareholder electing Scrip Consideration would be issued approximately one New MVT Share for every 3.24 MMX Shares held.
- 10 Illustratively, based on the 31 March 2014 adjusted pre-tax NTA of MVT shares (\$0.1578 per share) and of MMX shares (\$0.0487 per share), eligible MMX Shareholders would have received approximately 309 New MVT Shares for each

1000 MMX Shares held. As at 31 March 2014 the MVT share price represented a discount to MVT's pre-tax NTA (see section 7.8 by way of illustration).

#### *Cash Consideration*

- 11 MMX Shareholders may elect to receive Cash Consideration for their MMX Shares. The Cash Consideration will be funded by MMX from the funds arising from the reduction and cancellation of the Scheme Shares.
- 12 The Cash Consideration payable per MMX Share will be calculated based on the MMX net tangible assets per share less deferred tax assets, plus any deferred tax liabilities carried on the balance sheet and less transaction costs associated with implementing the Scheme for each MMX Share.
- 13 As at close of market on 14 March 2014 (being the last Business Day prior to the announcement of the transaction on 17 March 2014), the pre-tax NTA of MMX per share represented a premium of approximately 19.0% to the MMX share price.
- 14 Scheme Participants who do not make a valid form of Election will receive a 50/50 combination of Cash Consideration and Scrip Consideration for their MMX Shares.

#### *Key benefits to MMX Shareholders*

- 15 If Cash Consideration is elected by a Scheme Participant for all or part of their MMX Shares:
  - (a) the Scheme provides Scheme Participants with the opportunity to receive Cash Consideration for up to 100% of their shares at a value close to the pre-tax net tangible asset backing per MMX Share; and
  - (b) the implied Cash Consideration per share is expected to deliver a premium to MMX's historic share price which has consistently traded at a significant discount to the pre-tax net tangible asset backing per share. Based on the balance sheet of MMX as at 31 March 2014, the Cash Consideration would be equal to \$0.0487 per share.
- 16 MMX Shareholders can choose from Cash Consideration, Scrip Consideration or a 50/50 combination of both, in order to best meet their individual needs.
- 17 Scheme Participants who elect to receive Scrip Consideration for either 100% or 50% of their Scheme Consideration, or who do not make a valid Election such that they are taken to have elected to receive a 50/50 combination of Cash Consideration and Scrip Consideration (other than Ineligible Foreign Shareholders) will have access to the experience and performance of MVT's Board. MVT has an investment strategy focused primarily on Australian listed securities and has achieved total compounded shareholder return on share price of 36.5% per annum and total pre-tax NTA return of 42.0% per annum (between 31 January 2012 and 31 March 2014).
- 18 The value of the Scrip Consideration is expected to be approximately equal to MMX's recent share price. Specifically, based on the share price of MVT as at 10 April 2014, the Scrip Consideration would be equivalent to \$0.0417 per MMX Share.
- 19 The newly Merged Entity will be a listed investment company. If all Scheme Participants elect to receive Scrip Consideration for 100% of their MMX Shares, the Merged Entity will have approximately \$44.5 million of net assets and almost 4,000 shareholders.

- 20 If, in aggregate, MMX Shareholders elect to receive Cash Consideration for 50% of their MMX Shares, the Merged Entity will have approximately \$39.6 million of net assets and more than 3,000 shareholders.
- 21 It is expected that MMX Shareholders will have access to greater liquidity in the trading of their New MVT Shares.
- 22 Scheme Participants who elect to receive Scrip Consideration for either 100% or 50% of their Scheme Consideration, or who do not make a valid Election such that they are taken to have elected to receive a 50/50 combination of Cash Consideration and Scrip Consideration (other than Ineligible Foreign Shareholders) are likely to enjoy lower expenses through owning shares in the enlarged MVT than they currently do as MMX Shareholders as a result of:
- (a) potential cost savings resulting from the removal of duplicated functions upon the cessation of MMX operating as a separately listed entity; and
  - (b) the increased asset base of the Merged Entity.
- 23 The Scheme offers other substantial benefits for MMX Shareholders, including:
- (a) the choice of accepting Cash Consideration and/or Scrip Consideration;
  - (b) the opportunity to exit their investment for cash at the MMX pre-tax NTA per share less transaction expenses without the need to pay brokerage;
  - (c) the opportunity to exit their investment for cash at a time when liquidity in MMX is limited; and
  - (d) the opportunity to exit their MMX Shares and take up shares in MVT, which, subject to certain conditions, may provide the opportunity for roll-over relief.

*Potential disadvantages of the Scheme*

- 24 Scheme Participants who elect 100% Cash Consideration will potentially be subject to disadvantage as:
- (a) they will not participate in any future potential capital growth and dividends from the Merged Entity without further investment and brokerage fees;
  - (b) the pre-tax NTA of MMX may fluctuate prior to implementation of the Scheme which may affect the value of the Cash Consideration;
  - (c) MMX has written down its investment in Cashmere Iron Limited to nil value since the MMX Directors consider it unlikely that the asset will recover value. However in the event that the value is recovered the Scheme Participants who elect Cash Consideration will be unable to realise the profits from any potential recovery; and
  - (d) MMX applied for an exploration licence in Paulsens E08/2146 in April 2010 which is currently being processed. Should the exploration licence be granted and any exploration undertaken be successful, Scheme Participants who elect Cash Consideration will not be able to realise any value from this exploration licence.
- 25 Scheme Participants who elect Scrip Consideration for either 100% or 50% of their Scheme Consideration, or who do not make a valid Election such that they are taken to have elected to receive a 50/50 combination of Cash Consideration and Scrip

Consideration (other than Ineligible Foreign Shareholders) will be subject to the following potential disadvantages:

- (a) they will hold a smaller share of a larger company; and
- (b) the profitability, success and ability of the Merged Entity to meet its investment objectives are dependent on the earnings and capital appreciation of its investments. No guarantee can be given in respect of the future earnings of the Merged Entity or the earnings and capital appreciation of the Merged Entity's investments.

*Potential risks associated with the Scheme*

- 26 The Scheme is subject to a number of Conditions Precedent which are summarised in section 11.10, and there is the possibility that one or more of the Conditions Precedent will not be met or waived and the Scheme will not proceed as a result. At the date of this Scheme Booklet, MMX is not aware of any circumstances which would cause the Conditions Precedent not to be satisfied.
- 27 There are a number of risk factors that relate to investing in a listed investment company and a range of these are outlined in section 5. Risks that directly relate to the implementation of the Scheme for Scheme Participants who elect Cash Consideration include that the pre-tax NTA of MMX may fluctuate prior to implementation of the Scheme, which may affect the value of the Cash Consideration.
- 28 Risks that directly relate to the implementation of the Scheme for Scheme Participants who elect Scrip Consideration (other than Ineligible Foreign Shareholders) include:
  - (a) it is possible that the integration of MMX and MVT will be more difficult or take more time than currently anticipated, and could delay the realisation of cost synergy benefits expected to result from the Scheme;
  - (b) the value of the Scheme Consideration will be dependent on the market value of MVT shares traded on ASX and any fluctuation in price will directly impact the value of the Scrip Consideration to which Scheme Participants will be entitled;
  - (c) the NTA Ratio of MMX and MVT may fluctuate, which may affect the number of New MVT Shares to which Scheme Participants will be entitled as Scrip Consideration; and
  - (d) the market price of MVT shares may fluctuate post implementation.
- 29 In the absence of a superior proposal, the Independent Expert considers that while the scrip only option is not fair and not reasonable, overall, the Scheme is in the best interests of MMX Shareholders.

**The Independent Directors believe that, overall, the Scheme is in the best interests of MMX Shareholders.**



Level 11, 139 Macquarie Street,  
Sydney, NSW, 2000

Dear MMX Shareholders,

On behalf of MMX, I am pleased to present you with the opportunity to consider and vote on the Scheme.

### **Rationale for the Scheme**

On 17 March 2014, we announced a Scheme with MVT.

The Scheme is anticipated to deliver to you, as an MMX Shareholder, the following benefits:

- you will have the choice to accept Cash Consideration and/or Scrip Consideration for your MMX Shares;
- you will be able to realise 100% of your investment in MMX as cash at a price close to pre-tax net tangible asset backing per share;
- the Cash Consideration based on the balance sheet of MMX as at 31 March 2014 represents a premium to MMX's share price as at the close of market on 14 March 2014 (being the last Business Day prior to the announcement of the transaction on 17 March 2014), the MMX 6 month VWAP and the MMX 1 year VWAP;
- you will be able to choose Cash Consideration, Scrip Consideration or a 50/50 combination of both, depending on your individual circumstances;
- the value of the Scrip Consideration (and the scrip component of the 50/50 combination of Cash Consideration and Scrip Consideration) is expected to be approximately equal to MMX's share price on 14 March 2014 (being the last Business Day prior to the announcement of the Scheme on 17 March 2014);
- if you elect to receive the Scrip Consideration for either 100% or 50% of your Scheme Consideration, or you do not make a valid Election such that you are taken to have elected to receive a 50/50 combination of Cash Consideration and Scrip Consideration and you are not an Ineligible Foreign Shareholder, the Scheme will give you access to MVT's investment management team in the Merged Entity;
- you will enjoy the benefits of the enhanced scale and liquidity of the Merged Entity; and
- Scheme Participants who elect to receive Scrip Consideration for either 100% or 50% of their Scheme Consideration, or who do not make a valid Election such that they are taken to have elected to receive a 50/50 combination of Cash Consideration and Scrip Consideration (other than Ineligible Foreign Shareholders) may be eligible for CGT rollover relief.

**The Independent Expert has concluded that while the scrip only option is not fair and not reasonable, overall, the Scheme is in the best interests of MMX Shareholders, in the absence of a superior proposal. A summary of the findings of the Independent Expert are set out in section 1.8 and the Independent Expert's Report is set out in full at annexure A**

There also are reasons you may decide to vote against the Scheme. The potential disadvantages and risks associated with the implementation of the Scheme if you elect to receive Cash Consideration for 100% of your shares include:

- an inability to participate in any future potential capital growth and dividends from the Merged Entity without further investment and brokerage fees which might otherwise be payable if MVT shares were bought on the ASX; and
- the pre-tax NTA of MMX may fluctuate prior to implementation which may affect the value of your Cash Consideration.

The potential disadvantages and risks associated with the implementation of the Scheme if you elect to receive Scrip Consideration for either 100% or 50% of your Scheme Consideration, or you do not make a valid Election such that you are taken to have elected to receive a 50/50 combination of Cash Consideration and Scrip Consideration (and you are not an Ineligible Foreign Shareholder) include:

- your shareholding will represent a smaller percentage of the shares in a larger company;
- no guarantee can be given in respect of the future earnings of the Merged Entity or the earnings and capital appreciation of the Merged Entity's investments;
- the integration of MMX and MVT may be more difficult or take more time than currently anticipated and there is a risk that expected synergies may not be realised within the anticipated timeframe or at all or to their full extent;
- the value of the Scheme Consideration will be dependent on the market value of MVT's investment portfolio and any fluctuation in MVT's share price will directly impact the value of the Scrip Consideration to which you will be entitled if you opt to receive Scrip Consideration;
- the NTA Ratio of MMX and MVT may fluctuate which may affect the number of New MVT Shares to which you will be entitled as Scrip Consideration; and
- the market price of MVT shares may fluctuate after implementation.

The Independent Expert considers that while the scrip only option is not fair and not reasonable, overall, in the absence of a superior proposal, the Scheme is in the best interests of MMX Shareholders. The Independent Expert's Report is included in **annexure A**, and I encourage you to read it before voting on the Scheme.

As noted above, the Independent Directors believe that, for the reasons set out in this Scheme Booklet, you should vote in favour of the Scheme at the Scheme Meeting to be held at the Vintage Room, Royal Automobile Club, 89 Macquarie Street, Sydney at 10.00am on Thursday 19 June 2014.

### **Conditions to the Scheme**

The Scheme is subject to a number of conditions including Court and MMX Shareholder approval. The Conditions Precedent are summarised in section 11.10 of this Scheme Booklet



and set out in full in clause 3.1 of the Scheme Implementation Agreement, attached at **annexure B**.

### **What MMX Shareholders can expect to receive if the Scheme proceeds**

If the Scheme is implemented, MMX Shareholders can elect either:

- to receive Cash Consideration, which is the prevailing net tangible asset backing per share less any deferred tax assets, plus any deferred tax liabilities carried on the balance sheet and less any transaction costs associated with implementing the Scheme for 100% of their shares; or
- to receive Scrip Consideration in the form of New MVT Shares for 100% of their shares. The number of New MVT Shares to be issued to each shareholder who elects to receive Scrip Consideration will be calculated by reference to the relative pre-tax NTA Ratio per share of MMX and MVT less any transaction costs associated with implementing the Scheme; or
- a 50/50 combination of Cash Consideration and Scrip Consideration.

You should be aware that Mr Gabriel Radzynski has abstained from voting on the proposal to recommend the Scheme to you. Mr Radzynski makes no recommendation to you in relation to the Scheme as he and the Independent Directors are of the view that Mr Radzynski is not independent, given his directorship in MVT.

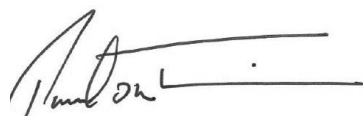
In accordance with the Order of the Supreme Court of New South Wales, a meeting of MMX's shareholders has been convened to be held on Thursday 19 June 2014 for the purpose of considering and, if thought fit, approving the Scheme.

I urge you to read this Scheme Booklet carefully and in its entirety, including the sections on risks and the advantages and disadvantages of the Scheme and if you do not understand this Scheme Booklet or any part of it, you should consult an expert adviser familiar with your investment circumstances before making your decision.

### **Further information**

Important details of the Scheme, and the steps associated with its implementation, are set out in this Scheme Booklet, which you are urged to read carefully. If you have any questions, please call the Shareholder Information Line on 1300 306 230 (in Australia) or +61 1300 306 230 (outside Australia) on weekdays between 8.30am and 5.30pm (Sydney time). Alternatively, contact your financial, legal, taxation or other professional adviser.

Yours sincerely



Paul Jensen  
Lead Independent Director  
Murchison Metals Limited

# Mercantile Investment Company Limited

ABN 15 121 415 576  
Level 11, 139 Macquarie Street  
Sydney NSW 2000  
Tel 02 8014 1188  
Fax 02 8084 9918

Dear MMX Shareholder,

As shareholders are aware, Murchison Metals (MMX) has been in wind down mode for the past two years. The company's sole residual asset is now a net cash balance of \$13 million (other than several mining and exploration legacies which are considered to have no commercial value). This reduction in size makes MMX uneconomic as an ASX listed company.

Consequently, shareholders are now offered the choice of a cash return (approximately 5 cents per share) or shares in Mercantile Investment Co Ltd (MVT) or a combination of both.

MVT commends the scrip consideration as the preferred option as it offers good prospects of growth in value in the foreseeable future.

Several years ago, MVT was in a similar position to that of MMX at present, with a small uneconomic residual cash balance. Since then it has successfully transitioned into a viable ASX listed investment company.

However, it is still not at optimum size and the addition of MMX's funds will produce immediate economies of scale for the benefit of shareholders in both companies.

The MVT Board looks forward to welcoming former MMX shareholders and assures them of its confidence in the future prospects of the merged group.

Sir Ron Brierley

Chairman

# Important notices

## Reading this Scheme Booklet

This Scheme Booklet is important. You should carefully read this Scheme Booklet in its entirety before making a decision as to how to vote on the Scheme Resolution to be considered at the Scheme Meeting, and on the Subscription Resolution and the Capital Reduction Resolution at the General Meeting and Class Meeting. If you have any questions or require further information please contact the Shareholder Information Line on 1300 306 230 (in Australia) or +61 1300 306 230 (outside Australia) on weekdays between 8.30am and 5.30pm (Sydney time). If you are in any doubt about anything in this Scheme Booklet, please contact your legal, financial or other professional adviser.

Capitalised terms used in this Scheme Booklet are defined in the Glossary of terms in **section 13**. The Glossary of terms also sets out some rules of interpretation that apply to this Scheme Booklet in **section 13.2**.

## Purpose of this Scheme Booklet

This Scheme Booklet sets out the effects of the Scheme, certain information required by law and all other information known to the Independent Directors which is material to your decision to vote in favour of, or against, the Scheme (other than information previously disclosed to MMX Shareholders) and includes the Explanatory Statement, as required by Part 5.1 of the Corporations Act, in relation to the Scheme.

## Responsibility for information

Other than as set out below, this Scheme Booklet has been prepared by MMX and is the responsibility of MMX.

The MVT Information has been prepared by MVT and is the responsibility of MVT.

Grant Thornton Corporate Finance Pty Ltd has prepared the Independent Expert's Report which is contained in **annexure A**. Grant Thornton Corporate Finance Pty Ltd takes responsibility for that report. Grant Thornton Corporate Finance Pty Ltd does not assume any responsibility for the accuracy or completeness of the information contained in this Scheme Booklet other than that contained in **annexure A**.

Corrs Chambers Westgarth has prepared the information regarding the Australian taxation implications of the Scheme for MMX Shareholders and takes responsibility for that information, contained in **section 10**. Corrs Chambers Westgarth does not assume any responsibility for the accuracy or completeness of the information contained in this Scheme Booklet other than the general Australian taxation information contained in **section 10**.

## ASIC

A copy of this Scheme Booklet was registered by ASIC pursuant to section 412(6) of the Corporations Act. ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides the no objection statement, the statement will be produced to the Court at the time of the Second Court Date. Neither ASIC nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

## ASX

MVT is listed on ASX and application will be made for official quotation on ASX of all New MVT Shares to be issued as Scrip Consideration. MMX Shares will continue to be quoted on ASX if the Scheme does not become effective.

A copy of this Scheme Booklet has been lodged with ASX. Neither ASX nor any of its officers takes any responsibility for the contents of this Scheme Booklet.

## Important notice associated with Court order under subsection 411(1) of Corporations Act

A copy of this Scheme Booklet has been submitted to the Court to obtain an order of the Court approving the convening of the Scheme Meeting.

The fact that under subsection 411(1) of the Corporations Act, the Court has ordered that a meeting be convened and has approved the Explanatory Statement required to accompany the notice of the meeting does not mean that the Court:

- (a) has formed any view as to the merits of the proposed scheme or as to how you should vote (on this matter, you must reach your own decision); or
- (b) has prepared, or is responsible for the content of, the Explanatory Statement.

## Investment decisions

This Scheme Booklet does not take into account your individual investment objectives, financial situation or needs. The information in this Scheme Booklet should not be relied on as the sole basis for any investment decision. You should seek independent legal, financial and other professional advice before making any investment decision.

## Forward looking statements

Certain statements in this Scheme Booklet are about the future. You should be aware that there are a number of risks (both known and unknown), uncertainties, assumptions and other important factors that could cause the actual conduct, results, performance or achievements of MMX or MVT, following implementation

of the Scheme, to be materially different from the future conduct, results, performance or achievements expressed or implied by such statements or that could cause the future conduct to be materially different from historical conduct. Such risks, uncertainties, assumptions and other important factors include, among other things, the risks described in **section 5**. Changes to future matters are both normal and to be expected.

None of MMX, MVT or their respective directors, officers and advisers, or any other person gives any assurance that the occurrence of the events expressed or implied in any forward-looking statements in this Scheme Booklet will actually occur.

The forward-looking statements in this Scheme Booklet reflect views held only as of the date of this Scheme Booklet. Subject to the Corporations Act and any other applicable laws or regulations, MMX will not update these statements other than with respect to information that they become aware of prior to the Scheme Meeting which is material to the making of a decision regarding whether or not to vote in favour of the Scheme.

### **Status of this Scheme Booklet**

This Scheme Booklet is not a prospectus lodged under Chapter 6D of the Corporations Act. Section 708(17) of the Corporations Act provides that Chapter 6D of the Corporations Act does not have effect in relation to any offer of securities if it is made under a compromise or arrangement under Part 5.1 of the Corporations Act, approved at a meeting held as a result of an order made by the Court in accordance with section 411(1) or (1A) of the Corporations Act.

### **Privacy and personal information**

MMX is required to collect personal information about you to implement the Scheme. That personal information may include your name, contact details and details of your holding, together with contact details of individuals appointed as proxies, representatives of bodies corporate or attorneys at the Scheme Meeting. The collection of some of this information is required or authorised by the Corporations Act.

If you are an individual, you have certain rights to access the personal information collected about you. You may contact the Registry if you wish to exercise those rights.

The information may be disclosed to MMX and its related bodies corporate and advisers, print and mail service providers, share registries, securities brokers and any other service provider to the extent necessary to implement the Scheme.

If the information outlined above is not collected, MMX may be hindered in, or prevented from, conducting the Scheme Meeting or implementing the Scheme effectively, or at all.

If you appoint an individual as your proxy, corporate representative or attorney to vote at the Scheme Meeting you should inform that individual of the matters outlined above.

### **Entitlement to inspect Share Register**

It is noted that all persons are entitled, under section 173 of the Corporations Act, to inspect and obtain a copy of the Share Register. This register contains personal information about you.

### **Notice to Ineligible Foreign Shareholders**

This Scheme Booklet has been prepared in compliance with the disclosure requirements of Australia which may be different to those in other jurisdictions. This Scheme Booklet and the Scheme does not in any way constitute an offer of securities or a solicitation of an offer to purchase securities in any place in which, or to any person to whom, it would not be lawful to make such an offer or solicitation. MMX Shareholders in jurisdictions outside Australia and its external territories and New Zealand should refer to **section 3.3** of this Scheme Booklet.

### **Explanatory statement**

This Scheme Booklet constitutes an Explanatory Statement for the purposes of section 412 of the Corporations Act. This Scheme Booklet explains the effect of the Scheme between MMX and MMX Shareholders to be considered at the Scheme Meeting and provides all information that is prescribed or otherwise material to the decision of MMX Shareholders whether or not to approve the Scheme.

### **Date of this Scheme Booklet**

This Scheme Booklet is dated 8 May 2014.

## Important dates

<b>Event</b>	<b>Indicative date</b>
Latest time and date for lodgement of completed proxy forms for, and for determining eligibility to vote at, the Scheme Meeting, the General Meeting and the Class Meeting	Date: 17 June 2014 Time: 10.00am (Scheme Meeting) 10.30am (General Meeting) 11.00am (Class Meeting)
Scheme Meeting	19 June 2014
General Meeting & Class Meeting	19 June 2014
Second Court Date	23 June 2014
Calculation Date	23 June 2014
Effective Date	24 June 2014
Latest time for lodgement of Election Forms for the Scheme Consideration	7.00pm, 24 June 2014
Trading in MMX Shares on ASX is suspended	24 June 2014
Record Date	7.00pm, 1 July 2014
Implementation Date	8 July 2014
Despatch of transaction confirmation statements for New MVT Shares	8 July 2014
Cash Consideration (by way of cheque or direct transfer) will be distributed to those MMX Shareholders who elect to receive Cash Consideration for either 100% or 50% of their Scheme Consideration, or who do not make a valid Election such that they are taken to have elected to receive a 50/50 combination of Cash Consideration and Scrip Consideration within 5 Business Days of the Implementation Date	8 July 2014
Trading of New MVT Shares commences on the ASX on a normal T+3 basis	10 July 2014
For Ineligible Foreign Shareholders, Nominee must sell New MVT Shares issued to the Nominee on behalf of the Ineligible Foreign Shareholder	5 August 2014

The dates and time set out above are indicative only and are subject to the Court approval process, ASIC approval and any other regulatory approvals required. Any changes to the above timetable will be announced to ASX and available on its website, [www.asx.com.au](http://www.asx.com.au).

## Questions and Answers

This section answers some basic questions that you may have about the Scheme. The information is a summary only and should only be read in conjunction with the entire Scheme Booklet. You should read the entire Scheme Booklet before deciding how to vote on the Scheme Resolution, the Subscription Resolution and the Capital Reduction Resolution.

Question	Answer
<b>Questions about the Scheme</b>	
<p><b>What is the Scheme?</b></p>	<p>On 17 March 2014, MMX and MVT announced a proposal to merge via scheme of arrangement.</p> <p>Under the Scheme, Scheme Participants will be asked to approve the cancellation of their MMX Shares, for which they will receive Cash Consideration, Scrip Consideration (as New MVT Shares) or a 50/50 combination of both.</p> <p>Assuming all Scheme Participants elect to receive Scrip Consideration for 100% of their MMX Shares, the newly Merged Entity will create a single listed investment company with approximately \$44.5 million of net assets and will have almost 4,000 shareholders.</p>
<p><b>Why is the Scheme being proposed?</b></p>	<p>The Independent Directors of MMX have been considering restructure possibilities as:</p> <ul style="list-style-type: none"> <li>• MMX's current operating strategy is not economically sustainable;</li> <li>• MMX's buyback announced to the ASX on 17 July 2013 received less acceptances than anticipated; and</li> <li>• MMX's strategic options are restricted without the support of MMX's largest shareholder. The Independent Directors believe that shareholder support is a necessary precondition to any new business strategy for MMX.</li> </ul> <p>The Independent Directors have sought legal advice and tax advice on various restructure proposals and have determined that, <u>overall</u>, the Scheme is in the best interests of MMX Shareholders.</p>
<p><b>What will MMX Shareholders receive if the Scheme is implemented?</b></p>	<p>If the Scheme is implemented, Scheme Participants can elect either:</p> <ul style="list-style-type: none"> <li>• to receive Cash Consideration for 100% of their MMX Shares; or</li> <li>• Scrip Consideration for 100% of their MMX Shares. The number of New MVT Shares to be issued to each Scheme Participant who elects to receive Scrip Consideration will be determined by</li> </ul>

	<p>the NTA Ratio, as calculated by reference to the NTA Formula; or</p> <ul style="list-style-type: none"> <li>• a combination of the above in equal proportions.</li> </ul> <p>Scheme Participants who do not make a valid form of Election will receive a 50/50 combination of Cash Consideration and Scrip Consideration for their MMX Shares.</p> <p>Ineligible Foreign Shareholders will have the same Election options, however, any New MVT Shares that would otherwise be issued to Ineligible Foreign Shareholders will instead be allotted to the Nominee and dealt with in accordance with the process set out in <b>section 3.3</b>.</p>
<p><b>How will the Scrip Consideration and Cash Consideration be funded?</b></p>	<p>Both the Scrip Consideration (by way of the payment of the Subscription Monies for the New MVT Shares) and the Cash Consideration will be funded from funds arising from the reduction and cancellation of the Scheme Shares. The aggregate proceeds of such capital reduction and cancellation are expected to be approximately \$10.1 million.</p> <p>Based on the 31 March 2014 balance sheet of MMX, the Cash Consideration would be equal to \$0.0487 per MMX share and, assuming 100% of Scheme Participants elected to receive the Cash Consideration, the maximum Aggregate Cash Consideration that will be payable is \$9.8 million.</p> <p>Based on the 31 March 2014 balance sheet of MMX, MMX currently holds roughly \$13.5 million in cash.</p> <p>MMX will ensure that it will continue to have access to sufficient funds under MMX's cash reserves to pay the Scheme Consideration when required.</p> <p>Subject to the approval of the capital reduction and cancellation in the General Meeting and the Class Meeting, and immediately following the Scheme being approved, \$9.8 million (being the expected Aggregate Cash Consideration based on the pre-tax NTA of MMX as stated in the 31 March 2014 MMX balance sheet and assuming 100% of Scheme Participants make valid Cash Elections) will be held in trust for the payment of the Subscription Monies and the Cash Consideration.</p> <p>The payment of the Subscription Monies and the Cash Consideration payments to Scheme Participants (who have elected to receive Cash Consideration or are otherwise taken to have elected to receive Cash Consideration as part of their Scheme Consideration) will be made on and from the Implementation Date following the cancellation of the Scheme Shares.</p>
<p><b>How do I choose my</b></p>	<p>A personalised Election Form accompanies this Scheme</p>

<b>form of consideration?</b>	Booklet. Further information about how to choose your Scheme Consideration is set out in <b>section 3</b> .
<b>Who are the Independent Directors?</b>	<p>The Independent Directors are Mr Paul Jensen and Mr Mark Licciardo.</p> <p>Paul Jensen has a relevant interest in 488,471 MVT shares (by way of a relevant interest in 380,901 MVT shares as trustee and beneficiary of the Jensen Family Retirement Fund, and a relevant interest in 107,570 MVT shares as trustee for his children). As Paul Jensen's interest in MVT shares represents less than 1% of the total issued share capital of MVT, this interest is not regarded by the MMX Directors as material and, on this basis, Paul Jensen is considered to be independent of MVT notwithstanding any interest he has in MVT shares.</p> <p>Despite his role as the company secretary of MVT, the MMX Directors consider that Mr Mark Licciardo is independent, as he has absented himself from all MVT discussions relating to the Scheme.</p> <p>Given his role as a director of MVT, Mr Gabriel Radzyminski is not considered by the MMX Directors to be independent.</p>
<b>What do the Independent Directors recommend?</b>	The Independent Directors believe that, <u>overall</u> , the Scheme is in the best interests of MMX Shareholders and recommend that Scheme Participants vote in favour of the Scheme Resolution, the Subscription Resolution and, where permitted at the Class Meeting, the Capital Reduction Resolution.
<b>How do the Independent Directors intend to vote in respect of their own MMX Shares?</b>	<p>None of the Independent Directors are shareholders of MMX.</p> <p>In the absence of a superior proposal, the Independent Directors encourage all eligible MMX Shareholders to vote in favour of:</p> <ul style="list-style-type: none"> <li>• the Scheme Resolution at the <u>Scheme Meeting</u>;</li> <li>• the Subscription Resolution at the <u>General Meeting</u>; and</li> <li>• the Capital Reduction Resolution at the <u>Class Meeting</u>.</li> </ul> <p>The Independent Directors encourage MMX Shareholders other than MVT and its Associated Shareholders to abstain from voting on the Capital Reduction Resolution at the <u>General Meeting</u>.</p> <p>The table below sets out voting options for Scheme Participants who are in favour of the Scheme and those opposed to the Scheme:</p>



		If you are in favour of the Scheme, you should vote as shown below	If you are opposed to the Scheme, you should vote as shown below
	At the Scheme Meeting		
	Scheme Resolution	For	Against
	At the General Meeting		
	Subscription Resolution	For	Against
	Capital Reduction Resolution	Abstain	Against
	At the Class Meeting		
	Capital Reduction Resolution	For	Against
<b>Why do the Independent Directors encourage MMX Shareholders to ABSTAIN in the Capital Reduction Resolution at the General Meeting?</b>	<p>At the General Meeting, Scheme Participants are only entitled to abstain or vote against the Capital Reduction Resolution (in this regard the Corporations Act imposes restrictions on the ability of members who are to receive a benefit in connection with their shares being cancelled from voting in favour of the relevant resolution).</p> <p>One of the Conditions Precedent to the Scheme becoming Effective is the approval of the Capital Reduction Resolution at the General Meeting by the requisite majorities under the Corporations Act.</p> <p>In order to ensure that the Capital Reduction Resolution is passed with the requisite majorities at the General Meeting, the Independent Directors encourage Scheme Participants to abstain from voting on the resolution, as opposed to voting against the resolution.</p>		
<b>What is the opinion of the Independent Expert?</b>	<p>The Independent Expert has considered the merits of the Scheme and has concluded that while the 100% Scrip Consideration option is not fair and not reasonable, <u>overall</u>, in the absence of a superior proposal, the Scheme is in the best interests of the Scheme Participants (having regard to its assessment as to the fairness and reasonableness of (i) the Cash Consideration; and (ii) the 50/50 combination of Cash and Scrip Consideration options available to Scheme Participants under the Scheme).</p> <p>The Independent Expert has concluded that:</p> <p>(a) The Cash Consideration is <b>FAIR AND REASONABLE</b> to Scheme Participants;</p>		

	<p>(b) The Scrip Consideration is <b>NOT FAIR and NOT REASONABLE</b> to Scheme Participants; and</p> <p>(c) The 50/50 combination of Cash and Scrip Consideration is <b>FAIR AND REASONABLE</b> to Scheme Participants.</p> <p>Further details of the findings of the Independent Expert are set out in <b>section 1.8</b> and the Independent Expert's Report is set out in full at <b>annexure A</b>.</p>
<p><b>How will the Scheme be implemented?</b></p>	<p>The Scheme will be implemented by way of a scheme of arrangement between MMX and Scheme Participants. Scheme Participants will be asked to consider and vote on the Scheme Resolution at the Scheme Meeting, and MMX Shareholders will be asked to approve the Subscription Resolution and abstain from voting on the Capital Reduction Resolution at the General Meeting. Scheme Participants will also be asked to approve the Capital Reduction Resolution in the Class Meeting.</p> <p>As part of the Scheme, MMX will subscribe for the New MVT Shares, which will comprise the Scrip Consideration component of the Scheme Consideration. MMX will then undertake a capital reduction, whereby all MMX shares other than those held by MVT and its Associated Shareholders will be cancelled. MMX will then direct MVT to issue the New MVT Shares to those Scheme Participants who have elected Scrip Consideration.</p> <p>Those MMX Shareholders who make a Scrip Election, who elect a 50/50 combination of Cash Consideration and Scrip Consideration, or who do not make a valid Election such that they are taken to have elected to receive a 50/50 combination of Cash Consideration and Scrip Consideration (other than Ineligible Foreign Shareholders) will receive New MVT Shares as some or all of their Scheme Consideration in consideration for the capital reduction, the number of New MVT Shares being calculated according to the NTA Formula.</p> <p>MMX will provide the Cash Consideration component of the Scheme Consideration as consideration for the share cancellation to those MMX Shareholders who make a Cash Election, who elect a 50/50 combination of Cash Consideration and Scrip Consideration or who do not make a valid Election such that they are taken to have elected to receive a 50/50 combination of Cash Consideration and Scrip Consideration.</p> <p>The Scheme is subject to (amongst other things) receipt of all necessary Regulatory Approvals; the approval of relevant MMX Shareholders in the Scheme Meeting, the General Meeting and the Class Meeting; and the approval of the Court.</p>

	Further details on how the Scheme will be implemented are set out in <b>section 11.10</b> .
<b>When and where will the Scheme Meeting, General Meeting and Class Meeting be held?</b>	The Scheme Meeting, General Meeting and Class Meeting are scheduled to be held at the Vintage Room, Royal Automobile Club, 89 Macquarie Street, Sydney at 10.00am (for the Scheme Meeting), 10.30am (for the General Meeting) and 11.00am (for the Class Meeting) on Thursday 19 June 2014.
<b>What is the purpose of the General Meeting and the Class Meeting?</b>	<p>In addition to the Court-ordered Scheme Meeting, MMX must hold a General Meeting and a Class Meeting to approve the Capital Reduction Resolution. The Subscription Resolution will also need to be approved at the General Meeting.</p> <p>The Capital Reduction Resolution will effect the reduction and cancellation of all MMX Shares except those held by MVT and its Associated Shareholders.</p> <p>Approval at the Class Meeting is required in addition to approval at the General Meeting because of voting restrictions that apply under the Corporations Act.</p> <p>At the General Meeting, MMX Shareholders whose shares are to be cancelled may not vote in favour of the Capital Reduction Resolution (although they may abstain or vote against). This means that only MVT and its Associated Shareholders may vote in favour of the Capital Reduction Resolution at the General Meeting.</p> <p>The Class Meeting will be comprised only of those MMX shareholders whose shares are being cancelled. This means that MVT and its Associated Shareholders will not be eligible to vote at the Class Meeting.</p> <p>The Corporations Act thus requires that the Capital Reduction Resolution be passed by both groups of MMX Shareholders. The splitting of the approval process means that no dominant MMX shareholder controls the share cancellation process.</p>
<b>Who is entitled to participate in the Scheme?</b>	<p>Only persons registered as holders of MMX Shares on the Record Date (other than MVT and its Associated Shareholders) may participate in, and will be bound by, the Scheme. It is anticipated that the Record Date will be 7.00pm on Tuesday 1 July 2014.</p> <p>This date may change. Any changes will be announced to the ASX and notified on the ASX announcements platform.</p>
<b>When will the Scheme become Effective?</b>	<p>Subject to satisfaction or waiver (in accordance with the Scheme Implementation Agreement) of the conditions to the Scheme, it is expected that the Scheme will become Effective on Tuesday 24 June 2014.</p> <p>New MVT Shares will not be issued until the Implementation Date.</p>

	<p>Scheme Participants who elect to receive Cash Consideration for either 100% or 50% of their Scheme Consideration or who have not otherwise made a valid Election such that they are taken to have elected to receive a 50/50 combination of Cash Consideration and Scrip Consideration will be paid their relevant proportion of Scheme Consideration by means of Cash Consideration within 5 Business Days of Tuesday 8 July 2014.</p>
<p><b>What are the advantages of the Scheme?</b></p>	<p>Potential advantages of the Scheme are considered in <b>section 4.3</b> and include:</p> <ul style="list-style-type: none"> <li>• Scheme Participants can choose from a selection of 100% Cash Consideration, 100% Scrip Consideration or an equal combination of both, in order to best meet their individual needs;</li> <li>• Scheme Participants will be able to realise 100% of their investment in MMX as cash at a price close to the pre-tax net tangible asset backing per share;</li> <li>• the Cash Consideration represents a premium to: <ul style="list-style-type: none"> <li>• MMX's share price on 14 March 2014 (being the last Business Day prior to the announcement of the transaction on 17 March 2014);</li> <li>• the MMX 6 month VWAP; and</li> <li>• the MMX 1 year VWAP; and</li> </ul> </li> <li>• Scheme Participants who receive Scrip Consideration for either 100% or 50% of their Scheme Consideration, or who do not make a valid Election such that they are taken to have elected to receive a 50/50 combination of Cash Consideration and Scrip Consideration (other than Ineligible Foreign Shareholders) will have access to the experience of MVT's Board. MVT has an investment strategy focused primarily on Australian listed securities and has achieved total compounded shareholder return on share price of 36.5% per annum and total compounded pre-tax NTA return of 42.0% per annum (between 31 January 2012 and 31 March 2014).</li> </ul>
<p><b>What are the disadvantages of the Scheme?</b></p>	<p>Potential disadvantages of the Scheme are considered in <b>section 4.4</b> and include:</p> <ul style="list-style-type: none"> <li>• Scheme Participants who elect 100% Cash Consideration will potentially be subject to a disadvantage as: <ul style="list-style-type: none"> <li>(a) they will not participate in any future potential capital growth and potential</li> </ul> </li> </ul>

	<p>dividends from the Merged Entity without further investment and brokerage fees; and</p> <p>(b) the pre-tax NTA of MMX may fluctuate prior to implementation which may affect the value of the Cash Consideration.</p> <ul style="list-style-type: none"> <li>• Scheme Participants who elect Scrip Consideration (other than Ineligible Foreign Shareholders) will be subject to the following potential disadvantages: <ul style="list-style-type: none"> <li>(a) their shareholdings will represent a smaller percentage of the shares in a larger company; and</li> <li>(b) the future profitability, success and ability of the Merged Entity to meet its investment objectives are dependent on the earnings and capital appreciation of its investments. No guarantee can be given in respect of the future earnings of the Merged Entity or the earnings and capital appreciation of the Merged Entity's investments.</li> </ul> </li> </ul>
<p><b>What are the risks of the Scheme?</b></p>	<p>Risks that directly relate to the implementation of the Scheme for Scheme Participants who elect Scrip Consideration (other than Ineligible Foreign Shareholders) include:</p> <ul style="list-style-type: none"> <li>• it is possible that the integration of MMX and MVT will be more difficult or take more time than currently anticipated, which could delay the realisation of benefits expected to result from the Scheme;</li> <li>• the NTA Ratio of MMX and MVT may fluctuate which may affect the number of New MVT Shares to which Scheme Participants will be entitled as Scrip Consideration; and</li> <li>• the market price of MVT shares may fluctuate post-implementation.</li> </ul> <p>Further detail about these risks is set out in <b>section 5</b>.</p>
<p><b>What happens if the Scheme does not proceed?</b></p>	<p>If the Scheme does not proceed, the MMX Directors intend to continue the business of MMX as it is currently conducted, and may consider alternative restructure proposals.</p>
<p><b>What will be the effect of the Scheme on Scheme Participants?</b></p>	<p>If the Scheme is implemented:</p> <ul style="list-style-type: none"> <li>• Scheme Participants will have their Scheme Shares cancelled;</li> <li>• each Scheme Participant can elect to receive either the Cash Consideration, the Scrip</li> </ul>

	<p>Consideration or equal proportions of both, in consideration for the cancellation of their Scheme Shares; and</p> <ul style="list-style-type: none"> <li>• MMX will become a wholly owned subsidiary of MVT and will be delisted from ASX.</li> </ul>
<b>What are the options for MMX Shareholders?</b>	<p>Scheme Participants may:</p> <ul style="list-style-type: none"> <li>• vote in favour of the Scheme Resolution at the Scheme Meeting;</li> <li>• vote against the Scheme Resolution at the Scheme Meeting;</li> <li>• sell their Scheme Shares; or</li> <li>• do nothing.</li> </ul> <p>Additionally, MMX Shareholders may abstain from voting, or vote against the Capital Reduction Resolution, in the General Meeting.</p> <p>Scheme Participants may vote for or against, or may abstain from voting, on the Capital Reduction Resolution in the Class Meeting.</p> <p>Scheme Participants should be aware that the Scheme will not be implemented if any of the resolutions put at the Scheme Meeting, the General Meeting and the Class Meeting are not approved by the requisite majorities. If the Scheme is not implemented, Scheme Participants will not receive the Scheme Consideration for their Scheme Shares.</p> <p>If the Scheme is not implemented, Scheme Participants will not receive the Scheme Consideration for their Scheme Shares.</p>
<b>What approvals are required at the Scheme Meeting?</b>	<p>For the Scheme to be approved, votes in favour of the Scheme Resolution must be received from MMX Shareholders as follows:</p> <ul style="list-style-type: none"> <li>• unless the Court orders otherwise, a majority in number (more than 50%) of MMX Shareholders present and voting at the Scheme Meeting (whether in person, by proxy, by attorney or by corporate representative); and</li> <li>• at least 75% of the total number of votes cast on the Scheme Resolution (whether in person, by proxy, by attorney or by corporate representative).</li> </ul>
<b>What general meeting approvals are required for the Scheme?</b>	<p>The Capital Reduction Resolution must be approved by special resolution (at least 75%) in two separate meetings: the General Meeting and the Class Meeting. The separate meetings are a requirement of the Corporations Act and ensure that no dominant MMX Shareholder can pass the</p>

	<p>Capital Reduction Resolution.</p> <p>The Subscription Resolution must also be approved by ordinary resolution at the General Meeting.</p>
<p><b>Are there any conditions to the Scheme proceeding?</b></p>	<p>There are a number of outstanding conditions that will need to be satisfied or waived (as applicable) before the Scheme can become Effective. These conditions include obtaining approvals from relevant MMX Shareholders at the General Meeting and the Class Meeting, approval from the Court, and other Regulatory Approvals.</p> <p>Further details on the conditions to the Scheme are set out in <b>section 11.10</b>.</p>
<p><b>What are the key conditions to be satisfied before the Scheme can proceed?</b></p>	<p>The key conditions that must be satisfied in order for the Scheme to proceed are:</p> <ul style="list-style-type: none"> <li>• MMX Shareholders approving the Scheme Resolution at the Scheme Meeting;</li> <li>• MMX Shareholders approving the Subscription Resolution at the General Meeting;</li> <li>• MMX Shareholders approving the Capital Reduction Resolution at the General Meeting and Class Meeting. At the General Meeting, Scheme Participants can only abstain or vote against this resolution. MVT and its Associated Shareholders are the only shareholders that can vote in favour of the Capital Reduction Resolution and MVT is required to vote in favour of this resolution under clause 3.1 of the Deed Poll; and</li> <li>• the Court approving the Scheme.</li> </ul> <p>These are not the only conditions. Each of the conditions is summarised in <b>section 11.10</b> of this Scheme Booklet. The conditions are set out in full in clause 3.1 of the Scheme Implementation Agreement which is reproduced in <b>annexure B</b>.</p>
<p><b>Questions about the Merged Entity</b></p>	
<p><b>Who is MVT?</b></p>	<p>MVT is a listed investment company incorporated in Victoria on 25 August 2006, which was admitted to the official list of the ASX on 4 April 2007. Further information about MVT is set out in <b>section 7</b>.</p> <p>Sir Ron Brierley was appointed as a director and Chairman of MVT in January 2012.</p>
<p><b>Why does MVT wish to acquire MMX?</b></p>	<p>MVT believes the Scheme offers an opportunity to create a larger entity,<sup>1</sup> whose shareholders may benefit from:</p> <ul style="list-style-type: none"> <li>• a reduction in the fixed administrative expense ratio as MVT's administrative expenses are</li> </ul>

<sup>1</sup> Assuming that a reasonable number of MMX Shareholders elect to receive Scrip Consideration as Scheme Consideration.

	<p>spread across a larger pool of assets;</p> <ul style="list-style-type: none"> <li>the potential to achieve an increase in the liquidity of MVT shares which will make it easier for shareholders to buy and sell MVT shares; and</li> <li>an increase in the size of MVT, thereby providing a larger pool of capital that can be invested.</li> </ul>
<b>Who will manage the Merged Entity following the completion of the Scheme?</b>	MVT anticipates that its current directors and executive team will be the directors and executive team of the Merged Entity.
<b>Who will be the Chairman of the Merged Entity?</b>	MVT anticipates that its current chairman, Sir Ron, will continue to serve as chairman of the Merged Entity.
<b>Where will the head office of the Merged Entity be located?</b>	<p>MVT anticipates that the head office of the Merged Entity will remain at Level 11, 139 Macquarie St, Sydney, NSW 2000.</p> <p>Telephone number: +61 2 8014 1188</p> <p>Website: <a href="http://www.mercantileinvestment.com.au/">http://www.mercantileinvestment.com.au/</a></p>
<b>What are the intentions of the Board of MVT in relation to the investments of the Merged Entity after implementation of the Scheme?</b>	<p>MVT anticipates that the Merged Entity will continue to pursue its current investment activities following the implementation of the Scheme.</p> <p>These investment activities involve investing in cash and listed and some unlisted securities which will provide attractive risk adjusted returns, including by way of short term trading, profit making ventures and holding shares for dividend yield/long term capital appreciation.</p> <p>The board of the Merged Entity will only be able to make definitive decisions once it has all the necessary information available to it (including the outcome of the Election decision Scheme Participants make).</p>
<b>What are the intentions of the Board of MVT in relation to the employees of the Merged Entity after implementation of the Scheme?</b>	MMX currently has no employees.
<b>Questions about implementation of the Scheme</b>	
<b>How will the NTA Ratio for MMX and MVT be calculated?</b>	The Scheme Consideration will be based on the net tangible asset backing per share (of each of MMX and MVT) less deferred tax assets, plus any deferred tax liabilities and less their respective transaction costs associated with implementing the Scheme. In calculating each of the MMX NTA and the MVT NTA, the costs incurred by each party in implementing the Scheme that remain unpaid will be treated as liabilities for the relevant



	<p>party.</p> <p>The NTA Ratio will be calculated as at the Calculation Date, being 7.00pm on the Second Court Date. Each of MMX and MVT will calculate its own NTA and will deliver the calculation to the other for certification by the auditor for the other party within 5 Business Days of the Calculation Date. This certification will be completed within 5 Business Days of delivery of the NTA information.</p> <p>It is anticipated that the precise Scheme Consideration to be paid will be known and announced by the Record Date for the Scheme, expected to be 7.00pm on Tuesday 1 July 2014.</p>
<p><b>How will a change in the NTA of MMX or MVT impact the number of New MVT Shares to which I will be entitled if the Scheme is implemented?</b></p>	<p>A decrease in the NTA per MMX Share relative to that of MVT will result in Scheme Participants being entitled to a smaller number of New MVT Shares as Scrip Consideration.</p> <p>An increase in the NTA per MMX Share relative to that of MVT will result in Scheme Participants being entitled to a larger number of New MVT Shares as Scrip Consideration.</p> <p>The examples in <b>section 1.7C</b> set out, for illustrative purposes only, an indication of the number of New MVT Shares to which each Scheme Participant who elects to receive Scrip Consideration for either 100% or 50% of their Scheme Consideration, or who do not make a valid Election such that they are taken to have elected to receive a 50/50 combination of Cash Consideration and Scrip Consideration would be entitled based on a range of possible NTA balances for each company.</p>
<p><b>Illustratively, what number of New MVT Shares would I be entitled to if the Scheme is implemented and the respective NTAs of MMX and MVT as at the Calculation Date do not change from their levels as at 31 March 2014?</b></p>	<p>The number of New MVT Shares that you will receive will be based on the NTA Formula, which depends on the MMX NTA and the MVT NTA. However for illustrative purposes only, based on:</p> <ul style="list-style-type: none"> <li>• the respective pre-tax NTA per share of each company as at 31 March 2014; and</li> <li>• estimated transaction costs relating to the Scheme,</li> </ul> <p>Scheme Participants would have been entitled to approximately 1 New MVT Share for every 3.24 MMX Shares held.</p>
<p><b>Will I be required to pay broker fees or stamp duty?</b></p>	<p>You will not have to pay either brokerage or stamp duty if the Scheme is implemented unless you are an Ineligible Foreign Shareholder. Please refer to <b>section 10.3</b> in relation to stamp duty.</p>
<p><b>When will I receive my New MVT Shares?</b></p>	<p>Scheme Participants who elect to receive the Scrip Consideration for either 100% or 50% of their Scheme Consideration, or who do not make a valid Election such that they are taken to have elected to receive a 50/50 combination of Cash Consideration and Scrip</p>

	<p>Consideration (other than Ineligible Foreign Shareholders) will be issued with New MVT Shares on the Implementation Date, and an advice detailing your new holding is expected to be sent on that date. At this stage, the Implementation Date is expected to be Tuesday 8 July 2014.</p> <p>If the Scheme becomes Effective, it is expected that trading in MMX Shares on ASX will be suspended at close of trade on Tuesday 24 June 2014, and that trading of New MVT Shares on a normal settlement basis will commence at start of trade on Thursday 10 July 2014. These dates may change. Any change will be announced to ASX and notified on the ASX announcements platform.</p>
<b>When will I receive my Cash Consideration?</b>	<p>Scheme Participants who elect to receive the Cash Consideration for either 100% or 50% of their Scheme Consideration, or who do not make a valid Election such that they are taken to have elected to receive a 50/50 combination of Cash Consideration and Scrip Consideration will be sent a cheque, or will have their Cash Consideration direct transferred to their nominated bank account (if elected by the Scheme Participant), within 5 Business Days after the Implementation Date.</p>
<b>Can I sell my MMX Shares now?</b>	<p>You can offer to sell your MMX Shares on ASX at any time prior to trading in MMX Shares being suspended. If the Scheme becomes Effective, it is expected that trading in MMX Shares on ASX will be suspended at close of trade on Tuesday 24 June 2014.</p>
<b>Who is an Ineligible Foreign Shareholder?</b>	<p>Each Scheme Participant whose address on the Share Register at the Record Date is in a jurisdiction other than Australia or its external territories or New Zealand is an Ineligible Foreign Shareholder under the Scheme.</p>
<b>What if I am an Ineligible Foreign Shareholder?</b>	<p>Like other Scheme Participants, Ineligible Foreign Shareholders can elect their form of Scheme Consideration using the Election Form.</p> <p>Ineligible Foreign Shareholders that elect to receive Cash Consideration will do so on the same terms as other Scheme Participants.</p> <p>Ineligible Foreign Shareholders that elect to receive Scrip Consideration will not receive the New MVT Shares to which they would otherwise be entitled under the Scheme. Instead, those New MVT Shares will be issued to the Nominee who will sell them on ASX.</p> <p>The Nominee will then remit to each Ineligible Foreign Shareholder an amount equal to the average net proceeds per New MVT Share (after deduction of any applicable brokerage, stamp duty and other taxes or charges).</p> <p>For further information on the treatment of Ineligible Foreign Shareholders, please refer to <b>section 3.3</b>.</p>

<p><b>What are the tax implications of the Scheme for Scheme Participants?</b></p>	<p>The taxation implications of the Scheme will differ depending on the individual circumstances of each Scheme Participant. General information on the taxation effect of the Scheme on Scheme Participants who are residents of Australia for tax purposes is set out in <b>section 10</b>. The information is expressed in general terms and does not constitute taxation advice in respect of the particular circumstances of any Scheme Participant. Your decision on how to vote on the Scheme should be made only after consultation with your financial, legal, taxation and other professional advisers based on your own investment objectives, financial situation, taxation position and particular needs.</p>
<p><b>Questions about voting at the Scheme Meeting</b></p>	
<p><b>Who is entitled to vote at the Scheme Meeting?</b></p>	<p>To be entitled to vote at the Scheme Meeting, you will need to be registered as an MMX Shareholder by 7.00pm (Sydney time) Tuesday 17 June 2014.</p>
<p><b>What is the purpose of the Scheme Meeting?</b></p>	<p>The purpose of the Scheme Meeting is for Scheme Participants to vote on the Scheme Resolution.</p> <p>One of the Conditions Precedent to the Scheme becoming Effective is the Scheme Resolution being approved by the requisite majorities.</p>
<p><b>How do I vote by Proxy?</b></p>	<p>Accompanying this Scheme Booklet is a personalised Proxy Form for voting by proxy at the Scheme Meeting. If you wish to vote on the Scheme Resolution but are not able to attend the Scheme Meeting, you should appoint a proxy by following the instructions on the Proxy Form. You do not need to complete the Proxy Form if you intend to vote in person, by attorney or by representative at the Scheme Meeting.</p> <p>In order to be valid, your proxy must be appointed by 10.00am on Tuesday 17 June 2014. If you intend to appoint your proxy by returning the completed Proxy Form by mail or fax, your Proxy Form must be received by the Registry before 10.00am on Tuesday 17 June 2014.</p>
<p><b>Is voting compulsory?</b></p>	<p>No, voting is not compulsory. However, your vote is important. If you cannot attend the Scheme Meeting to be held at 10.00am on Thursday 19 June 2014, you should appoint a proxy.</p> <p>For further details regarding voting and appointing a proxy for the Scheme Meeting, see <b>sections 2.2 to 2.7</b> of this Scheme Booklet.</p>
<p><b>What happens if I vote against the Scheme Resolution?</b></p>	<p>If the Scheme becomes Effective it will bind all Scheme Participants, including those who vote against the Scheme Resolution (and those who do not vote at all). You should be aware that the approval of the Scheme Resolution at the Scheme Meeting is a condition of the Scheme becoming Effective. If you vote against the Scheme Resolution, the</p>

	<p>Scheme may not become Effective.</p> <p>If the Scheme does not become Effective, you will not receive the Scheme Consideration, and you will retain the rights associated with your MMX Shares.</p>
<b>Questions about voting at the General Meeting</b>	
<b>Who is entitled to vote at the General Meeting?</b>	<p>To be entitled to vote at the General Meeting, you will need to be registered as an MMX Shareholder by 7.00pm (Sydney time) Tuesday 17 June 2014.</p> <p>All MMX Shareholders are eligible to vote on the Subscription Resolution at the General Meeting.</p> <p>All MMX Shareholders are eligible to vote on the Capital Reduction Resolution at the General Meeting, but only MVT and its Associated Shareholders are eligible to vote in favour of the Capital Reduction Resolution. Scheme Participants (i.e. those MMX Shareholders other than MVT and its Associated Shareholders) may still abstain from voting on, or may vote against, the Capital Reduction Resolution.</p>
<b>How do I vote by Proxy?</b>	<p>Accompanying this Scheme Booklet is a personalised Proxy Form for voting at the General Meeting. If you wish to vote on the Subscription Resolution and the Capital Reduction Resolution at the General Meeting, but are not able to attend the General Meeting, you should appoint a proxy by following the instructions on the Proxy Form. You do not need to complete the Proxy Form if you intend to vote in person, by attorney or by representative at the General Meeting.</p> <p>In order to be valid, your proxy must be appointed by 10.30am on Tuesday 17 June 2014. If you intend to appoint your proxy by returning the completed Proxy Form by mail or fax, your Proxy Form must be received by the Registry before 10.30am on Tuesday 17 June 2014.</p>
<b>Is voting compulsory?</b>	<p>No, voting is not compulsory. However, your vote is important. If you cannot attend the General Meeting to be held at 10.30am on Thursday 19 June 2014, you should appoint a proxy.</p> <p>For further details regarding voting and appointing a proxy for the General Meeting, see <b>section 2.2 to 2.7</b> of this Scheme Booklet.</p>
<b>What happens if I vote against the Subscription Resolution or the Capital Reduction Resolution?</b>	<p>If the Scheme becomes Effective it will bind all Scheme Participants, including those who vote against the Subscription Resolution and/or the Capital Reduction Resolution (and those who do not vote at all).</p> <p>You should be aware that the approval of the Subscription Resolution and the Capital Reduction Resolution at the General Meeting is a condition of the Scheme becoming Effective. If you vote against the Subscription Resolution</p>

	<p>and/or the Capital Reduction Resolution, the Scheme may not become Effective.</p> <p>If the Scheme does not become Effective, you will not receive the Scheme Consideration, and you will retain the rights associated with your MMX Shares.</p>
<b>Questions about voting at the Class Meeting</b>	
<b>Who is entitled to vote at the Class Meeting?</b>	<p>To be entitled to vote at the Class Meeting, you will need to be registered as a MMX Shareholder by 7.00pm (Sydney time) Tuesday 17 June 2014.</p> <p>Only Scheme Participants are eligible to vote at the Class Meeting. MVT and its Associated Shareholders are not eligible to vote at the Class Meeting.</p>
<b>How do I vote by Proxy?</b>	<p>Accompanying this Scheme Booklet is a personalised Proxy Form for voting at the Class Meeting. If you wish to vote on the Capital Reduction Resolution at the Class Meeting but are not able to attend the Class Meeting, you should appoint a proxy by following the instructions on the Proxy Form. You do not need to complete the Proxy Form if you intend to vote in person, by attorney or by representative at the Class Meeting.</p> <p>In order to be valid, your proxy must be appointed by 11.00am on Tuesday 17 June 2014. If you intend to appoint your proxy by returning the completed Proxy Form by mail or fax, your Proxy Form must be received by the Registry before 11.00am on Tuesday 17 June 2014.</p>
<b>Is voting compulsory?</b>	<p>No, voting is not compulsory. However, your vote is important. If you cannot attend the Class Meeting to be held at 11.00am on Thursday 19 June 2014, you should appoint a proxy.</p> <p>For further details regarding voting and appointing a proxy for the Class Meeting, see <b>section 2.2 to 2.7</b> of this Scheme Booklet.</p>
<b>What happens if I vote against the Capital Reduction Resolution?</b>	<p>If the Scheme becomes Effective it will bind all Scheme Participants, including those who voted against the Capital Reduction Resolution (and those who do not vote at all).</p> <p>You should be aware that the approval of the Capital Reduction Resolution at the Class Meeting is a condition of the Scheme becoming Effective. If you vote against the Capital Reduction Resolution, the Scheme may not become Effective.</p> <p>If the Scheme does not become Effective, you will not receive the Scheme Consideration, and you will retain the rights associated with your MMX Shares.</p>
<b>Other information</b>	
<b>What other information</b>	<p>This Scheme Booklet provides detailed information in relation to the Scheme that all Scheme Participants should</p>

<b>is available?</b>	read. If you have any questions or require further information, you can call the Shareholder Information Line on: 1300 306 230 (within Australia) +61 1300 306 230 (outside Australia)
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# 1 Summary of the Scheme

**This section provides a summary of the Scheme, the reasons for the Scheme, the Independent Directors' recommendation in relation to how you should vote on the Scheme and the key terms of the Scheme Implementation Agreement.**

**The Scheme Implementation Agreement is set out in full in annexure B.**

## 1.1 How the Scheme will be implemented

### A. Scheme summary

The primary object of the Scheme is to provide that the Scheme Shares will be cancelled on the Implementation Date for the Scheme Consideration, which will be provided to Scheme Participants.

Scheme Consideration will be provided as Cash Consideration, Scrip Consideration or a 50/50 combination of both.

Upon cancellation of the Scheme Shares and the provision of the Scheme Consideration (including the issue of the New MVT Shares), MMX will become a wholly-owned subsidiary of MVT.

Mutual break fee arrangements as between MMX and MVT are provided for in the Scheme Implementation Agreement. The break fee payable by MMX is capped at \$100,000 and the break fee payable by MVT is capped at \$150,000. Full details of the break fee are set out in the Scheme Implementation Agreement, which is annexed at **annexure B**.

The Scheme Implementation Agreement also contains a series of Conditions Precedent that must be satisfied or waived. These are set out in **section 1F** below.

### B. Scheme Resolution

Scheme Participants will be asked to vote on a Scheme Resolution to approve the Scheme. The Scheme Meeting will be held at 10.00am on Thursday 19 June 2014. The Scheme Resolution must be approved by:

- unless the Court orders otherwise, a majority in number (more than 50%) of Scheme Participants present and voting at the Scheme Meeting (whether in person, by proxy, by attorney or by corporate representative); and
- at least 75% of the total number of votes cast on the Scheme Resolution (whether in person, by proxy, by attorney or by corporate representative).

### C. Subscription Resolution

Under the Subscription Resolution, MMX Shareholders will be asked to approve (subject to the approval of the Scheme by the Supreme Court of NSW) the subscription for New MVT Shares. The New MVT Shares will comprise the Scrip Consideration component of the Scheme Consideration. The amount of New MVT Shares to be subscribed for will be determined once Elections have been received from Scheme Participants.

On the Implementation Date, MMX will provide MVT with the Subscription Monies (in exchange for the issue of the New MVT Shares). MMX will then direct MVT to issue the New MVT Shares to Scheme Participants who have elected Scrip Consideration.

#### **D. Capital Reduction Resolution**

The Capital Reduction Resolution must be passed at both the General Meeting and the Class Meeting. Voting restrictions apply to votes being cast on the Capital Reduction Resolution at both the General Meeting and the Class Meeting. See **section 2** for more information on the applicable voting restrictions.

Under the Capital Reduction Resolution (subject to the approval of the Scheme by the Supreme Court of NSW), the Scheme Shares will be cancelled on the Implementation Date. In consideration for the cancellation for their MMX Shares, the Scheme Participants will receive the Scheme Consideration.

#### **E. Scheme Implementation Agreement**

MMX and MVT entered into the Scheme Implementation Agreement on 17 March 2014. A copy of the Scheme Implementation Agreement is in **annexure B**.

The Scheme Implementation Agreement can be terminated by either party if the other party is in material breach of the Scheme Implementation Agreement or a Court or Government Agency has taken action to restrain or prohibit the Scheme.

#### **F. Conditions Precedent and status**

Implementation of the Scheme is subject to the satisfaction or waiver of the conditions precedent set out in clause 3.1 of the Scheme Implementation Agreement. These include:

- (a) **Scheme Meeting Approval:** Scheme Participants agree to the Scheme at the Scheme Meeting by the requisite majorities under the Corporations Act;
- (b) **General Meeting and Class Meeting Approval:** MMX Shareholders approve the Capital Reduction Resolution (in both the General Meeting and the Class Meeting) and the Subscription Resolution (in the General Meeting only) by the requisite majorities under the Corporations Act;
- (c) **MMX Material Adverse Change:** no MMX Material Adverse Change occurs before the Second Court Date, including any event that would prevent or delay MMX's ability to consummate the Scheme;
- (d) **MVT Material Adverse Change:** no MVT Material Adverse Change occurs, before the Second Court Date, including any event that would prevent or delay MVT's ability to consummate the Scheme;
- (e) **MMX Prescribed Occurrence:** no MMX Prescribed Occurrence occurs before the Second Court Date, including changes in the structure of MMX's share capital, MMX acquiring or disposing assets for more than \$200,000 or entering or terminating any contract involving revenue or expenditure of more than \$200,000 (without MVT's consent);
- (f) **MVT Prescribed Occurrence:** no MVT Prescribed Occurrence occurs before the Second Court Date including MVT ceasing to carry on its business as it is currently conducted;
- (g) **No breach of MMX Warranty:** MVT is satisfied that none of the MMX Warranties are incorrect before the Second Court Date; and
- (h) **No breach of MVT Warranty:** MMX is satisfied that none of the MVT Warranties is incorrect before the Second Court Date.



## **G. When the Scheme comes into Effect**

The Scheme will come into effect on the Effective Date. The Effective Date is 24 June 2014, which is the date on which a copy of the Order of the Court approving the Scheme is lodged with ASIC.

## **H. End date**

If the Scheme Resolution is approved by Scheme Participants at the Scheme Meeting, the Scheme may still not be implemented if all the Conditions Precedent are not satisfied or waived (in accordance with the Scheme Implementation Agreement).

The Scheme will lapse and be of no further force and effect (and no Scheme Consideration will be distributed) if the Scheme has not become Effective on or before 30 September 2014.

## **1.2 Rationale for the Scheme**

The directors of MMX have considered the company's options:

- (a) MMX's alternative strategic options are constrained without the support of MMX's largest shareholder. The Independent Directors believe that shareholder support is a necessary precondition to any new business strategy for MMX;
- (b) MMX's current operating strategy is not economically sustainable and is destroying shareholder value;
- (c) MMX has negative cash flow with expenses greater than revenue and, at the date of this Scheme Booklet, it has no significant capital appreciating assets;
- (d) MMX's buyback announced to the ASX on 17 July 2013 received fewer acceptances than anticipated;
- (e) the Scheme allows for Scheme Participants to realise 100% of their investment in MMX as cash at a price close to the pre-tax net tangible asset backing per share;
- (f) the Cash Consideration based on the balance sheet of MMX as at 31 March 2014 represents a premium to MMX's share price as at the close of market on 14 March 2014 (being the last Business Day prior to the announcement of the transaction on 17 March 2014), the MMX 6 month VWAP and the MMX 1 year VWAP; and
- (g) the Scheme provides Scheme Participants with a choice of Cash Consideration or Scrip Consideration for their shares.

The Independent Directors have sought legal advice and tax advice on various restructure proposals and have determined that, overall, the Scheme is in the best interests of MMX Shareholders.

If the Scheme proceeds, it will result in a single listed investment company with approximately \$44.5 million of net assets and almost 4,000 shareholders (assuming all Scheme Participants elect to receive Scrip Consideration for 100% of their shares) and is expected to provide Scheme Participants who make a Scrip Election, who elect a 50/50 combination of Cash Consideration and Scrip Consideration or who do not make a valid Election such that they are taken to have elected to receive a 50/50

combination of Cash Consideration and Scrip Consideration with access to greater liquidity<sup>2</sup>.

The Merged Entity will have:

- (a) an investment strategy focused primarily on Australian listed securities and a proven board of directors with a longstanding investment record; and
- (b) a reduced management expense ratio as a result of the removal of duplicated expenses.

### **1.3 Independent Directors' recommendation**

Each of the Independent Directors recommends that Scheme Participants vote in favour of the Scheme Resolution, in the absence of a superior proposal.

In making this recommendation, the Independent Directors have considered the Scheme against other options for restructuring MMX, including conducting a further buy-back and the wind up and liquidation of MMX.

The Independent Directors considered the advice of Corrs Chambers Westgarth regarding MMX's legal position with respect to its alternatives for a restructure.

The Independent Directors have also considered:

- (a) the advantages and disadvantages of the Scheme set out in **section 4**;
- (b) the risks factors associated with the Scheme set out in **section 5**; and
- (c) the opinion of the Independent Expert, whose report is included in **annexure A**.

After considering the information available to the Independent Directors, the Independent Directors consider that the Scheme is a superior proposal to conducting another substantial buy-back, and unanimously recommend that you vote in favour of the Scheme Resolution at the Scheme Meeting, Subscription Resolution at the General Meeting and Capital Reduction Resolution at the Class Meeting. At the General Meeting, the Independent Directors unanimously recommend that Scheme Participants (being MMX Shareholders other than MVT and its Associated Shareholders) abstain from voting on the Capital Reduction Resolution.

### **1.4 Scheme Consideration and funding arrangements**

If the Scheme is implemented, Scheme Participants can elect to receive either:

- (a) Scrip Consideration by exchanging 100% of their Scheme shares for New MVT Shares, described further in **section 1.7**; or
- (b) Cash Consideration for 100% of their shares, described further in **section 1.6**;  
or
- (c) a combination of the above in equal proportions.

If the Scheme becomes Effective, the Scheme Consideration will be provided in respect of each Scheme Share held at the Record Date, which is currently expected to be at 7.00pm (Sydney time) Tuesday 1 July 2014.

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<sup>2</sup> Total asset base and number of shareholders assumes all Scheme Participants elect to receive Scrip Consideration for 100% of their shares.

Based on the 31 March 2014 balance sheet of MMX, the Cash Consideration would be equal to \$0.0487 per MMX share and, assuming 100% of Scheme Participants elected to receive the Cash Consideration, the maximum Aggregate Cash Consideration that will be payable is \$9.8 million. The actual Aggregate Cash Consideration will only be determined after the Effective Date following Scheme Participants' making of Elections in respect of their entitlements to Scheme Consideration.

The payment of the Subscription Monies to MVT and the Cash Consideration payments to Scheme Participants (who have elected to receive Cash Consideration or are otherwise taken to have elected to receive Cash Consideration as part of their Scheme Consideration) will be made on and from the Implementation Date following the cancellation of the Scheme Shares.

MMX proposes to fund the Cash Consideration and the Scrip Consideration (by way of the payment of the Subscription Monies) from funds that arise following the capital reduction and cancellation of Scheme Shares which, if the Scheme is approved, will be effected on the Implementation Date. The aggregate proceeds of such capital reduction and cancellation are expected to be approximately \$10.1 million.

Based on the 31 March 2014 balance sheet of MMX, MMX currently holds roughly \$13.5 million in cash.

MMX will ensure that it will continue to have access to sufficient funds under MMX's cash reserves to pay the Scheme Consideration when required.

Subject to the approval of the capital reduction and cancellation in the General Meeting and the Class Meeting, and immediately following the Scheme being approved, \$9.8 million (being the expected Aggregate Cash Consideration based on the pre-tax NTA of MMX as stated in the 31 March 2014 MMX balance sheet and assuming 100% of Scheme Participants make valid Cash Elections) will be held in trust for the payment of the Subscription Monies and the Cash Consideration.

## **1.5 Key dates relating to the Scheme Consideration**

### **A. Scrip Consideration**

The New MVT Shares will be issued to Scheme Participants who elect to receive Scrip Consideration for either 100% or 50% of their Scheme Consideration, or who do not make a valid Election such that they are taken to have elected to receive a 50/50 combination of Cash Consideration and Scrip Consideration (other than Ineligible Foreign Shareholders) on the Implementation Date, which is currently expected to be Tuesday 8 July 2014.

Confirmation of issue of New MVT Shares will be despatched to Scheme Participants that elect to receive Scrip Consideration for either 100% or 50% of their Scheme Consideration, or who do not make a valid Election such that they are taken to have elected to receive a 50/50 combination of Cash Consideration and Scrip Consideration (other than Ineligible Foreign Shareholders) on Tuesday 8 July 2014.

It is anticipated that the New MVT Shares will commence normal trading on the ASX on Thursday 10 July 2014.

### **B. Cash Consideration**

Scheme Participants who elect to receive Cash Consideration for either 100% or 50% of their Scheme Consideration, or who do not make a valid Election such that

they are taken to have elected to receive a 50/50 combination of Cash Consideration and Scrip Consideration will be sent a cheque, or will have their Cash Consideration direct transferred to their nominated bank account (if elected by the Scheme Participant). In the case of payment by way of cheque, MMX will post the cheque to your address as it is shown on the Share Register on the Record Date.

Distribution of the Cash Consideration (by cheque or by way of direct transfer) will take place within five Business Days of the Implementation Date.

## 1.6 Cash Consideration

Scheme Participants who elect to receive Cash Consideration for either 100% or 50% of their Scheme Consideration, or who do not make a valid Election such that they are taken to have elected to receive a 50/50 combination of Cash Consideration and Scrip Consideration will receive an amount equal to the NTA of MMX per MMX Share calculated on the Calculation Date, less deferred tax assets, plus any deferred tax liabilities carried on the balance sheet and less transaction costs associated with implementing the Scheme, for each Scheme Share.

The table below sets out the Cash Consideration per Scheme Share that MMX Shareholders would receive based on a calculation date of 31 March 2014 (after accounting for estimated transaction costs of \$370,000).

Current Metric	Per share (cents)
MMX pre-tax NTA as at 31 March 2014	5.00
Less: transaction costs	0.13
<b>Cash Consideration</b>	<b>4.87</b>

## 1.7 Scrip Consideration

### A. Formula for calculating New MVT Shares

The number of New MVT Shares to be issued to Scheme Participants (or the Nominee in the case of Ineligible Foreign Shareholders) who elect to receive Scrip Consideration for either 100% or 50% of their Scheme Consideration, or who do not make a valid Election such that they are taken to have elected to receive a 50/50 combination of Cash Consideration and Scrip Consideration will be calculated based on the relative net tangible asset backing per share of each company less deferred tax assets, plus any deferred tax liabilities carried on the balance sheet and less transaction costs at the Calculation Date (**NTA Formula**):

$$\text{New MVT Shares} = \text{MMX Shares} * \left( \frac{\text{MMX NTA}}{\text{MVT NTA}} \right)$$

Where:

- (a) **New MVT Shares** means the number of New MVT Shares to be issued to each Scheme Participant;
- (b) **MMX Shares** means the number of Scheme Shares held by the eligible Scheme Participant as at the Record Date that are elected for Scrip Consideration;

- (c) **MMX NTA** means the net tangible asset backing of MMX per Scheme Share less deferred tax assets, plus any deferred tax liabilities carried on the balance sheet and less transaction costs;
- (d) **MVT NTA** means the net tangible asset backing of MVT less deferred tax assets, plus any deferred tax liabilities carried on the balance sheet and less transaction costs per MVT share; and
- (e) **Calculation Date** means the date on which MMX and MVT calculate their MMX NTA and MVT NTA respectively, which will be the Second Court Date of the Scheme.

**B. Effects of rounding**

All entitlements to New MVT Shares under the Scheme will be rounded up or down to the nearest whole number (with fractions of 0.5 being rounded up) in order to avoid fractions.

If either MMX or MVT reasonably believes that a Scheme Participant has split or divided its shareholding to obtain an advantage because of the calculation of this rounding provision, then MMX and MVT reserve the right to round the entitlement of such holdings so that only that number of New MVT Shares that would have been received but for the splitting or division will be distributed.

**C. Examples of calculation of number of New MVT Shares**

The table below sets out, for illustrative purposes only, the NTA Ratio for calculating the number of New MVT Shares to which each Scheme Participant who elects to receive Scrip Consideration for either 100% or 50% of their Scheme Consideration, or who do not make a valid Election such that they are taken to have elected to receive a 50/50 combination of Cash Consideration and Scrip Consideration would be entitled if the Scheme becomes Effective, based on the announced NTA per share values for each of MMX and MVT as at 31 March 2014.

<b>Assumptions</b>	<b>MMX</b>	<b>MVT</b>
Pre-tax NTA per share at 31 March 2014	5.00	15.80
Transaction Costs per share	0.13	0.02
<b>Adjusted pre-tax NTA per share</b>	<b>4.87</b>	<b>15.78</b>
<b>NTA Ratio</b>	<b>0.3086</b>	<b>3.2402</b>

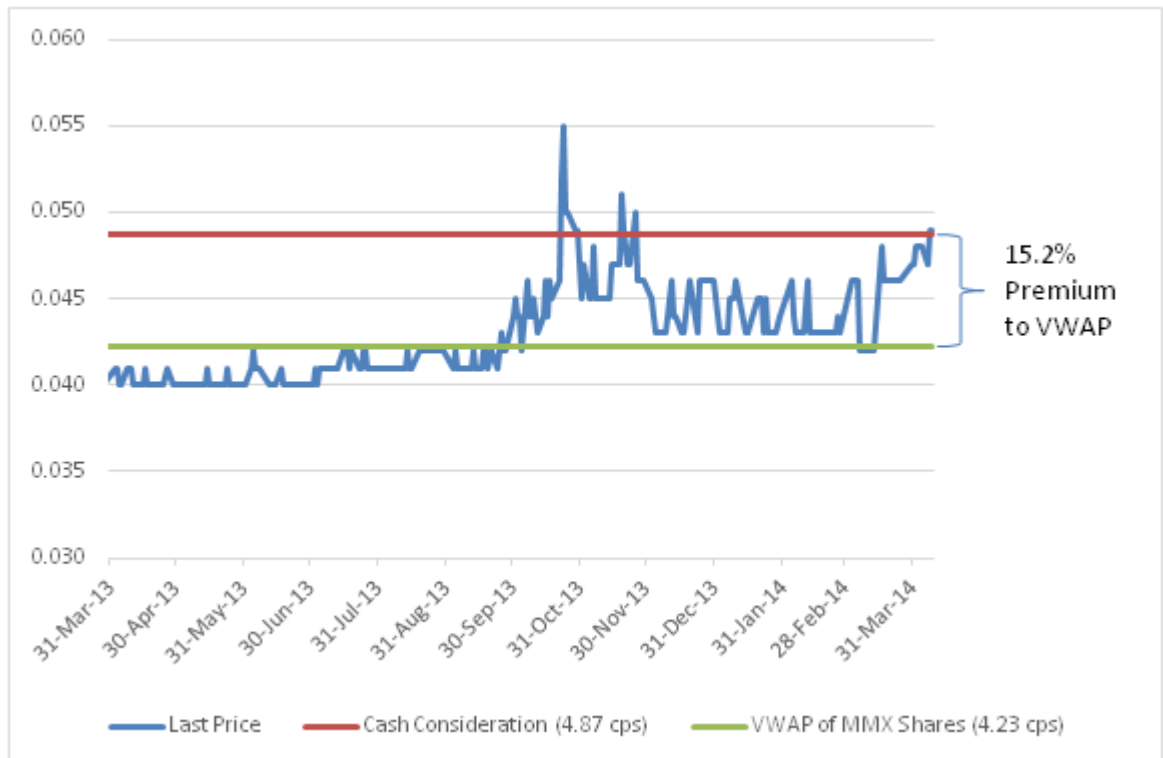
For a Scheme Participant who holds 1,000 MMX Shares, the table below sets out the maximum indicative number of New MVT Shares they would receive as Scrip Consideration for their Scheme Shares.

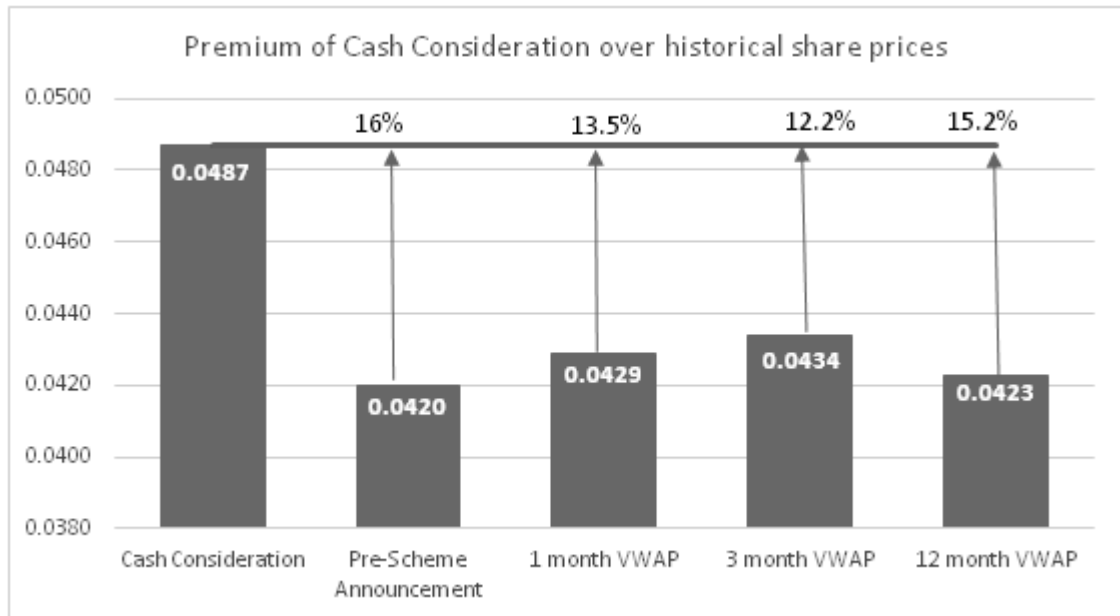
The table below sets out the way in which this NTA Ratio would alter depending on the relative NTA of MMX and MVT at the Calculation Date.

		Indicative MMX Pre-Tax NTA per share						
		\$0.030	\$0.035	\$0.040	\$0.045	\$0.050	\$0.055	\$0.060
Indicative MVT Pre- Tax NTA per share	\$0.120	250	292	333	375	417	458	500
	\$0.125	240	280	320	360	400	440	480
	\$0.130	231	269	308	346	385	423	462
	\$0.135	222	259	296	333	370	407	444
	\$0.140	214	250	286	321	357	393	429
	\$0.145	207	241	276	310	345	379	414
	\$0.150	200	233	267	300	333	367	400
	\$0.155	194	226	258	290	323	355	387
\$0.160	188	219	250	281	313	344	375	

#### D. Indicative Consideration Comparison to Recent Share Price

The indicative value of the Cash Consideration represents a premium to the MMX share price prior to the announcement of the buy-back on 17 July 2013.





**E. Provision of Subscription Monies to MVT**

On the Implementation Date, subject to the satisfaction or waiver of the Conditions Precedent (set out in 1.1F above), MMX will provide the Subscription Monies to MVT for the New MVT Shares that will comprise the Scrip Consideration component of the Scheme Consideration.

**F. Terms of New MVT Shares**

New MVT Shares will be fully paid and will rank equally with other ordinary MVT shares on issue as at the Implementation Date.

The New MVT Shares will be quoted on ASX. **Section 9** sets out additional information about the New MVT Shares.

**1.8 Independent Expert's Report**

MMX engaged Grant Thornton Corporate Finance Pty Ltd to provide an Independent Expert's Report assessing the merits of the Scheme for Scheme Participants. The Independent Expert's Report is included in this Scheme Booklet as **annexure A**.

The Independent Expert found that (as more particularly set out on page three of the Independent Expert's Report):

- (a) The Cash Consideration is fair and reasonable to Scheme Participants;
- (b) The Scrip Consideration is not fair and not reasonable to Scheme Participants; and
- (c) The 50/50 combination of Cash and Scrip Consideration is fair and reasonable to Scheme Participants.

While the Independent Expert has formed the view that the 100% Scrip Consideration option is not fair and not reasonable, the Independent Directors emphasise that individual Scheme Participants must exercise their discretion about which form of consideration to receive based upon their own judgment of the relative merits of scrip versus cash option.

Scheme Participants are encouraged to carefully read the full terms of the Independent Expert's Report and this Scheme Booklet before making an Election.

The Independent Directors recommend that, in the absence of a superior proposal, eligible MMX Shareholders to vote in favour of:

- the Scheme Resolution at the Scheme Meeting;
- the Subscription Resolution at the General Meeting;
- the Capital Reduction Resolution at the Class Meeting; and
- the Independent Directors encourage MMX Shareholders other than MVT and its Associated Shareholders to abstain from voting on the Capital Reduction Resolution at the General Meeting.

### **1.9 Ineligible Foreign Shareholders**

Like other Scheme Participants, Ineligible Foreign Shareholders can elect their form of Scheme Consideration using the Election Form.

However, Ineligible Foreign Shareholders who elect to receive Scrip Consideration will not receive the New MVT Shares. Instead, those New MVT Shares will be issued to the Nominee who will sell them on ASX. The Nominee will then remit to each Ineligible Foreign Shareholder an amount equal to the average net proceeds per New MVT Share (after deduction of any applicable brokerage, stamp duty and other taxes or charges).

For further information on the treatment of Ineligible Foreign Shareholders, please refer to **section 3.3**.

### **1.10 Questions**

If you have any questions or would like any further information about the Scheme, please call the Shareholder Information Line on 1300 306 230 (within Australia) or +61 1300 306 230 (outside Australia).



## 2 Voting at the Scheme Meeting, the General Meeting and the Class Meeting

**This section 2 provides you with information on the Scheme Meeting, the General Meeting and the Class Meeting, and on how to vote at each of the relevant meetings.**

**Additional information about voting by proxy is set out in the Proxy Forms accompanying this Scheme Booklet.**

**Additional information about how to complete your Election Form is set out in the Election Form accompanying this Scheme Booklet.**

### 2.1 Scheme Meeting

**Your vote is important**

In order for the Scheme to be implemented, the Scheme Resolution must be approved by Scheme Participants at the Scheme Meeting. This means votes in favour of the Scheme Resolution must be received from:

- (a) a majority in number (more than 50%) of Scheme Participants present and voting at the Scheme Meeting (whether in person, by proxy, by attorney or, by corporate representative); and
- (b) at least 75% of the total number of votes cast on the Scheme Resolution (whether in person, by proxy, by attorney or, by corporate representative).

**The Independent Directors unanimously recommend that you vote in favour of the Scheme Resolution.**

### 2.2 General Meeting

**Your vote is important**

In order for the Scheme to be implemented:

- the Subscription Resolution must be approved by ordinary resolution of the MMX Shareholders at the General Meeting; and
- the Capital Reduction Resolution must be passed by special resolution in both of the General Meeting and Class Meeting.

MMX Shareholders will be asked to vote on the Subscription Resolution in order to approve MMX's subscription for the New MVT Shares. The Subscription Resolution to be put to the General Meeting is an ordinary resolution, and must be approved by a majority in number (more than 50%) of MMX Shareholders present and voting (in person, by proxy, representative or attorney) on the Subscription Resolution at the General Meeting.

MMX Shareholders will also be asked at the General Meeting to vote on the Capital Reduction Resolution. The Capital Reduction Resolution is to be put to the General Meeting as a special resolution, and must be approved by those

MMX Shareholders who vote at the General Meeting (in person, by proxy, representative or attorney) and hold at least 75% of the total number of MMX Shares voted on the Capital Reduction Resolution.

#### **Voting restrictions on the Capital Reduction Resolution in the General Meeting**

Pursuant to the Corporations Act, Scheme Participants may not vote in favour of the Capital Reduction Resolution at the General Meeting. Scheme Participants may abstain or vote against the Capital Reduction Resolution, however, the approval of the Capital Reduction Resolution at the General Meeting is a condition to the implementation of the Scheme.

MVT and its Associated Shareholders are the only MMX Shareholders that are eligible to vote in favour of the Capital Reduction Resolution. MVT has entered into a Deed Poll with MMX committing it to vote in favour of this resolution.

**The Independent Directors unanimously recommend that you vote in favour of the Subscription Resolution, and abstain from voting on the Capital Reduction Resolution.**

### **2.3 Class Meeting**

#### **Your vote is important**

In order to ensure that the reduction and cancellation of the Scheme Shares is not approved solely by one dominant shareholder of MMX, the Corporations Act requires that the Capital Reduction Resolution also be approved by the Scheme Participants as a special resolution in the Class Meeting.

The Capital Reduction Resolution will therefore also be put to the Class Meeting as a special resolution, and must be approved by those Scheme Participants who vote at the Class Meeting (in person, by proxy, representative or attorney) and hold at least 75% of the total number of MMX Shares voted on the Capital Reduction Resolution at the Class Meeting.

#### **Voting restrictions on the Capital Reduction Resolution in the General Meeting**

Pursuant to the Corporations Act, only those MMX Shareholders whose MMX Shares are to be cancelled are eligible to vote at the Class Meeting. This means that MVT and its Associated Shareholders (as the only MMX Shareholders whose MMX Shares will not be cancelled) are not eligible to vote at the Class Meeting.

**The Independent Directors unanimously recommend that you vote in favour of the Capital Reduction Resolution.**

### **2.4 Who is entitled to vote**

The eligibility to vote at each of the Scheme Meeting, the General Meeting and the Class Meeting is set out in the table below:

Meeting	Who can vote?	How can I vote?
Scheme Meeting	Scheme Participants (i.e. all MMX Shareholders other than MVT and its Associated Shareholders)	For, Against or Abstain
General Meeting	All MMX Shareholders	Subscription Resolution: For, Against or Abstain. Capital Reduction Resolution: MVT and its Associated Shareholders: For (under the Deed Poll MVT has covenanted to vote in favour of the resolutions at the General Meeting) Other MMX Shareholders: only Abstain or Against
Class Meeting	Scheme Participants (i.e. all MMX Shareholders other than MVT and its Associated Shareholders)	For, Against or Abstain

Subject to the eligibility of each MMX Shareholder to vote in the relevant meeting set out in the above table, each person that is registered on the Share Register as an MMX Shareholder at 7.00pm (Sydney time) Tuesday 17 June 2014 is entitled to attend and vote either in person, by proxy or attorney. If you are a corporate MMX Shareholder, then you can appoint a corporate representative to attend and vote your shares.

In the case of MMX Shares held by joint holders, only one of the joint shareholders is entitled to vote. If more than one shareholder votes in relation to jointly held MMX Shares, only the vote of the shareholder whose name appears first in the Share Register will be counted.

The table below sets out voting options for Scheme Participants who are in favour of the Scheme and those opposed to the Scheme:

	If you are in favour of the Scheme, you should vote as shown below	If you are opposed to the Scheme, you should vote as shown below
<b>At the Scheme Meeting</b>		
Scheme Resolution	For	Against
<b>At the General Meeting</b>		
Subscription Resolution	For	Against

Capital Reduction Resolution	Abstain	Against
At the Class Meeting		
Capital Reduction Resolution	For	Against

## 2.5 Location and details of the Scheme Meeting, General Meeting and Class Meeting

The notices convening the Scheme Meeting, General Meeting and Class Meeting are set out in **annexures E, F, and G** respectively.

The details of the Scheme Meeting are as follows:

Location	<b>Vintage Room, Royal Automobile Club, 89 Macquarie Street, Sydney</b>
Date	<b>Thursday 19 June 2014</b>
Time	<b>10.00 am</b>

The General Meeting and the Class Meeting will be held on the same date and at the same location. The General Meeting will be held following the close of the Scheme Meeting, and the Class Meeting will be held following the close of the General Meeting.

## 2.6 How to vote at the Scheme Meeting, the General Meeting and the Class Meeting

You can vote:

- (a) **in person**, by attending the relevant meetings
- (b) **by mailing** the relevant accompanying Proxy Forms so that they are received on Tuesday 17 June 2014 48 hours before the relevant meeting (i.e. before 10:00am (Sydney time) for the Scheme Meeting, 10:30am (Sydney time) for the General Meeting, and 11:00am (Sydney time) for the Class Meeting) to:  
Link Market Services  
Locked Bag A14  
Sydney South, NSW, 1235
- (c) **by faxing** the relevant accompanying Proxy Forms so that they are received on Tuesday 17 June 2014 48 hours before the relevant meeting (i.e. before 10:00am (Sydney time) for the Scheme Meeting, 10:30am (Sydney time) for the General Meeting, and 11:00am (Sydney time) for the Class Meeting) to:  
  
+61 2 9287 0309
- (d) **online** by visiting [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) and following the instructions in your relevant Proxy Forms to submit your voting intentions.

## **2.7 Undirected proxies**

If your Proxy Forms that we receive do not name the proxy or proxies in whose favour they are given, the Chairman of the Scheme Meeting (who will also act as Chairman of the General Meeting and the Class Meeting) will act as your proxy.

Proxy appointments in favour of the Chairman of the Scheme Meeting, the company secretary of MMX or any MMX Director which do not contain a direction as to how to vote will be voted in support of the Scheme Resolution, the Subscription Resolution and the Capital Reduction Resolution at the Scheme Meeting, General Meeting and Class Meeting as applicable (in the absence of a superior proposal in respect of Scheme Shares prior to the date of the Scheme Meeting).

## **2.8 Voting by attorney**

MMX Shareholders wishing to vote by attorney at the Scheme Meeting, General Meeting or Class Meeting must, if they have not already presented an appropriate power of attorney to MMX for notation, deliver to MMX the original instrument appointing the attorney or a certified copy of it by no later than 48 hours before the relevant meeting (i.e. before 10:00am (Sydney time) for the Scheme Meeting, 10:30am (Sydney time) for the General Meeting, and 11:00am (Sydney time) for the Class Meeting) on Tuesday 17 June 2014 (or, if the Scheme Meeting, General Meeting and/or Class Meeting is adjourned, at least 48 hours before the resumption of the relevant meeting in relation to the resumed part of that relevant meeting).

Unless the contrary is evident from the express terms of attorney, any power of attorney granted by a MMX Shareholder will, as between MMX and that MMX Shareholder, continue in force and may be acted on, unless express notice in writing of its revocation or the death of the relevant MMX Shareholder is lodged with MMX.

## **2.9 Voting by corporate representative**

To vote by corporate representative at the Scheme Meeting, General Meeting or Class Meeting, a corporate MMX Shareholder or proxy should obtain an appointment of corporate representative form from the Registry and complete and sign the form in accordance with the instructions on it. The appointment of corporate representative form must then be lodged either prior to the relevant meeting with the Registry or at the registration desk on the day of the Scheme Meeting.

The appointment of a representative may set out restrictions on the representative's powers.

The original form of appointment of a representative, a certified copy of the appointment, or a certificate of the body corporate evidencing the appointment of a representative is prima facie evidence of a representative having been appointed.

The Chairman of the Scheme Meeting may permit a person claiming to be a representative to exercise the appointing body's powers even if they have not produced a certificate or other satisfactory evidence of their appointment.

#### **2.10 Effect of not passing the resolutions by requisite majorities**

Unless the resolutions put to each of the Scheme Meeting, the General Meeting and the Class Meeting are all passed with the requisite statutory majorities, the Scheme will not become Effective.

If the Scheme does not become Effective, Scheme Participants will not receive the Scheme Consideration, and their rights in respect of their MMX Shares will remain as they presently exist.

## 3 Electing your Scheme Consideration

### 3.1 How to elect your form of consideration

**Voting:** If the Scheme is implemented, Scheme Participants must use the Election Form to nominate the form of Scheme Consideration they wish to receive.

**If you do not make a valid form of Election, you will receive a 50/50 combination of Cash Consideration and Scrip Consideration.**

#### A. How do I complete the Election Form?

Your personalised Election Form accompanies this Scheme Booklet.

By using your Election Form, you can choose to receive either:

- (a) 100% Scrip Consideration;
- (b) 100% Cash Consideration; or
- (c) a combination of Cash Consideration and Scrip Consideration in equal proportions.

Importantly:

- (a) Elections must be made in accordance with the instructions in the Election Form and this Scheme Booklet.
- (b) You must only mark one of the boxes in the Election Form and it must be clearly apparent from your mark which form of Scheme Consideration is your Election.
- (c) If more than one validly completed Election Form is received, you will receive the Election indicated in the last validly completed Election Form.
- (d) If we do not receive a valid Election Form from you, you will receive a 50/50 combination of Cash Consideration and Scrip Consideration.
- (e) Whether or not an Election Form has been validly completed is at the sole discretion of the MMX Directors, acting reasonably.

#### B. Where do I send my Election Form?

The completed Election Form must be received by the Registry before 7.00 pm on Tuesday 24 June 2014 by:

- (a) **mailing** the Election Form to:  
Link Market Services  
Locked Bag A14  
Sydney South, NSW, 1235

Once made, a valid Election by a Scheme Participant may be varied by email so that notice of variation is received before 7.00 pm on Tuesday 24 June 2014.

#### C. Further information

For further information about how to make an Election or if you need to obtain another Election Form, please contact 1300 306 230 (within Australia) or +61 1300 306 230 (outside Australia).

### **3.2 Election by trustees and nominees**

If you hold one or more parcels of Scheme Shares as trustee or nominee for a number of people, you can make separate Elections in relation to each of those parcels to reflect the instructions of the beneficial owners of the Scheme Shares.

In order to make separate Elections, the trustee or nominee must:

- (a) establish distinct separate holdings in the Share Register (each with a separate holder identification number) before the Record Date; and
- (b) lodge a separate Election Form for each separate holding register.

The Scheme Consideration distributable in respect of each separate holding will be calculated on the total balance of the holding, not individual beneficial shareholder entitlements.

Trustees or nominees who wish to make separate Elections should contact the Shareholder Information Line for further information or to obtain additional copies of the Election Form.

### **3.3 Ineligible Foreign Shareholders**

MMX Shareholders whose address on the Share Register as at the Record Date is in a jurisdiction other than Australia or its external territories or New Zealand are Ineligible Foreign Shareholders under the Scheme.

Ineligible Foreign Shareholders can elect to receive Cash Consideration, Scrip Consideration, or a combination of both in equal proportions.

Ineligible Foreign Shareholders that elect to receive Cash Consideration will do so on the same terms as other Scheme Participants.

However, restrictions in certain jurisdictions make it impractical or unlawful for Ineligible Foreign Shareholders who elect to receive Scrip Consideration to receive New MVT Shares.

Accordingly, Ineligible Foreign Shareholders that elect to receive Scrip Consideration will not receive the New MVT Shares to which they would otherwise be entitled under the Scheme.

Instead, the New MVT Shares that would be issued to Ineligible Foreign Shareholders under the Scheme will be allotted to the Nominee appointed by MVT. There is no minimum or maximum participation by Ineligible Foreign Shareholders in the sale facility that will be operated by the Nominee.

The Nominee will sell the New MVT Shares as soon as practicable and in any event not less than 20 Business Days after the Implementation Date, in such manner, at such price and on such terms and conditions as determined by the Nominee acting in good faith. The Nominee will then remit to each Ineligible Foreign Shareholder an amount equal to the average net proceeds per share



of the Nominee's sale, after the deduction of any applicable brokerage, stamp duty and other taxes and charges, of all New MVT Shares sold in this way multiplied by the number of New MVT Shares which would otherwise have been issued to that Ineligible Foreign Shareholder. The amount paid to Ineligible Foreign Shareholders will be less than the actual price that is received by the Nominee upon sale of the New MVT Shares.

The market price for MVT shares is subject to change. Up to date information on the market price for MVT shares is available from the ASX website [www.asx.com.au](http://www.asx.com.au).

### **3.4 Further information**

If you have any questions in relation to the Scheme, you can call the Shareholder Information Line weekdays between 8:30am and 5:30pm (Sydney Time) on:

1300 306 230 (within Australia)

+61 1300 306 230 (outside Australia)

If you have any questions regarding the number of MMX Shares you hold or how to vote, please contact the Registry weekdays between 8:30am and 5.00pm (Sydney Time) on:

1300 306 230 (within Australia)

+61 1300 306 230 (outside Australia)

If you are in any doubt about anything in this Scheme Booklet, please contact your legal, financial or other professional adviser.

## 4 Advantages and disadvantages of the Scheme

**This section 4 identifies the material advantages, disadvantages, and other relevant matters you should consider when deciding whether to vote in favour of the Scheme Resolution, the Subscription Resolution and, where permitted in the Class Meeting, the Capital Reduction Resolution.**

**You should carefully consider the following advantages and disadvantages of the Scheme, as well as the other information contained in this Scheme Booklet including the risks in section 5, in deciding whether or not to vote in favour of the Scheme Resolution, the Subscription Resolution and the Capital Reduction Resolution.**

### 4.1 Independent Directors' recommendation

The Independent Directors unanimously believe that the advantages of the Scheme outweigh its disadvantages and risks. Each Independent Director recommends that Scheme Participants vote in favour of:

- (a) the Scheme Resolution;
- (b) the Subscription Resolution; and
- (c) the Capital Reduction Resolution at the Class Meeting, and abstain from voting on the Capital Reduction Resolution at the General Meeting.

**Section 1.3** explains the reasons that the Independent Directors are making this recommendation.

Scheme Participants should carefully consider these matters in deciding how to vote on the Scheme Resolution, the Subscription Resolution and on the Capital Reduction Resolution.

### 4.2 Independent Expert's Report

The Independent Directors have commissioned an Independent Expert to prepare a report on the Scheme. That report concludes that, in the view of the Independent Expert, while the 100% Scrip Consideration option is not fair and not reasonable the Scheme is, overall, in the best interests of MMX Shareholders, in the absence of a superior proposal.

The report is contained in **annexure A**.

### 4.3 Advantages of the Scheme

#### **A. The Independent Directors believe that, overall, the proposed Scheme is in the best interests of MMX Shareholders, in the absence of a superior proposal**

In forming their recommendation, the Independent Directors have reviewed the alternative strategic options available for returning the remaining assets held by the company to MMX Shareholders. The Independent Directors note that the strategic options available to the company are restricted without the support of MMX's largest shareholder. The Independent Directors believe that

shareholder support is a necessary precondition to any new business strategy for MMX. A range of options were considered including:

- continuing MMX's current operating strategy;
- merging with another suitable company; and
- the winding-up and liquidation of MMX.

After considering each of these options and obtaining a sounding from MVT (MVT and its Associated Shareholders, together, hold 28% of the fully paid ordinary shares in MMX) and legal advice in relation to each of the options, the Independent Directors believe that the Scheme is, overall, in the best interests of MMX Shareholders, in the absence of a superior proposal.

This belief is supported by the Independent Expert, who concluded that while the 100% Scrip Consideration option is not fair and not reasonable the Scheme is, overall, in the best interests of MMX Shareholders, in the absence of a superior proposal. The Independent Expert's Report is included in **annexure A**.

**B. Scheme Participants have the choice of receiving Cash Consideration and/or Scrip Consideration for their MMX Shares**

**C. Scheme Participants who elect to receive Cash Consideration can realise 100% of their investment as cash at a value equal to the NTA of MMX less deferred tax assets, plus any deferred tax liabilities and less transaction costs per MMX Share**

If Scheme Participants elect to receive Cash Consideration, they will receive an amount equal to the NTA of MMX less deferred tax assets, plus any deferred tax liabilities and less transaction costs per MMX Share.

**D. The Cash Consideration is at a premium to MMX's recent share price**

The Cash Consideration based on the balance sheet of MMX as at 31 March 2014 represents a premium to MMX's share price as at the close of market on 14 March 2014 (being the last Business Day prior to the announcement of the transaction on 17 March 2014), the MMX 6 month VWAP (\$0.0444) and 1 year VWAP (\$0.0423).

**E. The value of the Scrip Consideration and the scrip component of the 50/50 combination of Cash Consideration and Scrip Consideration is expected to be approximately equal to MMX's recent share price**

The number of New MVT Shares to be issued to Scheme Participants who elect to receive Scrip Consideration for either 100% or 50% of their Scheme Consideration, or who do not make a valid Election such that they are taken to have elected to receive a 50/50 combination of Cash Consideration and Scrip Consideration is based on the relative pre-tax net tangible asset backing per share of each company at the Calculation Date.

Based on the relative pre-tax net tangible asset backing per share of each company as at 31 March 2014, each Scheme Participant that elects to receive Scrip Consideration for either 100% or 50% of their Scheme Consideration, or

who do not make a valid Election such that they are taken to have elected to receive a 50/50 combination of Cash Consideration and Scrip Consideration would receive one New MVT Share for every 3.24 MMX Shares held.

The value of the Scrip Consideration is expected to be approximately \$0.042 per MMX Share.

Scheme Participants electing for Scrip Consideration may benefit from scrip-for-scrip rollover relief, subject to their own individual circumstances.

**F. Scheme Participants can choose Cash Consideration, Scrip Consideration or a 50/50 combination**

Scheme Participants will be able to elect either:

- (a) to receive Cash Consideration for 100% of their Scheme Shares; or
- (b) to exchange 100% of their Scheme Shares for New MVT Shares; or
- (c) a 50/50 combination of the above.

Scheme Participants have the choice to exit all or part of their investment without the need to pay brokerage.

**G. Preservation of tax losses for Scheme Participants who elect to receive Scrip Consideration**

The Scheme could impact upon the MMX's ability to utilise prior year tax losses of approximately \$22,357,000 against future taxable income.

Generally, MMX must pass the continuity of ownership (**COT**) to set off prior year tax losses against its taxable income in a given income year. As the consequence of the change in ownership of MMX as a result of the Scheme, a material risk exists that the Scheme will result in MMX failing the COT.

Even if MMX 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 MMX failing to pass the SBT as it is not possible to predict the nature of MMX'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.

**H. Access to the experience and performance of MVT's Board in the Merged Entity**

Scheme Participants who elect to receive Scrip Consideration for either 100% or 50% of their Scheme Consideration, or who do not make a valid Election such that they are taken to have elected to receive a 50/50 combination of Cash Consideration and Scrip Consideration (other than Ineligible Foreign Holders) will have access to the experience and pedigree of MVT's Board. Since the current board was constituted, MVT has achieved:

- (a) compound growth in net tangible assets per share of 42.0% per annum and total shareholder returns (as measured by share price appreciation) of 36.5% per annum; and

- (b) a share price that on average traded at 4.2% discount to the company's pre-tax NTA.

Further information about MVT is set out in **section 7**.

**I. Participation in the benefits of the enhanced positioning of the Merged Entity for Scheme Participants who elect to receive Scrip Consideration**

The Merged Entity will be larger than each of MMX or MVT on a standalone basis.<sup>3</sup> Based on the pre-tax NTA of MMX and MVT as at 31 March 2014, assuming 100% of Scheme Participants elect to receive Scrip Consideration for 100% of their Scheme Shares, and adjusting for MVT's holding in MMX, the Merged Entity is expected to have a combined post-tax NTA of approximately \$44.5 million.

Using these assumptions, the Merged Entity will have almost 4,000 shareholders and is expected to provide shareholders with access to greater liquidity in the trading of their shares.

The increase in scale generated by the combination of MMX and MVT provide the Merged Entity with a larger pool of capital with which to apply its investment techniques.

Further information about the Merged Entity is set out in **section 8**.

**J. Cost Synergies**

The Scheme is anticipated to generate a number of cost synergies. Scheme Participants who elect to receive Scrip Consideration for either 100% or 50% of their Scheme Consideration, or who do not make a valid Election such that they are taken to have elected to receive a 50/50 combination of Cash Consideration and Scrip Consideration (other than Ineligible Foreign Holders) will share in the gains generated by the Scheme through owning shares in the enlarged MVT.

It is expected that the Merged Entity will enjoy annual pre-tax cost savings in the order of \$447,000 from various operational efficiencies including, without limitation:

- (a) reduction in listed public company costs; and
- (b) accounting, company secretarial and administration support savings.

These cost synergies will result in a reduction of the management expense ratio in the Merged Entity all other things being equal. Further information about the potential synergies is set out in **section 8**.

**4.4 Disadvantages of the Scheme**

**A. Risks of the merger for Scheme Participants**

There are a number of risks that may result from implementation of the Scheme. Further information about the risks is set out in **section 5**.

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<sup>3</sup> Assuming that a reasonable number of Scheme Participants elect to receive Scrip Consideration as Scheme Consideration.

The Independent Directors strongly believe that the advantages of the Scheme outweigh the risks and disadvantages of the Scheme, and the Independent Directors unanimously recommend all Scheme Participants vote in favour of the Scheme, in the absence of a superior proposal.

**B. Shareholdings of Scheme Participants who elect Scrip Consideration (other than Ineligible Foreign Holders) will represent a smaller percentage of the shares in a larger company**

The merger, if implemented, will result in Scheme Participants who elect to take Scrip Consideration (other than Ineligible Foreign Holders) having smaller voting interests in the Merged Entity than their current voting interests in MMX. As at 8 April 2014, Scheme Participants had a collective voting interest of 72.1% in MMX. If the Scheme is implemented, Scheme Participants who elect to receive Scrip Consideration (other than Ineligible Foreign Shareholders) would have a collective voting interest of 19.7% in the Merged Entity (based on the respective pre-tax NTA per share of each company as at 31 March 2014).<sup>4</sup>

In addition, if the Scheme is implemented, it will result in Scheme Participants having a reduced exposure to MMX's investments and an increased exposure to MVT's investments. Further information about MVT's profile is set out in **section 7**.

**C. Relative growth prospects**

Any investments made by MMX in the future on a stand-alone basis might achieve a higher rate of return than the investments of the Merged Entity in the future. Equally, they may achieve a lower rate of return.

MMX currently has no investment objectives other than the preservation of its capital, the minimisation of its expenses and the systematic reduction of its exposure to non financial assets. It continues to explore opportunities for the effective return of capital to its shareholders.

MMX applied for an exploration licence in Paulsens E08/2146 in April 2010 which is currently being processed. Should the exploration licence be granted and any exploration undertaken be successful, MMX may be able to realise value from this exploration licence.

The Independent Directors of MMX express no opinion as to the relative rates of return on either MMX's or MVT's investments.

**D. Investment and capital/income return profile**

The risk / return profile and income / capital profile of an investment in the Merged Entity going forward will be different to the current profile of an investment in MMX.

**4.5 Other Relevant Considerations**

**A. No superior proposal has emerged**

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<sup>4</sup> Assuming that 100% of Scheme Participants elect to receive New MVT Shares as consideration for 100% of their MMX Shares.

As at the date of this Scheme Booklet, no superior proposal has been received by MMX. The Independent Directors will keep you informed of any material developments between the date of this Scheme Booklet and the Scheme Meeting which may affect the Independent Directors' belief that, overall, the Scheme is in the best interests of Scheme Participants. Any announcements will be made on the ASX company announcements platform.

**B. Management of the Merged Entity**

The Merged Entity's investment decisions will be carried out by the current MVT Board, led by the Chairman, Sir Ron Brierley. See **section 7** for further details on MVT's historic performance and investment focus.

**C. Taxation**

If the merger is implemented, it may result in taxation implications for Scheme Participants. These implications will differ depending on the individual circumstances of each MMX Shareholder.

A general outline of the potential Australian tax implications of the Scheme for Scheme Participants is set out in **section 10**.

**D. No direct transaction costs for Scheme Participants**

No brokerage or stamp duty will be paid by Scheme Participants on the cancellation of their Scheme Shares or on the issue of the New MVT Shares in consideration for the cancellation of Scheme Shares. See **section 10.3** for further details in relation to stamp duty.

Scheme Participants who elect to receive Scrip Consideration for either 100% or 50% of their Scheme Consideration, or who do not make a valid Election such that they are taken to have elected to receive a 50/50 combination of Cash Consideration and Scrip Consideration (other than Ineligible Foreign Holders) can participate in the expected future growth of the Merged Entity without having to pay brokerage costs or stamp duty which might otherwise be payable if MVT shares were bought on the ASX.

**E. Third party proposal for MVT**

While there is no outstanding proposal in relation to an acquisition of a material interest in MVT, Scheme Participants should be aware that, like any other company, MVT could become the subject of a takeover offer or other proposal by a third party to acquire MVT. A proposal for MVT may affect the value of MVT shares.

The MVT Board has advised that as at the date of this Scheme Booklet, it has no basis for believing that any such offer will be forthcoming.

## 5 Risk factors

**This section 5 describes what the Independent Directors believe to be the principal risks associated with the Scheme. You should note that this section is not an exhaustive list of the risks associated with the Scheme and it should be considered in conjunction with other information disclosed in this Scheme Booklet.**

**You should carefully consider these risks in light of your personal circumstances and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to vote.**

### 5.1 Risk factors faced by both MMX and MVT

#### A. General economic conditions

Material adverse changes in general economic conditions may have an adverse impact on the operations and performance of the Merged Entity.

The various general domestic and international economic factors that shareholders in MMX, MVT, and the Merged Entity are exposed to include, but are not limited to:

- economic growth;
- interest rates;
- inflation;
- currency exchange rates;
- employment levels;
- consumer and business sentiment; and
- market volatility.

#### B. Share price movements

An investment in the Merged Entity will be subject to fluctuations in share price which are normal for ASX listed entities. These fluctuations are due to a wide variety of factors, some of which the Merged Entity will seek to mitigate while others are outside the control of the Merged Entity.

#### C. Litigation risk

Exposure to litigation brought by third parties such as investors, regulators, employees or business associates could negatively impact operations and financial performance through increased costs, payment of damages and damage to reputation.

### 5.2 Risk factors specific to the merger

#### A. Conditions not met

The Scheme is subject to a number of Conditions Precedent, as summarised in **section 11.10**. Scheme Participants will be kept advised of the status of the



Conditions Precedent. At the date of this Scheme Booklet, MMX is not aware of any circumstances which would cause the Conditions Precedent not to be satisfied or (if applicable) waived. However, there is a possibility that one or more of the Conditions Precedent will not be met or waived (in accordance with the Scheme Implementation Agreement) and the merger does not proceed as a result.

If the Scheme is not implemented, costs in connection with the Scheme of approximately \$370,000 will be borne by MMX.

**B. Realisation of synergies**

The merger is expected to deliver cost savings in operating synergies following its implementation. There is a risk that these synergies are not realised within the anticipated timeframe or at all or to their full extent.

Failure to achieve targeted synergies may have an adverse impact on the operations and financial performance and position of the Merged Entity and the value of MVT shares.

Further information regarding the potential synergies is detailed in **section 4.3J**.

**C. The ability of Scheme Participants (other than Ineligible Foreign Holders) to vote on and affect the future direction of the Merged Entity**

The Scheme, if implemented, will result in Scheme Participants (other than Ineligible Foreign Holders) having smaller voting interests in the Merged Entity than their voting interests in MMX. As at 31 March 2014, MMX Shareholders (other than MVT and its Associated Shareholders) had a collective voting interest of 72.1% in MMX.

Illustratively, if the merger is implemented and the respective NTAs of MMX and MVT as at the Calculation Date do not change from their levels as at 31 March 2014 as announced to ASX, Scheme Participants (other than Ineligible Foreign Holders) would have a collective voting interest of 19.7% in the Merged Entity.<sup>5</sup>

**D. Issue of New MVT Shares and fluctuation of Scheme Consideration**

Pursuant to the merger, MVT is likely to issue a significant number of New MVT Shares as Scheme Consideration. The value of the Scheme Consideration will therefore be dependent on the market value of MVT shares traded on ASX. The market prices of MVT shares may move, up or down, as a result of any number of different factors, including but not limited to general economic conditions, fluctuations in domestic and international financial markets, movements in domestic interest rates and market expectations. Any fluctuation in market price will directly impact the equivalent dollar value of the Scheme Consideration to which Scheme Participants will be entitled.

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<sup>5</sup> Assuming that 100% of Scheme Participants elect to receive New MVT Shares as consideration for 100% of their MMX Shares. Based on the respective NTA of MMX and MVT as at 31 March 2014.

The Independent Directors do not warrant the future share price performance of New MVT Shares.

The number of New MVT Shares to be issued to each Scheme Participant as Scheme Consideration will be calculated in accordance with the NTA Formula as set out in **section 1.7A**.

The NTA Ratio will be calculated and communicated to Scheme Participants following the Scheme Meeting.

The NTA of either company, or both companies, may fluctuate. This may affect the number of New MVT Shares to which Scheme Participants will be entitled as Scheme Consideration, with the effect that:

- (a) a decrease in the NTA per MMX Share relative to that of MVT will result in Scheme Participants being entitled to a smaller number of New MVT Shares as Scheme Consideration; and
- (b) an increase in the NTA per MMX Share relative to that of MVT will result in Scheme Participants being entitled to a larger number of New MVT Shares as Scheme Consideration.

The table in **section 1.7C** sets out, for illustrative purposes only, the number of New MVT Shares to which each Scheme Participant will be entitled if the Scheme becomes Effective, based on a range of possible NTA values for each of MMX and MVT.

The price of MVT shares may also fluctuate. There is also a risk that the price of MVT shares traded on ASX may not fluctuate in line with fluctuations in MVT's NTA, which may affect the realisable value of the Scheme Consideration.

Some Scheme Participants who receive New MVT Shares may not wish to retain their shareholding and may sell their New MVT Shares soon after receiving them. This may have an adverse impact on the market price of MVT shares traded on ASX in the short term.

### **5.3 Risks specific to an investment in the Merged Entity**

The risks that are set out in **sections 5.1** and **5.2** (being risks common to both MMX's and MVT's businesses) will also be applicable to the Merged Entity. Risks specific to an investment in the Merged Entity include, but are not limited to:

- (a) the profitability and success of the Merged Entity is dependent on the earnings and capital appreciation of its investments. Future earnings can be affected by many factors and policies beyond the control of the management. As a result, no guarantee can be given in respect of the future earnings of the Merged Entity or the earnings and capital appreciation of the Merged Entity's investments;
- (b) no guarantee can be provided that the Merged Entity will be able to meet its investment objectives as this will depend on the extent to which

capital returns are generated and income is derived from the underlying investments and the availability of franking credits; and

- (c) the Merged Entity may undertake investments in unlisted securities or investments in joint ventures and other unincorporated structures. These are relatively illiquid investments and may take significant periods of time to provide acceptable returns. At the date of this Scheme Booklet, both MMX and MVT have such investments.

## 6 Information on MMX

This section 6 provides information on MMX.

### 6.1 Background

MMX is an Australian ASX listed company. MMX was previously a mineral exploration company, and was involved in the development of bulk commodity projects and infrastructure. MMX has sold all of its major projects and assets and returned the bulk of the proceeds from these sales to shareholders.

### 6.2 Business objectives and strategy

#### A. Business Objective

MMX currently has no investment objectives other than the preservation of its capital, the minimisation of its expenses and the systematic reduction of its exposure to non financial assets.

MMX is involved in the process of reducing its assets and returning proceeds to its shareholders. MMX applied for an exploration licence in Paulsens E08/2146 in April 2010 and it is currently being processed. Should the exploration licence be granted and any exploration undertaken be successful, MMX may be able to realise value from this exploration licence.

MMX announced a proposal for an equal access off-market share buy-back (**Buyback**) on 28 December 2012. Details of the Buyback were provided to shareholders on 17 July 2013 and the Buyback was approved by MMX Shareholders on 16 August 2013.

The Buyback resulted in 172,260,869 shares being bought back at \$0.042 per share (1 October 2013 ASX announcement).

An Unmarketable Share Parcel Facility was announced on 20 December 2013, and was concluded on 19 March 2014. A total of 12,067,092 shares were sold on behalf of approximately 4,200 shareholders. The participating shareholders received payment for their shares on or about 28 March 2014.

MMX has approximately 1,900 remaining shareholders.

#### B. Business Strategy

MMX's current strategy is to maintain cash and minimise expenses while exploring strategies to efficiently return capital to its shareholders. MMX has done this through disposal of its interests in Crosslands Resources Ltd, the Oakajee port and rail infrastructure project and the Rocklea iron ore project. MMX has returned capital to shareholders (or otherwise reduced its share capital) by making capital return payments, offering an equal access buy back facility and undertaking the Unmarketable Share Parcel Facility.

As at 31 March 2014, MMX's current assets were cash, receivables, and capitalised tenement expenses. In April 2014 MMX relinquished the two Ripon Hills tenements that it previously held.

For completeness, on 21 December 2012 MMX announced its decision to write-down the carrying value of its interest in public unlisted company Cashmere Iron Limited from its historical cost of \$2,000,000 to nil. The Company holds 10,000,000 shares in Cashmere Iron, which were acquired for 20 cents per share in 2008. The MMX Directors wrote down the investment on the basis that due to poor iron ore market

conditions a value accretive strategy to realise value from the interest in the short term had not been identified. The review of the carrying value of the Cashmere stake formed part of the board's strategic review of capital management and means by which it could efficiently return capital to shareholders.

### C. Dividend Policy

MMX has never declared a dividend and has no intention to develop a dividend policy. MMX has sought to return capital and proceeds of asset disposals to shareholders by way of the Buyback announced on 17 July 2013.

### 6.3 Directors

The MMX Directors, as at the date of this Scheme Booklet are set out below:

<b>Mr Gabriel Radzyninski</b>	Non-executive Director (appointed 29 November 2012)
<i>Experience</i>	Mr Gabriel Radzyninski has more than 10 years' investment experience across a range of asset classes, both as an analyst and portfolio manager.
<i>Qualifications</i>	<ul style="list-style-type: none"> <li>BA (Hons) Mcom</li> </ul>
<i>Other directorships</i>	<p>Current directorships include Mercantile Investment Company Limited (MVT), Australian Infrastructure Fund Limited (AIX), Sandon Capital Investments Limited (SNC).</p> <p>Mr Gabriel Radzyninski is also the Managing Director of Sandon Capital Pty Ltd and is the portfolio manager for investment funds managed by the Sandon Capital Pty Ltd.</p>
<b>Mr Paul Jensen</b>	Non-executive Director (appointed 29 November 2012)
<i>Experience</i>	Mr Paul Jensen has over 25 years of experience in institutional banking and investment management.
<i>Qualifications</i>	<p>BCA (Accounting &amp; Commercial Law)</p> <p>FAICD</p> <p>His previous roles include:</p> <ul style="list-style-type: none"> <li>Managing Director of HFA Holdings Limited and Clime Investment Management Limited; and</li> <li>Senior positions with Lloyds TSB banking group in New Zealand, United Kingdom and Australia.</li> </ul>
<i>Other directorships</i>	Current directorships include Australian Infrastructure Fund Limited (AIX), Sandon

	Capital Investments Limited (SNC) and WAM Capital Limited (WAM).
	Mr Paul Jensen is a Fellow of the Australian Institute of Company Directors.
<b>Mr Mark Andrew Licciardo</b>	Company Secretary (appointed 7 December 2012), non-executive Director (appointed 30 October 2013)
<i>Experience</i>	Mr Mark Licciardo has expertise in the areas of corporate governance, administration and company secretarial practices.
<i>Qualifications</i>	His previous roles include: <ul style="list-style-type: none"> <li>• Company Secretary of Transurban Group and Australian Foundation Investment Company Limited; and</li> <li>• Chairman of the Governance Institute of Australia (formerly Chartered Secretaries Australia) in Victoria.</li> </ul>
<i>Other directorships</i>	Current directorships include AED Oil Limited, Chairman of Melbourne Fringe Limited and a current non-executive director of various public and private companies.  Mr Mark Licciardo is currently the Managing Director of Mertons Corporate Services Pty Ltd. Mr Licciardo is a Fellow of the Governance Institute of Australia and a graduate member of the Australian Institute of Company Directors.

## 6.4 MMX Capital Structure and Ownership

As at 8 April 2014, there were a total of 278,236,477 ordinary MMX Shares on issue held by approximately 1,900 MMX Shareholders.

The top 20 of these MMX Shareholders in the Share Register held approximately 79.43% of all issued MMX Shares.

As at 8 April 2014, there were also 5,650,730 options on issue (which do not carry a right to vote) held by two individual option holders. Holders of options will not be entitled to participate in the Scheme unless the options which they hold have been exercised and the underlying shares have been issued before the Record Date. The lowest strike price of the options is \$0.58. All options are significantly out of the money and have nil value.

## A. Substantial holder

As at 8 April 2014, MMX's substantial shareholders are:

Name	Number of shares held	%
Mercantile Investment Company Ltd	77,568,408	27.90
Ayersland Pty Ltd	56,864,405	20.44
Franciska Lasic	23,575,501	8.86

## B. Top 20 Shareholders of MMX as at 8 April 2014

Rank	Name	08 Apr 14
1	MCNEIL NOMINEES PTY LIMITED	76,168,408
2	AYERSLAND PTY LTD	53,110,905
3	MS FRANCISKA LASIC	23,575,501
4	TREASURE ISLAND HIRE BOAT COMPANY PTY LTD	10,148,451
5	BUTTONWOOD NOMINEES PTY LTD	9,027,278
6	CITICORP NOMINEES PTY LIMITED	6,392,748
7	BAZHOU CITY HENGJI STRIP STEEL CO LTD	4,965,000
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	4,728,292
9	HEBEI QIANJIN STEEL GROUP (AUSTRALIA) PTY LTD	4,162,857
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,938,250
11	MR GABRIEL BERGER	3,750,000
12	AYERSLAND PTY LTD	3,000,000
13	SUN PHOONG CORPORATION PTY LTD	2,530,108
14	ABBAWOOD NOMINEES PTY LTD	2,500,000
14	LIC INVESTMENTS PTY LTD	2,500,000
15	LIC INVESTMENTS PTY LTD	2,239,998
16	BRISLOT NOMINEES PTY LTD	2,014,958
17	MR EDWARD PAUL ABBOTT & MRS CHERYL ANNE ABBOTT	2,000,000
18	31 MAY PTY LTD	1,506,660
19	MERCANTILE INVESTMENT COMPANY LTD	1,400,000
20	AMALGAMATED DAIRIES LIMITED	1,339,812

## 6.5 MMX Directors' intentions

If the Scheme becomes Effective, MMX will become a wholly-owned subsidiary of MVT. On the Implementation Date, MMX's board of directors will be reconstituted with MVT nominees. MVT will then determine the future direction for MMX.

MVT's current intentions for MMX are set out in **section 8.3**.

If the Scheme is not implemented, the MMX Directors intend to continue the business of MMX as it is currently conducted, and may consider alternative restructure proposals.

## 6.6 Financial overview of MMX

**Section 6.6** sets out summary historical financial information in relation to MMX. The summary historical financial information has been extracted from MMX's audited financial statements for the financial years ended 30 June 2011, 30 June 2012 and 30 June 2013. Also included are the unaudited financial statements for the period ended 31 March 2014.

MMX's historical financial statements have been prepared in accordance with Australian Accounting Standards and the Corporations Act and do not take into account the effects of the Scheme.

The financial information contained in **section 6.6** is presented in an abbreviated form insofar as it does not include all of the disclosures, statements or comparative information as required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

Copies of the relevant annual reports from which the following historical financial information has been extracted can be found on MMX's website at <http://www.mml.net.au/irm/content/home.html>. The annual reports contain details of MMX's accounting policies and in each case detailed discussion and analysis by MMX's directors and investment manager of the financial results for the relevant period. Shareholders without internet access can obtain copies of these reports by contacting MMX directly.

All amounts disclosed are presented in Australian dollars and rounded to the nearest thousand dollars, except earnings per share which are disclosed in cents.



## A. MMX Statement of Comprehensive Income

### MURCHISON METALS LTD AND ITS CONTROLLED ENTITIES

#### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Mar'14	2013	Consolidated	
	\$'000	\$'000	2012	2011
			\$'000	\$'000
<b>Continuing Operations</b>				
Revenue	306	2,998	4,905	1,990
Other revenue		101	2,324	1,432
<b>Revenue</b>	<b>306</b>	<b>3,099</b>	<b>7,229</b>	<b>3,422</b>
Administration expenses	(464)	(991)	(4,896)	(5,311)
Depreciation and amortisation expense	-	(5)	(144)	(257)
Employee and Director expenses	2	(2,105)	(5,817)	(2,764)
Hired services expenses	(11)	(841)	(3,623)	(5,551)
Legal matters settlement expense	-	(3,511)	-	-
Impairment write-down expense	-	(2,035)	(8,934)	(1,271)
Travel expenses	-	(60)	(611)	(557)
Other expenses	-	(19)	(18)	(9)
<b>Loss from continuing operations before income tax</b>	<b>(167)</b>	<b>(6,468)</b>	<b>(16,814)</b>	<b>(12,298)</b>
Income tax expense	-	-	-	-
<b>Loss from continuing operations after income tax</b>	<b>(167)</b>	<b>(6,468)</b>	<b>(16,814)</b>	<b>(12,298)</b>
<b>Discontinuing Operations</b>				
Gain on disposal of jointly controlled assets	-	-	8,438	-
Gain on disposal of jointly controlled entity	-	-	28,821	-
Employee and Director expenses	-	-	(10,603)	(1,801)
Finance costs	-	-	(6,465)	(1,674)
Share of loss from jointly controlled assets	-	-	(1,383)	(2,063)
Share of profit from a jointly controlled entity	-	-	311	1,282
<b>(Loss)/Profit from discontinuing operations before income tax</b>	<b>-</b>	<b>-</b>	<b>19,119</b>	<b>(4,256)</b>
Income tax expense	-	-	-	-
<b>Profit from discontinuing operations after income tax</b>	<b>-</b>	<b>-</b>	<b>19,119</b>	<b>(4,256)</b>
<b>(Loss)/Profit for the year after income tax</b>	<b>(167)</b>	<b>(6,468)</b>	<b>2,305</b>	<b>(16,554)</b>

## B. MMX Statement of Financial Position

### MURCHISON METALS LTD AND ITS CONTROLLED ENTITIES

#### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Mar'14	2013	Consolidated	
	\$'000	\$'000	2012	2011
			\$'000	\$'000
<b>Current Assets</b>				
Cash and cash equivalents	13,766	21,472	3,052	12,400
Term deposits	-	-	223,140	-
Trade and other receivables	105	100	4,528	1,162
Prepayments	-	30	182	306
Other financial assets	-	-	-	1,099
	<u>13,871</u>	<u>21,602</u>	<u>230,902</u>	<u>14,967</u>
<b>Non-current assets classified as held for sale</b>				
Available-for-sale financial assets	-	-	2,000	-
Exploration and evaluation expenditure*	84	78	3,279	-
Property plant and equipment	-	-	233	-
	<u>84</u>	<u>78</u>	<u>5,512</u>	<u>-</u>
<b>Total Current Assets</b>	<b><u>13,955</u></b>	<b><u>21,680</u></b>	<b><u>236,414</u></b>	<b><u>14,967</u></b>
<b>Non-Current Assets</b>				
Exploration and evaluation expenditure	-	-	-	68,861
Property, plant and equipment	-	-	-	837
Investments accounted for using the equity method	-	-	-	171,043
Available-for-sale financial assets	-	-	-	2,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>242,741</u>
<b>Total Non-Current Assets</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>242,741</u></b>
<b>Total Assets</b>	<b><u>13,955</u></b>	<b><u>21,680</u></b>	<b><u>236,414</u></b>	<b><u>257,708</u></b>
<b>Current Liabilities</b>				
Trade and other payables	33	253	830	5,933
Provisions	-	-	483	2,316
Interest bearing loans and borrowings	-	-	-	23,792
	<u>33</u>	<u>253</u>	<u>1,313</u>	<u>32,041</u>
<b>Total Current Liabilities</b>	<b><u>33</u></b>	<b><u>253</u></b>	<b><u>1,313</u></b>	<b><u>32,041</u></b>
<b>Total Liabilities</b>	<b><u>33</u></b>	<b><u>253</u></b>	<b><u>1,313</u></b>	<b><u>32,041</u></b>
<b>Net Assets</b>	<b><u>13,922</u></b>	<b><u>21,427</u></b>	<b><u>235,101</u></b>	<b><u>225,667</u></b>
<b>Equity</b>				
Contributed equity	31,378	38,716	245,944	243,003
Reserves	24,834	24,834	24,812	20,624
Accumulated losses	(42,290)	(42,123)	(35,655)	(37,960)
	<u>13,922</u>	<u>21,427</u>	<u>235,101</u>	<u>225,667</u>
<b>Total Equity</b>	<b><u>13,922</u></b>	<b><u>21,427</u></b>	<b><u>235,101</u></b>	<b><u>225,667</u></b>

\* In the MMX March board meeting after considering the desktop geology report, it was resolved to write-off the capitalised expenditure in relation to the two Ripon Hills tenements which were resolved to be relinquished. The tenements were relinquished in April. The write-off of \$84,000 will be reflected in the April 2014 management accounts.

## C. MMX Statement of Cash Flows

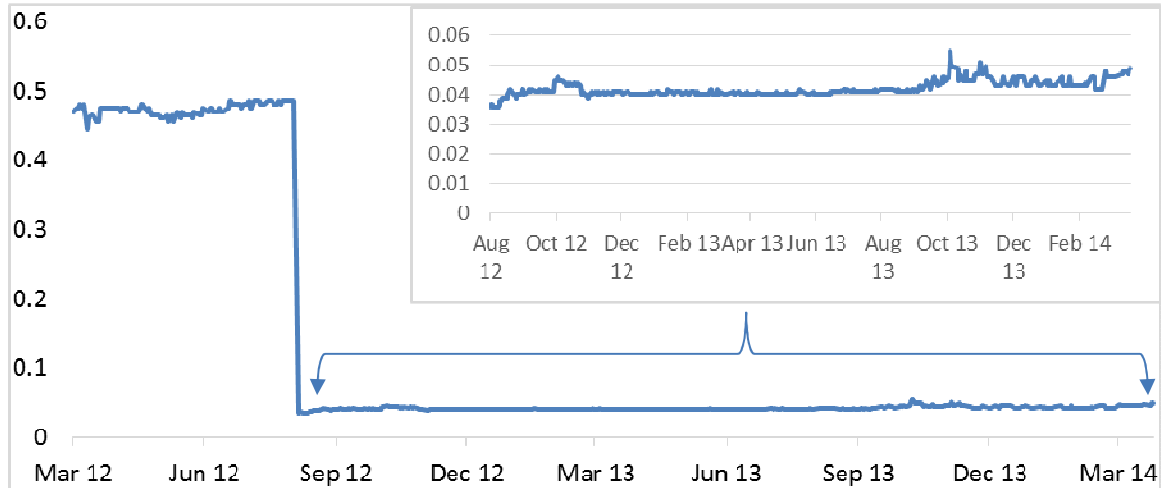
### MURCHISON METALS LTD AND ITS CONTROLLED ENTITIES

#### CONSOLIDATED STATEMENT OF CASH FLOWS

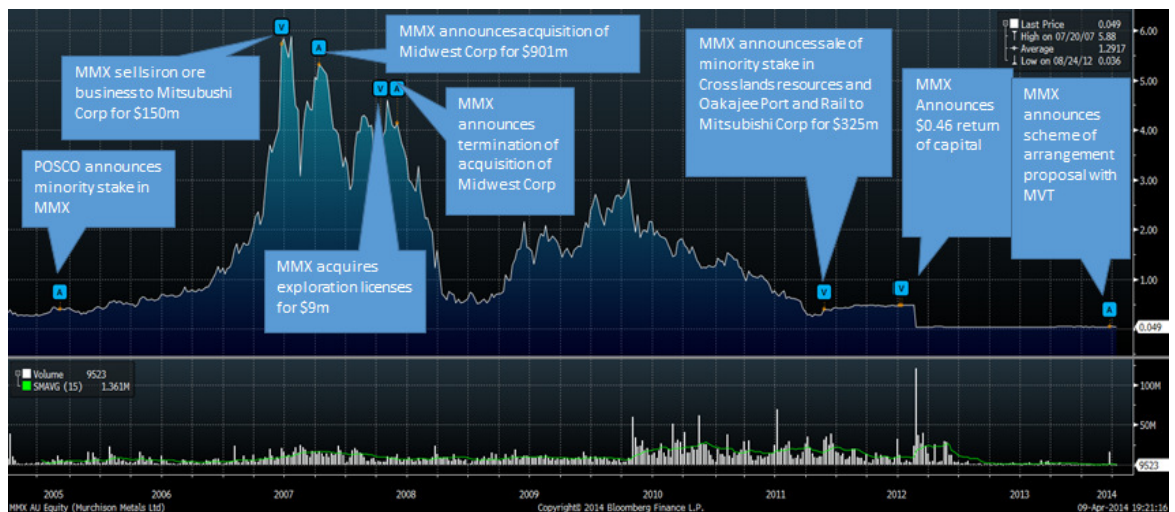
	Consolidated			
	Mar'14	2013	2012	2011
	\$'000	\$'000	\$'000	\$'000
<b>Cash Flows From Operating Activities</b>				
Payments to suppliers and employees	(719)	(4,601)	(34,992)	(14,865)
Interest received	351	7,426	439	2,164
Payment for settlement of litigation	-	(1,600)	-	-
Finance costs	-	-	(2,155)	1
Net cash provided by/(used in) operating activities	<b>(368)</b>	<b>1,225</b>	<b>(36,708)</b>	<b>(12,700)</b>
<b>Cash Flows from Investing Activities</b>				
Receipt from disposal of jointly controlled assets and jointly controlled entities	-	-	305,693	-
Matured principal from term deposits	-	307,644	-	-
Investment in term deposits	-	(84,504)	(223,140)	-
Purchase of plant and equipment	-	-	(88)	(95)
Exploration and evaluation expenditure	-	(34)	(21)	(49)
Repayment of loan to jointly controlled entity	-	-	-	123
Proceeds on sale of plant and equipment	-	28	-	100
Proceeds on sale of tenements and related assets	-	3,200	1,410	1,000
Payment for settlement of litigation	-	(1,911)	(5,250)	-
Exploration and evaluation expenditure for jointly controlled assets divested during year	-	-	(8,741)	(26,416)
Increase in investment in joint controlled entities divested during year	-	-	(19,300)	(43,800)
Net cash provided by investing activities	<b>-</b>	<b>224,423</b>	<b>50,563</b>	<b>(69,137)</b>
<b>Cash Flows From Financing Activities</b>				
Proceeds from interest bearing borrowings	-	-	37,522	23,435
Repayment of interest bearing borrowings	-	-	(60,725)	-
Repayment of loan from jointly controlled entity	-	-	-	(2,608)
Share buy-back costs	(103)	(122)	-	-
Proceeds from issue of shares	(7,235)	91	-	-
Return of capital to shareholders	-	(207,197)	-	-
Net cash (used in) financing activities	<b>(7,338)</b>	<b>(207,228)</b>	<b>(23,203)</b>	<b>20,827</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(7,706)</b>	<b>18,420</b>	<b>(9,348)</b>	<b>(61,010)</b>
Cash and cash equivalents at the beginning of the year	21,472	3,052	12,400	73,410
<b>Cash and cash equivalents at the end of the year</b>	<b>13,766</b>	<b>21,472</b>	<b>3,052</b>	<b>12,400</b>

## 6.7 MMX's recent share price performance

MMX's share price has largely traded between \$0.040 to \$0.046 per share over the past 2 years (adjusted for the \$0.46 cents per share return of capital effected on 20 August 2012).



## MMX's historical share price



## 6.8 Franking Credits

The MMX franking credit account balance is zero.

## 6.9 MMX Tax Losses

The MMX tax consolidated group had revenue losses as at 30 June 2013 for which no deferred tax asset is recognised on the Statement of Financial Position of \$22,357,000 (2012: \$19,526,000) which are available for offset against future taxable income subject to continuing to meet relevant statutory tests. Estimated current year tax losses to 31 March 2014 are \$134,000.

## **6.10 Further information**

MMX is subject to regular reporting and disclosure obligations under the ASX listing rules and as a “disclosing entity” under the Corporations Act. These require MMX to announce information that would have a material effect on the price of MMX Shares as soon as it becomes aware of the information, subject to exceptions for certain confidential information.

MMX’s recent announcements are available from its website at <http://www.mml.net.au/irm/content/home.html> or from the ASX website [www.asx.com.au](http://www.asx.com.au). MMX will continue to make public announcements as required on these websites after the date of this Scheme Booklet.

MMX is required to prepare and lodge with ASIC and ASX both annual and half year financial statements accompanied by a statement and report from MMX’s directors and an audit or review report. MMX also lodges quarterly activity reports with ASX.

Copies of these and other documents lodged with ASIC and ASX may be obtained from an ASIC office and are accessible from ASX’s website at [www.asx.com.au](http://www.asx.com.au). Copies of these documents will also be made available free of charge on a request in writing at any time before the Scheme Meeting to the Registry.

## 7 Information on MVT

**This section 7 provides information on MVT. If the Scheme is implemented, MVT will operate the MMX business and be responsible for MMX's portfolios.**

### 7.1 Background

MVT is an ASX listed investment company admitted to the official list of ASX on 4 April 2007.

MVT provides investors exposure to a listed investment company with an investment strategy focused primarily on Australian listed securities and has achieved total compound annual return on share price of 36.5% per annum and total pre-tax NTA return of 42.0% per annum (between 31 January 2012 and 31 March 2014).

As at 30 April 2014, MVT had a market capitalisation of approximately \$35.1 million.

### 7.2 Overview of operations

#### *Group structure*

MVT's investment activities are overseen by the MVT Board, led by Sir Ron Brierley. Other functions, such as accounting, have been outsourced to third party providers.

#### *Undocumented Services Agreement*

MMX has engaged MVT to provide management support services to it. Under this arrangement MVT provides management and continual operation services including for premises, IT and telephone. See Section 12.5 for further information.

### 7.3 Investment Objectives and Strategy

Following his appointment to the MVT Board in January 2012, Sir Ron has continued to apply and develop his investment approach within MVT.

MVT currently has investments in Australia and overseas, mostly comprising investments in listed companies and some unlisted securities.

### 7.4 Directors

The MVT Board, as at the date of this Scheme Booklet is set out below:

- **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 in 1990 where he also applied his investment approach. Sir Ron stepped down as Chairman of Guinness Peat Group plc in 2010, and remains a non-executive director.

He is the Chairman of MVT and is a non-executive 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, Cadence Capital Limited and Sandon Capital Opportunities Ltd.

- **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. Sandon Capital also provides advisory services to shareholders seeking to implement activist strategies.

Gabriel is Chairman of Sandon Capital Investments Limited, an ASX-listed investment company, director of Sandon Capital Opportunities Ltd and is also a non-executive director of Australian Infrastructure Fund Limited and Murchison Metals Limited.

- **Dr. Gary Weiss LLB (Hons), LLM, JSD** – (Non-Executive Director) Gary is the Chairman of Secure Parking Pty Ltd, Chairman of Clearview Wealth Ltd, Executive Director of Ariadne Australia Limited, and a director of Premier Investments Limited, Ridley Corporation Limited, Pro-Pac Packaging Limited, Thorney Opportunities 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 MVT, including the names and biographies of its board of directors, can be found by visiting MVT's ASX announcements.

## 7.5 Investment portfolio as at 31 March 2014

<b>Listed Investments</b>	<b>Market Value as at 31 March 2014</b>
Alternative Investment Trust	\$340,000
ASK Funding Limited	\$1,396,981
Australian Pharmaceutical Industries Limited	\$1,412,500
Cellnet Limited	\$814,474
Fitzroy River Corporation Limited	\$2,494,152
Ingenia Communities Group	\$24,754,527
IPE Limited	\$1,000,867
Joyce Corporation Limited	\$232,487
Murchison Metals Limited	\$3,645,715
Trinity Group	\$2,319,100
White Energy Limited	\$150,000
Yancoal Australia Limited	\$41,000
 <b>Unlisted investments</b>	
Adelaide Managed Funds Asset Backed Yield Trust	\$520,900
Dolomatrix Limited	\$16,500
IHUK Loan	\$867,603
 <b>UK Listed Shares</b>	
Impact Holdings (UK) PLC	\$984,792
<b>Total</b>	<b>\$40,123,995</b>

## 7.6 MVT Capital Structure and Ownership

As at the date immediately before the date of this Scheme Booklet, there were a total of 250,577,700 MVT shares on issue held by 2,078 shareholders. The top 20 of these MVT shareholders in the MVT share register held approximately 79.73% of all issued MVT shares.

### (a) MVT substantial holder

As at the date immediately before the date of this Scheme Booklet, MVT had four substantial shareholders as follows:

- (i) Siblow Pty Ltd, a company associated with Sir Ron Brierley, holding 48.85%
- (ii) GW Holdings Pty Ltd <Edwina A/C>, holding 10.44%



(iii) Gisbourne Pty Ltd, a company associated with Dr. Gary Weiss, holding 5.95%; and

(iv) Mr Ronald Langley and Ms Rhonda Elizabeth Langley 4.99%.

**(b) Top 20 Shareholders of MVT**

<b>Rank</b>	<b>Name</b>	<b>Units</b>
1.	SIBLOW PTY LTD	122,411,120
2.	G W HOLDINGS PTY LTD <EDWINA A/C>	26,150,522
3.	PORTFOLIO SERVICES PTY LTD	14,915,001
4.	MR RONALD LANGLEY + MS RHONDA ELIZABETH LANGLEY	12,500,000
5.	TREASURE ISLAND HIRE BOAT COMPANY PTY LTD <STAFF SUPER FUND ACCOUNT>	5,089,874
6.	LIC INVESTMENTS PTY LTD <LIC INVESTMENTS UNIT A/C>	2,780,448
7.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,488,329
8.	ABBAWOOD NOMINEES PTY LTD <ABBOTT FAMILY S/F NO 1 A/C>	1,700,000
9.	CITICORP NOMINEES PTY LIMITED	1,400,000
10.	FORSYTH BARR CUSTODIANS LTD <FORSYTH BARR LTD-NOMINEE A/C>	1,220,671
11.	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	1,029,845
12.	AUSTRALIAN MINERALS CORPORATION PTY LTD <JAP-FEBP A/C>	1,028,488
13.	MR PHILIP JOHN GAVEY + MRS ELIZABETH GAVEY	1,000,000
14.	MR FREDERICK BRUCE WAREHAM	1,000,000
15.	B W ROFE PTY LIMITED	870,000
16.	AUSTRALIAN MINERALS CORPORATION PTY LTD <FEBP A/C>	858,990
17.	AVENUE 8 PTY LIMITED <GAN SUPER FUND A/C>	800,000
18.	BANJO SUPERANNUATION FUND PTY LTD <P D EVANS PSF A/C>	800,000
19.	MR STEVE ANDREW GREEN	752,000
20.	MR EDWARD JAMES STEPHEN DALLY + MRS SELINA DALLY <LEKDAL FAMILY A/C>	745,334

## 7.7 Financial overview of MVT

### (a) MVT Income Statements

Set out below are MVT's summary income statements extracted from audited financial statements for the financial years ended 30 June 2011, 30 June 2012 and 30 June 2013. Also included are unaudited financial statements for the period ended 31 March 2014. All amounts disclosed are presented in Australian dollars, except earnings per share which are disclosed in cents.

	<b>Mar 2014 \$'000</b>	<b>June 2013 \$'000</b>	June 2012 \$'000	June 2011 \$'000
<b>Revenue</b>	474	484	592	791
Realised Gains on Trading Portfolio	-	93	1,520	12,788
Other Income	36	38	-	-
Unrealised (Loss)/ Gains on Market Value Movement	659	(92)	177	-
Fund Administration Expenses	(8)	(3)	(13)	100
Remuneration Costs	(60)	(68)	(57)	(1,162)
Listed Company Expenses	(496)	(556)	(443)	(711)
Marketing and Development Expenses	-	(13)	(1)	(71)
Occupancy Costs	(6)	(13)	(8)	(55)
Depreciation	(3)	(13)	(14)	(18)
Foreign Exchange Gains/ (Loss)	35	3	(30)	(59)
Finance Costs	(58)	(5)	-	(2)
Loss on Disposal of Non-Current Assets	-	(19)	-	(18)
Impairment Expense	-	-	-	(25)
<b>(Loss)/ Profit Before Income Tax</b>	<b>573</b>	<b>(164)</b>	<b>1,723</b>	<b>11,558</b>
Income Tax Expense	(198)	(52)	(161)	(4,500)
<b>(Loss)/ Profit for the year</b>	<b>375</b>	<b>(216)</b>	<b>1,562</b>	<b>7,058</b>
<b>Other Comprehensive Income</b>				
Gain on Revaluation of Available-for-sale Financial Assets				
Items that will not be reclassified to profit or loss:				
Reclassification Adjustment	-	-	-	(12,788)
Gain on disposal of investments available for sale	3,142	957	-	-
Fair Value Adjustment	10,446	7,907	1,250	(3,355)
Deferred Tax Impact relating to items that will not be reclassified	(5,570)	(2,372)	(375)	3,699
<b>Other Comprehensive Income for the Year, Net of Tax</b>	<b>8,018</b>	<b>6,492</b>	<b>875</b>	<b>(12,444)</b>
<b>Total Comprehensive Income for the Year</b>	<b>8,393</b>	<b>6,276</b>	<b>2,437</b>	<b>(5,386)</b>

**(b) MVT Balance Sheets**

Set out below are MVT's balance sheets as at 30 June 2011, 30 June 2012, 30 June 2013 and period ended 31 March 2014.

All amounts disclosed are presented in Australian dollars.

	Mar 2014 \$'000	June 2013 \$'000	June 2012 \$'000	June 2011 \$'000
<b>Assets</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	1,632	1,357	4,247	7,125
Trade and Other Receivables	17	489	338	187
Financial Assets	3,685	3,478	2,192	-
Other Current Assets	18	9	8	29
Current Tax Assets	1	-	-	-
<b>Total Current Assets</b>	<b>5,353</b>	<b>5,333</b>	<b>6,785</b>	<b>7,341</b>
<b>Non-Current Assets</b>				
Financial Assets	36,439	24,668	13,829	-
Loans	868	-	-	-
Property, Plant & Equipment	7	8	37	51
Deferred Tax Assets	63	144	255	312
<b>Total Non-Current Assets</b>	<b>37,377</b>	<b>24,820</b>	<b>14,121</b>	<b>363</b>
<b>Total Assets</b>	<b>42,731</b>	<b>30,153</b>	<b>20,906</b>	<b>7,704</b>
<b>Current Liabilities</b>				
Trade and Other Payables	159	89	167	51
Borrowings	2,912	1,005	-	-
Current Tax Liabilities	-	-	241	-
<b>Total Current Liabilities</b>	<b>3,071</b>	<b>1,094</b>	<b>408</b>	<b>51</b>
<b>Non-Current Liabilities</b>				
Deferred Tax Liabilities	5,060	2,772	375	-
<b>Total Non-Current Liabilities</b>	<b>5,060</b>	<b>2,772</b>	<b>375</b>	<b>-</b>
<b>Total Liabilities</b>	<b>8,131</b>	<b>3,866</b>	<b>783</b>	<b>51</b>
<b>Net Assets</b>	<b>34,599</b>	<b>26,287</b>	<b>20,123</b>	<b>7,653</b>
<b>Equity</b>				
Issued Capital	24,801	24,882	24,993	14,960
Reserves	16,645	8,925	2,434	494
Retained Earnings	(6,847)	(7,520)	(7,304)	(7,816)
Parent Interest	34,599	26,287	20,123	7,638
Non-Controlling Interest	-	-	-	15
<b>Total Equity</b>	<b>34,599</b>	<b>26,287</b>	<b>20,123</b>	<b>7,653</b>

### (c) MVT Statement of Cash Flows

Set out below are MVT's statements of cash flows for the financial years ended 30 June 2011, 30 June 2012, 30 June 2013 and period ended 31 March 2014. All amounts disclosed are presented in Australian dollars.

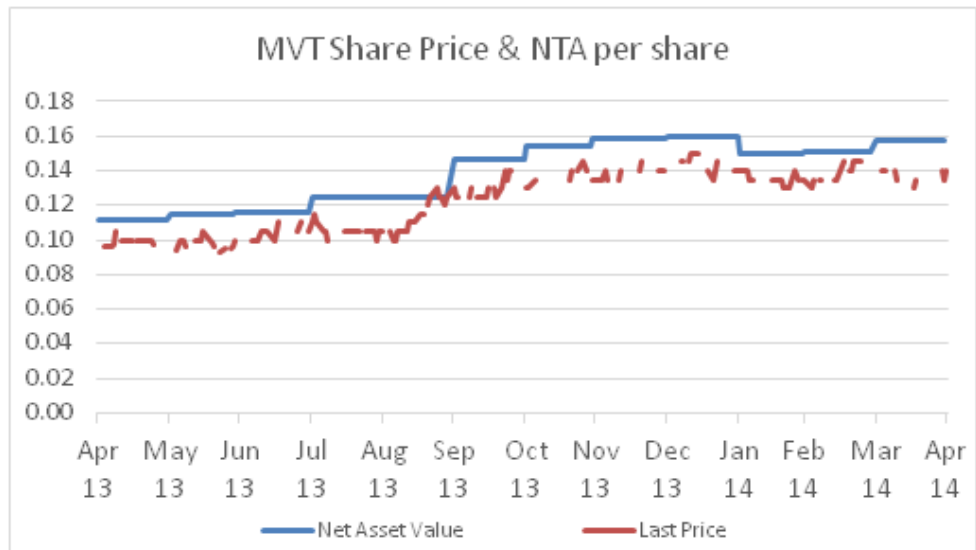
	March 2014 \$'000	June 2013 \$'000	June 2012 \$'000	June 2011 \$'000
<b>Cash Flows from Operating Activities</b>				
Dividends Received	199	339	196	269
Payments to Suppliers and Employees	(588)	(626)	(421)	(2,551)
Proceeds from Sale of Shares held for trading	-	2,108	3,980	-
Purchase of Shares held for trading	(905)	(3,853)	(2,015)	-
Capital Return Payments	-	460	-	-
Interest Received	33	23	278	790
Foreign Tax Paid	-	-	-	(800)
Trust Distributions Received	1,080	418	-	-
Underwriting Fee Received	35	38	-	-
Income Tax Paid	230	(268)	-	-
<b>Net Cash (Used in)/ Provided by Operating Activities</b>	<b>84</b>	<b>(1,361)</b>	<b>2,018</b>	<b>(2,292)</b>
<b>Cash Flows from Investing Activities</b>				
Proceeds from Sale of Investments	5,143	2,644	-	51,871
Purchase of Investments	(6,115)	(6,708)	(18,945)	-
Capital Return Payments	80	1,537	4,016	-
Proceeds from Sale of Fixed Assets	-	-	-	-
Purchase of Capital Assets	(3)	(2)	-	(1)
<b>Net Cash (Used in) Investing Activities</b>	<b>(895)</b>	<b>(2,529)</b>	<b>(14,929)</b>	<b>51,870</b>
<b>Cash Flows from Financing Activities</b>				
Costs Relating to Capital Raising	-	-	(212)	(662)
Capital Return Payments	-	-	-	(72,656)
Proceeds from the Exercise of Options	-	-	-	4,862
Loan Provided	1,912	1,000	-	-
Loan Advanced	(826)	-	-	-
Proceeds from the Issue of Shares	-	-	10,245	-
<b>Net Cash Provided by Financing Activities</b>	<b>1,086</b>	<b>1,000</b>	<b>10,033</b>	<b>(68,456)</b>
<b>Net (Decrease) in Cash &amp; Cash Equivalents Held</b>	<b>275</b>	<b>(2,890)</b>	<b>(2,878)</b>	<b>(18,878)</b>
<b>Cash &amp; Cash Equivalents at Beginning of Financial Year</b>	<b>1,357</b>	<b>4,247</b>	<b>7,125</b>	<b>26,032</b>
Effect of exchange rates on cash holdings in foreign currencies	-	-	-	(29)
<b>Cash &amp; Cash Equivalents at End of Financial Year</b>	<b>1,632</b>	<b>1,357</b>	<b>4,247</b>	<b>7,125</b>

## 7.8 MVT's recent share price performance

The latest recorded sale price before the registration of the Scheme Booklet was \$0.140.

The highest and lowest recorded sale price during the three months immediately before the date of registration of this Scheme Booklet was \$0.145 and \$0.130 respectively.

The sale price for the MVT shares immediately before the announcement of the Scheme on 17 March 2014 was \$0.135.



## 7.9 Franking credits

MVT's franking account as at 30 June 2013 was \$495,258.

## 7.10 Dividend policy

MVT does not expect to pay dividends in the short term as it focuses on growth in net assets per share. MVT will consider paying dividends in the future as its franking account grows.

## 7.11 Further information

As a company listed on the ASX and a 'disclosing entity' under the Corporations Act, MVT is subject to regular reporting and disclosure obligations which require it to announce price sensitive information as soon as it becomes aware of that information. MVT's most recent announcements are available from its website <http://www.mercantileinvestment.com.au/> and on the ASX website [www.asx.com.au](http://www.asx.com.au). Further announcements concerning MVT will continue to be made available on these websites after the date of this Scheme Booklet.

ASX maintains publicly available information about entities listed on their exchange. Information about MVT is available for inspection at ASX during normal business hours and are available on their website [www.asx.com.au](http://www.asx.com.au).

MVT is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by MVT may be obtained from, or inspected at ASIC offices.

## 8 Information about the Merged Entity

**If the Scheme becomes Effective, MMX and MVT will merge and create a single listed investment company. This section provides information about the Merged Entity.**

### 8.1 The Merged Entity

If the Scheme is implemented, MMX will become a wholly owned subsidiary of MVT. The Merged Entity will create a listed investment company, investing broadly in the same manner as MVT, with approximately \$44.5 million of net assets and almost 4,000 shareholders, assuming all Scheme Participants elect to receive Scrip Consideration for 100% of their shares. The Merged Entity is expected to provide shareholders with access to greater liquidity in the trading of their shares.

If, in aggregate, Scheme Participants elect to receive Cash Consideration for 50% of their MMX Shares, the Merged Entity will have approximately \$39.6 million of net assets.

It is expected that MMX Shareholders who elect to receive Scrip Consideration for either 100% or 50% of their Scheme Consideration, or who do not make a valid Election such that they are taken to have elected to receive a 50/50 combination of Cash Consideration and Scrip Consideration (other than Ineligible Foreign Shareholders) will have an investment in the Merged Entity which:

- (a) has an investment strategy focused primarily on Australian listed securities;
- (b) will provide access to greater liquidity in the trading of their New MVT Shares than has been enjoyed in MMX Shares; and
- (c) has greater scale which, when combined with the removal of duplicated expenses, is likely to result in a lower management expense ratio (before performance fees and brokerage) than is currently incurred by MMX.

In addition, any costs currently incurred by MMX and duplicated by MVT are expected to be eliminated or reduced. Duplicated costs which the boards of MMX and MVT expect to be reduced once the Scheme is implemented include, but are not limited to:

- directors' and company secretarial fees;
- audit and tax fees;
- share registry fees;
- stock exchange listing fees; and
- general expenses.

The cost savings relate principally to the cessation of MMX operating as a separately listed entity and, therefore, a reduction in the costs of compliance.

The total transaction costs of the Scheme are estimated to be approximately \$370,000.

### 8.2 Board and management of the merged group

MVT has no plans to make any changes to the composition of the MVT Board if the Scheme is implemented. MVT intends to procure that all the members of the MMX board and the boards of MMX's subsidiaries will be nominees of MVT.

### 8.3 MVT's intentions for the merged group

The statements set out in this section 8.3 are statements of current intentions only which may change as new information becomes available or circumstances change. Decisions will only be reached after implementation when all material facts and circumstances are known to the board of the Merged Entity

Sir Ron Brierley, the Chairman of MVT, will act as Chairman of the Merged Entity.

Following implementation of the Scheme, MMX will be removed from the official list of the ASX.

MVT intends to review any remaining assets of MMX to evaluate their prospects and to use any capital remaining within MMX following implementation of the Scheme to further its investment activities.

### 8.4 MMX employees

MMX has no employees.

### 8.5 Dividend policy

MVT does not expect to pay dividends in the short term as it focuses on growth in net assets per share. MVT will consider paying dividends in the future as its franking account grows.

### 8.6 Prospects for the merged group

The operation and financial performance of MMX and MVT (as stand-alone entities) within the Merged Entity are subject to various risks, some of which are summarised in this Scheme Booklet and which may be beyond the control of the Merged Entity. As a result, the actual results of the Merged Entity's operations and earnings following implementation of the Scheme and the actual advantages of the Scheme may differ from those that are anticipated or may not be achieved.

### 8.7 Pro forma financial information

#### A. Unaudited pro forma consolidated balance sheet

Set out below is the unaudited pro forma consolidated balance sheet of MVT after the Scheme prepared on the basis that the Scheme had occurred as at 31 March 2014 and adjusted for transactions relating to the Scheme. The pro forma consolidated balance sheet is to be read in conjunction with the notes to and forming part of the financial statements set out in section 8.7B.

All amounts disclosed are presented in Australian dollars and are rounded to the nearest thousand dollars.

Three scenarios are presented below based on the election of Scheme Participants to receive cash or scrip for their shares.

- (a) **100% Scrip:** assumes all Scheme Participants elect to receive Scrip Consideration for 100% of their MMX Shares.
- (b) **50% Scrip:** assumes that, in aggregate, Scheme Participants elect to receive Cash Consideration for 50% of their shares, and Scrip Consideration for the remaining 50% of their MMX Shares.
- (c) **100% Cash:** assumes that, in aggregate, Scheme Participants elect to receive Cash Consideration for 100% of their shares.



## 100% Scrip Pro-forma Merged Entity Balance Sheet

Financial period ended 31 March 2014		MVT \$'000	MMX \$'000	100% Scrip Pro Forma Adjustments \$'000	Merged Entity \$'000
	Notes				
<b>Assets</b>					
Cash and cash equivalents	3	1,632	13,766	(415)	14,983
Trade and other receivables		17	5	-	22
Financial Assets		36,478	-		36,478
MMX Shares held by MVT and its Associated Shareholders	4	3,646	-	(3,646)	-
Exploration and evaluation expenditure*	8	-	84		84
Loans		868	-		868
Property, plant and equipment		7	-		7
Deferred tax asset		63	-		63
Other current assets		20	100		125
<b>Total Assets</b>		<b>42,731</b>	<b>13,955</b>	<b>(4,061)</b>	<b>52,625</b>
<b>Liabilities</b>					
Trade and other payables		159	33		192
Deferred tax liability		5,060	-		5,060
Interest bearing loans and borrowings		2,912	-		2,912
<b>Total Liabilities</b>		<b>8,131</b>	<b>33</b>		<b>8,164</b>
<b>Net Assets</b>		<b>34,600</b>	<b>13,922</b>	<b>(4,061)</b>	<b>44,461</b>
<b>Equity</b>					
Contributed equity	5	24,801	31,378	(21,337)	34,842
Reserves	6	16,646	24,833	(24,833)	16,646
Accumulated losses	7	(6,847)	(42,289)	42,139	(6,997)
<b>Total Equity</b>		<b>34,600</b>	<b>13,922</b>	<b>(4,061)</b>	<b>44,461</b>

\* Written-off in April 2014 (refer to Note 8).

## 50% Scrip Pro-forma Merged Entity Balance Sheet

Financial period ended 31 March 2014		MVT \$'000	MMX \$'000	50% Scrip Pro Forma Adjustments \$'000	Merged Entity \$'000
	Notes				
<b>Assets</b>					
Cash and cash equivalents	3	1,632	13,766	(5,307)	10,091
Trade and other receivables		17	5	-	22
Financial Assets		36,478	-		36,478
MMX Shares held by MVT and its Associated Shareholders	4	3,646	-	(3,646)	-
Exploration and evaluation expenditure*	8	-	84		84
Loans		868	-		868
Property, plant and equipment		7	-		7
Deferred tax asset		63	-		63
Other current assets		20	100		120
<b>Total Assets</b>		<b>42,731</b>	<b>13,955</b>	<b>(8,953)</b>	<b>47,733</b>
<b>Liabilities</b>					
Trade and other payables		159	33	-	193
Deferred tax liability		5,060	-	-	5,060
Interest bearing loans and borrowings		2,912	-	-	2,912
<b>Total Liabilities</b>		<b>8,131</b>	<b>33</b>	<b>-</b>	<b>8,164</b>
<b>Net Assets</b>		<b>34,600</b>	<b>13,922</b>	<b>(8,953)</b>	<b>39,569</b>
<b>Equity</b>					
Contributed equity	5	24,801	31,378	(26,485)	29,694
Reserves	6	16,646	24,833	(24,833)	16,646
Accumulated losses	7	(6,847)	(42,289)	42,365	(6,771)
<b>Total Equity</b>		<b>34,600</b>	<b>13,922</b>	<b>(8,953)</b>	<b>39,569</b>

\* Written-off in April 2014 (refer to Note 8).

## 100% Cash Pro-forma Merged Entity Balance Sheet

Financial period ended 31 March 2014		MVT \$'000	MMX \$'000	100% Cash Pro Forma Adjustments \$'000	Merged Entity \$'000
	Notes				
<b>Assets</b>					
Cash and cash equivalents	3	1,632	13,766	(10,200)	5,198
Trade and other receivables		17	5	-	22
Financial Assets		36,478	-		36,478
MMX Shares held by MVT and its Associated Shareholders	4	3,646	-	(3,646)	-
Exploration and evaluation expenditure*	8	-	84		84
Loans		868	-		868
Property, plant and equipment		7	-		7
Deferred tax asset		63	-		63
Other current assets		20	100		120
<b>Total Assets</b>		<b>42,731</b>	<b>13,955</b>	<b>(13,846)</b>	<b>42,840</b>
<b>Liabilities</b>					
Trade and other payables		159	33	-	192
Deferred tax liability		5,060	-	-	5,060
Interest bearing loans and borrowings		2,912	-	-	2,912
<b>Total Liabilities</b>		<b>8,131</b>	<b>33</b>	<b>-</b>	<b>8,164</b>
<b>Net Assets</b>		<b>34,600</b>	<b>13,922</b>	<b>(13,846)</b>	<b>34,676</b>
<b>Equity</b>					
Contributed equity	5	24,801	31,378	(31,378)	24,801
Reserves	6	16,646	24,833	(24,833)	16,646
Accumulated losses	7	(6,847)	(42,289)	42,365	(6,771)
<b>Total Equity</b>		<b>34,600</b>	<b>13,922</b>	<b>(13,846)</b>	<b>34,676</b>

\* Written off in April 2014 (refer to Note 8).

## B. Notes to and forming part of the pro forma financial information

### Note 1 Basis of preparation

The pro forma consolidated balance sheet of the Merged Entity has been prepared as if the following proposed transactions had taken place on 31 March 2014:

- (a) the Scheme was implemented;
- (b) payment of anticipated Scheme transaction costs by MVT of \$415,000;
- (c) Scheme Participants were issued the following number of New MVT Shares for their MMX Shares under the three scenarios presented.
  - (i) **100% Scrip:** 61,923,281
  - (ii) **50% Scrip:** 30,961,640
  - (iii) **100% Cash:** Nil

### Note 2 Summary of significant accounting policies

The accounting policies of MVT and MMX are not considered materially different. The significant accounting policies adopted in the preparation of the historical financial information are disclosed in MVT and MMX 2013 Annual Reports.

### Note 3 Cash and cash equivalents

Cash	Merged Entity		
	\$'000		
Balance as per 31 March 2014 unaudited accounts:			
MVT		1,632	
MMX		<u>13,766</u>	
<b>Total unaudited balance</b>		<b>15,398</b>	
<b>Pro forma adjustments:</b>	<b>100% Scrip</b>	<b>50% Scrip</b>	<b>100% Cash</b>
Payment of anticipated transaction costs	(415)	(415)	(415)
Payment of Cash Consideration	-	<u>(4,892)</u>	<u>(9,895)</u>
<b>Total Pro-forma adjustments</b>	<b>(415)</b>	<b>(5,307)</b>	<b>(10,200)</b>
<b>Total Merged Entity cash and cash equivalents</b>	<b>14,983</b>	<b>10,091</b>	<b>5,198</b>

#### Note 4 MMX Shares held by MVT

MMX Shares Held by MVT	Merged Entity		
	\$'000		
Balance as per 31 March 2014 unaudited accounts:			
MMX	-		
MVT	<u>3,646</u>		
<b>Total unaudited balance</b>	<b>3,646</b>		
<b>Pro forma adjustments:</b>	<b>100% Scrip</b>	<b>50% Scrip</b>	<b>100% Cash</b>
Allotment of MVT Shares through Scheme	9,785	4,893	-
Elimination on consolidation of MMX Shares held by MVT and its Associated Shareholders	<u>(13,431)</u>	<u>(8,539)</u>	<u>(3,646)</u>
<b>Total Pro-forma adjustments</b>	<b>(3,646)</b>	<b>(3,646)</b>	<b>(3,646)</b>
<b>Total Merged MMX Shares held by MVT and its Associated Shareholders</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### Note 5 Issued capital

Issued Capital	Merged Entity		
	\$'000		
Balance as per 31 March 2014 unaudited accounts:			
MMX	31,378		
MVT	<u>24,801</u>		
<b>Total unaudited balance</b>	<b>56,179</b>		
<b>Pro forma adjustments:</b>	<b>100% Scrip</b>	<b>50% Scrip</b>	<b>100% Cash</b>
MMX Capital Reduction	-	(4,893)	(9,785)
New MVT Shares issued Scrip Consideration	9,785	4,893	-
Consolidation elimination of MMX Issued Capital	<u>(31,378)</u>	<u>(26,485)</u>	<u>(21,593)</u>
<b>Total Pro-forma adjustments</b>	<b>(21,593)</b>	<b>(26,485)</b>	<b>31,378</b>
<b>Total Merged Entity Issued Capital</b>	<b>34,586</b>	<b>29,694</b>	<b>24,801</b>

#### Note 6 Reserves

Reserves	Merged Entity		
	\$'000		
Balance as per 31 March 2014 unaudited accounts:			
MMX	24,833		
MVT	<u>16,646</u>		
<b>Total unaudited balance</b>	<b>41,479</b>		
<b>Pro forma adjustments:</b>	<b>100% Scrip</b>	<b>50% Scrip</b>	<b>100% Cash</b>
Consolidation elimination of MMX Reserves	<u>(24,833)</u>	<u>(24,833)</u>	<u>(24,833)</u>
<b>Total Pro-forma adjustments</b>	<b>(24,833)</b>	<b>(24,833)</b>	<b>(24,833)</b>
<b>Total Merged Entity Reserves</b>	<b>16,646</b>	<b>16,646</b>	<b>16,646</b>

## Note 7 Retained earnings (Accumulated Losses)

<b>Retained Earnings</b>	<b>Merged Entity</b>		
	<b>\$'000</b>		
<b>Balance as per 31 March 2014 unaudited accounts:</b>			
MMX	(42,289)		
MVT	<u>(6,847)</u>		
<b>Total unaudited balance</b>	<b>(49,136)</b>		
<b>Pro forma adjustments:</b>	<b>100% Scrip</b>	<b>50% Scrip</b>	<b>100% Cash</b>
Payment of anticipated transaction costs	(415)	(415)	(415)
Bargain on purchase	826	826	826
Consolidation elimination of movement in MMX Investments	(705)	(705)	(705)
Consolidation elimination of MMX Retained Earnings	<u>42,659</u>	<u>42,659</u>	<u>42,659</u>
<b>Total Pro-forma adjustments</b>	<b>42,365</b>	<b>42,365</b>	<b>42,365</b>
<b>Total Merged Entity Retained Earnings (Accumulated Losses)</b>	<b>(6,771)</b>	<b>(6,771)</b>	<b>(6,771)</b>

## Note 8 Exploration and evaluation expenditure

In the MMX March board meeting after considering the desktop geology report, it was resolved to write-off the capitalised expenditure in relation to the two Ripon Hills tenements which were also resolved to be relinquished. The tenements were relinquished in April. The write-off of \$84,000 will be reflected in the April 2014 management accounts.

## **9 Information about the New MVT Shares**

### **9.1 New MVT Shares**

The following is a summary of the key provisions in the MVT Constitution in relation to rights attaching to MVT shares. This summary does not purport to be exhaustive or constitute a definitive statement of the rights and liabilities of MVT shares.

Full details of the rights attaching to MVT shares are set out in the MVT Constitution, which can be obtained through ASIC or from the company secretary of MVT.

#### **A. Voting**

At a general meeting of MVT on a show of hands, every member present in person, or by proxy, attorney or representative has one vote and upon a poll, every member present in person, or by proxy, attorney or representative has one vote for every MVT share held by them.

#### **B. Dividends**

The New MVT Shares will rank equally with all other issued MVT shares and will participate in MVT dividends declared by MVT. Subject to the rights and holders of MVT shares of any special preferential or qualified rights attaching to them, dividends may be paid to the holders of MVT shares in proportion to the amounts paid up on the MVT shares at the date of declaration of the dividend. The directors may pay MVT shareholders any final or interim dividends as in their judgment the position of MVT justifies.

#### **C. Winding up**

The shareholders holding MVT shares have no further liability to make payments to MVT in the event of MVT being wound up.

#### **D. Transfer of securities**

Generally, MVT shares are freely transferable, subject to satisfying the usual requirements of ASX. MVT shares may be transferred in any manner required or permitted by the ASX listing rules, the Corporations Act, the ASX settlement operating rules or ASX clear operating rules. Except as provided for in the ASX listing rules, the ASX clear operating rules or the ASX settlement operating rules, the directors of MVT may decline to register any transfer of MVT shares or apply a holding lock to prevent a proper transfer in a number of circumstances including where MVT has a lien on the MVT shares the subject of the transfer or where MVT is served with a court order that restricts a MVT shareholder's capacity to transfer the MVT shares.

#### **E. Sale of non-marketable holding**

MVT may take steps in respect of non-marketable holdings of MVT shares to effect an orderly sale of those MVT shares in the event that holders do not take steps to retain their holdings.

MVT may only take steps to eliminate non-marketable holdings in accordance with the MVT Constitution and the ASX listing rules.

**F. Alteration of capital**

The allotment and issue of securities is under the control of the MVT directors. Subject to the restrictions on the allotment of securities to related parties, the ASX listing rules, the MVT Constitution and the Corporations Act, the MVT directors may allot, issue or otherwise dispose of new securities on such terms and conditions as they decide.

MVT may, by a resolution passed at a general meeting, convert its securities into a larger or smaller number of securities, and subject to the Corporations Act and the ASX listing rules, MVT may reduce its share capital and buy-back MVT shares.

**G. Variation or cancellation of rights**

Subject to the Corporations Act and the ASX listing rules, MVT may only modify or vary the rights attaching to any class of MVT shares with the consent in writing of the holders of at least 75% of the issued MVT shares of the class or the sanction of a special resolution passed at a meeting of the holders of the issued MVT shares of that class.



## 10 Taxation considerations

**This section 10 provides a general overview of the Australian income tax, goods and services tax and stamp duty consequences for you if the Scheme proceeds. The overview provided in this section 10 does not take into account your specific circumstances and is not intended to be exhaustive, or a substitute for, or to constitute, specific taxation advice.**

**This section 10 is based on Australian income tax legislation, public taxation rulings, determinations and administrative practice as at the date of this Scheme Booklet.**

**The application of the taxation legislation may vary according to your individual circumstances. As such, you are advised to obtain professional taxation advice that takes into account your specific circumstances before deciding how to vote in relation to the Scheme.**

### 10.1 Introduction

This section provides a summary of the Australian income tax, Goods and Services Tax (GST) and Stamp Duty consequences for Scheme Participants as a result of the Scheme.

This section is not intended to provide an exhaustive or definitive statement as to all of the possible tax outcomes for Scheme Participants. Specifically, this section summarises the likely Australian tax implications for Scheme Participants who participate in the Scheme and dispose of their Scheme Shares to MVT.

The information contained in this section is directed towards Australian resident and foreign resident Scheme Participants who hold their Scheme Shares on capital account for income tax purposes.

This section does not consider the Australian tax consequences for MMX Shareholders who:

- hold their Scheme Shares on revenue account or as trading stock;
- are Australian tax residents that hold their MMX Shares as part of an enterprise carried on, at, or through a permanent establishment in a foreign country;
- are financial institutions, insurance companies, partnerships, tax exempt organisations, trusts (except where expressly stated), superannuation funds (except where expressly stated) or temporary residents;
- are subject to the Taxation of Financial Arrangements provisions in Division 230 of the *Income Tax Assessment Act 1997* (Cth) in relation to gains and losses on their Scheme Shares; or
- acquired their Scheme Shares through an employee share scheme.

The information contained in this **section 10** is based on the tax law at the date of the Scheme Booklet. The tax consequences outlined in this section may alter if there is a change in the tax law after the date of the Scheme Booklet.

The information contained in this **section 10** is general in nature and should not be relied upon by Scheme Participants as tax advice. This section is not intended as an authoritative or complete statement of the tax law applicable to the circumstances of every Scheme Participant. Scheme Participants should obtain their own independent professional advice in relation to the tax consequences arising under the Scheme.

This section should be read with the remainder of the Scheme Booklet.

## **10.2 Australia Income Tax Implications**

### **A. Disposal of Scheme Shares – Australian Tax Residents**

In the event the Scheme is approved and implemented, MVT and its Associated Shareholders will control 100% of the issued capital of MMX.

The Australian income tax implications relevant for Scheme Participants who dispose of their Scheme Shares under the Scheme and who are Australian residents for tax purposes are outlined below.

The commentary below assumes that no part of the distribution to Scheme Participants would be deemed to be a dividend and, in this regard, it is noted that MMX does not have any retained earnings.

#### **(a) Capital gains tax (CGT) event**

A CGT event C2<sup>6</sup> should occur for Scheme Participants when their Scheme Shares are cancelled under the Scheme. The CGT event should happen on the Implementation Date, being the date on which the Scheme Shares are cancelled under the Scheme.

Subject to an election for, or the availability of, CGT roll-over relief (discussed below), Scheme Participants should make a capital gain from the CGT event if the capital proceeds from the cancellation of their Scheme Shares exceed their cost base. Alternatively, Scheme Participants should make a capital loss if capital proceeds are less than the reduced cost base of the shares.

The capital proceeds received on the cancellation of the Scheme Shares should be:

- the amount of cash received for cancellation of the Scheme Shares; and/or
- the market value of property received in the form of New MVT Shares for cancellation of the Scheme Shares.

The cost base (or reduced cost base) of the Scheme Shares cancelled should generally be the amount paid in consideration for the Scheme Shares plus incidental costs of ownership (i.e. acquisition costs and other costs relating to

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<sup>6</sup> "CGT event C2" refers to a surrender, cancellation or similar ending of a CGT asset under section 104-25 of the *Income Tax Assessment Act 1997* (Cth).

the holding and disposal of the MMX Shares, provided the costs have not previously been claimed as a tax deduction).

The cost base and reduced cost base of each Scheme Share will depend on the individual circumstances of each Scheme Participant.

The amount of cash and the number of New MVT Shares that a Scheme Participant will receive under the Scheme may differ depending on whether the Scheme Participant elects to receive Cash Consideration, Scrip Consideration, or a combination of both Cash Consideration and Scrip Consideration. This Election will affect the extent to which CGT roll-over relief (discussed below) is available to a Scheme Participant for the disposal of their Scheme Shares.

**(b) CGT discount**

Scheme Participants who are individuals, trusts or complying superannuation funds should be able to apply the CGT discount to a capital gain where roll-over is not chosen and where they have held their Scheme Shares for at least 12 months (excluding the date of acquisition and disposal) before their disposal under the Scheme.

The CGT discount rules should, broadly, enable the Scheme Participants to reduce any capital gain on the cancellation of the Scheme Shares (after the application of any current year or prior year capital losses) by 50% for individuals and trusts and by 33 1/3% for complying superannuation funds.

The CGT discount is not available to Scheme Participants that are companies.

**(c) Capital losses**

A capital loss will arise where the capital proceeds from the cancellation of the Scheme Shares are less than the reduced cost base of the Scheme Shares.

A capital loss may be used to offset capital gains derived by the Scheme Participants in the current year or may be carried forward and offset against capital gains derived in future income years. Specific loss recoupment rules apply to companies that may restrict their ability to utilise capital losses in future years. Scheme Participants should seek their own independent tax advice in relation to the operation of these rules.

**B. Disposal of Scheme Shares – Foreign Residents**

The Australian income tax consequences relevant for Scheme Participants who dispose of their Scheme Shares under the Scheme and that are foreign residents for tax purposes are outlined below.

Scheme Participants who are foreign residents for income tax purposes, who do not carry on business in Australia at or through a permanent establishment and who hold less than 10% of the shares in MMX should be exempt from tax on a capital gain on the cancellation of their Scheme Shares.

Foreign resident Scheme Participants, particularly Scheme Participants who hold 10% or more of the shares in MMX, should obtain their own independent tax advice regarding the tax implications of the Scheme in Australia and in their country of residence.

**C. Scrip for Scrip Roll-Over Relief**

Scheme Participants who would otherwise make a capital gain in respect of the cancellation of their Scheme Shares may choose to obtain scrip for scrip roll-over relief (if eligible) to the extent their Scheme Shares are cancelled in exchange for New MVT Shares. Scrip for scrip roll-over relief is not available in relation to any capital gains arising from the cancellation of Scheme Shares for Cash Consideration (please refer below for further details).

(a) **Eligibility for scrip for scrip roll-over relief**

There are a number of conditions which must be satisfied in order for scrip for scrip roll-over relief to be obtained. Roll-over relief is broadly available where a shareholder exchanges shares in an original entity (MMX) for shares in a replacement entity (MVT) and the following conditions are satisfied:

- *The exchange is in consequence of a single arrangement.*

An arrangement for the exchange of shares in a company (the original shares) for shares in another company can include a scheme of arrangement governed by the Corporations Act that involves a cancellation of the original shares. The availability of scrip for scrip roll-over relief only applies if the Scheme is a single arrangement under which Scheme Participants exchange their Scheme Shares for New MVT Shares.
- *The acquiring company (MVT) must become the owner of 80% or more of voting shares in the original entity (MMX).*

This condition should be satisfied on the basis that MVT will, as a consequence of the cancellation of shares, acquire 100% of the voting shares in MMX.
- *In the case of a Scheme of Arrangement, the arrangement must be approved by a Court order.*

This condition should be satisfied on the basis that the Scheme will only proceed if a Court order is granted.
- *The MMX Shares must not be pre-CGT assets.*

This condition should be satisfied on the basis that MMX does not have any shares which were issued before 20 September 1985.
- *Apart from the roll-over relief, MMX Shareholders must make a capital gain from the arrangement.*

The satisfaction of this condition will need to be assessed on a shareholder-by-shareholder basis. Only shareholders who make a capital gain from the Scheme (prior to the application of any roll-over relief) will be eligible to choose to obtain a roll-over relief.
- *The MMX Shareholder must choose to obtain roll-over relief.*

As above, the satisfaction of this condition will need to be assessed on a shareholder-by-shareholder basis.
- *In circumstances where MVT and MMX are not dealing at arm's length and neither entity had at least 300 members or were members of the same linked group just before the arrangement started, the market value of the proceeds received by MMX Shareholders must be at least substantially the same as the market value of their MMX*

*Shares and the MVT shares must carry the same rights and obligations as those attached to the MMX Shares.*

On the basis that MMX and MVT have greater than 300 members and are not members of the same linked group, this condition should not be applicable.

Based on the above, it is expected that the conditions for the choosing of roll-over relief should be satisfied in relation to the Scheme (subject to MMX Shareholders realising a capital gain in relation to the Scheme and electing to choose roll-over relief and subject to the exchange being in consequence of a single arrangement).

**(b) Income tax consequences of choosing scrip for scrip roll-over relief**

The income tax consequences of choosing scrip for scrip roll-over relief include capital gains and cost base consequences, as discussed below.

No roll-over relief is available where the cancellation of MMX Shares results in a capital loss.

**(i) Capital gains consequences**

A choice to obtain scrip for scrip roll-over relief allows the Scheme Participant to disregard a capital gain made on the cancellation of a Scheme Share under the Scheme to the extent that the proceeds from the disposal of a Scheme Share relate to the receipt of a MVT share (but not cash).

To the extent that a Scheme Participant receives only Scrip Consideration and chooses scrip for scrip roll-over relief in relation to the New MVT Shares received, any capital gain arising should be disregarded.

To the extent that a Scheme Participant receives only Cash Consideration, scrip for scrip roll-over relief is not available in respect of any capital gain arising.

To the extent that a Scheme Participant receives a combination of Scrip Consideration and Cash Consideration, a partial roll-over may be chosen. Any capital gain arising from the cancellation of that part of the Scheme Shares for which Scrip Consideration is received should be disregarded where scrip for scrip roll-over relief is chosen. A capital gain arising from the cancellation of that part of the Scheme Shares for which Cash Consideration is received is ineligible for roll-over.

Specifically, in circumstances where a combination of Scrip Consideration and Cash Consideration is received, the capital gain on the part of the Scheme Shares cancelled for Cash Consideration may be calculated as follows:

<b>Table 1: Gain or loss on Cash Consideration</b>
Value of Cash Consideration received less cost base attributable to Scheme Shares for which Cash Consideration is provided (from Table 2)

In completing the above calculation, the cost base of the part of the Scheme Shares cancelled for Cash Consideration may be calculated as follows (please

note that a reference in Table 2 to the “Total Consideration” is a reference to the Cash Consideration and the Scrip Consideration):

Table 2: Cost base attributable to Scheme Shares cancelled for Cash Consideration		
Cost base of Scheme Shares	X	$\frac{\text{Value of Cash Consideration}}{\text{Value of Total Consideration}}$

**(ii) Cost base or reduced cost base of New MVT Shares**

If a Scheme Participant chooses Scrip Consideration and scrip roll-over is chosen, the first element of the Scheme Participant’s cost base or reduced cost base in the New MVT Shares is equal to the cost base or reduced cost base of the Scheme Shares which are cancelled in exchange for the New MVT Shares.

Where the Scheme Participant has acquired its Scheme Shares at different times and those shares have different cost bases, the total of all costs bases should be apportioned equally across all New MVT Shares.

If a Scheme Participant receives only Cash Consideration, the scrip for scrip roll-over relief cost base and reduced cost base rules are not relevant.

If a Scheme Participant receives a combination of Scrip Consideration and Cash Consideration, the first element of the cost base or reduced cost base of the New MVT Shares may be calculated using the methodology outlined below in Table 3.

Table 3: Cost base of New MVT Shares		
Cost base or reduced cost base of Scheme Shares	X	$\frac{\text{Value of New MVT Shares}}{\text{(Value of New MVT Shares + Value of Cash Consideration)}}$

As above, where the Scheme Participant has different cost bases in Scheme Shares acquired at different times, the total of the cost bases (as reduced under the above formula) should be apportioned equally across all New MVT Shares.

**(c) Income Tax Consequences if scrip for scrip roll-over relief is not, or cannot, be chosen**

Scheme Participants who are Australian residents and are not eligible to choose scrip for scrip roll-over relief (including in circumstances where a capital loss arises in respect of the disposal of their Scheme Shares), or do not elect

to choose scrip for scrip roll-over relief, should calculate a capital gain or loss from the disposal of their Scheme Shares as outlined in **section 10.2A(a)** above. That is, Scheme Participants should make a capital gain if the capital proceeds from the disposal of their Scheme Shares exceed their cost base. This capital gain should be treated as assessable and may be reduced by the CGT discount in certain circumstances. If the capital proceeds are less than the reduced cost base of the Scheme Shares, they should make a capital loss.

### **10.3 Stamp Duty**

No stamp duty should be payable by the Scheme Participants in respect of the cancellation of their Scheme Shares.

No duty should be payable in respect of the Scheme Participants' acquisition of New MVT Shares under the Scheme on the basis that:

- MVT is currently, and will remain after the Scheme, a listed company;
- if all Scheme Participants elect to take up their full entitlement of New MVT Shares, the Scheme should result in Scheme Participants acquiring approximately 19.7% of all the issued shares in MVT; and
- after the completion of the Scheme, no single shareholder or group of associated shareholders should have acquired (through the Scheme and/or any associated transactions) an interest of 90% or more in MVT provided that the Scheme Participants are not associated with shareholders in MVT prior to implementation of the Scheme.

### **10.4 GST**

No GST should be payable by Scheme Participants in respect of the disposal of the Scheme Shares or the acquisition of the New MVT Shares under the Scheme, regardless of whether the Scheme Participant is registered for GST.

Scheme Participants should seek their own independent tax advice in relation to the GST implications of their participation in the Scheme and to determine what input tax credits, if any, they are entitled to claim for the GST included in the costs that they may incur in relation to the Scheme.

### **10.5 Implications to Australian Tax Residents of Holding MVT Shares**

Australian tax residents are generally required to include as assessable income for the relevant year income derived from all sources within and outside of Australia. The Australian income tax consequences relevant for Scheme Participants who are Australian tax residents and who hold MVT shares are outlined below.

#### **A. Receipt of dividends**

Dividends paid from profits of MVT should be included in the assessable income of the Australian tax resident shareholder for the income year in which the dividend payment is received.

#### **B. Disposal of MVT shares**

The disposal of MVT shares by an Australian tax resident that holds the shares on capital account should be subject to Australian CGT.

Shareholders should make a capital gain where the capital proceeds received from the disposal of the MVT shares exceed their cost base (for further information on the cost base of New MVT Shares, see **section 10.2(b)(ii)**).

Shareholders should make a capital loss where the capital proceeds received are less than the reduced cost base of the shares. Any capital gain or capital loss on the disposal of MVT shares will be taken into account in calculating the net capital gains made by the Australian tax resident for that income year. A net capital gain must be included in the assessable income for the Australian tax resident.



## 11 Implementation of the Scheme

**If the Scheme becomes Effective, MMX will undertake a selective capital reduction under which the Scheme Shares will be cancelled. Each Scheme Participant will be entitled to the Scheme Consideration. This section describes the implementation of the Scheme.**

### 11.1 Overall effect of the Scheme

If the Scheme becomes Effective:

- (a) MMX will subscribe for the New MVT Shares;
- (b) on the Implementation Date, the Scheme Shares will be cancelled and MVT will issue the New MVT Shares (at MMX's direction) to those Scheme Participants electing to receive some or all of their Scheme Consideration as Scrip Consideration or those who do not make a valid Election such that they are taken to have elected to receive a 50/50 combination of Cash Consideration and Scrip Consideration;
- (c) within 5 Business Days of the Implementation Date, MMX will distribute the Cash Consideration to those Scheme Participants who have elected to receive some or all of the Scheme Consideration as Cash Consideration or those who do not make a valid Election such that they are taken to have elected to receive a 50/50 combination of Cash Consideration and Scrip Consideration;
- (d) MMX will be a wholly owned subsidiary of MVT; and
- (e) MVT will apply to have MMX removed from the official list of ASX, and MMX Shares will cease to be quoted by ASX.

### 11.2 Effect of the Scheme becoming Effective

If the Scheme becomes Effective, the Scheme Shares will be cancelled, and MMX will subscribe for the New MVT Shares. Scheme Participants will receive the Scheme Consideration in the form of Scrip Consideration or Cash Consideration, or a 50/50 combination of both. The Scrip Consideration will be comprised of the New MVT Shares subscribed for by MMX, and issued by MVT (at MMX's direction) to those Scheme Participants electing to receive Scrip Consideration for either 100% or 50% of their Scheme Consideration, or who do not make a valid Election such that they are taken to have elected to receive a 50/50 combination of Cash Consideration and Scrip Consideration.

The number of New MVT Shares to which each Scheme Participant is entitled will be calculated using the formula set out in **section 1.6**, which is based on the respective NTAs of MMX and MVT as at the Calculation Date.

The examples in **section 1.7C** set out, for illustrative purposes only, an indication of the number of New MVT Shares to which each Scheme Participant will be entitled based on a number of possible NTA figures for each company.

### 11.3 Payment of Scheme Consideration

The Scheme Consideration is comprised of Scrip Consideration or Cash Consideration or a 50/50 combination of both, depending on the Election made by the Scheme Participant.

Both the Scrip Consideration (by way of the payment of the Subscription Monies) and the Cash Consideration will be funded by a capital reduction and cancellation of the Scheme Shares. The aggregate proceeds of such capital reduction and cancellation are expected to be approximately \$10.1 million.

Based on the 31 March 2014 balance sheet of MMX, MMX currently holds roughly \$13.5 million in cash.

Subject to the approval of the capital reduction and cancellation in the General Meeting and the Class Meeting, and immediately following the Scheme being approved, \$9.8 million (being the expected Aggregate Cash Consideration based on the pre-tax NTA of MMX as stated in the 31 March 2014 MMX balance sheet and assuming 100% of Scheme Participants make valid Cash Elections) will be held in trust for the payment of the Subscription Monies and the Cash Consideration.

The payment of the Subscription Monies and the Cash Consideration will be made on the Implementation Date following the cancellation of the Scheme Shares.

#### *Scrip Consideration*

Each of MMX and MVT will calculate its own NTA Ratio on the Calculation Date, being the Second Court Date. MMX and MVT will provide the NTA Ratio calculation to the other for certification by the auditor for the other party. This certification will be completed within 5 Business Days of delivery of the NTA Ratio information.

It is anticipated that the precise Scheme Consideration to be paid will be known and announced by the Record Date for the Scheme, expected to be 7.00pm on Tuesday 1 July 2014.

Subject to the satisfaction or waiver of the Conditions Precedent, following subscription by MMX for the New MVT Shares and provision by MMX to MVT of the Subscription Monies, MVT will issue (at MMX's direction) the New MVT Shares to Scheme Participants that elect to receive Scrip Consideration for either 100% or 50% of their Scheme Consideration, or who do not make a valid Election such that they are taken to have elected to receive a 50/50 combination of Cash Consideration and Scrip Consideration (other than Ineligible Foreign Shareholders) on the Implementation Date. Confirmation of the issue of Scheme Participants' holdings of New MVT Shares is expected to be sent on Tuesday 8 July 2014. Normal T+3 settlement trading of New MVT Shares is expected to commence on Thursday 10 July 2014.

Ineligible Foreign Shareholders can elect to receive Scrip Consideration, however, the New MVT Shares that would otherwise be issued to them will be dealt with in the manner described in **section 3.3**.

#### *Cash Consideration*

Scheme Participants who elect to receive the Cash Consideration for either 100% or 50% of their Scheme Consideration, or who do not make a valid Election such that they are taken to have elected to receive a 50/50 combination of Cash Consideration and Scrip Consideration can elect to receive their Cash Consideration as a cheque or via EFT. Only Scheme Participants that have notified the Registry of their EFT details before the Record Date can receive Cash Consideration by EFT. The Cash Consideration will be distributed within 5 Business Days after the Implementation Date.

The general taxation implications of the Scheme on Scheme Participants are discussed in **section 10**.

#### **11.4 If the Scheme does not proceed**

Each of the Independent Directors recommends that MMX Shareholders vote in favour of the Scheme Resolution in the absence of a superior proposal for the reasons set out in **section 1.3**.

However, if the Scheme is not implemented:

- (a) MMX Shareholders will retain their direct interests in MMX Shares and continue to collectively control MMX;
- (b) the benefits of the Scheme will not be realised;
- (c) MMX would remain an independent listed company;
- (d) MMX will continue to operate under the MMX Directors;
- (e) the rights of MMX Shareholders will remain unchanged; and
- (f) costs in connection with the Scheme of approximately \$370,000 will be borne by MMX.

The Independent Directors would then consider alternatives.

#### **11.5 Steps in implementing the Scheme**

MMX and MVT have executed the Scheme Implementation Agreement under which MMX agreed to propose the Scheme. A copy of the Scheme Implementation Agreement is set out in **annexure B**.

MVT has executed the Deed Poll in favour of Scheme Participants under which MVT covenants to perform certain obligations imposed on it under the Scheme Implementation Agreement and the Scheme, including to provide to each Scheme Participant the Scheme Consideration to which the Scheme Participant is entitled under the terms of the Scheme. A copy of the Deed Poll is set out in **annexure D**.

The Court has ordered that MMX convene the Scheme Meeting to be held at 10.00am on Thursday 19 June 2014 for the purpose of Scheme Participants voting on the Scheme Resolution.

The order of the Court to convene the Scheme Meeting is not, and should not be treated as, an endorsement by the Court of, or any other expression of opinion by the Court on, the Scheme.

Following the Scheme Meeting, MMX Shareholders will be asked to approve the Subscription Resolution and the Capital Reduction Resolution. Pursuant to the Corporations Act, the Capital Reduction Resolution will need to be approved at both the General Meeting and the Class Meeting. This is to ensure that one dominant shareholder cannot alone approve the cancellation of the Scheme Shares.

The Scheme is conditional upon the approval of the Scheme Resolution, the Subscription Resolution and the Capital Reduction Resolution.

## 11.6 Scheme Resolution

On Thursday 19 June 2014, the Scheme Participants will vote at the Scheme Meeting on the following Scheme Resolution:

*“That, pursuant to and in accordance with section 411 of the Corporations Act, the scheme of arrangement proposed between Murchison Metals Limited and the holders of its fully paid ordinary shares (other than those shares held by Mercantile Investment Company Limited and Associated Shareholders\*), the terms of which are described in the Scheme Booklet of which the notice convening this meeting forms part, is approved (with or without modification as approved by the Supreme Court of New South Wales).”*

*\* Associated Shareholders has the meaning given to it in the Scheme Booklet, of which the notice convening the Scheme Meeting forms part.*

If:

- (a) the Scheme Resolution is approved by the requisite majorities at the Scheme Meeting; and
- (b) the Conditions Precedent (other than approval of the Court) have each been satisfied or, if applicable, waived in accordance with the Scheme Implementation Agreement,

then MMX will apply to the Court for orders approving the Scheme. It is expected that the Court hearing to approve the Scheme will be held on Monday 23 June 2014.

## 11.7 General Meeting

On Thursday 19 June 2014, following the Scheme Meeting, the MMX Shareholders will vote at the General Meeting on the following resolutions:

### Resolution 1 - Subscription Resolution

*“That, subject to and conditional on:*

- (a) *the scheme of arrangement (**Scheme**) proposed to be made between Murchison Metals Limited (**MMX**) and the holders of its fully paid ordinary shares (other than those shares held by Mercantile Investment Company Limited (**MVT**) and its Associated Shareholders) (**Scheme Participants**), and to be considered at a meeting of Scheme*

*Participants on 19 June 2014, being approved by the Supreme Court of New South Wales;*

- (b) an office copy of the Order of the Supreme Court of New South Wales approving the Scheme being lodged with the Australian Securities and Investments Commission; and*
- (c) and the passing of resolution 2 in the General Meeting,*

*the subscription for such amount of MVT shares necessary to comprise the scrip consideration provided under the Scheme (**New MVT Shares**) is approved, the amount of such New MVT Shares to be calculated pursuant to the NTA formula set out in the Scheme Booklet at the calculation date of the Scheme, and such New MVT Shares to be issued (at MMX's direction) on the implementation date of the Scheme to those Scheme Participants who are eligible to receive scrip consideration provided under the Scheme."*

## **Resolution 2 - Capital Reduction Resolution**

*"That, pursuant to sections 256B and 256C(2)(a) of the Corporations Act 2001 (Cth), subject to and conditional on:*

- (a) the Scheme proposed to be made between MMX and the Scheme Participants, and to be considered at a meeting of Scheme Participants on 19 June 2014, being approved by the Supreme Court of New South Wales;*
- (b) an office copy of the Order of the Supreme Court of New South Wales approving the Scheme being lodged with the Australian Securities and Investments Commission; and*
- (c) and the passing of resolution 1 in the General Meeting,*

*the capital of MMX be reduced by cancelling all fully paid MMX shares held by Scheme Participants (being 200,668,069 MMX shares) with such cancellation to be in consideration for either cash, scrip consideration in the form of New MVT Shares, or a combination of both in equal proportions (**Scheme Consideration**), where the amount of such New MVT Shares is to be calculated pursuant to the NTA formula set out in the Scheme Booklet at the calculation date of the Scheme, and each Scheme Participant's entitlement to the Scheme Consideration arises only upon the reduction of capital in respect of the MMX shares held by that Scheme Participant."*

The Subscription Resolution is an ordinary resolution, and must be approved by a majority in number (more than 50%) of MMX Shareholders present and voting at the General Meeting (whether in person, by proxy, by attorney or by corporate representative).

All MMX Shareholders are eligible to vote on the Subscription Resolution at the General Meeting.

The Capital Reduction Resolution is a special resolution, and must be approved by at least 75% of the total number of votes cast on the Capital

Reduction Resolution (whether in person, by proxy, by attorney or by corporate representative).

All MMX Shareholders are eligible to vote on the Capital Reduction Resolution at the General Meeting, but only MVT and its Associated Shareholders may vote in favour of the resolution. Scheme Participants (i.e. those MMX Shareholders other than MVT and its Associated Shareholders) may abstain from voting or vote against the resolution.

## **11.8 Class Meeting**

On Thursday 19 June 2014, following the General Meeting, the MMX Shareholders will also vote at the Class Meeting on the Capital Reduction Resolution (as set out in **section 11.7** above).

The Class Meeting will be comprised only of those MMX Shareholders whose Scheme Shares are to be cancelled (i.e. Scheme Participants).

The Capital Reduction Resolution is a special resolution, and must be approved by at least 75% of the total number of votes cast on the Capital Reduction Resolution (whether in person, by proxy, by attorney or by corporate representative).

## **11.9 Effect of Court approval**

Each MMX Shareholder has the right to appear at Court at the application by MMX for orders approving the Scheme. The Court has an overriding discretion whether or not to approve the Scheme, even if the Scheme is approved by the requisite majorities at the Scheme Meeting.

If the Court orders approving the Scheme are obtained, MMX and MVT have agreed they will take or procure the taking of the steps required for the Scheme to be implemented, including the following:

- (a) MMX will lodge with ASIC an office copy of the Court orders approving the Scheme under section 411(10) of the Corporations Act. The Scheme will become Effective on the date on which an office copy of the Court orders is lodged with ASIC. It is expected that this will occur on or about 24 June 2014.
- (b) Once the Scheme becomes Effective:
  - (i) no dealings in MMX Shares will be permitted after the Effective Date, although the process to register dealings that occurred on or before the Effective Date will continue until the Record Date, which is anticipated to be 7.00pm on Tuesday 1 July 2014;
  - (ii) MMX and MVT will become bound to implement the Scheme in accordance with the terms of the Scheme Implementation Agreement, the Scheme and the Deed Poll; and
  - (iii) Scheme Participants will be bound by, and have the benefit under, the Scheme.
- (c) On the Implementation Date (provided the Scheme Resolution, Subscription Resolution and Capital Reduction Resolution have the requisite majorities under the Corporations Act):

- (i) all the Scheme Shares will be cancelled without any further action by any Scheme Participant;
- (ii) MMX will provide MVT with the Subscription Monies;
- (iii) MMX will direct MVT to issue the New MVT Shares to the Scheme Participants who have elected to receive Scrip Consideration for either 100% or 50% of their Scheme Consideration, or who do not make a valid Election such that they are taken to have elected to receive a 50/50 combination of Cash Consideration and Scrip Consideration (with the exception of the Ineligible Foreign Shareholders, whose Scrip Consideration will be dealt with as set out in **section 3.3**); and
- (iv) as directed by MMX, MVT will issue the New MVT Shares to the Scheme Participants who have elected to receive Scrip Consideration for either 100% or 50% of their Scheme Consideration, or who do not make a valid Election such that they are taken to have elected to receive a 50/50 combination of Cash Consideration and Scrip Consideration.

Upon completion of the steps set out above, MVT and its Associated Shareholders will hold all remaining MMX Shares.

## 11.10 Conditions Precedent

If the Conditions Precedent referred to below are not satisfied or, where applicable, waived in accordance with the Scheme Implementation Agreement, the Scheme will not become Effective.

Implementation of the Scheme is subject to the satisfaction or waiver of a number of Conditions Precedent including:

- (a) **Scheme Meeting Approval:** Scheme Participants agree to the Scheme at the Scheme Meeting by the requisite majorities under the Corporations Act;
- (b) **General Meeting and Class Meeting Approval:** MMX Shareholders approve the Capital Reduction Resolution (in both the General Meeting and the Class Meeting) and the Subscription Resolution (in the General Meeting only) by the requisite majorities under the Corporations Act;
- (c) **MMX Material Adverse Change:** no MMX Material Adverse Change occurs before the Second Court Date, including any event that would prevent or delay MMX's ability to consummate the Scheme;
- (d) **MVT Material Adverse Change:** no MVT Material Adverse Change occurs, before the Second Court Date, including any event that would prevent or delay MVT's ability to consummate the Scheme;
- (e) **MMX Prescribed Occurrence:** no MMX Prescribed Occurrence occurs before the Second Court Date, including changes in the structure of MMX's share capital, MMX acquiring or disposing assets for more than \$200,000 or entering or terminating any contract involving revenue or expenditure of more than \$200,000 (without MVT's consent);

- (f) **MVT Prescribed Occurrence:** no MVT Prescribed Occurrence occurs before the Second Court Date including MVT ceasing to carry on its business as it is currently conducted;
- (g) **No breach of MMX Warranty:** MVT is satisfied that none of the MMX Warranties is incorrect before the Second Court Date; and
- (h) **No breach of MVT Warranty:** MMX is satisfied that none of the MVT Warranties is incorrect before the Second Court Date.

#### **11.11 Status of Conditions Precedent**

As at the date of this Scheme Booklet, MMX and MVT are not aware of any circumstances which would cause the Conditions Precedent not to be satisfied or (if applicable) waived. An update of the status of the Conditions Precedent will be provided at the Scheme Meeting.

#### **11.12 Termination**

The Scheme Implementation Agreement can be terminated by either MMX or MVT if the other party is in material breach of the agreement; or a Court or Government Agency has taken action to restrain or prohibit the Scheme.

These termination rights are set out in full in clause 10 of the Scheme Implementation Agreement.

#### **11.13 Break Fee**

Mutual break fee arrangements as between MMX and MVT are provided for in clause 9 of the Scheme Implementation Agreement. MMX and MVT will trigger the break fee in certain circumstances, including the non-satisfaction of some of the Conditions Precedent to the Scheme (such as no breach of MMX Warranty or MVT Warranty) where the breach leads to the Scheme not proceeding.

The break fee payable by MMX is capped at \$100,000 and the break fee payable by Mercantile is capped at \$150,000.

The Scheme Implementation Agreement is annexed at **annexure B**.

#### **11.14 Determination of Scheme Participants**

##### *Dealings on or before the Record Date*

For the purpose of calculating entitlements under the Scheme, any dealing in MMX Shares will only be recognised if:

- (a) in the case of dealings of the type to be effected by CHESSE, the transferee is registered in the Share Register as the holder of the relevant MMX Shares on the Record Date; and
- (b) in all other cases, registrable transmission applications or transfers in respect of those dealings are received on or before the Record Date at the Registry.

##### *Dealings after the Record Date*

For the purposes of determining the entitlement to Scheme Consideration, MMX will, until the Scheme Consideration has been provided, maintain the



Share Register in its form as at the Record Date. The Share Register in this form will solely determine entitlements to Scheme Consideration.

From the Record Date:

- (a) all statements of holding in respect of MMX Shares cease to have effect as documents of title in respect of such MMX Shares; and
- (b) each entry on the Share Register will cease to be of any effect except as evidence of entitlement to Scheme Consideration in respect of the MMX Shares relating to that entry.

#### **11.15 Creditors of MMX**

As at 31 March 2014, MMX had trade and other creditors of \$32,677.

Creditors are comprised predominantly of providers of audit, accounting, secretarial, corporate advisory and registry services. Creditors are usually settled within a 30 day period.

The Independent Directors consider that the reduction of capital associated with the Scheme being implemented will not prejudice MMX's ability to pay its creditors. Further, the Independent Directors advise that the reduction of capital will not result in MMX becoming insolvent at the time of the capital reduction is made, nor will MMX become insolvent as a result of the capital reduction.

#### **11.16 Delisting MMX**

On a date after the Implementation Date to be determined by MVT, MMX will apply:

- (a) for termination of the official quotation of MMX Shares on ASX; and
- (b) to have itself removed from the official list of ASX.

## 12 Additional information

**This Scheme Booklet, including the additional information contained in this section 11, has been prepared for the purposes of section 412(1) of the Corporations Act to explain the effect of the Scheme which you are requested to vote on at the Scheme Meeting. The Scheme Implementation Agreement is set out in annexure B.**

### 12.1 Equity interests of MMX Directors

As at the date of this Scheme Booklet, no MMX Director has a relevant interest in MMX Shares.

As at the date of this Scheme Booklet, Mark Licciardo and Gabriel Radzynski do not have a relevant interest in MVT shares. Paul Jensen has a relevant interest in 488,471 MVT shares (by way of a relevant interest in 380,901 MVT shares as trustee and beneficiary of the Jensen Family Retirement Fund, and a relevant interest in 107,570 MVT shares as trustee for his children). As Paul Jensen's interest in MVT shares is less than 1% of the total issued share capital of MVT, this interest is not regarded by the MMX Directors as material.

### 12.2 Equity interests of MVT directors

As at the date of this Scheme Booklet, the current MVT directors held the following interests in MVT shares:

<b>Director</b>	<b>MVT Shares</b>
James Chirnside	0
Gabriel Radzynski	0
Sir Ron Brierley	122,411,120
Gary Hilton Weiss	15,815,001
Ronald Langley	12,500,000

As at the date of this Scheme Booklet, no MVT director has a relevant interest in MMX Shares.

### 12.3 Interests of MVT in MMX Shares

As at the date of this Scheme Booklet MVT has an interest in 77,568,408 MMX Shares.

MVT and its Associated Shareholders have not traded any MMX Shares in the four months up to the date of this Scheme Booklet.

### 12.4 Agreements or arrangements with MMX Directors

#### A. Mr Gabriel Radzynski

Mr Gabriel Radzynski has been a director of MVT since 5 November 2010. Given this role, Mr Gabriel Radzynski is not considered by the Independent Directors to be independent. Gabriel Radzynski will remain a director of the MVT Board if the Scheme is implemented.

**B. Mr Mark Licciardo and Mr Paul Jensen**

In addition to his role as director and company secretary of MMX, Mr Mark Licciardo is also the company secretary of MVT. To ensure his independence in this matter, Mr Licciardo has absented himself from all MVT discussions relating to the Scheme. Neither of the Independent Directors will be appointed to the board of the Merged Entity if the Scheme is implemented.

There are no management agreements or arrangements with MMX Directors in relation to the Scheme.

**12.5 Other benefits to MMX Directors**

The Independent Directors will be remunerated for work associated with the Scheme. A provision of \$60,000 has been made in the Scheme transaction costs for payments to the Independent Directors.

Mark Licciardo provides company secretarial services to MMX pursuant to a service agreement. With effect from the Implementation Date, MMX intends to terminate the service agreement with Mark Licciardo. Mark Licciardo will be given at least 30 days notice, but he will not be entitled to receive any termination payments or accrued entitlements upon termination of the service agreement with MMX.

MMX has engaged MVT to provide management support services to it. From December 2012 to December 2013 MVT provided operational, premises, IT and telephone services to MMX at no charge. From September 2013, MVT is charging MMX a fee of \$12,500 per month for services provided. The management support services agreement is undocumented and can be terminated by either party on reasonable notice. MVT procures Gabriel Radzynski to provide the management support services to MMX on its behalf.

Paul Jensen, Gabriel Radzynski and Mark Licciardo will not be receiving any compensation for loss of office in relation to the Scheme.

**12.6 Material changes to the financial position of MMX**

MMX Directors are not aware of any material change to the financial position of MMX since 30 June 2013, being the date of the balance sheet which was included in the MMX 2013 Annual Report.

**12.7 Material contracts**

There are no contracts in place which are material to MMX.

**12.8 Scheme costs**

The total transaction costs of the Scheme are estimated to be approximately \$370,000.

Additionally, there is a potential further cost of \$100,000, which is the break fee payable by MMX if certain circumstances occur (such as the breach of an MMX

Warranty, where that breach leads to the Scheme not proceeding). Further detail on the break fee is provided at **section 11.13**, and the Scheme Implementation Agreement is annexed at **annexure B**.

## **12.9 Exclusivity arrangements**

The following is a summary only of the exclusivity arrangements agreed to in the Scheme Implementation Agreement. The full terms of these exclusivity arrangements are set out in clause 7 of the Scheme Implementation Agreement in **annexure B**.

During the exclusivity period, MMX must not:

- (a) participate in any discussions or negotiations with, or enter into any agreement, arrangement or understanding with any third party in relation to a competing transaction, or communicate to a third party any intention to do any of these things; and
- (b) solicit or invite any enquiries, discussions or proposals in relation to a competing transaction, or communicate to any person an intention to do any of these things.

The obligations in **section 12.9(a)** are subject to fiduciary carve-outs. MMX must not provide information or due diligence materials to any third party in relation to a competing transaction unless a fiduciary carve-out to the obligations in **section 12.9(a)** applies.

During the exclusivity period, MMX must immediately notify MVT if MMX becomes aware of any approach to take action of a kind referred to in **section 12.9(a)** or **12.9(b)**, whether the approach is unsolicited or otherwise.

## **12.10 Foreign selling restrictions**

The distribution of this Scheme Booklet outside of Australia may be restricted by law and persons who come into possession of it should seek advice and observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws. MMX disclaims all liabilities to such persons. If you are a holder of Scheme Shares who is a nominee, trustee or custodian, you are advised to seek independent advice as to how you should proceed.

No action has been taken to register or qualify this Scheme Booklet, the Scheme or the New MVT Shares or, or otherwise permit a public offering of the New MVT Shares, in any jurisdiction outside of Australia.

## **12.11 Lodgment of this Scheme Booklet**

This Scheme Booklet was lodged with ASIC on 8 May 2014 for registration under section 412(6) of the Corporations Act before being sent to MMX Shareholders.

## **12.12 Consents and disclaimers of advisers**

Each of the parties named in this **section 12.12** as consenting parties:

- (a) has given and has not, before lodgment of this Scheme Booklet with ASIC, withdrawn its written consent to be named in this Scheme Booklet in the form and context in which it is named;

- (b) has given and has not, before the lodgment of this Scheme Booklet with ASIC, withdrawn its written consent to the inclusion of their respective statements and reports (where applicable) noted next to their names in this **section 12.12**, and the references to those statements and reports in the form and context in which they are included in this Scheme Booklet;
- (c) does not make, or purport to make, any statement in this Scheme Booklet other than those statements referred to in this **section 12.12** in respect of that person's name (and as consented to by that person); and
- (d) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Scheme Booklet.

The term "consent", as used in this Scheme Booklet, is used solely in the context of this Scheme Booklet and as that term is used in Australia. It is different from, and therefore not to be used as that term is or would be used in the US, including as defined under securities law in the US, in particular the US Securities Act.

<b>Role</b>	<b>Consenting Party</b>
Acquiring entity	Mercantile Investment Company Limited
Australian taxation adviser	Corrs Chambers Westgarth (Australian taxation considerations in <b>section 10</b> )
Independent Expert	Grant Thornton Corporate Finance Pty Ltd (Independent Expert's Report in <b>annexure A</b> )
Auditor for MMX	MNSA Pty Ltd (however Moore Stephens Sydney Corporate Finance Pty Ltd have been appointed to review the MVT NTA for the purposes of calculating Scheme Consideration)
Auditor for MVT	MNSA Pty Ltd
Registry	Link Market Services Limited
Australian legal adviser	Corrs Chambers Westgarth

### **12.13 Disclosure of fees and benefits received by certain persons**

No amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given for services provided by any person referred to in **section 12.12** in connection with the formation or promotion of MMX or the offer of New MVT Shares under the Scheme.

The persons named in this Scheme Booklet as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Scheme Booklet are those persons listed in **section 12.12**.

Each adviser will be entitled to receive professional fees charged in accordance with their normal basis of charging. The following table provides a breakdown of estimated fees of advisers and those parties which have prepared reports in connection with the Scheme.

<b>Item</b>	<b>Estimated fees / costs</b>
Legal and taxation advice fees	\$180,000
Counsel fees	\$30,000
Independent Expert fees	\$30,000
Audit fees	\$15,000
Registry fees	\$16,500
Total	\$275,000

#### **12.14 Documents available**

An electronic version of this Scheme Booklet is available for viewing and downloading online at MMX's website at <http://www.mml.net.au/irm/content/home.html>.

Further information about MVT is available at MVT's website at <http://www.mercantileinvestment.com.au/>.

#### **12.15 Other material information**

Except as set out in this Scheme Booklet, there is no other information material to the making of a decision in relation to the Scheme being information that is within the knowledge of any MMX Director, or any director of any related body corporate of MMX, which has not previously been disclosed to MMX Shareholders.

#### **12.16 Supplementary information**

MMX will issue a supplementary document to this Scheme Booklet if it becomes aware of any of the following between the date of lodgement of this Scheme Booklet for registration with ASIC and the Effective Date:

- (a) a material statement in this Scheme Booklet is or becomes false or misleading;
- (b) a material omission from this Scheme Booklet;
- (c) a significant change affecting a matter included in this Scheme Booklet; or
- (d) a significant new matter has arisen and it would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC.

Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, MMX may circulate and publish any supplementary document by:

- (e) placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- (f) posting the supplementary document on MMX's website; or
- (g) making an announcement to the ASX.

## 13 Glossary of terms

### 13.1 Definitions

In this Scheme Booklet (including the annexures), unless the context requires otherwise:

<b>Aggregate Cash Consideration</b>	means the aggregate of all of the Cash Consideration payable to Scheme Participants under this Scheme.
<b>ASIC</b>	means the Australian Securities and Investments Commission.
<b>Associate</b>	has the meaning given in the Corporations Act and a reference to an Associate of any person means a reference to the associates of that person within the meaning of the Act.
<b>Associated Shareholders</b>	means shareholders of MMX who are: (a) Associates of MVT; (b) nominees or custodians of an Associate of MVT; or (c) any nominees or custodians of MVT.
<b>ASX</b>	means ASX Limited (ACN 008 624 691) or, as the context requires, the financial market operated by it.
<b>Business Day</b>	means a weekday on which trading banks are open for business in Sydney, Australia, excluding any Saturday, Sunday or public holiday.
<b>Calculation Date</b>	means the date on which MMX and MVT calculate their NTAs respectively, which will be 5.00pm (Sydney time) on the Second Court Date.
<b>Capital Reduction Resolution</b>	means the resolution to be approved at both the General Meeting and the Class Meeting to reduce and cancel the Scheme Shares, as contemplated by the Scheme.
<b>Cash Consideration</b>	for each Scheme Share means an amount equal to the MMX NTA.
<b>Cash Election</b>	means an election by a Scheme Participant to receive the Cash Consideration for each Scheme Share held by that Scheme.
<b>CHES</b>	means the Clearing House Electronic Subregister System for the electronic transfer of securities and other financial products operated by ASX Settlement Pty Ltd (ACN 008 504 532).
<b>Class Meeting</b>	means the meeting of Scheme Participants to be convened to approve the Capital Reduction

	Resolution.
<b>Conditions Precedent</b>	means the conditions precedent set out in clause 3.1 of the Scheme Implementation Agreement.
<b>Corporations Act</b>	means the Corporations Act 2001 (Cth).
<b>Court</b>	means the Supreme Court of NSW or such other court of competent jurisdiction under the Corporations Act agreed to in writing by MMX and MVT.
<b>Deed Poll</b>	means the deed poll by MVT in favour of MMX and the Scheme Participants.
<b>Effective</b>	means, when used in relation to this Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Scheme.
<b>Effective Date</b>	means the date on which the Scheme becomes Effective.
<b>Election</b>	means an election of Scheme Consideration to receive: <ul style="list-style-type: none"> <li>• Cash Consideration; or</li> <li>• Scrip Consideration; or</li> <li>• a combination of the above in equal proportions.</li> </ul>
<b>Election Form</b>	means a form to be completed by MMX Shareholders to record their Election in relation to Scheme Consideration which accompanies the Scheme Booklet.
<b>End Date</b>	means 30 September 2014.
<b>Explanatory Statement</b>	means the statement pursuant to section 412 of the Corporations Act which has been, or will be, registered by ASIC in relation to this Scheme, a copy of which will be included in the Scheme Booklet.
<b>General Meeting</b>	means the meeting of MMX Shareholders to be convened to approve: <ol style="list-style-type: none"> <li>(a) the Subscription Resolution; and</li> <li>(b) the Capital Reduction Resolution,</li> </ol> as contemplated by the Scheme.
<b>Government Agency</b>	means any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or



	any state.
<b>Implementation Date</b>	means the fifth Business Day after the Record Date or such other date as MMX and MVT agree in writing.
<b>Independent Directors</b>	means Mr Paul Jensen and Mr Mark Licciardo. Given his role as a director of MVT, Mr Gabriel Radzysinski is not considered by the MMX Board to be independent.
<b>Independent Expert</b>	means Grant Thornton Corporate Finance Pty Ltd.
<b>Independent Expert's Report</b>	means the report prepared by the Independent Expert, providing an opinion, amongst other things, as to whether the Scheme is in the best interests of MMX Shareholders.
<b>Ineligible Foreign Shareholder</b>	means a Scheme Participant whose address on MMX's share register as at the Record Date is a place outside Australia and its external territories and New Zealand, unless MMX and MVT agree in writing that it is lawful and not unduly onerous or impracticable to issue that Scheme Participant with New MVT Shares when this Scheme becomes Effective.
<b>Merged Entity</b>	means the merged entity of MVT and MMX that will exist after implementation of the Scheme.
<b>MMX</b>	means Murchison Metals Limited (ACN 078 257 799)
<b>MMX Constitution</b>	means the constitution of MMX as amended from time to time.
<b>MMX Directors</b>	means the board of directors of MMX.
<b>MMX Material Adverse Change</b>	has the meaning given in the Scheme Implementation Agreement.
<b>MMX NTA</b>	has the meaning given in the Scheme.
<b>MMX Prescribed Occurrence</b>	has the meaning given in the Scheme Implementation Agreement.
<b>MMX Share</b>	means a fully paid ordinary share in the capital of MMX.
<b>MMX Shareholder</b>	means a person who is registered in the Share Register as the holder of a MMX Share.
<b>MMX Warranty</b>	has the meaning given in the Scheme Implementation Agreement.
<b>MVT</b>	means Mercantile Investment Company Limited (ACN 121 415 576).
<b>MVT Board</b>	means the board of directors of MVT.
<b>MVT Constitution</b>	means the constitution of MVT as amended

from time to time.

<b>MVT Information</b>	means the information set out in sections 7,8,9, and 12.2 and 12.3, MVT's chairman's letter on page 4 of this Scheme Booklet, and any other information relating specifically to MVT, MVT shares, the Merged Entity and MVT's intentions following implementation of the Scheme .
<b>MVT Material Adverse Change</b>	has the meaning given in the Scheme Implementation Agreement.
<b>MVT NTA</b>	has the meaning given in the Scheme.
<b>MVT Prescribed Occurrence</b>	has the meaning given in the Scheme Implementation Agreement.
<b>MVT Warranty</b>	has the meaning given in the Scheme Implementation Agreement.
<b>New MVT Share</b>	means a fully paid ordinary share in the capital of MVT to be issued in accordance with the Scheme.
<b>Nominee</b>	means a nominee, approved by ASIC, who will hold Scrip Consideration for the benefit of Ineligible Foreign Shareholders and arrange for the subsequent sale and distribution of net sale proceeds.
<b>NTA Formula</b>	is the formula for determining the Scrip Consideration calculated in accordance with <b>section 1.7A</b> .
<b>NTA Ratio</b>	Means the ratio of MMX NTA over the MVT NTA, as used in the NTA Formula in <b>section 1.7A</b> .
<b>Proxy Form</b>	means each of the personalised forms for appointing a proxy accompanying this Scheme Booklet at each of the Scheme Meeting, General Meeting and Class Meeting.
<b>Record Date</b>	means 7.00pm (Sydney time) on the fifth Business Day after the Effective Date.
<b>Registered Address</b>	means, in relation to a MMX Shareholder, the address of the MMX Shareholder as recorded in the Share Register.
<b>Registry</b>	means Link Market Services of Level 12, 680 George Street, Sydney, NSW 2000.
<b>Regulatory Approvals</b>	has the meaning given in clause 3.1(a) of the Scheme Implementation Agreement.
<b>Related Bodies Corporate</b>	means has the meaning given in the Corporations Act.
<b>Scheme</b>	means the scheme of arrangement under Part 5.1 of the Corporations Act between MMX and the Scheme Participants as annexed in

**annexure C.**

<b>Scheme Booklet</b>	means this document.
<b>Scheme Consideration</b>	means, depending on the Election or deemed Election made by a Scheme Participant, for each Scheme Share: (a) the Cash Consideration; (b) the Scrip Consideration; or (c) a combination of Cash Consideration and Scrip Consideration in equal proportions.
<b>Scheme Implementation Agreement</b>	means the scheme implementation agreement between MMX and MVT dated 17 March 2014, and set out in <b>annexure B</b> .
<b>Scheme Meeting</b>	means the meeting of MMX Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act.
<b>Scheme Participant</b>	means each MMX Shareholder as at the Record Date, other than MVT and its Associated Shareholders.
<b>Scheme Resolution</b>	means the resolution that MMX Shareholders are asked to vote on at the Scheme Meeting, set out in <b>section 11.6</b> .
<b>Scheme Share</b>	means a MMX Share held by a Scheme Participant as at the Record Date.
<b>Scrip Consideration</b>	for each Scheme Share means the number of New MVT Shares determined by the NTA Formula.
<b>Scrip Election</b>	means an election by a Scheme Participant to receive the Scrip Consideration for each Scheme Share held by that Scheme Participant. For avoidance of doubt, an election made by an Ineligible Foreign Shareholder purporting to be a Scrip Election is of no effect.
<b>Second Court Date</b>	means the first day on which the application made to the Court for an order for the purposes of section 411(4)(b) of the Corporations Act approving the Scheme is heard.
<b>Shareholder Information Line</b>	means the telephone line managed by the Registry to assist Scheme Participants with enquiries in relation to the Scheme.
<b>Share Register</b>	means the register of members of MMX.
<b>Subscription Resolution</b>	means the resolution to be approved at the General Meeting to subscribe for the New MVT Shares comprising the Scrip Consideration, as contemplated by the Scheme.

<b>Subscription Monies</b>	means the value of the New MVT Shares to be issued as the Scrip Consideration component of the Scheme Consideration (as determined following receipt of the Elections of Scheme Participants).
<b>Subsidiary</b>	has the meaning set out in the Corporations Act.
<b>Unmarketable Share Parcel Facility</b>	means a share facility which enabled MMX Shareholders who held MMX Shares with an aggregate market value of less than \$500 (an unmarketable parcel), and allowed them to sell their shareholding without incurring brokerage or handling costs.
<b>VWAP</b>	means volume weighted average price.

## 13.2 Interpretation

In this Scheme Booklet (including the annexures) unless the context otherwise requires:

- (a) A number of figures, amounts, percentages, estimates, calculations of value and fractions in this Scheme Booklet are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Scheme Booklet.
- (b) Except where otherwise stated, all references to times in this Scheme Booklet are references to Sydney Time.
- (c) All references to "\$", "dollar" and "cent" are references to Australian currency, unless stated otherwise.
- (d) Words and phrases not otherwise defined in this Scheme Booklet (excluding the annexures) have the same meaning (if any) as is given to them by the Corporations Act.
- (e) The singular includes the plural and vice versa. A reference to a person includes a reference to a corporation.
- (f) Headings are for ease of reference only and do not affect the interpretation of this Scheme Booklet.
- (g) A reference to a section is to a section in this Scheme Booklet unless stated otherwise.

# Annexure A

## Independent Expert Report



**Grant Thornton**

An instinct for growth™

# Murchison Metals Ltd

Independent Expert's Report and Financial Services Guide

8 May 2014

The Independent Directors  
Murchison Metals Ltd  
Level 11  
139 Macquarie Street  
Sydney NSW 2000

**Attn: Paul Jensen**

8 May 2014

Dear Independent Directors

## **Independent Expert's Report and Financial Services Guide**

### **Introduction**

On 17 March 2014, Murchison Metals Limited (“MMX” or “the Company”) announced that it has entered into a Scheme Implementation Agreement (“SIA”) to merge with Mercantile Investment Company Limited (“MVT”) by way of scheme of arrangement (“SOA” or the “Proposed Scheme”). MVT holds a 27.88% interest in MMX and the two companies have a common director.

Under the terms of the Proposed Scheme, MMX shareholders not associated with MVT (“Non-Associated Shareholders”) will be asked to approve the buyback and cancellation of their MMX shares so that if the Proposed Scheme is implemented, MMX will become a wholly owned subsidiary of MVT and delisted from the ASX.

The Non-Associated Shareholders can elect to receive the following consideration (“Scheme Consideration”):

- to receive cash consideration for up to 100% of their MMX shares (the Cash Consideration). The Cash Consideration will be calculated based on the pre-tax net tangible asset value (“NTA”) of MMX less the costs associated with implementing the Proposed Scheme at the Calculation Date<sup>1</sup>.
- to exchange 100% of their MMX shares for shares in MVT (the Scrip Consideration). The number of new MVT shares to be issued to each MMX shareholder (the New MVT Shares) will be based on the relative pre-tax NTA backing per share of MMX and MVT less transaction costs at the Calculation Date (“the Scrip Consideration”). The formula to determine the number of shares to be issued to Non-Associated Shareholders is outlined in section 1.
- 50% of the Cash Consideration and 50% of the Scrip Consideration (“Mixed Consideration”).

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<sup>1</sup> Under the SIA, the Calculation Date is the date of the second court date which is the first day on which the application made to the Court for an order for the purposes of section 411(4)(b) of the Corporations Act approving the Proposed Scheme is heard.

**Grant Thornton Corporate Finance Pty Ltd**  
ABN 59 003 265 987  
AFSL 247140

Level 17, 383 Kent Street  
Sydney NSW 2000  
PO Locked Bag Q800  
QVB Post Office  
Sydney NSW 1230  
T + 61 2 8297 2400  
F + 61 2 9299 4445  
E [info@qtnsw.com.au](mailto:info@qtnsw.com.au)  
W [www.grantthornton.com.au](http://www.grantthornton.com.au)



Based on the latest balance sheet of MMX as at 31 March 2014, we have set out in the table below a summary of the Scheme Consideration under the different alternatives.

Type of Consideration	Consideration value
Cash Consideration	A\$0.0487 per share.
Scrip Consideration	Non-Associated Shareholders will receive 0.3086 MVT Shares for every 1 MMX Share held (see section 1.1). Based on the share price of MVT as at 14 April 2014, the Scrip Consideration is equivalent to A\$0.0417 per share.
Mixed Consideration	A\$0.0452

The SIA includes “no talk no shop” provisions customary for a transaction of this type.

Under certain circumstances, MMX and MVT may pay to each other a break fee capped at \$100,000 for MMX and at \$150,000 for MVT. Refer to section 11.13 of the Scheme Booklet for more details.

The Directors of MMX other than Mr Gabriel Radzyminski<sup>2</sup> (“the Independent Directors”) believe that the Proposed Scheme is in the best interest of Non-Associated Shareholders and recommend that Non-Associated Shareholders vote in favour of the Proposed Scheme.

### **Purpose of the report**

Section 411 of the Corporations Act 2001 regulates scheme of arrangements between companies and their members. Paragraph 8303, Part 3 of Schedule 8 of the Corporations Regulations 2001 (“Corporation Regulations”), requires an independent expert’s report in relation to a scheme to be prepared when the two companies have a common director.

MMX and MVT share a common director. Accordingly, the Independent Directors of MMX have requested Grant Thornton Corporate Finance to prepare an independent expert’s report pursuant to Part 3 of Schedule 8 of the Corporation Regulations to state whether the Proposed Scheme is in the best interests of the Scheme Shareholders.

### **Summary of opinion**

In forming our opinion on the Proposed Scheme, we have separately considered the fairness and reasonableness of the Cash Consideration, Scrip Consideration and Mixed Consideration.

A summary of our opinion is outlined below:

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<sup>2</sup> Mr Gabriel Rayminski is a director of MVT, accordingly he is not considered by the MMX Directors to be independent.





- We are of the opinion that the Cash Consideration is FAIR AND REASONABLE to Non-Associated Shareholders.
- We are of the opinion that the Scrip Consideration is NOT FAIR and NOT REASONABLE to Non-Associated Shareholders.
- We are of the opinion that the Mixed Consideration is FAIR AND REASONABLE to Non-Associated Shareholders.

**In the absence of a superior proposal, we have concluded that overall the Proposed Scheme is in the best interest of the Non-Associated Shareholders in particular having regard to our fairness and reasonableness assessment of the Cash Consideration and Mixed Consideration.**

## Cash Consideration

### *Fairness of the Cash Consideration*

In forming our opinion on the fairness of the Cash Consideration for the Proposed Scheme, Grant Thornton Corporate Finance has compared the fair market value of MMX shares on a control basis before the Proposed Scheme with the Cash Consideration as summarised below:

Fairness assessment	Section Reference	Low cents	High cents
Cash consideration per share (cents)	9.2	4.87	4.87
Fair market value of MMX Share (on control basis)	7.0	4.33	4.87
Difference		0.54	0.00
<b>Premium/(Discount)</b>		<b>11.07%</b>	<b>0.00%</b>

Source: GTCF calculations

The Cash Consideration is at the high end of our assessed valuation range of MMX on a control basis. Accordingly, we conclude that the Cash Consideration is fair to the Non-Associated Shareholders.

Non-Associated Shareholders should be aware that our assessment of the value per MMX Share does not reflect the price at which MMX Shares will trade if the Proposed Scheme is not implemented. The price at which MMX Shares will ultimately trade depends on a range of factors including the liquidity of MMX Shares, macro-economic conditions, the underlying performance of MMX and the supply and demand for MMX Shares.

Based on the terms of the SIA, the final Cash Consideration will only be determined on the Calculation Date based on MMX and MVT's NTA at that point in time. Whilst the Cash Consideration at Calculation Date may be different from the Cash Consideration calculated above having regard to the NTA of MVT and MMX as at 31 March 2014, we note that based on the methodologies adopted in our valuation assessment, any movements in the NTA of MMX and MVT between 31 March 2014 and the Calculation Date will be reflected in a \$ for \$ adjustment to our valuation assessment. Accordingly, our fairness opinion will not be impacted.



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### ***Reasonableness of the Cash Consideration***

In accordance with RG111, if a proposal is fair, it is also reasonable. Consequently, the Cash Consideration is reasonable.

We have also considered the following factors in our assessment of the reasonableness of the Cash Consideration:

#### *Advantages*

- In the absence of the Proposed Scheme, it is unlikely that the Non-Associated Shareholders will have the opportunity to realise their investment in MMX at a price in line with the Cash Consideration.
- The Cash Consideration is at a premium to the share trading prices of MMX before the announcement of the Proposed Scheme.
- The liquidity of MMX trading prices is limited. The Cash Consideration provides an opportunity to the Non-Associated Shareholders to exit their investments in an illiquid stock at a price at the high end of our assessment of the fair market value.
- Non-Associated Shareholders will not incur any brokerage costs in the realisation of their investment in MMX.

#### *Disadvantages*

- 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 7.1 for details. Whilst this investment has been fully written off in MMXs' accounts, the valuation of Cashmere is uncertain and based on limited information at the time of our valuation. Non-Associated Shareholders electing to receive the Cash Consideration will not be able to participate in any future potential uplift of Cashmere compared with our valuation assessment (if any).
- Non-Associated Shareholders electing to receive the Scrip Consideration may incur a capital gain tax liability. Participating MMX Shareholders should consult their tax advisors in relation to their personal circumstances.

#### *Reasonableness conclusion on the Cash Consideration*

Based on the qualitative factors identified above, it is our opinion that the Cash Consideration is reasonable to the Non-Associated Shareholders.

### ***Fairness of the Scrip Consideration***

In forming our opinion on the fairness of the Scrip Consideration for the Proposed Scheme, Grant Thornton Corporate Finance has compared the fair market value of MMX shares on a control basis with the Scrip Consideration on a per share basis as summarised below:

Fairness assessment	Section Reference	Low cents	High cents
Assessed value of Scrip Consideration per share (cents)	9.3	4.14	4.34
Fair market value of MMX Share (on control basis)	7.0	4.33	4.87
Difference		(0.19)	(0.53)
<b>Premium/(Discount)</b>		<b>-4.54%</b>	<b>-12.20%</b>

Source: GTCF calculations

The Scrip Consideration is not within our assessed valuation range of MMX on a control basis before the Proposed Scheme. Accordingly, we have concluded that the Scrip Consideration is not fair to the Non-Associated MMX Shareholders.

We note that our valuation assessment of the Scrip Consideration is consistent with the trading prices of MVT post announcement of the Proposed Scheme. Should the trading prices of MVT between the date of this report and the Scheme meeting increase relatively more than the NTA at Calculation Date, Non-Associated Shareholders should take this factor into account in the selection of the preferred consideration if the Proposed Scheme is implemented.

Non-Associated Shareholders should be aware that our assessment of the Scrip Consideration does not reflect the price at which MVT Shares will trade if the Proposed Scheme is implemented. The price at which MVT Shares will ultimately trade depends on a range of factors including the liquidity of MVT Shares, macro-economic conditions, the underlying performance of MVT and the supply and demand for MVT Shares.

Changes in the pre-tax NTA of MVT may affect the value of Scrip Consideration and the value of 100% of the shares in MVT. Accordingly, we have set out below a sensitivity analysis in conjunction with different levels of pre-tax NTA of MVT at Calculation Date.

	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Pre-tax NTA of MVT	30,000	32,500	35,000	37,500	39,596	42,500	45,000	47,500	50,000
<b>Scrip Consideration - Low value</b>	<b>3.97</b>	<b>4.02</b>	<b>4.07</b>	<b>4.11</b>	<b>4.14</b>	<b>4.18</b>	<b>4.22</b>	<b>4.24</b>	<b>4.27</b>
<b>Scrip Consideration - High value</b>	<b>4.21</b>	<b>4.25</b>	<b>4.29</b>	<b>4.32</b>	<b>4.34</b>	<b>4.37</b>	<b>4.39</b>	<b>4.41</b>	<b>4.43</b>
<b>Fairness opinion</b>	<b>Not Fair</b>	<b>Not Fair</b>	<b>Not Fair</b>	<b>Not Fair</b>	<b>Not Fair</b>	<b>Not Fair</b>	<b>Not Fair</b>	<b>Possibly Fair</b>	<b>Possibly Fair</b>

Source: GTCF calculations

The sensitivity analysis above shows that assumed changes to the pre-tax NTA of MVT may have an impact on our fairness assessment.

### ***Reasonableness of the Scrip Consideration***

RG111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite being not fair, there are sufficient reasons for the security holders to accept the Scrip Consideration in the absence of any superior proposal. In assessing the reasonableness of the Proposed Scheme, we have considered the following:

#### *Advantages*

- Non-Associated Shareholders electing to receive the Scrip Consideration will become shareholders of MVT. MVT has achieved a total shareholders return of 38.2% based on



share price and of 55.7% based on NTA between January 2012 and February 2014. Sir Ron Brierley, the Chairman of MVT, leads MVT's investment activities<sup>3</sup>.

- The corporate expenses of the combined group should reduce as a result of the elimination of duplicated expenses and increased size of the assets under management.
- Non-Associated Shareholders should benefit from the greater liquidity of MVT Shares compared with MMX Shares. However, we note that the liquidity of MVT Shares is also somehow limited.
- Non-Associated Shareholders accepting the Scrip Consideration may be eligible for capital gains tax rollover relief.

### *Disadvantages*

- The Scrip Consideration is not fair.
- The risk profile, focus and key value drivers of MVT as a listed investment company are different from what the Non-Associated Shareholders are familiar with in MMX.
- The asset portfolio of MVT is not highly diversified in comparison to other listed investment companies. One investment accounts for more than 60% of the total portfolio by value.
- If all Non-Associated Shareholders elect to receive the Scrip Consideration, Non-Associated Shareholders will collectively hold a 19.8% interest into the enlarged share capital of MVT. Accordingly they will have, collectively, significantly less influence and control over the future direction of the Company.

### *Reasonableness conclusion on the Scrip Consideration*

Based on the qualitative factors identified above, it is our opinion that the Scrip Consideration is not reasonable to the Non-Associated Shareholders. In reaching our conclusions, we have predominantly had regard to the following:

- The Scrip Consideration is not fair.
- Given the MVT's investment portfolio is publicly available, Non-Associated Shareholders could replicate MVT investments without electing to receive the Scrip Consideration.

### *Fairness of the Mixed Consideration*

In forming our opinion on the fairness of the Mixed Consideration for the Proposed Scheme, Grant Thornton Corporate Finance has compared the fair market value of MMX

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<sup>3</sup> Sir Ron Brierley founded Brierley Investments Ltd ("BIL") in 1961, which became one of the largest companies listed on the New Zealand stock exchange in the 1980s. In 1990, Sir Ron was appointed Chairman of Guinness Peat Group Plc ("GPG") which is an investment holding company with a diversified range of strategic interests in a number of businesses. GPG is listed on the London, Australia and New Zealand stock exchange. Sir Ron Brierley stepped down as Chairman of GPG in 2010, and remains a non-executive director.



shares on a control basis with the value on a per share basis of the Mixed Consideration as summarised below:

Fairness assessment	Section Reference	Low cents	High cents
Assessed value of Scrip Consideration per share (cents)	9.4	<b>4.47</b>	<b>4.58</b>
Fair market value of MMX Share (on control basis)	7.0	4.33	4.87
Difference		0.14	(0.29)
<b>Premium/(Discount)</b>		<b>3.03%</b>	<b>-6.42%</b>

Source: GTCF calculations

The Mixed Consideration is within our assessed valuation range of an MMX Share on a control basis. Accordingly, we conclude that the Mixed Consideration is fair to the Non-Associated MMX Shareholders.

### ***Reasonableness of the Mixed Consideration***

In accordance with RG111, if a proposal is fair, it is also reasonable. Consequently, the Mixed Consideration is reasonable. Based on the qualitative factors identified above in relation to the Cash Consideration and the Scrip Consideration, it is our opinion that the Mixed Consideration is reasonable to the Non-Associated Shareholders.

### **Other factors applying to the Scheme Consideration**

- If the Proposed Scheme is implemented Non-Associated Shareholders participating in the Proposed Scheme will be able to do so without incurring brokerage costs.
- In the absence of the Proposed Scheme, the share price of MMX may fall from the current levels.
- In the event that MMX Shareholders or the Court do not approve the Proposed Scheme, the MMX Shareholders will retain their interests in MMX, which will continue to operate as a separate entity and will continue to be listed on ASX.

### **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 as to whether or not to approve the Propose Scheme and what proportion of shares and cash should they accept is a matter for each shareholder of MMX based on their own views of value, personal risk preferences and financial objectives, and expectations about future market conditions, MMX’s performance, risk profile and investment strategy. If the shareholders are in doubt about the action they should take in relation to the Proposed Scheme, they should seek their own professional advice.



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Yours faithfully,  
GRANT THORNTON CORPORATE FINANCE PTY LTD

ANDREA DE CIAN  
Director

LIZ SMITH  
Director



## **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 Scheme”).

This report is included in the Notice of Meeting and Explanatory Memorandum outlining the Proposed Scheme.

### **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 \$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 Scheme.*

*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.





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## **7 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.

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## 1 Outline of the Proposed Scheme

### 1.1 Key terms of the Proposed Scheme

Murchison Metals Limited (“MMX” or “the Company”) is listed on the Australian Securities Exchange Limited (“ASX”) and it had a market capitalisation of approximately \$13.1 million as at 14 April 2014. MMX is a listed cash shell with no business activities.

Mercantile Investment Company Limited (“MVT”) is an ASX listed investment company with a focus on Australian listed securities. As at 14 April 2014, MVT has a market capitalisation of approximately \$33.8 million. MVT holds a 27.88% interest in MMX and the two companies have a common director.

On 17 March 2014, MMX announced that it had entered into a Scheme Implementation Agreement (“SIA”) to effect a merger with MVT by way of a scheme of arrangement (“the Proposed Scheme”). The Proposed Scheme is subject to a number of conditions such as MMX shareholders’ approval of capital reduction resolution and subscription resolution amongst others (see Section 1.2).

Under the Proposed Scheme, the shareholders of MMX not associated with MVT (“Non-Associated Shareholders”) can elect to receive one of the following as consideration (“Scheme Consideration”):

- 100% in cash based on the pre-tax net tangible asset value (“NTA”) of MMX less the costs associated with implementing the Proposed Scheme at the Calculation Date<sup>4</sup> (“Cash Consideration”). Based on the latest balance sheet of MMX as at 31 March 2014, the Cash Consideration is equivalent to A\$0.0487 per share.
- 100% in shares of MVT based on the relative pre-tax net tangible asset backing per share of MMX and MVT at the Calculation Date (“the Scrip Consideration”). The number of new MVT Shares to be issued to MMX Shareholders who elect to receive the Share Consideration is based on the formula below:

$$\text{New MVT Shares} = \text{MMX Shares} \times \frac{\text{MMX NTA}}{\text{MVT NTA}}$$

Where:

- New MVT means the number of New MVT Shares to be issued to each Non-Associated Shareholder.
- MMX Shares means the number of Scheme Shares held by the eligible Non-Associated Shareholder as at the Record Date for which the Scrip Consideration has been elected.
- MMX NTA means the pre-tax net tangible asset backing of MMX per Scheme Share (less deferred tax assets carried on the balance sheet and transaction costs)

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<sup>4</sup> Under the SIA, the Calculation Date is the date of the second court date which is the first day on which the application made to the Court for an order for the purposes of section 411(4)(b) of the Corporations Act approving the Proposed Scheme is heard.

- MVT NTA means the pre-tax net tangible asset backing of MVT (less deferred tax assets and deferred tax liabilities carried on the balance sheet and transaction costs) per MVT share.
- Calculation Date means the date on which MMX and MVT calculate their MMX NTA and MVT NTA respectively, which will be the Second Court Date of the Scheme.
- An example of the calculation of the number of New MVT shares is set out in Section 1.7 of the Scheme Booklet.
- Based on the latest balance sheet of MMX and MVT as at 31 March 2014, Non-Associated Shareholders electing to receive the Scrip Consideration will receive 0.3086 MVT Shares for every 1 MMX Share held. Based on the share price of MVT as at 14 April 2014, the Scrip Consideration is equivalent to A\$0.0417.
- A combination of 50% Cash Consideration and 50% Scrip Consideration (“the Mixed Consideration”). Based on the latest balance sheet of MMX and MVT as at 31 March 2014 and the share price of MVT as at 14 April 2014, the Mixed Consideration is equivalent to A\$0.0452.

The Proposed Scheme will be implemented via the following steps:

1. Non-Associated Shareholders will be asked to approve the subscription (“Subscription”) by MMX of new MVT Shares (“New MVT Shares”) which will form the Scrip Consideration component of the Scheme Consideration.
2. MMX will then undertake a capital reduction (“Capital Reduction”) whereby all MMX Shares, other than those held by MVT will be cancelled.
3. Those MMX Shareholders who elected to receive the Scrip Consideration will receive the New MVT Shares in consideration for the share cancellation.
4. MMX will then provide the Cash Consideration component of the Scheme Consideration as consideration for the share cancellation to those MMX Shareholders who elected to receive Cash Consideration.

The SIA includes “no talk no shop” provisions customary for a transaction of this type.

Under certain circumstances, MMX and MVT may pay to each other a break fee capped at \$100,000 for MMX and at \$150,000 for MVT. Refer to section 11.13 of the Scheme Booklet for more details.

The Directors of MMX other than Mr Gabriel Radzysinski<sup>5</sup> (“the Independent Directors”) believe that the Proposed Scheme is in the best interest of Non-Associated Shareholders and recommend that Non-Associated Shareholders vote in favour of the Proposed Scheme.

None of the Independent Directors are shareholders of MMX, however Paul Jensen has a relevant interest in 390,901 MVT shares (by way of his interest as trustee and beneficiary of the Jensen Family Retirement Fund).

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<sup>5</sup> Mr Gabriel Rayminski is a director of MVT, accordingly he is not considered by the MMX Directors to be independent.

## **1.2 Key conditions of the Proposed Scheme**

The Proposed Scheme is subject to a number of conditions customary for a transaction of this kind, including but not limited to the following:

- The Non-Associated Shareholders approve the Proposed Scheme by the majorities required under section 411 (4)(a)(ii) of the Corporations Act, 2001 (“Corporations Act”);
- MMX Shareholders approve the Capital Reduction and the Subscription.
- No material adverse change and/or prescribed occurrences have occurred on or before the second court date including changes in the structure of MMX’s shares capital, MMX acquiring or disposing assets for more than \$200,000 or entering or terminating any contract involving revenue or expenditure of more than \$200,000 (without MVT’s consent).
- No breach of warranty has occurred on or before the second court date.
- No restraining order, injunction or any other order issued by any legal or regulatory authority that prevents implementation of the Proposed Scheme
- Approval of the Proposed Scheme by the Court in accordance with section 411(4)(b) of the Corporations Act.

## **1.3 Effects of the Proposed Scheme**

If implemented, the Proposed Scheme will have the following effects:

- Non-Associated Shareholders will have their shareholding in MMX cancelled.
- MMX will become a wholly owned subsidiary of MVT and be delisted from the ASX.
- Non-Associated Shareholders will receive the Cash Consideration, Scrip Consideration or the Mixed Consideration in accordance with the terms of the SIA.
- If all Non-Associated Shareholders elect to receive the Scrip Consideration, the Non-Associated Shareholders will collectively hold 19.82% of the enlarged share capital of MVT.
- MVT intends to procure that all the members of the MMX Board and the boards of MMX’s subsidiaries will be nominees of MVT.
- Sir Ron Brierley, the Chairman of MVT, will act as Chairman of the enlarged company.
- MVT intends to review any remaining assets of MMX to evaluate their prospects and to use any capital remaining within MMX following implementation of the Proposed Scheme to further its investment activities.

## **2 Purpose and scope of the report**

### **2.1 Purpose**

Section 411 of the Corporations Act, 2001 regulates schemes of arrangement between companies and their members. Part 3 of Schedule 8 of the Corporations Regulations 2001 prescribes information to be sent to shareholders and creditors in relation to members' and creditors' schemes of arrangement pursuant to Section 411 of the Corporations Act.

Part 3 of Schedule 8 (s640) of the Corporations Regulations requires an independent expert's report in relation to a scheme to be prepared when a party to that scheme has a shareholding greater than 30% in the company subject to the scheme, or where any of its directors are also directors of the company subject to the scheme. In those circumstances, the independent expert's report must state whether a scheme is in the best interests of shareholders and state reasons for that opinion. Even where there is no requirements for an independent expert's report, documentation for a scheme of arrangement typically includes an independent expert's report.

As at the date of the report, MVT only holds 77,568,408 ordinary shares in MMX (representing approximately 27.88% of the ordinary shares on issue, which is less than the 30% threshold for an IER requirement). However, Mr Gabriel Radyminski is a common director of MMX and MVT. Accordingly, there is a legal requirement for an independent expert's report to be prepared in respect of the Proposed Scheme. In this regard, the Independent Directors of MMX have requested Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton Corporate Finance") to prepare an independent expert's report to express an opinion as to whether the Proposed Scheme is in the best interests of MMX Shareholders.

### **2.2 Basis of assessment**

In determining whether the Proposed Scheme is in the best interests of the Company's members, Grant Thornton Corporate Finance has had regard to relevant Regulatory Guides issued by the ASIC, including Regulatory Guide 111 Contents of expert reports ("RG111"), Regulatory Guide 60 Scheme of arrangement ("RG60") and Regulatory Guide 112 Independence of experts ("RG112"). The independent expert's report will also include other information and disclosures as required by ASIC. We note that neither the Corporations Act nor the Corporations Regulations define the term "in the best interests of members".

RG 111 establishes certain guidelines in respect of independent expert's reports prepared for the purposes of the Corporations Act. RG111 is framed largely in relation to reports prepared pursuant to Section 640 of the Corporations Act and comments on the meaning of "fair and reasonable" in the context of a takeover offer. RG111 requires an independent expert prepared for a change of control transaction implemented by way of scheme of arrangement to undertake an analysis substantially the same as for a takeover bid. However, the opinion of the expert should be whether or not the proposed scheme is "in the best interests of the members of the company". If an expert were to conclude that a proposal was "fair and reasonable" if it was in the form of a takeover bid, it will also conclude that the proposed scheme is "in the best interests of the members of the company".

Pursuant to RG111, an offer is “fair” if the value of the offer price or consideration is equal to or greater than the value of the securities that are subject of the offer. A comparison must be made assuming 100% ownership of the target company.

RG111 considers an offer to be “reasonable” if it is fair. An offer may also be reasonable if, despite not being “fair” but after considering other significant factors, shareholders should accept the offer in the absence of any higher bid before the close of the offer.

In our opinion, the most appropriate way to evaluate the fairness of the Proposed Scheme is to compare the following:

- Cash Consideration – the fair market value of MMX before the Proposed Scheme on a control basis with the value of the Cash Consideration.
- Scrip Consideration – the fair market value of MMX before the Proposed Scheme on a control basis with the value of the Scrip Consideration (i.e. enlarged MVT) on a minority basis.
- Mixed Consideration – the fair market value of MMX before the Proposed Scheme on a control basis with the value of the Mixed Consideration.

In considering whether the Proposed Scheme is in the best interests of Non-Associated Shareholders, we have considered a number of factors, including:

- Whether the Proposed Scheme is fair.
- The implications to the Non-Associated Shareholders if the Proposed Scheme is not approved.
- Other likely advantages and disadvantages associated with the Proposed Scheme.
- Other costs and risks associated with the Proposed Scheme that could potentially affect the Non-Associated Shareholders.

### **2.3 Independence**

Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to the Proposed Scheme with reference to RG 112.

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the Proposed Scheme other than that of an 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 Scheme.

In accordance with RG112 paragraph 34, we disclose the following professional relationships with MMX in the previous two years:

- June 2013 – Grant Thornton Corporate Finance, prepared an independent expert’s report in relation to an off market equal access buy back of shares in MMX.

#### **2.4 Consent and other matters**

Our report is to be read in conjunction with the Scheme Booklet dated on or around 8 May 2014 in which this report is included, and is prepared for the exclusive purpose of assisting the Non-Associated Shareholders in their consideration of the Proposed Scheme. 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 Scheme Booklet.

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

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



### 3 Profile of the industry

MMX is a cash shell which does not carry on any material business although does own some minor exploration assets.

MVT is a Listed Investment Company (“LIC”) which holds investments in a number of industries, including financials<sup>6</sup>, energy, materials, health care, information technology, consumer discretionary and industrials<sup>7</sup> in Australia and the UK. Set out in this section is an overview of the LIC sector.

#### 3.1 Overview

Listed managed investments on the ASX can be categorised into four groups, namely Australian Real Estate Investment Trusts (“AREIT”), Listed Investment Company and Trust (“LIC” and “LIT”), Infrastructure Funds, and Absolute Return Funds. LICs and LITs make up the majority of the listed managed investments entities on the ASX.

LICs and LITs (collectively referred to as “LIs”) allow an investor to invest in a diversified and professionally managed portfolio of financial assets (e.g. listed shares, property, and fixed income assets such as interest bearing deposits). In addition, LIs provide opportunity for investors who do not have the expertise in investments to gain exposure to the risk and returns of investing in the stock market. Investors in LIs can select the investment style that suits their investment objectives, investment horizons and risk preferences.

Besides similarities, LICs and LITs are different in two main aspects as set out in the following tables:

	LICs	LITs
Legal structures	Incorporated as companies	Incorporated as trusts
Payments to investors	Paying dividends is at the discretion of the manager.	Paying dividends is compulsory. In particular, LITs must pay out all surplus income to investors in distribution forms.

Source: ASX

#### 3.2 LICs structure

As investors join or withdraw their investments in LICs, investors trade shares in LICs with other investors via the ASX, i.e. LICs do not issue new shares or cancel current shares for investment rebalance purposes by investors. This characteristic (also known as ‘closed-ended’ characteristic) is regarded as an advantage for LICs’ management since they can concentrate on investment selection without the risk of unexpected money outflow from the company. Occasionally, LICs’ size may change through share issuances or via share buybacks and share cancellations.

In addition, most LICs’ will usually aim to provide income to their shareholders by paying dividends which are franked to the greatest extent possible.

<sup>6</sup> Approximately 77% of the portfolio value was contributed by financial assets in the Financials sector (including Diversified Financials and Real Estate) based on MVT’s portfolio balance value as at 31 March 2014.

<sup>7</sup> The only Industrials stock that MVT held as at 31 December 2013 was Dolomatrix International Ltd, which has been delisted since 10 December 2013.

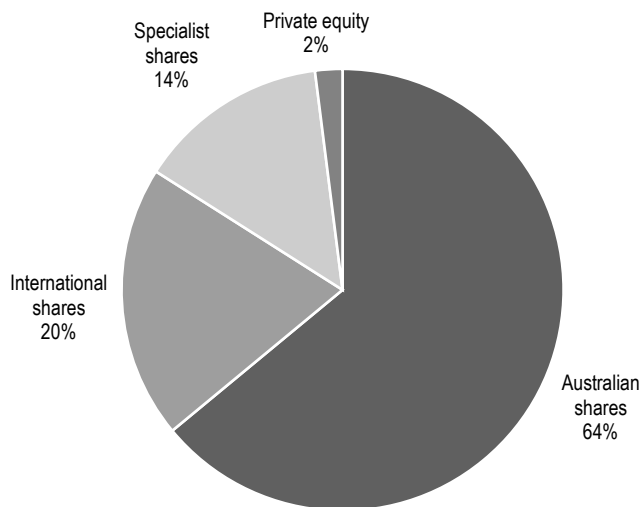
### 3.3 Investment approaches

Investment styles and approaches can vary across entities and range from conservative to aggressive. Broadly speaking, LICs can be divided into four categories:

- Australian shares investments: invest primarily in shares listed on the ASX.
- International shares investments: invest primarily in shares listed on international stock indices.
- Private equity investments: invest primarily in Australian and/ or international unlisted private companies.
- Specialist shares investments: invest primarily in special assets or investment industries such as wineries, technology companies etc.

The following chart sets out the breakdown of LICs based on investment types as at 28 February 2014:

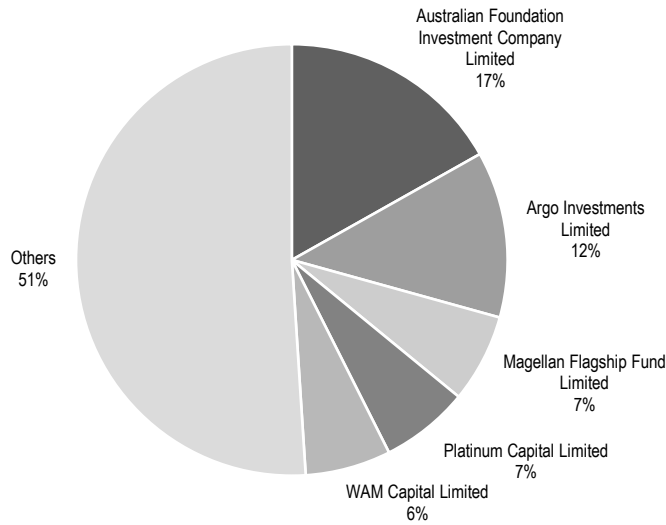
**Number of LICs based on investment types  
as at 28 February 2014**



Source: ASX.

Based on the above, Australian shares investments dominate the listed managed investments market on the ASX in terms of the number of entities. On average, approximately 84% of LICs in Australia invest in Australian shares or International shares investments.

The following chart sets out the market breakdown of LICs ranked by value traded as at 28 February 2014:



Source: ASX.

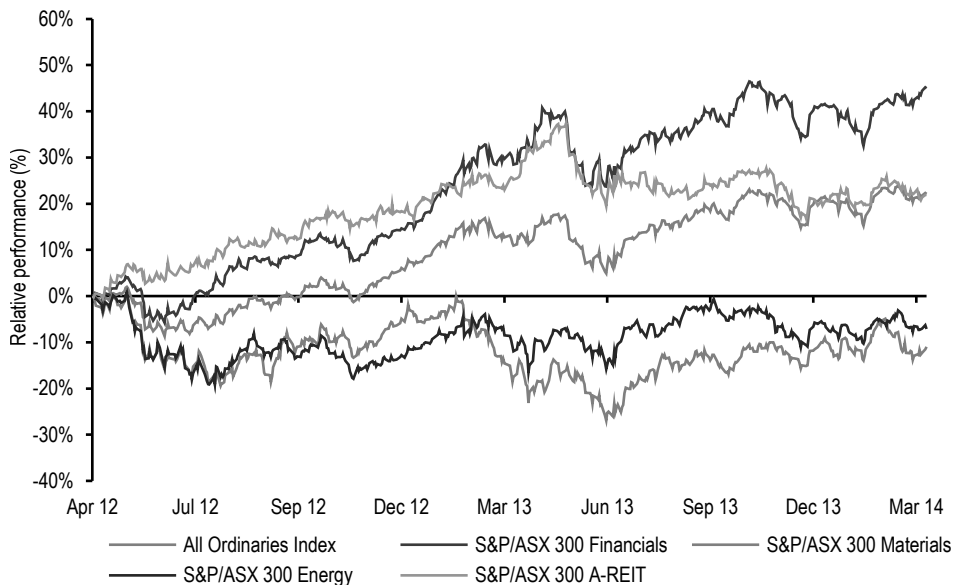
Among top five LICs, three companies are Australian shares investments, namely Australian Foundation Investment Company Ltd, Argo Investment Ltd, and WAM Capital Ltd. The rest are categorised as International shares funds. Top five LICs accounts for approximately 49% of the total market in terms of value traded.

### 3.4 Industry drivers

#### 3.4.1 Relative performance

Since LICs hold investments in financial assets across different industries and markets, their performance is highly correlated with the performance of the stock market as a whole.

The following graph represents the historical movements in the All Ordinaries Index and other industry indices over the last 2 years.



Source: Capital IQ and GTCF calculations.

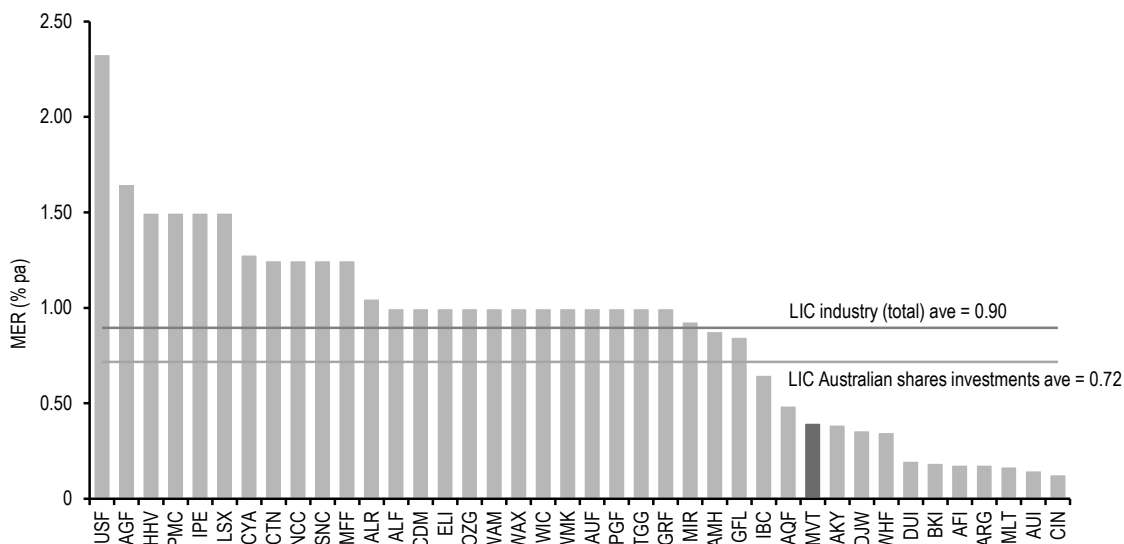
Over the last two years (especially over the last 12 months), improved business and consumer confidence in combination with low interest rates have created positive impacts on the Australian economy in general and therefore the performance of Financials index, A-REIT and All Ordinaries index. On the other hand, the underperformance of Materials and Energy index was driven by lower commodity prices and decrease in demand by Australian business trade partners as a result of the slowing of the Chinese economy, the ongoing European crisis, and the subdued growth of the US economy.

### 3.4.2 Management expenses ratio

Management expense ratio (“MER”) is a common method to determine the operational efficiency of LICs. The ratio is determined by dividing total expenses by the portfolio investment value. The metric measures how efficient the portfolio managers operate their investments to create value for shareholders.

In theory, since the majority of LICs invest primarily in listed equity and the allocations are publicly available, any investor can replicate the portfolio. Unlisted hedged funds and private equity are investment classes, which due to their unique and secretive investment strategies, are very difficult to replicate if at all. Therefore, managers of these unlisted hedge funds and private equity are generally expected higher MER compared to managers of LICs. This is also due to the higher level of sophistication required in the investment selection and negotiation. As a result, MER is one of the drivers for the investors’ demand in the LIC industry.

The following graph summarises MER across the LIC industry based on their latest publicly available information as at 28 February 2014.



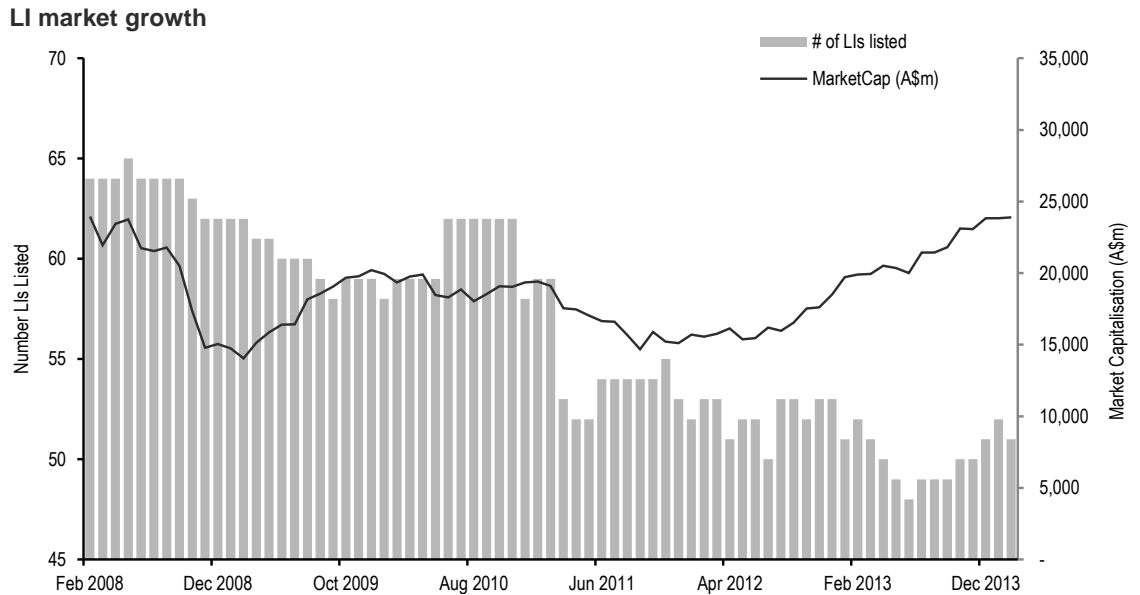
Note: All MERs above represent the latest publicly available MER for each fund disclosed on their annual reports, ASX announcements and other reliable publicly available sources as at 28 February 2014.  
Source: ASX, Morning Star, GTCF calculations.

- MER of LICs in the industry is in the range between 0.13% and 2.33%. There are two broad approaches to managing LICs’, those with external managers and those internally managed. Externally managed LICs tend to have a higher MER.

### 3.5 Historical performance

According to ASX, as at 28 February 2014, the number of LIs decreased to 51<sup>8</sup> compared to its 2008 level (64 LIs).

The following chart sets out the historical changes in the number of LIs listed and LIs' total market capitalisation between February 2008 and February 2014.



Source: ASX.

Since 2008 the number of LIs decreased significantly which was the result of price to NTA discounts. Where these discounts were substantial, LIs' were forced to either return capital to shareholders or wind themselves up to deliver NTA to their shareholders. Many LIs were also unable to pay dividends between 2008 and 2009 due to their negative earnings. With the amendment to the Corporations Act in July 2010, the Commonwealth Government changed the dividend regulation to solvency-based from profit-based to provide income certainty to investors. In other words, firms are now allowed to pay dividends as long as they are solvent (i.e. have positive net assets) even if they are not profitable prior to dividend paying period.

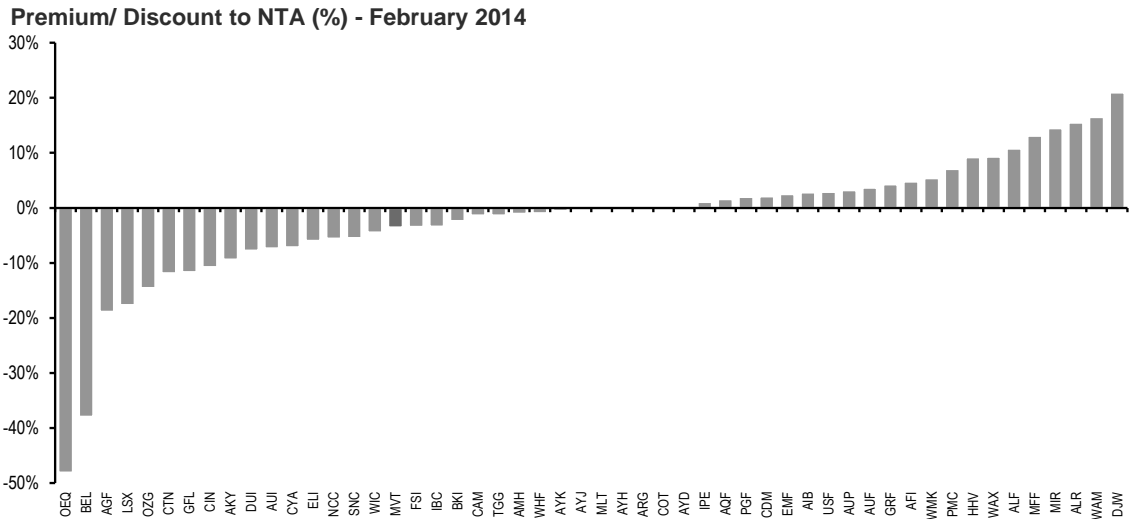
Since 2011, even though the number of LIs has decreased substantially compared to the 2008 levels, the industry market capitalisation has been increasing at a rate of 7.7% per annum. The trend is primarily explained by the oversubscribed shares demand for LI industry leaders, e.g. WAM Capital, Cadence Capital etc, who have been resilient through the economy's difficult times and performing well consistently.

Another structural change that affected the industry was on 1 July 2013 when Future of Financial Advice ("FOFA") came into effect. Under FOFA, commissions paid to financial planners by managed funds (but not LIs) was banned. With the incentive for financial planners to choose managed funds removed, LIs now compete with managed funds on a level playing field competing on performance.

<sup>8</sup> Among 51 LIs, there were 49 LICs and 2 LITs as at 28 February 2014.

### 3.6 Net tangible assets versus share price

LICs’ value of underlying assets is referred to as Net Tangible Assets (“NTA”) on a per share basis. This metric is required to be disclosed on a regular basis (normally every month) to determine whether a LIC is trading at a premium or a discount to its NTA. The premiums/ discounts to NTA for LICs and LITs listed on the ASX as at 28 February 2014 are shown as follows:



Source: ASX.

As can be seen from above, the number of LICs and LITs that are traded at a discount to their NTA is slightly higher than the number of companies and trusts that are traded at a premium to their NTA. The weighted average premium/ discount to NTA<sup>9</sup> of the whole industry for the corresponding period is estimated to be approximately 2.3%.

Based on discussions with management of MVT, we note that discounts to NTA have narrowed significantly in recent years and the number of LICs’ trading at a premium has also increased.

<sup>9</sup> Using market capitalisation as the weight.

## 4 Profile of MMX

### 4.1 Background

MMX's main asset is its cash balance of A\$13.8 million as at 31 March 2014. The Company also owns some minor exploration assets which are discussed in section 4.2.

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, Oakajee Port and Rail ("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")<sup>10</sup>. 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<sup>11</sup>. Refer to Section 4.2 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.

Following pressure from MVT regarding the costs of the liquidation proposal put forward by the Board on 23 November 2014, MMX announced a restructure of its Board with the appointment of Gabriel Radzyminski<sup>12</sup> and Paul Jensen as non-executive directors and the retirement of Chairman Ken Scott-Mackenzie and resignation of Greg Martin as Managing Director. The new Board of MMX announced shortly afterwards 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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<sup>10</sup> Mitsubishi officially suspended all the works at the project in June 2013.

<sup>11</sup> The Company also held 100% interest in an iron ore project located in the Pilbara province between the towns of Tom Price and Paraburdoo ("Rocklea Project"), which was sold for \$3.2 million in cash in August 2012.

<sup>12</sup> Who is also a director of MVT.

On 16 August 2013, the Directors announced their intention to repurchase MMX shares at 4.2 cents per share, which was above the upper value of the price range suggested in the liquidation plan in 2012. On 1 October 2013, approximately 172.3 million shares were bought back valued at approximately \$7.3 million.

On 17 March 2014, MMX and MVT agreed on the terms of the Proposed Scheme.

## **4.2 Exploration assets**

MMX holds a 3.2% interest in Cashmere (legally known as Cashmere Iron Ltd) as at the date of this report and two exploration assets. A brief summary of these assets is set out below.

### **4.2.1 Background of Cashmere**

This brief overview of Cashmere 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 most recent financial performance of Cashmere but only the annual report.

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.

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.

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. Cashmere has a current Joint Ore Reserves Committee ("JORC")<sup>13</sup> 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:

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<sup>13</sup> 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)



Proposed Development Stage	Resource Description	JORC Classification	Tonnage MT	Fe%	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %
Stage One	Detrital Hematite >30% Fe	Indicated	42	37.8	33.8	6.6
	Other BIFs >30%	Indicated	3	43.7	22.9	6.4
Stage Two	BIF Hematite >20% Fe	Measured	42	33.5	48.5	0.6
		Indicated	137	32.9	49.3	0.6
		Inferred	13	31.3	51.2	0.8
Stage Three	BIF Magnetite >20% Fe	Measured	160	33.4	48.3	0.4
		Indicated	597	32.5	49.4	0.5
		Inferred	65	31.0	51.1	0.5
<b>Total</b>		<b>Measured &amp; Indicated</b>	<b>981</b>	<b>33.0</b>	<b>48.5</b>	<b>0.8</b>
		<b>Inferred</b>	<b>78</b>	<b>31.1</b>	<b>51.1</b>	<b>0.6</b>

Proposed Development Stage	Reserve <sup>1</sup> Description	JORC Classification	Tonnage MT	Fe%	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %
Stage 2	BIF Hematite >20% Fe	Probable	166	33.8	48.1	0.6

Note (1): Reserves are a sub set of the Resources above, not additional.

Source: Cashmere Annual Report 2013.

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.

At the beginning of FY14, Cashmere managed to raise \$1,339,817 via the share allotment of 13,398,167 fully-paid ordinary shares at \$0.10 each to sophisticated investors. The cash raised was expected to fund further exploration expenditures for the Direct Shipping Ore (“DSO”) Drilling Program at Area 8. According to the Shareholder’s Letter dated 24 February 2014, the DSO Drilling Program resulted in a JORC compliant resource of 4.5 m/t of DSO at 58% Fe<sup>14</sup>.

In July 2013, Cashmere had entered into a non-binding MOU with a Chinese Steel Mill with respect to the purchase of Cashmere DSO. Cashmere has subsequently informed shareholders that the MOU has not progressed. However, Cashmere’s management continues to have discussions with a major Korean entity and others.

<sup>14</sup> With the new exploration results, MMX is now capable of producing 36 m/t of DSO/ Detrital product which is equivalent to the first eight years of expected future production at the rate of 4-5 m/t per annum. Based on the targeted 10 m/t per annum production, the JORC probable reserves of BFO and the magnetite resources represent approximately 40 years of production at Cashmere in total.

#### 4.2.2 Financial information

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

	30-Jun-12	30-Jun-13
	Audited	Audited
	\$	\$
<b>Current assets</b>		
Cash and cash equivalents	504,058	79,351
Trade and other receivables	653,324	1,444
Prepayments and deposits	102,789	100,244
<b>Total current assets</b>	<b>1,260,171</b>	<b>181,039</b>
<b>Non-Current assets</b>		
Plant and equipment	50,290	27,402
Exploration and evaluation expenditure	14,363,203	14,854,463
Other assets	2,952,456	220,000
<b>Total non current assets</b>	<b>17,365,949</b>	<b>15,101,865</b>
<b>Total assets</b>	<b>18,626,120</b>	<b>15,282,904</b>
<b>Current liabilities</b>		
Trade and other payables	565,717	793,571
Provisions	32,496	59,471
Borrowings	254,425	-
<b>Total current liabilities</b>	<b>852,638</b>	<b>853,042</b>
<b>Non-Current liabilities</b>		
Borrowings	-	550,452
<b>Total non-current liabilities</b>	<b>-</b>	<b>550,452</b>
<b>Total liabilities</b>	<b>852,638</b>	<b>1,403,494</b>
<b>Net assets</b>	<b>17,773,482</b>	<b>13,879,410</b>
<b>Equity</b>		
Contributed equity	21,745,758	21,757,008
Reserves	6,236,904	5,500,626
Accumulated losses	(10,209,180)	(13,378,224)
<b>Total equity</b>	<b>17,773,482</b>	<b>13,879,410</b>

Source: Cashmere 2013 Annual Report

During the year ended 30 June 2013 the Group recorded a net loss after tax of approximately \$3.9 million, a cash outflow from operating activities of \$0.5 million and had a working capital deficit (net current liabilities) of \$0.7 million.

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.

#### 4.2.3 Equity raising

On 18 April 2013, shareholders of Cashmere were invited to participate to 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. However, the rights issue was aborted for lack of shareholders' support.

As discussed before, subsequent to FY13 year end, Cashmere managed to raise \$1,339,817 via the allotment of 13,398,167 fully-paid ordinary shares at \$0.10 each to a group of sophisticated investors to progress with the DSO drilling program.

In a letter to shareholders on 18 July 2013, Cashmere announced it had raised a further \$415,000 by way of a placement of shares to selected investors at \$0.10 each. The funds raised were used for working capital purposes for a period of approximately 10 to 12 months.

#### 4.2.4 MMX's investment in Cashmere

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.

In December 2012, the Directors of MMX made the decision to write down its \$2 million investment in Cashmere to \$Nil (see section 4.3).

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

#### 4.2.5 Exploration licences

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

Exploration licence	Annual Expenditure Commitment
EL 08/2146 – Paulsens	Nil <sup>1</sup>

*Note (1): The tenement has nil expenditure because it has not been granted yet.*

*Source: MMX Management*

The exploration licence above was granted on 11 March 2013 and expire 10 March 2018. The application was submitted in April 2010.

At the beginning of 2014, the Board of MMX commissioned an independent geology consultant to carry out a desktop tenement review on:

- EL 08/2146 – Paulsens. Blocks 2404k & 2405I only.

As a result, it was resolved to carry out a mapping/sampling programme (budget \$15,000 - \$20,000) to test the iron potential at EL08/2146.

EL08/2146 is still in the application stage and currently going through the Native Title process. As a result, the tenement will not be granted for at least another four months.

In addition to the above exploration licence, 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.

### 4.3 Financial information

#### 4.3.1 Financial performance

The audited consolidated income statement of MMX for the year ended 30 June 2012 (“FY12”) and 30 June 2013 (“FY13”), and the unaudited consolidated income statement for the nine months ended 31 March 2014 (“YTDFY14”) are set out in the table below:

	FY12	FY13	YTDFY14
	Audited	Audited	Unaudited
	\$'000	\$'000	\$'000
Revenue	4,905	2,998	306
Other Income	2,324	101	-
<b>Total revenue</b>	<b>7,229</b>	<b>3,099</b>	<b>306</b>
<b>Expenses</b>			
Administration expenses	(4,896)	(991)	(464)
Employee and director expenses	(5,817)	(2,105)	2
Hired services expenses	(3,623)	(841)	(11)
Travel expenses	(611)	(60)	-
Impairment write-down expense	(8,934)	(2,035)	-
Legal matters settlement expense	-	(3,511)	-
Other expenses	(18)	(19)	(0)
<b>Total expenses</b>	<b>(23,899)</b>	<b>(9,562)</b>	<b>(473)</b>
<b>EBITDA</b>	<b>(16,670)</b>	<b>(6,463)</b>	<b>(167)</b>
Depreciation and amortisation expense	(144)	(5)	-
<b>EBIT from continuing operations</b>	<b>(16,814)</b>	<b>(6,468)</b>	<b>(167)</b>
<b>Discontinuing Operations</b>			
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	-	-
<b>EBIT from discontinuing operations</b>	<b>25,584</b>	<b>-</b>	<b>-</b>
<b>Total EBIT</b>	<b>8,770</b>	<b>(6,468)</b>	<b>(167)</b>
Finance costs	(6,465)	-	-
<b>Profit / (Loss) before income tax</b>	<b>2,305</b>	<b>(6,468)</b>	<b>(167)</b>
Income Tax	-	-	-
<b>Total comprehensive profit / (loss) for the year</b>	<b>2,305</b>	<b>(6,468)</b>	<b>(167)</b>

Source: MMX Annual Reports for FY12 and FY13, and unaudited financial statement for the nine-month period ended 31 March 2014 (which contains Reviewed financial results to 31 December 2013 and 3-month management).

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.

**FY13**

- Employee and director expenses of \$2.1 million included salaries and wages expenses of \$1.5 million. We note that the expenses halved in FY13 due to the substantial drop in Executive Directors' salaries and Non-Executive Directors' fees<sup>15</sup> and other general administration expenses.
- 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 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 latest audited accounts of the Company as at 30 June 2013 stated there is no change in the company’s status.
  - 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.
- \$3.5 million relates to the payment of settlement expenses in relation to disputes with former advisors<sup>16</sup>. From 31 December 2012, there were no further legal matters or contingent liabilities outstanding.

**YTD FY14**

- Management have advised that business activities have been significantly curtailed since 31 December 2012 as the Company has been focused on preserving the remaining cash within MMX.
- Hired services relates to external consulting fees in relation to accounting, company secretarial and other administrative services.
- Management have advised that MVT currently provides premises and systems at no cost to MMX.

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<sup>15</sup> During FY13, following the announcement by the previous Board of a liquidation proposal for the company, MVT sought to remove the Chairman and Managing Director. By agreement, the Company appointed two MVT nominees including one independent Director. The Chairman did not seek re-election at the AGM (and therefore retired) and the Managing Director resigned.

<sup>16</sup> In FY12, MMX was forced to repay its litigation liabilities amounted A\$1.9 million owed to O’Sullivan Partners (in the dispute in relation to advisory fees in the Mitsubishi transaction) and A\$1.6 million owed to Premar Capital (in the dispute in relation to commissions fees on sales of iron ores from Jack Hills mine).

#### 4.3.2 Financial position

The consolidated balance sheet of MMX as at 30 June 2013, 31 December 2013 and 31 March 2014 are set out in the table below:

	30-Jun-13 Audited \$'000	31-Dec-13 Reviewed \$'000	31-Mar-14 Unaudited \$'000
<b>Current assets</b>			
Cash and cash equivalents	21,472	13,811	13,766
Trade and other receivable	130	156	105
<b>Total current assets</b>	<b>21,602</b>	<b>13,967</b>	<b>13,871</b>
<b>Non-current assets</b>			
Exploration and evaluation expenditure	78	79	84
<b>Total non-current assets</b>	<b>78</b>	<b>79</b>	<b>84</b>
<b>Total assets</b>	<b>21,680</b>	<b>14,046</b>	<b>13,955</b>
<b>Current liabilities</b>			
Trade and other payables	253	64	33
<b>Total current liabilities</b>	<b>253</b>	<b>64</b>	<b>33</b>
<b>Total liabilities</b>	<b>253</b>	<b>64</b>	<b>33</b>
<b>Net assets</b>	<b>21,427</b>	<b>13,982</b>	<b>13,922</b>
<b>Equity</b>			
Contributed equity	38,716	31,411	31,378
Reserves	24,834	24,834	24,833
Accumulated losses	(42,123)	(42,263)	(42,289)
<b>Total equity</b>	<b>21,427</b>	<b>13,982</b>	<b>13,922</b>

Source: MMX Annual Reports for FY13, Half yearly report 31 December 2013 and Unaudited accounts as at 31 March 2014

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

#### 31 December 2013

- On 1 October 2013, approximately 172.3 million shares were bought back for a total consideration of approximately \$7.3 million.

#### 31 March 2014

- Balances were in line with those as at 31 December 2013.

#### 4.3.3 Capital Structure

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

- 278,236,477 fully paid listed ordinary shares (“MMX Shares”).
- 5,650,730 unlisted options (“MMX Options”).

#### *MMX shares*

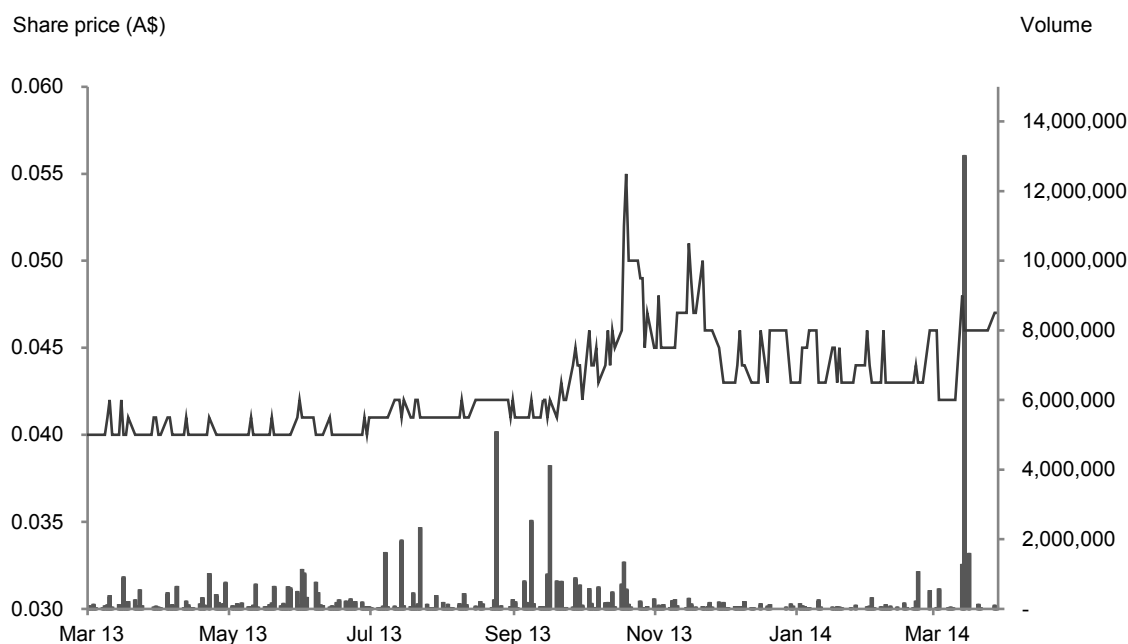
The top ten shareholders of MMX as at 8 April 2014 are set out below.

Top 10 Shareholders as at 8 April 2014	No. of shares	Interest
MCNEIL NOMINEES PTY LIMITED	76,168,408	27.38%
AYERSLAND PTY LTD	53,110,905	19.09%
MS FRANCISKA LASIC	23,575,501	8.31%
TREASURE ISLAND HIRE BOAT COMPANY PTY LTD	10,148,451	3.65%
BUTTONWOOD NOMINEES PTY LTD	9,027,278	3.06%
CITICORP NOMINEES PTY LIMITED	6,392,748	2.30%
BAZHOU CITY HENGJI STRIP STEEL CO LTD	4,965,000	1.78%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	4,728,292	1.70%
HEBEI QIANJIN STEEL GROUP (AUSTRALIA) PTY LTD	4,162,857	1.50%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	3,938,250	1.42%
Other	82,018,787	29.8%
<b>Total</b>	<b>278,236,477</b>	<b>100.00%</b>

Note: MVT interest of 27.88% includes McNeil Nominees among other smaller direct holdings.

Source: MMX Management

The daily movements in MMX's share price and volumes for the period from March 2013 to March 2014 are set out below:



Source: Capital IQ

We note the following with regard to the share price history since March 2013.

Date	Comments
16 August 2013	The Directors announced their intention to repurchase MMX shares at 4.2 cents per share, which is above the upper value of the price range suggested in the liquidation plan in 2012. On 1 October 2013, the Company announced that 172.3 million shares were bought back at 4.2 cents per share as a result of the buyback announcement.
20 December 2013	MMX announced the implementation of an unmarketable parcel share sale facility which allows eligible shareholders (who hold MMX shares at value less than \$500, based on price of 4.3 cents per share) selling their shares without incurring any brokerage or handling costs. The Management estimated 12 million shares to be sold as a consequence of the facility.
17 March 2014	MMX and MVT agreed on the terms of a proposed Scheme of Arrangement. The Proposed Scheme allows all MMX shares, other than those owned by MVT, will be cancelled. Shareholders of MMX will be compensated by cash, MVT shares or a combination of both in equal proportion.
18 March 2014	Execution of the sale of MMX shares under the Unmarketable Parcel Facility. MMX sold on behalf



Date	Comments
	of its shareholders 12,067,092 at an average price of \$0.0464 cents per share.

Source: MMX's ASX announcements

Set out below is the share price performance of MMX between March 2013 and March 2014:

Murchison Metals Limited	Share Price			Average weekly volume '000'
	High \$	Low \$	Close \$	
<b>Month ended</b>				
Mar 2013	0.042	0.040	0.040	890
Apr 2013	0.041	0.040	0.040	841
May 2013	0.041	0.040	0.040	987
Jun 2013	0.042	0.040	0.040	1,445
Jul 2013	0.042	0.040	0.041	1,539
Aug 2013	0.042	0.041	0.042	1,611
Sep 2013	0.044	0.041	0.044	2,604
Oct 2013	0.056	0.042	0.045	1,569
Nov 2013	0.051	0.045	0.046	410
Dec 2013	0.046	0.043	0.046	254
Jan 2014	0.046	0.043	0.044	186
Feb 2014	0.046	0.043	0.043	503
Mar 2014	0.049	0.042	0.047	4,075
<b>Week ended</b>				
13 Dec 2013	0.046	0.043	0.044	350
20 Dec 2013	0.046	0.043	0.046	129
27 Dec 2013	0.046	0.043	0.046	156
3 Jan 2014	0.046	0.043	0.043	167
10 Jan 2014	0.046	0.043	0.046	223
17 Jan 2014	0.045	0.043	0.043	251
24 Jan 2014	0.045	0.043	0.043	97
31 Jan 2014	0.044	0.043	0.044	78
7 Feb 2014	0.046	0.043	0.043	388
14 Feb 2014	0.046	0.043	0.043	200
21 Feb 2014	0.046	0.043	0.043	180
28 Feb 2014	0.044	0.043	0.043	1,242
7 Mar 2014	0.046	0.042	0.042	1,066
14 Mar 2014	0.042	0.042	0.042	40
21 Mar 2014	0.049	0.045	0.046	15,824
28 Mar 2014	0.046	0.046	0.046	105

Source: Capital IQ and GTCF calculations

The following table summarises the monthly trading volume of MMX since October 2012:

Month end	Volume traded ('000)	Monthly VWAP (\$)	Total value of shares traded (\$'000)	Volume traded as % of total shares
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	5,780	0.0407	235	1.3%
Jul 2013	7,079	0.0413	292	1.6%
Aug 2013	7,088	0.0417	296	1.6%
Sep 2013	10,938	0.0417	456	2.4%
Oct 2013	7,218	0.0469	339	1.6%
Nov 2013	1,724	0.0461	79	0.4%
Dec 2013	1,117	0.0442	49	0.2%
Jan 2014	817	0.0438	36	0.2%
Feb 2014	2,011	0.0435	88	0.4%
Mar 2014	17,115	0.0463	792	6.2%
<b>Low</b>				<b>0.18%</b>
<b>Average</b>				<b>2.91%</b>
<b>Median</b>				<b>1.43%</b>
<b>High</b>				<b>16.69%</b>

Source: Capital IQ and GTCF calculations

### Options

The following table summarises the unlisted options issued by MMX:

Option Number	Exercise price (\$)	Expiry date
1,855,651	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
<b>5,650,730</b>		

Source: Scheme Booklet Draft dated 11 April 2014.

## 5 Profile of MVT

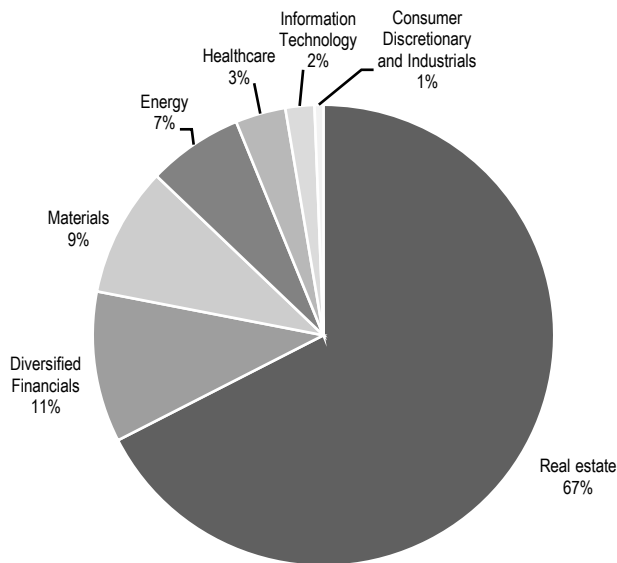
### 5.1 Background

MVT is a listed Australia-based investment company. MVT primarily invests in financial assets including Australian listed and unlisted shares as well as overseas listed equities across various industries such as AREITs, diversified financials, materials, energy, health care, information technology etc.

Previously known as India Equities Fund Ltd, MVT had invested solely in Indian listed shares. Following the disposal of this portfolio, shareholders agreed to a deal between MVT and Sir Ron Brierley. In return for Sir Ron's equity stake in Copper Strike, Trinity Group, ING Community Living Group, Australian Pharmaceutical Industries and Trojan Equity, he received 54% stake in MVT and was appointed as the company's Chairman in January 2012. Following this event, India Equities changed its name to MVT and concentrated more on investments in the Australian market and UK market.

### 5.2 Investment Portfolio

MVT's strategy investments allocation as at 31 March 2014 are summarised in the following table.



Source: Management and GTCF analysis.

As can be seen above, approximately 67% of the investment portfolio based on value traded is in the real estate segment with investments in two real estate investment trusts namely Ingenia Communities Group and Trinity Group. In addition, we note that current investment in MMX accounts for 9% of the portfolio.

A summary of MVT investments as at 31 March 2014 is set out below.

	Date of initial purchase <sup>1</sup>	Units	Market value (A\$)	Percentage of portfolio (%)
<b>Australian listed shares</b>				
Alternative Investment Trust	May 12	2,000,000	340,000	0.8%
Ask Funding Limited	Mar 13	7,982,749	1,396,981	3.5%
Australian Pharmaceutical Industries Limited	Jan 12	2,500,000	1,412,500	3.5%
Cellnet Group Limited	Mar 12	3,702,155	814,474	2.0%
Fitzroy River Corporation Ltd.	Jul 12	6,740,954	2,494,153	6.2%
Ingenia Communities Group	Dec 11	49,018,867	24,754,528	61.7%
IPE Limited	Mar 12	2,152,403	1,000,867	2.5%
Joyce Corporation Limited	Mar 13	499,974	232,488	0.6%
Murchison Metals Limited	Dec 11	77,568,408	3,645,715	9.1%
Trinity Group	Dec 11	9,094,510	2,319,100	5.8%
White Energy Company Limited	Jun 12	1,000,000	150,000	0.4%
Yancoal Australia Ltd	May 12	100,000	41,000	0.1%
			<b>38,601,807</b>	<b>96.2%</b>
<b>Australian unlisted shares</b>				
Adelaide Managed Funds Asset Backed Yield Trust	Nov 11	14,882,874	520,901	1.3%
Dolomatrix International Ltd	Dec 11	1,500,000	16,500	0.0%
			<b>537,401</b>	<b>1.3%</b>
<b>International listed shares</b>				
Impact Holdings (UK) Plc	Jun 12	751,750	984,793	2.5%
			<b>984,793</b>	<b>2.5%</b>
		<b>TOTAL</b>	<b>40,124,000</b>	<b>100.0%</b>

Note (1): There have been additional purchases and disposals of some investments since the date of initial purchases.

Rounding differences may exist.

Source: Management and GTCF analysis

Based on discussions with Management and a review of the available information, we understand that the turnover of the portfolio is low and MVT takes medium to long term strategic positions in their investments.

We note that the investments' portfolio is categorised as non-current assets in the audited accounts rather than assets held for trading.

Information in relation to the Australian and UK listed shares can be found on the ASX disclosure platform or the equivalent platform in the UK. We note that Adelaide Managed Funds Asset Backed Yield Trust ("the Fund") is involved in investing in notes backed by loans to agricultural managed investment scheme investors. According to the Fund's half year financial statement for the period ended 31 December 2013, subsequent to the realisation of the last remaining assets, Adelaide Managed Fund (its responsible entity) will wind up and deregister the Fund.

Given the investment in Ingenia represents more than 60% of the Portfolio by traded value, we have set out below some additional information:

- Ingenia Communities Group is a real estate investment trust that owns, manages and develops senior housing communities.
- As at 31 March 2014, its market capitalisation was \$341.5 million.
- Liquidity in the trading prices is sound. Over the last 12 months, Ingenia Communities Group's average monthly volume traded is approximately 13.5%.
- As at 31 March 2014, MVT's shares holding represents approximately 7.2% of total Ingenia Communities Group's shares outstanding.

### 5.3 Financial information

#### 5.3.1 Financial performance

The following table summarises the audited annual income statement of MVT for FY12, FY13 and the unaudited income statement for the nine-month period ended 31 March 2014 ("YTD FY14"):

	FY2012 Audited \$'000	FY2013 Audited \$'000	YTD FY14 Reviewed \$'000
Revenue	2,289	485	1,133
Other Income	0	38	36
<b>Total revenue</b>	<b>2,289</b>	<b>523</b>	<b>1,169</b>
<b>Expenses</b>			
Administration expenses	(13)	(3)	(8)
Remuneration costs	(57)	(68)	(60)
Listed company expenses	(443)	(556)	(496)
Marketing and development expenses	(1)	(13)	-
Occupancy costs	(8)	(13)	(6)
Foreign Exchange gains / (loss)	(30)	3	35
<b>Total expenses</b>	<b>(552)</b>	<b>(651)</b>	<b>(535)</b>
<b>EBITDA</b>	<b>1,737</b>	<b>(128)</b>	<b>634</b>
Depreciation	(14)	(13)	(3)
<b>EBIT</b>	<b>1,723</b>	<b>(141)</b>	<b>631</b>
Finance costs	(0)	(5)	(58)
Loss on disposal of non-current assets	-	(19)	-
Income tax expense	(161)	(52)	(198)
<b>Loss from continuing operations after income tax</b>	<b>1,562</b>	<b>(216)</b>	<b>375</b>

*Rounding differences may exist.*

*Source: MVT Annual Report for FY12 and FY13, unaudited account for the nine-month period ended 31 March 2014.*

We note the following in relation to MVT's income statements:

#### FY2012

- Revenue of \$2,289,379 consisted of the following:
  - \$300,919 in dividend revenue.
  - \$290,886 in interest revenue.

- \$1,520,693 gain on disposal of financial assets.
- \$176,821 in realised and unrealised gains on market value movement.
- Listed company expenses include expenses such as accounting and secretarial costs, audit fees, legal and professional fees, ASIC & ASX charges etc. These costs relate to expenses incurred as a result of the listing of MVT on the ASX.

### **FY2013**

- Revenue in FY13 decreased substantially to \$0.5 million, primarily due to the absence of any gain on disposal of investments. MVT's revenue of the period consisted of the following:
  - \$234,050 in dividend revenue.
  - \$226,751 in trust distributions received.
  - \$23,249 in interest revenue.
  - \$1,014 in net realised and unrealised gains on market value movement.
- Other income relates to \$37,828 in underwriting fee.
- Listed company costs in FY13 increased driven by the significant increase in corporate work costs and taxation services.
- Loss on disposal of non-current assets of A\$18,503 relates to the loss on sale of investments during the year.

### **YTD FY14**

- Revenue of the nine-month period up to 31 March 2014 increased to \$1.1 million, primarily due to MVT's gain on market value movements. MVT's revenue in the nine-month period consisted of the following:
  - \$198,655 in dividend revenue.
  - \$245,094 in trust distributions received.
  - \$30,119 in interest revenue.
  - \$659,563 in unrealised gains on market value movements.
- Other income relates to underwriting fee.
- Finance costs increased significantly due to the double in MVT's borrowings during the period.

### 5.3.2 Financial position

The financial position of MVT as at 30 June 2013, 31 December 2013, and 31 March 2014 are set out below:

	30-Jun-13 Audited \$'000	31-Dec-13 Reviewed \$'000	31-Mar-14 Unaudited \$'000
<b>Current assets</b>			
Cash and cash equivalents	1,357	697	1,632
Trade and other receivable	489	3	17
Other financial assets	3,478	4,965	3,685
Other Current Assets	9	17	18
Current Tax Assets	0	0	1
<b>Total current assets</b>	<b>5,333</b>	<b>5,683</b>	<b>5,353</b>
<b>Non-current assets</b>			
Financial Assets	24,668	36,415	36,439
Loans	-	889	868
Property, Plant & Equipment	8	8	7
Deferred Tax Assets	144	90	63
<b>Total non-current assets</b>	<b>24,820</b>	<b>37,403</b>	<b>37,377</b>
<b>Total assets</b>	<b>30,154</b>	<b>43,085</b>	<b>42,731</b>
<b>Current liabilities</b>			
Trade and other payables	89	164	159
Interest bearing loans and borrowings	1,005	2,826	2,912
<b>Total current liabilities</b>	<b>1,094</b>	<b>2,990</b>	<b>3,071</b>
<b>Non-Current liabilities</b>			
Deferred Tax Liabilities	2,772	5,316	5,060
<b>Total non-current Liabilities</b>	<b>2,772</b>	<b>5,316</b>	<b>5,060</b>
<b>Total liabilities</b>	<b>3,866</b>	<b>8,307</b>	<b>8,131</b>
<b>Net assets</b>	<b>26,287</b>	<b>34,778</b>	<b>34,599</b>
<b>Equity</b>			
Contributed equity	24,882	24,828	24,801
Reserves	8,925	17,197	16,645
Retained Earnings	(7,520)	(7,246)	(6,847)
<b>Total equity</b>	<b>26,287</b>	<b>34,778</b>	<b>34,599</b>

Source: MVT Annual Report for FY13, Half-year report for the six-month ended 31 December 2013, and unaudited accounts for the 9-month period ended 31 March 2014.

We note the following in relation to the balance sheets of MVT:

#### 30 June 2013

- Other financial assets (current) of \$3,477,736 relate to shares in listed corporations held for trading<sup>17</sup> while financial assets (non-current) of \$24,668,300 include shares in listed shares available-for-sale<sup>18</sup> and units in unlisted trusts available-for-sale<sup>16</sup>.
- MVT's interest bearing loans and borrowing consist of advancements from Sir Ron Brierley.

<sup>17</sup> Held for trading shares are bought and held solely for the objective of selling them in the near future in order to generate profits on short term price changes.

<sup>18</sup> Investments which are not categorised as held for trading are referred to as available-for-sale securities and can be recorded as current or non-current assets, depending on management's discretion.

**31 December 2013**

- Financial assets balance increased approximately 49% in value driven by favourable movements in market value of these available-for-sale assets.
- MVT's interest bearing loans and borrowing increased to \$2.8 million, relating to director loans
- Deferred tax liabilities relates to the unrealised gains of the MVT investments based on mark to market fair value accounting approach.

**31 March 2014**

- Cash and cash equivalent increased compared to the balance as at 31 December 2013 as a result of realising held-for trading investments within the period.
- Value of share investments (Financial assets) increased due to favourable market conditions.

**Reported NTA**

Consistent with its obligations as a LIC, MVT reports its monthly NTA per share to the ASX. The latest reported NTA on a pre-tax and post-tax basis are summarised below:

Month ended	Pre-tax NTA (cents)	Post-tax NTA (cents)
31 January 2014	14.94	13.16
28 February 2014	15.13	13.36
31 March 2014	15.80	13.81

Source: MVT's ASX announcements

More information on historical NTA per share can be found in the next section.

**5.3.3 Capital structure**

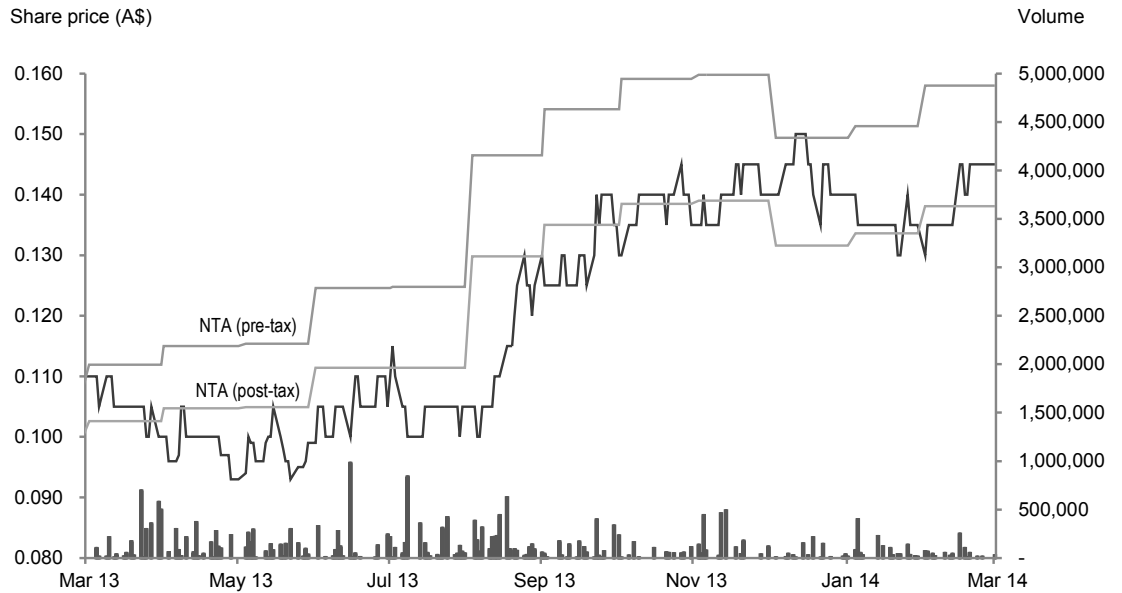
As at 11 April 2014, MVT has 250,577,700 common shares. The following table sets out top 10 shareholders of MVT as at 11 April 2014.



Top 10 Shareholders	No. of shares	Interest
SIBLOW PTY LTD	122,411,120	48.85%
G W HOLDINGS PTY LTD <EDWINA A/C>	26,150,522	10.44%
PORTFOLIO SERVICES PTY LTD	14,915,001	5.95%
MR RONALD LANGLEY + MS RHONDA ELIZABETH LANGLEY	12,500,000	4.99%
TREASURE ISLAND HIRE BOAT COMPANY PTY LTD <STAFF SUPER FUND ACCOUNT>	5,089,874	2.03%
LIC INVESTMENTS PTY LTD <LIC INVESTMENTS UNIT A/C>	2,780,448	1.08%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,488,329	0.99%
ABBAWOOD NOMINEES PTY LTD <ABBOTT FAMILY S/F NO 1 A/C>	1,700,000	0.68%
CITICORP NOMINEES PTY LIMITED	1,400,000	0.56%
FORSYTH BARR CUSTODIANS LTD <FORSYTH BARR LTD-NOMINEE A/C>	1,220,671	0.49%
<b>Top 10 shareholders</b>	<b>190,655,965</b>	<b>76.06%</b>
Other shareholders	59,921,735	23.94%
<b>Total</b>	<b>250,577,700</b>	<b>100.00%</b>

Source: Management.

The historical daily share price movements, trading volumes and NTA per share (pre-tax and post-tax) of MVT between March 2013 and March 2014 are set out below:



Source: Capital IQ

We note the following with regard to the share price history.

Date	Comments
Late January 2012	India Equities Fund (ASX ticker INE) changed its name to Mercantile Investment Company (ASX ticker MVT) and appointed Sir Ron Brierley as a Chairman and Non-executive Director for the Company.
20 November 2012	MVT lodged a requisition for a general meeting to remove MMX's Chairman (Mr Ken Scott Mackenzie) and Managing Director (Mr Greg Martin).
21 October 2013	MVT announced its intention to launch a proportional takeover to acquire one of every two shares in Galilee Energy Ltd (ASX ticker: GLL) at a proposed price of 15 cents per share.
21 January 2014	GLL's shareholders voted against the offer from MVT and the proportional takeover did not proceed.
17 March 2014	MMX and MVT agreed on the terms of a proposed Scheme of Arrangement. The Proposed Scheme involves all MMX shares, other than those owned by MVT, to be cancelled. Shareholders of MMX will receive cash, MVT shares or a combination of both in equal proportions.

Source: MVT's ASX announcements

The share price history and trading of MVT on the ASX since March 2013 is set out below:

Mercantile Investment Company	Share Price			Average weekly volume 000'
	High \$	Low \$	Close \$	
<b>Month ended</b>				
Mar 2013	0.110	0.100	0.110	388
Apr 2013	0.115	0.100	0.100	694
May 2013	0.105	0.093	0.093	441
Jun 2013	0.105	0.093	0.099	496
Jul 2013	0.110	0.097	0.110	534
Aug 2013	0.115	0.100	0.105	628
Sep 2013	0.130	0.100	0.130	818
Oct 2013	0.140	0.120	0.130	384
Nov 2013	0.145	0.130	0.135	156
Dec 2013	0.145	0.135	0.140	510
Jan 2014	0.150	0.135	0.140	155
Feb 2014	0.140	0.130	0.135	323
Mar 2014	0.145	0.130	0.145	180
<b>Week ended</b>				
13 Dec 2013	0.145	0.135	0.140	968
20 Dec 2013	0.145	0.135	0.145	324
27 Dec 2013	0.140	0.140	0.140	34
3 Jan 2014	0.145	0.140	0.140	6
10 Jan 2014	0.150	0.145	0.150	75
17 Jan 2014	0.150	0.135	0.140	389
24 Jan 2014	0.145	0.135	0.140	152
31 Jan 2014	0.140	0.140	0.140	57
7 Feb 2014	0.140	0.130	0.135	555
14 Feb 2014	0.135	0.135	0.135	344
21 Feb 2014	0.135	0.130	0.130	200
28 Feb 2014	0.140	0.130	0.135	192
7 Mar 2014	0.135	0.130	0.135	189
14 Mar 2014	0.135	0.135	0.135	111
21 Mar 2014	0.145	0.135	0.145	408
28 Mar 2014	0.145	0.145	0.145	22

Source: Capital IQ and GTCF calculations

The following table summarises the monthly trading volume of MVT since October 2012:

Month end	Volume traded ('000)	Monthly VWAP (\$)	Total value of shares traded (\$'000)	Volume traded as % of total shares
Oct 2012	1,933	0.0893	173	0.8%
Nov 2012	3,149	0.0985	310	1.3%
Dec 2012	3,010	0.1107	333	1.2%
Jan 2013	1,751	0.1142	200	0.7%
Feb 2013	1,338	0.1091	146	0.5%
Mar 2013	1,629	0.1043	170	0.7%
Apr 2013	3,052	0.1030	315	1.2%
May 2013	2,029	0.0990	201	0.8%
Jun 2013	1,984	0.0978	194	0.8%
Jul 2013	2,455	0.1055	259	1.0%
Aug 2013	2,765	0.1043	288	1.1%
Sep 2013	3,436	0.1105	380	1.4%
Oct 2013	1,766	0.1322	234	0.7%
Nov 2013	655	0.1380	90	0.3%
Dec 2013	2,140	0.1395	299	0.9%
Jan 2014	680	0.1428	97	0.3%
Feb 2014	1,291	0.1349	174	0.5%
Mar 2014	758	0.1383	105	0.3%
<b>Low</b>				<b>0.26%</b>
<b>Average</b>				<b>0.79%</b>
<b>Median</b>				<b>0.78%</b>
<b>High</b>				<b>1.37%</b>

Source: Capital IQ and GTCF calculations

## **6 Valuation methodologies**

### **6.1 Introduction**

In order to assess whether the Proposed Scheme is in the best interests of the Non-associated Shareholders, we have tested the fairness and reasonableness of the Proposed Scheme in accordance with RG 111.

Pursuant to RG 111, a proposal is “fair” if the value of the offer price or consideration is equal to or greater than the value of the securities that are subject of the offer. A comparison must be made assuming 100% ownership of the target company.

The above assessment requires Grant Thornton Corporate Finance to assess the fair market value of:

- Murchison Metals Ltd;
- Mercantile Investment Company Ltd; and
- Scheme Consideration.

In each case, Grant Thornton Corporate Finance has assessed the value of MVT Shares 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.

### **6.2 Valuation methodologies**

RG 111 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; and
- 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.

### **6.3 Methodology selected to value MMX**

We note that the key asset of MMX is its cash balance of approximately \$13.8 million. In our valuation assessment, we have had regard to the net realisable assets / net asset backing approach to value 100% of the issued capital in MMX.

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

- The cash balance.
- The realisable value of other assets net of liabilities.
- Realisation expenses.
- The transaction costs payable in relation to the Proposed Scheme.

We have utilised the market value of listed securities approach to cross check our values under the net assets approach.

### **6.4 Methodology selected to value MVT**

Grant Thornton Corporate Finance notes that MVT is a LIC and releases NTA information to the market on a monthly basis.

For the purposes of the monthly disclosures the NTA data is reported on a pre-tax basis and a post-tax basis. The NTA on a post-tax basis has been determined in accordance with current accounting standards, where the company is required to provide for deferred tax assets and/or deferred tax liabilities that may arise should the portfolio be disposed of in its entirety at the month end. The NTA on pre-tax basis is determined without including the deferred tax assets and/or deferred tax liabilities.

We have adopted the net realisable assets value 100% of the issued capital in MVT for the purpose of this report. When applying this approach, the resulting value represents 100% value of the company. We note that the majority of MVT's assets are made up of investments in listed securities so the mark to market value can be easily determined based on the underlying investments' share prices. Using this methodology, the value of the net assets of MVT is adjusted for the time, cost and taxation consequences of realising MVT's assets.

Further, MVT 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.

## 7 Valuation assessment of MMX before the Proposed Scheme

The table below summarises our valuation assessment of MMX based on the market value of net assets having regard to the unaudited balance sheet as at 31 March 2014:

MMX valuation	Section Reference	Low \$'000	High \$'000
Investment in Cashmere	7.1	-	1,000
Exploration and evaluation expenditure	7.2	84	84
Other assets net of liabilities	7.3	13,838	13,838
Realisation costs	7.4	(1,500)	(1,000)
Less: Estimated one-off and transaction costs	7.8	(370)	(370)
Value of 100% of MMX		12,052	13,552
Number of MMX shares on issue ('000)		278,236	278,236
<b>Assessed value per MMX share (cents)(control basis)</b>		<b>4.33</b>	<b>4.87</b>

Source: GTCF calculations

Based on the above, we have assessed the fair market value of MMX between 4.33 cents and 4.87 cents on a control basis. Details of the above calculation are set out in the following sections.

### 7.1 Investment in Cashmere

As discussed in section 4.2.4, 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 form our indicative and high level view of the fair market value of Cashmere. We note that based on MMX's shareholding in Cashmere, MMX board does not have access to any confidential information and has only relied on Annual Reports and shareholder letters. Any discussions with Cashmere and their advisers was only in relation to clarification on information contained in these Annual Reports and Shareholder Letters. As such we have only relied on the 2013 Annual Report and Shareholder Newsletters in our valuation assessment.

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 has 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. The two consortia have submitted their



Request for Proposal tenders on 22 November 2013 and the tenders are currently being evaluated by an independent panel. 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 iron ore price of US\$116 per tonne<sup>19</sup> is materially below the levels achieved in 2011 where iron ore prices were at its peak<sup>20</sup>.
- 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.

#### *Raising equity capital*

- 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 an 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 to raise approximately \$4 million to \$5 million by way of a rights priority issue priced at \$0.20 per share, however Cashmere did not receive sufficient support from existing shareholders.
- Subsequent to FY13 year end, Cashmere managed to raise \$1,339,817 via the allotment of 13,398,167 fully-paid ordinary shares at \$0.10 each to a group of sophisticated investors to progress with the DSO drilling program.
- In a letter to shareholders on 18 July 2013, Cashmere announced it had raised a further \$415,000 by way of a placement of shares to selected investors at \$0.10 each.

#### *Sale process of MMX's interest in Cashmere*

As discussed in section 4.2.4, 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.

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<sup>19</sup> As at 7 April 2014 sourced from Capital IQ

<sup>20</sup> Iron ore prices reached its peak in 2011 trading around US\$180 per tonne.

- 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.

*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 \$1.0 million. The low end of the range is based on the investment's carrying value on MMX balance sheet and the high end is based on the recent equity raising price of \$0.10 per share. We note that the mid-point valuation is consistent with the NTA of Cashmere as at 30 June 2013.

Value of MMX's interest in Cashmere	Section	Low	High
	Reference		
Value per share		-	10.00
Number of Cashmere Shares held by MMX		10,000,000	10,000,000
<b>Value of MMX's interest in Cashmere</b>		-	<b>1,000,000</b>

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.

## **7.2 Exploration licences and royalties**

As discussed in section 4.2.5, the Company has resolved to relinquish two of the tenements it held and to carry out a mapping/sampling programme (budget \$15,000 - \$20,000) to test the iron potential at Paulsens. This tenement is still in the application stage and currently going through the Native Title process.

Based on the above, for the purposes of our valuation, we have adopted the book value of exploration assets of \$84,000 in our assessment of MMX.

In relation to the royalties from the four tenements sold by the Company in 2010 discussed in section 4.2.5, 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.

### 7.3 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 March 2014 and are summarised in the following table:

MMX other assets and liabilities		31-Mar-14
		Unaudited
		\$'000
Cash		13,766
Trade and other receivables		105
Trade and other payables		(33)
<b>Total other assets net of liabilities</b>		<b>13,838</b>

(1) The table above excludes the exploration and evaluation balance which is separately considered in Section 7.2

Source: MMX unaudited Management accounts

### 7.4 Realisation costs

We have adjusted the realisable value of net assets for expected costs associated with the notional realisation and the wind-up of MMX assessed in the range of \$1.0 million and \$1.5 million. These costs include:

- Compliance costs including statutory financial reporting, audit and tax compliance reporting costs.
- Liquidator's fees 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 previously been involved in several litigation matters which have resulted in the payment of large amounts of settlement claims more than 12 months.

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

- They are based on an indicative assessment undertaken by the current Directors in 2013.
- 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.

Before reaching our conclusion on the realisation costs, we have also had regard to the capitalised value of corporate overheads under a going concern scenario to ensure that it would not be more

cost-effective for the Non-Associated Shareholders to continue to operate the Company as a going concern rather than proceed with an orderly realisation.

Under a going concern scenario, 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 \$650,000 per annum<sup>21</sup>. If the costs associated with maintaining a listed status and one-off expenses are excluded, the normalised corporate overheads are approximately \$180,000 per annum on a pre-tax basis.

For the purpose of the valuation, we have estimated the capitalised value of the corporate overheads between \$1.1 million and \$1.2 million<sup>22</sup>.

#### Summary on the corporate overheads

Based on the analysis undertaken above, we have estimated the realisation costs between \$1.0 million and \$1.5 million.

### 7.5 Tax losses

As at 30 June 2013, MMX had accumulated gross revenue tax losses of approximately \$22.4 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 Scheme there are doubts on 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".

<sup>21</sup> We note that the costs currently incurred by the Company is materially lower as MVT provides a level of support to MMX not on commercial terms (for example MMX uses MVT premises without being charged a commercial rent)

<sup>22</sup> 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.

- 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.
- The Independent Directors of MMX and their legal advisor have confirmed that they believe it will be unlikely that MVT will be able to utilise existing MMX tax losses.

### **7.6 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.

In our opinion, the share market conditions conducive to the use of MMX as a possible back-door listing vehicle do not currently prevail. 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. Further, we note that the Company has had a history of litigation issues which would make any back-door transaction less compelling.

### **7.7 Value of options**

MMX currently has approximately 10 million MMX Options on issue as set out in section 4.3.3 with different exercise prices and expiry dates. We have undertaken a valuation of the MMX Options using the Black Scholes Option Pricing Model.

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

### **7.8 Costs associated with the Proposed Scheme**

Management of MMX has advised that the estimated transaction costs to be incurred by MMX are approximately \$370,000. None of this cost has been accrued on the balance sheet as at 31 March 2014. These are costs for which MMX is currently liable and have not been recognised on the balance sheet.

## 7.9 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 October 2012 following the capital return to shareholders:

Month end	Volume traded ('000)	Monthly VWAP (\$)	Total value of shares traded (\$'000)	Number of shares outstanding at start of month ('000)	Volume traded as % of total shares	Number of free float shares ('000)	Volume traded as % of free float shares
Oct 2012	38,946	0.0433	1,686	250,578	15.5%	132,931	29.3%
Nov 2012	75,175	0.0405	3,045	250,578	30.0%	132,931	56.6%
Dec 2012	22,674	0.0408	924	250,578	9.0%	132,931	17.1%
Jan 2013	11,502	0.0404	464	250,578	4.6%	132,931	8.7%
Feb 2013	4,340	0.0408	177	250,578	1.7%	132,931	3.3%
Mar 2013	3,737	0.0404	151	450,497	0.8%	238,988	1.6%
Apr 2013	3,699	0.0405	150	450,497	0.8%	238,988	1.5%
May 2013	4,539	0.0402	183	450,497	1.0%	238,988	1.9%
Jun 2013	5,780	0.0407	235	450,497	1.3%	238,988	2.4%
Jul 2013	7,079	0.0413	292	450,497	1.6%	238,988	3.0%
Aug 2013	7,088	0.0417	296	450,497	1.6%	238,988	3.0%
Sep 2013	10,938	0.0417	456	450,497	2.4%	238,988	4.6%
Oct 2013	7,218	0.0469	339	450,497	1.6%	238,988	3.0%
Nov 2013	1,724	0.0461	79	450,497	0.4%	238,988	0.7%
Dec 2013	1,117	0.0442	49	450,497	0.2%	238,988	0.5%
Jan 2014	817	0.0438	36	450,497	0.2%	238,988	0.3%
Feb 2014	2,011	0.0435	88	450,497	0.4%	238,988	0.8%
Mar 2014	17,115	0.0463	792	278,236	6.2%	147,604	11.6%

Source: Capital IQ and GTCF calculations

Based on the above table, we note the following:

- Except for last month, the monthly volume traded as a percentage of free-float shares has been limited.
- In the absence of a takeover or other share offers, the trading share price represents the value in which minority shareholders could realise 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.

Set out below is a summary of the share market prices for MMX plus the VWAP before the announcement of the transaction.

VWAP	Low	High	VWAP
Prior to 17 Mar 2014			
5 day	0.042	0.042	0.042
10 day	0.042	0.046	0.042
1 month	0.042	0.046	0.043
2 month	0.042	0.046	0.043
3 month	0.042	0.046	0.043
4 month	0.042	0.051	0.044
5 month	0.042	0.056	0.046
6 month	0.041	0.056	0.044
9 month	0.040	0.056	0.043

*Source: Capital IQ and calculations*

Based on the above, we have observed the trading prices of MMX Shares ranging between 4.2 cents and 4.6 cents per share.

#### 7.9.1 Control premium

Based on the net realisable asset valuation approach, our valuation of MMX Shares includes a premium for control. A premium for control is applicable when the acquisition of control of a company or business would give rise to benefits such as:

- The ability to realise synergistic benefits;
- Access to cash flows;
- Access to tax benefits; and
- Control of the board of directors of the company.

Evidence from studies indicates that premiums for control on successful takeovers have frequently been in the range of 20% to 40% and that the premiums vary significantly from transaction to transaction (refer to Appendix B for further details).

However, in our opinion the premium for control applicable to MMX is minimal (if any) due to the net assets of MMX primarily made up of cash.

The control premium implied by our NTA valuation approach over the price per MMX Share indicated by the quoted list price methodology is set out in the table below:

Implied control premium	Low	High
	\$	\$
Assessed value per MMX share (\$) (Control basis)	4.33	4.87
Quoted listed price method (minority basis)	4.20	4.60
Implied control premium	3.1%	5.9%

*Source: Capital IQ and GTCF calculations*

Based on the above analysis, we have concluded that our adopted value of MMX Shares, in the range of 4.33 cents to 4.87 cents per share is reasonable.

We also note that on 1 October 2013, MMX confirmed the completion of the off-market buy back whereby approximately 172.3 million ordinary shares were bought back by the Company at 4.2 cents per share. We note that there have been no substantial changes in the business since this buyback. Even if slightly lower than our valuation range, the buyback price seems to support our valuation assessment.



## 8 Valuation of MVT before the Proposed Scheme

Set out below is a summary of our valuation assessment of 100% of MVT before the Proposed Transaction having regard to the unaudited balance sheet as at 31 March 2014.

MVT valuation	Section Reference	Low \$'000	High \$'000
Post tax Net assets per management accounts as at 31 March 2014	5.3	34,599	34,599
Less: Orderly realisation costs	8.2	(1,000)	(500)
Less: Estimated one-off and transaction costs	8.3	(45)	(45)
Value of 100% of MVT		33,554	34,054
Number of MVT shares on issue ('000)		250,578	250,578
<b>Assessed value per MVT share (cents)</b>		<b>13.39</b>	<b>13.59</b>

Source: GTCF Calculations

### 8.1 Post-tax NTA

The investment portfolio value has been determined based on the last traded ASX market price as at 31 March 2014.

Other assets and liabilities have been assessed in accordance with the carrying value as at 31 March 2014.

### 8.2 Orderly realisation costs

We have considered the value of MVT on a net realisable approach. As such we have adjusted the realisable value of net assets assessed above for expected costs associated with the notional realisation and the wind-up of MVT assessed in the range of \$0.5 million and \$1.0 million. These costs include:

- 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.
- Transaction costs incurred on the (notional) realisation of the investment portfolio of 0.3% (consistent with the exit fees payable in order to liquidate MVT's current investments).

We note that the estimated realisation costs for MVT are lower than the realisation costs estimated for MMX. The difference is mainly arising from the history and legacy of MMX. The Company has been involved in several litigation matters which have resulted in the payment of large amounts of settlement claims. Accordingly, in our opinion, the risk of unforeseen matters in an orderly realisation scenario is material higher in MMX although difficult to quantify.

In addition, we note that MVT is internally managed by its Directors, it does not employ any staff and one of the Directors provide consulting support services with a three month notice period. Accordingly, limited costs will be incurred by MVT under a realisation scenario.

### 8.3 Costs associated with the Proposed Scheme

Management of MVT has advised that the estimated transaction costs to be incurred by MVT are approximately \$45,000.

### 8.4 Valuation cross check

#### 8.4.1 Share price

Prior to reaching our valuation conclusion, we have considered the quoted security price of MVT Shares. In accordance with the requirements of RG111, we have considered the listed securities' depth, liquidity, and whether or not the market value is likely to represent the value of MVT.

The following table summarises the monthly trading volume of MVT Shares since October 2012:

Month end	Volume traded ('000)	Monthly VWAP (\$)	Total value of shares traded (\$'000)	Number of shares		
				outstanding at start of month ('000)	Volume traded as % of total shares	Volume traded as % of free float shares
Oct 2012	1,933	0.0893	173	250,578	0.8%	3.2%
Nov 2012	3,149	0.0985	310	250,578	1.3%	5.3%
Dec 2012	3,010	0.1107	333	250,578	1.2%	5.0%
Jan 2013	1,751	0.1142	200	250,578	0.7%	2.9%
Feb 2013	1,338	0.1091	146	250,578	0.5%	2.2%
Mar 2013	1,629	0.1043	170	250,578	0.7%	2.7%
Apr 2013	3,052	0.1030	315	250,578	1.2%	5.1%
May 2013	2,029	0.0990	201	250,578	0.8%	3.4%
Jun 2013	1,984	0.0978	194	250,578	0.8%	3.3%
Jul 2013	2,455	0.1055	259	250,578	1.0%	4.1%
Aug 2013	2,765	0.1043	288	250,578	1.1%	4.6%
Sep 2013	3,436	0.1105	380	250,578	1.4%	5.7%
Oct 2013	1,766	0.1322	234	250,578	0.7%	3.0%
Nov 2013	655	0.1380	90	250,578	0.3%	1.1%
Dec 2013	2,140	0.1395	299	250,578	0.9%	3.6%
Jan 2014	680	0.1428	97	250,578	0.3%	1.1%
Feb 2014	1,291	0.1349	174	250,578	0.5%	2.2%
Mar 2014	758	0.1383	105	250,578	0.3%	1.3%

Source: Capital IQ and ASX announcements

Based on the above table, we note the following:

- The monthly volume traded as a percentage of free-float shares ranged between 1.1% and 5.7% with a median of 3.3%;
- Notwithstanding the level of liquidity, MVT complies with the full disclosure regime required by the ASX. As a result, the market is fully informed about the performance of MVT; and
- In the absence of a takeover or other share offers, the trading share price represents the value at which minority shareholders could realise their investment.

Accordingly, we have relied on the trading share price as a cross check of our valuation assessment of MVT.

Our assessment of MVT's equity value using the quoted listed price is set out below.

The quoted price of listed securities method is based on the EMH which states that the share price at any point in time reflects all publicly available information and will change "almost" instantaneously when new information becomes publicly available.

A summary of the historical VWAP of MVT Shares based on trading up until 17 March 2014 (date of the announcement of the Proposed Scheme), is set out below:

VWAP	Low	High	VWAP
Prior to 17 Mar 2014			
5 day	0.135	0.135	0.135
10 day	0.130	0.135	0.135
1 month	0.130	0.140	0.134
2 month	0.130	0.145	0.136
3 month	0.130	0.150	0.138

*Source: Capital IQ and calculations*

Based on the above, we have assessed the value of MVT Shares using the quoted list price method to be in the range of A\$0.134 to A\$0.138 on a minority basis.

Set out below, we have included a comparison between our assessed value per share and the trading prices of MVT.

Implied control premium	Section Reference	Low \$	High \$
Assessed value per MVT share (\$) (Control basis)	8.0	13.39	13.59
Quoted listed price method (minority basis)	8.7	13.40	13.80
Implied control premium		-0.1%	-1.5%

*Source: Capital IQ and GTCF calculations*

As indicated in the table above, our valuation assessment is at a discount between 0.1% and 1.5% to the trading prices. We note that historically NTA post tax has shown a reasonable correlation and tracks closely to the MVT share price (see section 5.1).

#### 8.4.2 Other considerations

Finally, we have considered the impact on our valuation assessment of MVT should have we adopted a going concern approach rather than a realisation value. Under these circumstances, we would have undertaken the following adjustments to our valuation assessment between 13.4c and 13.6c as set out in section 8:

- Remove the realisation costs from our valuation assessment.

- Assess the fair market value of the deferred tax liability of approximately A\$5 million as at 31 March 2014 on a going concern basis rather than on a realisation basis. Given the turnover of MVT's portfolio is low and MVT takes medium to long term strategic positions in their investments, the net present value of the deferred tax liability at the effective time of realisation may reduce the fair market value materially.
- Attribute a value to the accumulated company tax losses of approximately \$6.5 million (gross value). The future utilisation of these tax losses is dependent on future taxable profits generated by the investments of the business net of administration and management fees and discounted at the MVT cost of equity to a net present value.
- Reduce the valuation of MVT for the capitalisation of corporate overheads. Based on the normalised year to date information provided by MVT, annual corporate overheads are in the order of A\$420,000 per annum on a post-tax basis (or A\$600,000 per annum on a pre-tax basis). Under a going concern scenario, we would capitalise the ongoing post-tax corporate overheads of MVT using a capitalisation multiple between 8.5x and 9.5x which would result in a capitalised value of corporate overhead range between \$3.5 million and \$4.0 million.

In summary, we note that it is difficult to reliably value MVT on a going concern basis using a net asset approach, given the difficulty of reliably valuing the tax losses and deferred tax assets when using a net asset approach. The analysis that we have undertaken indicates that our assessed valuation of MVT on a net realisable approach could produce a slightly higher valuation of MVT than on a going concern basis but this is substantially consistent.

## 9 Scheme Consideration

### 9.1 Consideration summary

If the Scheme is implemented, MMX Shareholders can elect to receive either:

- Cash Consideration for 100% of their shares, described in section 9.2; or
- Scrip Consideration by exchanging 100% of their Scheme shares for New MVT Shares, described in section 9.3; or
- A combination of 50% Cash Consideration and 50% Scrip Consideration, described in section 9.4.

Set out below is a summary of the Scheme consideration for each election available to MMX Shareholders having regard to the fair market value of MMX as assessed in section 7:

Fairness assessment	Section Reference	Low	High
<b>Cash consideration</b>			
Cash consideration per share (cents)	9.2	4.87	4.87
Fair market value of MMX Share (on control basis)	7.0	4.33	4.87
<b>Premium/(Discount)</b>		<b>11.07%</b>	<b>0.00%</b>
<b>Scrip consideration</b>			
Scrip consideration per share (cents) (minority basis)	9.3	4.14	4.34
Fair market value of MMX Share (on control basis)	7.0	4.33	4.87
<b>Premium/(Discount)</b>		<b>-4.54%</b>	<b>-12.20%</b>
<b>Mixed consideration</b>			
Mixed consideration per share (cents) (minority basis)	9.4	4.47	4.58
Fair market value of MMX Share (on control basis)	7.0	4.33	4.87
<b>Premium/(Discount)</b>		<b>3.03%</b>	<b>-6.42%</b>

Source: GTCF calculations

### 9.2 Cash Consideration

MMX Shareholders who elect to receive Cash Consideration will receive an amount equal to the MMX pre-tax NTA per share calculated on the Calculation Date<sup>23</sup>, less deferred tax assets carried on the balance sheet and transaction costs associated with implementing the Scheme, for each Scheme Share.

The following table summarises our assessment of the Cash Consideration having regard to the unaudited balance sheet as at 31 March 2014:

<sup>23</sup> Under the SIA, the Calculation Date is the date of the second court date which is the first day on which the application made to the Court for an order for the purposes of section 411(4)(b) of the Corporations Act approving the Proposed Scheme is heard.

Fairness assessment	Section Reference	Low \$'000	High \$'000
MMX Pre-tax NTA as at 31 March 2014	4.3.2	13,922	13,922
Less: MMX deferred tax asset		-	-
MMX NTA excluding deferred tax assets at 31 March 2014		13,922	13,922
Less: Transaction costs	7.8	(370)	(370)
Total cash consideration		13,552	13,552
Number of MMX shares on issue ('000)	4.3.2	278,236	278,236
<b>Cash consideration per share (cents)</b>		<b>4.87</b>	<b>4.87</b>
Fair market value of MMX Share (on control basis)		4.33	4.87
Difference		0.54	0.00
<b>Premium/(Discount)</b>		<b>11.07%</b>	<b>0.00%</b>

Source: GTCF calculations

The Cash Consideration is within our assessed valuation range of an MMX Share on a control basis. Accordingly, we conclude that the Cash Consideration is fair to Non-Associated MMX Shareholders.

### 9.3 Scrip Consideration

MMX Shareholders may elect to receive 100% Scrip of their Scheme shares for new MVT Shares. An NTA formula will be used to determine the number of New MVT Shares to be issued for each MMX Share, calculated on the Calculation Date (See section 9.3.1).

In relation to our assessment of the fair market value of the Scrip Consideration, we note that we have removed from MVT Portfolio the value of MMX interest based on the NTA as at 31 March 2014.

Set out below is a summary of our valuation assessment of the 100% Scrip Consideration to MMX Shareholders having regard to the fair market value of MMX Shares currently owned by MVT

Fairness assessment	Section Reference	Low \$'000	High \$'000
Fair value assessment of MMX	7.0	12,052	13,552
Fair value assessment of MVT	8.0	33,554	34,054
Less: Market value of MMX shares held by MVT as at 31 March 2014	9.3.1	3,646	3,646
<b>Combined equity value of merged entity</b>		<b>41,961</b>	<b>43,961</b>
Shares on issue ('000) post transaction	9.3.2	312,501	312,501
<b>Value of Merged Entity per share (cents)</b>		<b>13.43</b>	<b>14.07</b>
NTA Ratio per share (MMX NTA/MVT NTA)	9.3.2	0.309	0.309
<b>Assessed value of Scrip Consideration per share (cents)</b>		<b>4.14</b>	<b>4.34</b>
<b>Fair market value of MMX Share (cents) (on control basis)</b>	7.0	<b>4.33</b>	<b>4.87</b>
Difference		(0.19)	(0.53)
<b>Premium/(Discount)</b>		<b>-4.54%</b>	<b>-12.20%</b>

Source: GTCF calculations

The Scrip Consideration is not within our assessed range of an MMX share on a control basis. Accordingly, we conclude that the Scrip Consideration is not fair to the Non-Associated MMX shareholders.

### 9.3.1 Number of new MVT Shares

The number of New MVT Shares to be issued to MMX Shareholders (or the Nominee in the case of Ineligible Foreign Shareholders) who elect to receive Scrip Consideration will be calculated based on the relative pre-tax NTA backing per share of each company at the Calculation Date based on the formula set out in section 1.1.

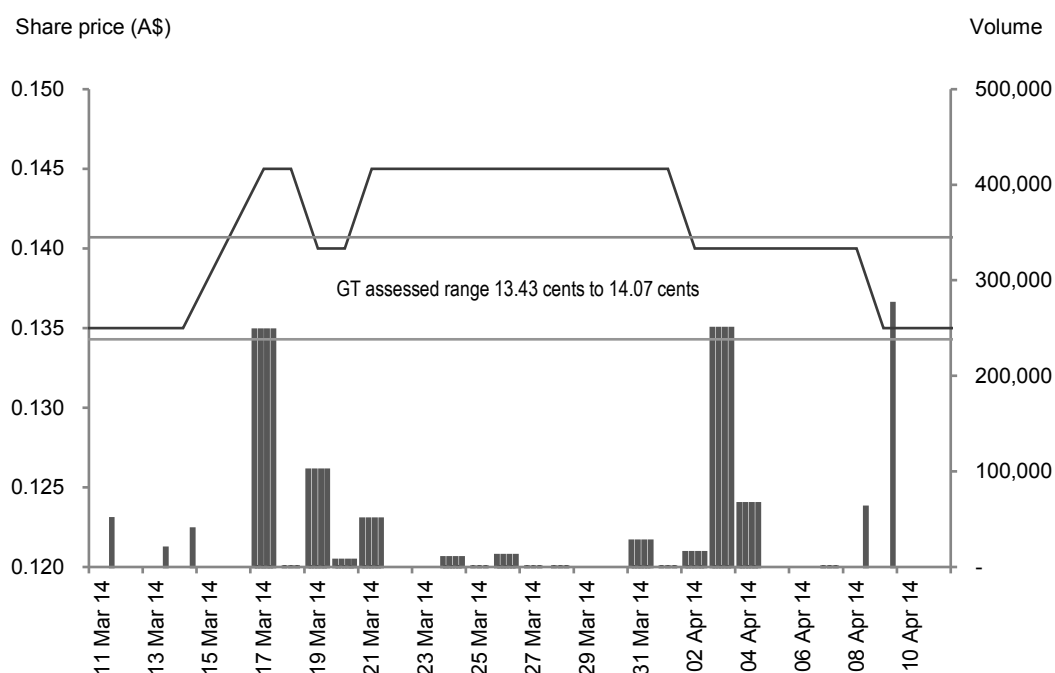
The following table summarises the number of New MVT shares to be issued to each MMX shareholder as at 31 March 2014.

New amount of MVT shares outstanding after scheme	MMX \$	MVT \$
Pre Tax NTA	13,922	39,596
Less: Transaction costs	(370)	(45)
<b>Adjusted Post-Tax NTA</b>	<b>13,552</b>	<b>39,551</b>
Shares outstanding ('000)	278,236	250,578
Post Tax NTA per share (cents)	4.87	15.78
<b>NTA Ratio per share (MMX NTA/MVT NTA)</b>		<b>0.309</b>
MMX shares outstanding ('000)		278,236
Less: MVT current holding of MMX shares ('000)		77,568
Other MMX shareholdings ('000)		200,668
<b>New MVT shares (NTA Ratio per share x Other MMX shareholdings)</b>		<b>61,923</b>
Current MVT shares outstanding ('000)		250,578
<b>New total of MVT shares outstanding ('000)</b>		<b>312,501</b>

Source: GTCF calculations

### 9.3.2 Cross check of the Scrip Consideration

As a cross check to our valuation of the Scrip Consideration, Grant Thornton Corporate Finance has considered the share price of MVT after the announcement of the Proposed Scheme on 17 March 2014. The trading prices after the announcement of the Proposed Scheme should reflect market expectations in relation to the proposed transaction.



Source: Capital IQ and GTCF calculations

The trading prices of MVT post announcement of the Proposed Scheme seems to support our valuation assessment.

#### 9.4 Combination of 50% Cash Consideration and 50% Scrip Consideration

The following table summarises our assessment of the 50% Cash Consideration and 50% Scrip Consideration, based on 100% of eligible MMX Shareholders electing this form of Consideration:

Fairness assessment	Section Reference	Low \$'000	High \$'000
Combined Fair value assessment of merged entity	9.3	41,961	43,961
Less cash paid for 50% MMX shares		4,887	4,887
<b>Adjusted Fair value assessment combined entity</b>		<b>37,074</b>	<b>39,074</b>
Number of MVT shares on issue ('000)	9.4.1	281,539	281,539
Value per MVT share		13.168	13.879
Assessed value of scrip consideration per share (cents)(Control basis)		4.06	4.28
Cash consideration per share (cents)	9.2	4.87	4.87
<b>Average of 50% Scrip and 50% Cash Consideration</b>		<b>4.47</b>	<b>4.58</b>
Fair market value of MMX Share (on control basis)	7.0	4.33	4.87
Difference		0.14	(0.29)
<b>Premium/(Discount)</b>		<b>3.03%</b>	<b>-6.42%</b>

Source: GTCF calculations

The above table summarises the value of Consideration based on 100% of eligible MMX Shareholders electing this form of Mixed Consideration. The Consideration in the above table could be slightly different depending on the take up overall by eligible MMX shareholders of either: Cash, Scrip or Mixed Consideration.



The Mixed Consideration is within our assessed range of an MMX share on a control basis. Accordingly, we conclude that the Mixed Consideration is fair to the Non-Associated shareholders.

#### 9.4.1 Number of new MVT Shares

The following table summarises the number of New MVT shares to be issued to each MMX shareholder given 100% of Non-Associated MMX shareholders choose to accept the Mixed Consideration as at 31 March 2014.

Fairness assessment	Section Reference	000's
New MVT shares on 100% Scrip	9.3.2	61,923
New MVT shares given 100% Take up of Mixed Consideration		30,962
Current MVT shares outstanding		250,578
<b>New total of MVT shares outstanding</b>		<b>281,539</b>

Source: GTCF calculations

## **10 Source of information, disclaimer and consents**

### **10.1 Source of information**

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

- Draft Scheme Booklet between MMX and MVT regarding the Proposed Scheme;
- Scheme Implementation Agreement between MMX and MVT regarding the Proposed Scheme;
- MMX and MVT ASX announcements;
- Board minutes of MMX and MVT;
- Annual reports of MMX for FY12 and FY13;
- Half-year financial report of MMX for 1HY14;
- Year to date management accounts of MMX;
- Annual reports of MVT for FY12 and FY13;
- Half-year financial report of MVT for 1HY14;
- Year to date management accounts of MVT;
- Cashmere Iron Limited shareholder letters;
- Cashmere Iron Limited annual report for FY13;
- Other information provided for by MMX;
- Other publicly available information;
- IBISWorld;
- ASX research on Listed Managed Investments in Australia;
- Capital IQ;
- Discussions with MMX and MVT management; and
- Other publicly available information.

### **10.2 Limitations and reliance on information**

Grant Thornton Corporate Finance, a wholly owned subsidiary of Grant Thornton Australia Limited, provides advice in relation to all aspects of valuations and has extensive experience in the valuation of public and private companies.

This report has been prepared solely for the purpose set out in Section 2 of this report.

Neither the whole of this report or any part thereof or any reference thereto may be published in any document, statement or circular nor in any communication with third parties without our prior written approval of the form and context in which it will appear.

Grant Thornton Corporate Finance has consented to the inclusion of this report in section 2.4, which is required under cl 8303 of the *Corporations Regulations 2001* to be provided to Scheme Participants. This report is not intended for general circulation or publication, nor are they to be reproduced for any other purposes other than those outlined above without the prior written consent of Grant Thornton Corporate Finance in each specific instance. We will not assume responsibility for losses occasioned to Murchison Metals or to any other party as a result of the circulation, reproduction or use of our reports contrary to its intended purpose.

The statements and opinions given in this report are given in good faith and in the belief that such statements and opinions are not false or misleading.

Our conclusions are based on the assumptions stated and on information provided by Management. Neither Grant Thornton Corporate Finance, Grant Thornton Australia Limited nor any member or employee thereof undertakes responsibility in any way whatsoever to any person in respect of errors in this report arising from incorrect information provided by Management.

Murchison Metals has provided an indemnity to us for any claims arising out of any mis-statement or omission in any material or information provided to us in the preparation of this report.

In the preparation of this report we have relied upon and considered information believed after due enquiry to be reliable and accurate. We have no reason to believe that any information supplied to us was false or that any material information has been withheld from us.

We do not imply and it should not be construed that we have verified any of the information provided to us, or that our enquiries could have identified any matter which a more extensive examination might disclose. We have however evaluated the information provided to us by Management as well as other parties through enquiry and analysis in order to consider whether anything comes to our attention to indicate the information provided was materially mis-stated or would not afford reasonable grounds upon which to base our report.

We have made enquiries with the partners, directors and managers of Grant Thornton and Grant Thornton Corporate Finance and confirm we are independent of the Company. We have also considered the requirements of APES 110 “Code of Ethics for Professional Accountants” issued by the Accounting Professional and Ethical Standards Board (“APES Board”) and confirm that neither Grant Thornton nor Grant Thornton Corporate Finance are aware of any circumstances which compromise our independence to undertake this assignment.

## **Appendix A – Valuation methodology**

### **Discounted cash flow**

An analysis of the net present value of projected 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 WACC. 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.

### **Capitalisation of future maintainable earnings**

The capitalisation of future maintainable earnings 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.

### **Net asset backing/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 listed 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 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 and/or listed trading companies to establish a value for the current transaction.

The 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.

## Appendix B – Control premium study

### RSM Bird Cameron (2013)

A study conducted by RSM Bird Cameron in 2013 analysed the control premium range across different industries in the Australian market. Control premium is calculated as (offer price – share price) / share price. The share price of the target company is the closing price at two days, five days and 20 days before the announcement date. The study's results are summarised in the following table:

Industry	No of transactions	Average control premium		
		2 days pre announcement	5 days pre announcement	20 days pre announcement
Metals & Mining	96	30%	33%	35%
Energy	43	21%	27%	36%
Pharmaceuticals, Biotechnology & Life Sciences	13	38%	39%	37%
Real estate	22	17%	19%	21%
Banks and Diversified Financials	27	26%	23%	25%
Other	144	27%	30%	39%

Source: RSM Bird Cameron (2013).

From the above results, Pharmaceuticals, Biotechnology & Life Sciences and Metals & Mining are sectors that experience the highest control premium. On the other hand, Real Estate and Bank & Diversified Financials are sectors that have the lowest control premium.

The study also found evidence of the recovery of control premium after the impact of the Global Financial Crisis. In particular, the control premium in the 2013 study is higher than the control premium in the 2010 study, which is set out in the table below:

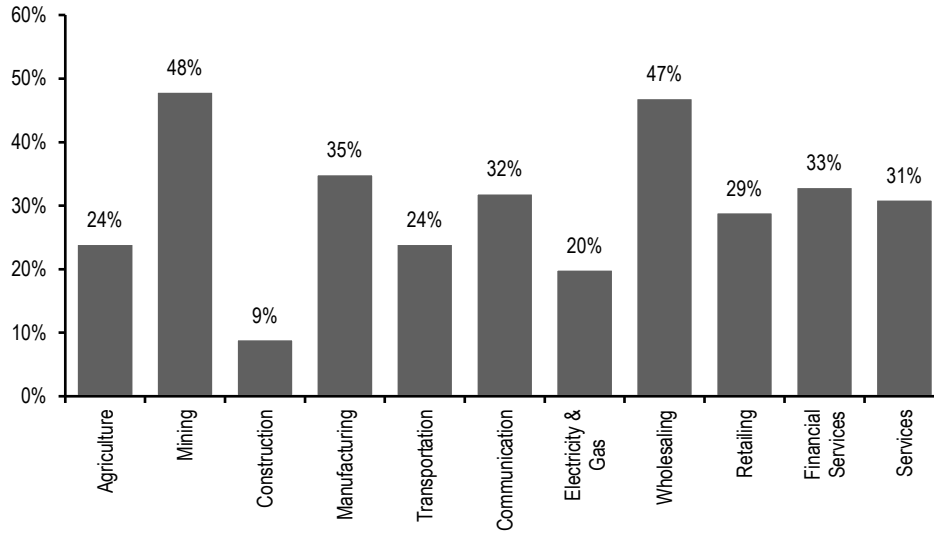
	2013 Study	2010 Study	Change
Number of transaction	345	212	133
<b>Average control premium</b>			
20 days pre announcement	35%	31%	5%
5 days pre announcement	29%	26%	4%
2 days pre announcement	27%	22%	5%
<b>Median control premium</b>			
20 days pre announcement	29%	23%	6%
5 days pre announcement	29%	23%	7%
2 days pre announcement	27%	20%	6%

Source: RSM Bird Cameron (2013).

### Mergerstat (3<sup>rd</sup> quarter 2013)

Analysing 478 transactions between October 2012 and September 2013, the study found that the median control premium is 33.3%. In particular, for the third quarter of 2013, the median control premium is 32.7% for the domestic market and 34.8% for the international market. The following graph depicts the 12-month median premiums by industry:

**12-month median premiums by industry**



**Appendix C – Glossary**

APES Board	Accounting Professional and Ethical Standards Board
AREIT	Australian Real Estate Investment Trust
ASIC	Australian Securities Investment Commission
ASX	Australian Stock Exchange
ATO	Australian Tax Office
AUD or A\$	Australian Dollar
Bt	Billion tonnes
Cashmere	Cashmere Iron Ltd
Corporations Act	Corporations Act 2001
Crosslands	Crosslands Resources Ltd
DCF	Discounted Cash Flow
DFS	Definitive Feasibility Study
DSO	Direct Shipping Ore
EBIT	Earnings Before Interest and Tax
DTA	Deferred Tax Asset
DTL	Deferred Tax Liability
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EL	Exploration License
EMH	Efficient Market Hypothesis
FOFA	Future of Financial Advice
FSG	Financial Services Guide
Fund	Adelaide Managed Funds Asset Backed Yield Trust
FY	Financial year
GFC	Global Financial Crisis
Grant Thornton Corporate Finance	Grant Thornton Corporate Finance Pty Ltd
HY	Half year
IPO	Initial Public Offering
JORC	Joint Ore Reserves Committee
LI	Listed investment entity
LIC	Listed Investment Company
LIT	Listed Investment Trust
Management	Management of MMX
MER	Management Expense Ratio



Mitsubishi Transaction	The transaction where MMX sold its interests in Crosslands and OPR to Mitsubishi for \$325 million in cash
MMX	Murchison Metals Ltd
MOU	Memorandum of Understanding
Mt	Million tonnes
MVT	Mercantile Investment Company Ltd
NTA	Net Tangible Assets
OP	O'Sullivan Partners Advisory Pty Ltd
PCL	Premar Capital Ltd
RG	Regulatory Guide
SIA	Scheme Implementation Agreement
SOA	Scheme Of Arrangement
US\$	US Dollar
VWAP	Value Weighted Average Price
WACC	Weighted Average Cost of Capital
YTDFY14	Nine-month period up to 31 March 2014

# Annexure B

## Scheme Implementation Agreement



## **Scheme Implementation Agreement**

**Mercantile Investment Company Limited**  
(ACN 121 415 576)

**Murchison Metals Limited**  
(ACN 078 257 799)

**Watson Mangioni Lawyers Pty Limited**  
Corporate and Commercial Lawyers  
Level 13, 50 Carrington Street  
SYDNEY NSW 2000  
Tel: (02) 9262 6666  
Fax: (02) 9262 2626  
Email: [mail@wmlaw.com.au](mailto:mail@wmlaw.com.au)  
Ref: PAV 214 3797 EBD

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**Parties:**

1. **Mercantile Investment Company Limited** (ACN 121 415 576) of Level 11, 139 Macquarie Street Sydney NSW 2000 (**MVT**);
2. **Murchison Metals Limited** (ACN 078 257 799) of c/o Corrs Chambers Westgarth, Level 17, 8-12 Chifley Square, Sydney NSW 2000 (**MMX**).

**Recitals:**

- A. MMX and MVT have agreed that MVT will acquire MMX by means of a scheme of arrangement under Part 5.1 of the Corporations Act between MMX and MMX Shareholders.
- B. The Scheme will involve MMX undertaking a selective reduction of capital under which all MMX Shares (other than MMX Shares held by MVT) will be cancelled in consideration for the issue of MVT Shares calculated on an NTA for NTA valuation basis or cash.
- C. To facilitate implementation of the Scheme, MMX will subscribe for MVT Shares immediately prior to the Implementation Date which will be issued, at the direction of MMX, to Scheme Participants who elect to receive the Scrip Alternative.
- D. MMX and MVT have agreed to implement the scheme of arrangement on the terms of this Agreement.

**1. Definitions and Interpretation**

**1.1. Definitions**

In this Agreement:

**Aggregate New MVT Shares** means the number of New MVT Shares to be issued at the direction of MMX to Scheme Participants making or taken to make a valid election to receive all or part of their Scheme Consideration by means of the Scrip Alternative as calculated in accordance with the Scheme.

**ASIC** means the Australian Securities & Investments Commission.

**ASX** means ASX Limited (ACN 008 624 691) or, as the context requires, the financial market operated by it.

**Business Day** means a weekday on which trading banks are open for business in Sydney, Australia, excluding any Saturday, Sunday or public holiday.

**Calculation Date** means 5:00pm (Sydney time) on Second Court Date.

**Cash** means immediately available funds provided as Scheme Consideration under the Cash Alternative.

**Cash Alternative** means that part of the Scheme Consideration to be provided in the form of Cash.

**Competing Transaction** means any proposal by a Third Party in relation to a transaction or arrangement under which if the transaction or arrangement is completed:

- (a) a person would acquire (whether directly or indirectly) or become the holder of, or otherwise have a right to acquire or have an economic interest in, all or substantially all of the business conducted by MMX, or the assets of MMX;

- (b) a person would acquire (whether directly or indirectly) Control of MMX;
- (c) a person would acquire a relevant interest in, or voting power of, 50% or more of the MMX Shares;
- (d) a person would otherwise acquire, or merge or amalgamate with, MMX (or any member of MMX); or
- (e) MMX would be required to abandon or otherwise fail to proceed with the Transaction.

**Condition Precedent** means a condition precedent set out in Clause 3.1.

**Control** has the meaning given in section 50AA of the Corporations Act.

**Corporations Act** means the *Corporations Act* 2001 (Cth).

**Court** means the Supreme Court of NSW or such other court of competent jurisdiction under the Corporations Act as MMX and MVT agree in writing.

**Deed Poll** means the deed poll to be granted by MVT in substantially the form set out in Schedule 3.

**Director** means a director of MMX from time to time.

**Effective** means, when used in relation to the Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Scheme.

**Effective Date** means the date on which the Scheme becomes Effective.

**Election Form** means a form, to be completed by each MMX Shareholder to record its election in relation to the Scheme Consideration, which forms part of the Scheme Booklet.

**End Date** means 30 September 2014.

**Explanatory Statement** means the statement pursuant to section 412 of the Corporations Act which has been, or will be, registered by ASIC in relation to the Scheme, which forms part of the Scheme Booklet.

**First Court Date** the first day on which an application made to the Court for an order under section 411(1) of the Corporations Act convening the Scheme Meeting is heard.

**General Meetings** means the meetings of MMX Shareholders to be convened to approve:

- (a) the Selective Reduction; and
- (b) the subscription for New MVT Shares as contemplated by the Scheme.

**Government Agency** means any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any state.

**Implementation Date** means the day 5 Business Days after the Record Date or such other date as MMX and MVT agree in writing.

**Indemnified Parties** means MMX and its directors and officers.

**Independent Board Committee** means a committee of the MMX Board comprising all Directors other than Directors nominated by or associated with MVT so that as at the date of this Agreement, the members of the committee are Mr Paul Jensen and Mr Mark Licciardo.

**Independent Director** means a member of the Independent Board Committee.

**Independent Director Share** means a MMX Share:

- (a) held by an Independent Director;
- (a) held on behalf of an Independent Director; or
- (b) in which a Independent Director otherwise has a Relevant Interest.

**Independent Expert** means the independent expert in respect of the Scheme appointed by MMX.

**Independent Expert's Report** means the report prepared by the Independent Expert to be provided to MMX and MMX Shareholders providing an opinion, among other things, as to whether the Scheme is in the best interests of MMX Shareholders.

**Listing Rules** means the official listing rules of the ASX.

**Material Contract** means any contract or commitment by MMX involving an amount of not less than \$200,000 or which is for a period of not less than 60 days.

**MMX Auditor** means the third party auditor appointed by MMX and who must be acceptable to MVT, acting reasonably, to undertake a review of the MVT NTA under Clause 4.1(v).

**MMX Board** means the board of Directors from time to time.

**MMX Break Fee** has the meaning given in Clause 9.1.

**MMX Constitution** means the constitution of MMX as amended from time to time.

**MMX Material Adverse Change** means one or more changes, events, occurrences or matters which (whether individually or when aggregated with all changes, events, occurrences or matters of a like kind) has had or will have:

- (a) a material adverse effect on the business, assets, liabilities, condition (financial or otherwise) or results of operations of MMX; or
- (b) an effect that will prevent, materially delay or materially impair MMX's ability to consummate the Transaction,

excluding alone or in combination those changes, events, occurrences or matters:

- (c) required by the Transaction or transactions contemplated by it; or
- (d) involving any change in the market price or trading volume of shares after the date of this Agreement; or
- (e) which took place with the prior written consent of MVT; and
- (f) relating to the global economy or securities markets in general.

**MMX NTA** means the NTA of MMX on the Calculation Date.

**MMX Share** means a fully paid ordinary share in the capital of MMX.

**MMX Shareholder** means a person who is registered in the Share Register as the holder of a MMX Share.

**MMX Warranties** means the warranties and representations provided by MMX under Clause 5.3.

**MMX Prescribed Occurrence** means the occurrence of any of the following between the date of this Agreement and 8.00 am on the Second Court Date:

- (a) MMX converting all or any of its securities into a larger or smaller number of securities;
- (b) MMX resolving to reduce its capital in any way or reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its securities;
- (c) MMX, directly or indirectly, declaring, paying or distributing any dividend, bonus or other share of its profits or assets by way of dividend, capital reduction or otherwise;
- (d) MMX:
  - (i) entering into a buy-back agreement; or
  - (ii) resolving to approve the terms of a buy-back agreement under the Corporations Act;
- (e) MMX:
  - (i) issuing securities, or granting an option over its securities, or agreeing to make such an issue or grant such an option to any person; or
  - (ii) issuing or agreeing to issue, securities or other instruments convertible into securities to any person;
- (f) MMX making any change to the MMX Constitution;
- (g) the appointment of a liquidator, provisional liquidator, administrator or other external controller to MMX;
- (h) the appointment of a receiver, receiver and manager or other external controller in relation to the whole, or a substantial part, of the property of MMX;
- (i) MMX executing a deed of company arrangement;
- (j) MMX acquiring or disposing of or agreeing to acquire or dispose of, or offering, proposing, or announcing a bid, or tendering, for, any business, assets, entity or undertaking, with a value in excess of \$100,000;
- (k) MMX creating, or agreeing to create, any mortgage, charge, lien or other encumbrance over a material asset;
- (l) MMX entering into, or terminating, any contract or commitment requiring, or amending or agreeing to amend any contract such that the amendment would require, total payments in excess of \$100,000 or which would have a material adverse effect on MMX;
- (m) MMX entering into any new financing arrangement, agreement or instrument (irrespective of what form that accommodation takes), or amending the terms of, or terminating, any existing financing arrangement, agreement or instrument;
- (n) MMX entering into, or terminating, any agreement, arrangement or transaction with respect to derivative instruments (including swaps, futures contracts, forward commitments, commodity derivatives or options) or similar instruments, except foreign currency hedges made in the ordinary course of business and in accordance with existing policy as at the date of this Agreement;
- (o) MMX resolving that it be wound up, or the making of an application or order for its winding up or dissolution other than where the application or order (as the case may be) is set aside within 14 days but, in any event, prior to 8.00 am on the Second Court Date;



- (p) any court of competent jurisdiction making an order for the winding up of MMX;
- (q) MMX ceasing, or threatening to cease, to carry on the business it conducted as at the date of this Agreement;
- (r) MMX being or becoming unable to pay its debts when they fall due within the meaning of the Corporations Act (or under the relevant law of the jurisdiction in which it is incorporated) or being otherwise presumed to be insolvent under the Corporations Act (or under the relevant law of the jurisdiction in which the MMX is incorporated);
- (s) MMX authorising, committing or agreeing to take any of the actions referred to in paragraphs (a) to (r) above;

provided that a MMX Prescribed Occurrence will not include a matter:

- (i) that is done in the ordinary course of business and consistent with past practice;
- (ii) that is required to be done or procured by MMX pursuant to the Transaction;
- (iii) the undertaking of which has been the subject of prior approval in writing by MVT; or
- (iv) which is otherwise contemplated by this document.

**MVT Auditor** means the auditor for MVT being, as at the date of this Agreement MNSA Pty Limited.

**MVT Board** means the board of directors of MVT.

**MVT Break Fee** has the meaning given in Clause 9.2.

**MVT Constitution** means the constitution of MVT as amended.

**MVT Information** means information regarding MVT provided by MVT to MMX in writing for inclusion in the Scheme Booklet.

**MVT Material Adverse Change** means one or more changes, events, occurrences or matters which (whether individually or when aggregated with all changes, events, occurrences or matters of a like kind) has had or will have:

- (a) a material adverse effect on the business, assets, liabilities, condition (financial or otherwise) or results of operations of MVT; or
- (b) an effect that will prevent, materially delay or materially impair MVT's ability to consummate the Transaction,

excluding alone or in combination those changes, events, occurrences or matters:

- (c) required by the Transaction or transactions contemplated by it;
- (d) involving any change in the market price or trading volume of shares after the date of this Agreement; or
- (e) which took place with the prior written consent of MMX; or
- (f) relating to the global economy or securities markets in general.

**MVT NTA** means the NTA of MVT as at the Calculation Date.

**MVT Prescribed Occurrence** means the occurrence of any of the following between the date of this Agreement and 8.00 am on the Second Court Date:

- (a) MVT converting all or any of its securities into a larger or smaller number of securities;
- (b) MVT resolving to reduce its capital in any way or reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its securities;
- (c) MVT, directly or indirectly, declaring, paying or distributing any dividend, bonus or other share of its profits or assets by way of dividend, capital reduction or otherwise;
- (d) MVT:
  - (i) entering into a buy-back agreement; or
  - (ii) resolving to approve the terms of a buy-back agreement under the Corporations Act, other than pursuant to an on-market buyback for which approval by shareholders of MVT under the Corporations Act is not required;
- (e) MVT:
  - (i) issuing securities, or granting an option over its securities, or agreeing to make such an issue or grant such an option to any person; or
  - (ii) issuing or agreeing to issue, securities or other instruments convertible into securities to any persons, other than an exercise of an option to issue MVT ordinary shares currently on issue or pursuant to MVT's dividend reinvestment plan;
- (f) MVT making any change to the MVT Constitution;
- (g) the appointment of a liquidator, provisional liquidator, administrator or other external controller to MVT;
- (h) the appointment of a receiver, receiver and manager or other external controller in relation to the whole, or a substantial part, of the property of MVT;
- (i) MVT executing a deed of company arrangement;
- (j) MVT resolving that it be wound up, or the making of an application or order for its winding up or dissolution other than where the application or order (as the case may be) is set aside within 14 days but, in any event, prior to 8.00 am on the Second Court Date;
- (k) any court of competent jurisdiction making an order for the winding up of MVT;
- (l) MVT ceasing, or threatening to cease, to carry on the business it conducted as at the date of this Agreement;
- (m) MVT being or becoming unable to pay its debts when they fall due within the meaning of the Corporations Act (or under the relevant law of the jurisdiction in which it is incorporated) or being otherwise presumed to be insolvent under the Corporations Act (or under the relevant law of the jurisdiction in which the MVT is incorporated);
- (n) MVT authorising, committing or agreeing to take any of the actions referred to in paragraphs (a) to (m) above;

provided that a MVT Prescribed Occurrence will not include a matter:

- (i) that is done in the ordinary course of business and consistent with past practice;

- (ii) that is required to be done or procured by MVT pursuant to the Transaction;
- (iii) the undertaking of which has been the subject of prior approval in writing by MMX; or
- (iv) which is otherwise contemplated by this document.

**MVT Warranties** means the warranties and representations provided by MVT under Clause 5.1.

**New MVT Share** means a fully paid ordinary share in the capital of MVT to be issued in accordance with the Scheme.

**No Shop Period** and **No Talk Period** means the period from and including the date of this Agreement to the earlier of the termination of this Agreement and the Effective Date.

**NTA** means the pre-tax net tangible asset backing of MMX or MVT (as the context requires) per MMX Share or (as the case may be) MVT Share after excluding all deferred tax assets and deferred tax liabilities calculated in accordance with the Corporations Act, Australian Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations adjusted in accordance with Clauses 4.1(u) and 4.1(v) or 4.2(f) or 4.2(g) as the case may be, as certified in writing by the MVT Auditor or MMX Auditor (respectively or as otherwise agreed), to the standard prescribed by Auditing Standard on Review Engagements ASRE 2410 "Review of an Interim Financial Report Performed by the Independent Auditor of the Entity".

**Proceeding** means any suit, litigation, arbitration, proceeding (including any civil, criminal, administrative, investigative or appellate proceeding), hearing, audit, examination or investigation commenced, brought, conducted or heard by or before or otherwise involving any court or other Government Agency or any arbitrator or arbitration panel.

**RG 142** means Regulatory Guide 142 issued by ASIC on 4 August 1999 (as amended).

**Record Date** means 7:00 pm on the fifth Business Day after the Effective Date.

**Registered Address** means, in relation to a MMX Shareholder, the address of the MMX Shareholder as recorded in the Share Register.

**Registry** means Link Market Services of Level 12, 680 George St, Sydney, NSW, 2000.

**Regulator's Draft** means the draft of the Scheme Booklet in a form acceptable to both Parties which is provided to ASIC for approval pursuant to section 411(2) of the Corporations Act.

**Regulatory Approvals** has the meaning given to that term in Clause 3.1(a).

**Related Body Corporate** has the meaning set out in the Corporations Act.

**Relevant Interest** has the meaning given in Sections 608 and 609 of the Corporations Act.

**Representative** in respect of a Party, means each director, officer, employee, advisor, agent or representative of that Party or Subsidiary.

**Scheme** means the scheme of arrangement under Part 5.1 of the Corporations Act between MMX and the MMX Shareholders, the form of which is set out in Schedule 2.

**Scheme Booklet** means the information relating to the Transaction to be approved by the Court and dispatched to all MMX Shareholders, including the Scheme, the Explanatory Statement, the Election Form, the Independent Expert's Report, the Deed Poll, the notice convening the Scheme Meeting, the notice convening the General Meetings, and the proxy forms for the Scheme Meeting and the General Meetings.

**Scheme Consideration** means the consideration to be provided to each Scheme Participant for the cancellation of each Scheme Share in connection with the Selective Reduction as set out in the Scheme.

**Scheme Meeting** means the meeting of MMX Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act.

**Scheme Participant** means each MMX Shareholder as at the Record Date, other than MVT.

**Scheme Participant Notice** means a notice setting out the name and Registered Address of each Scheme Participant and the number of Scheme Shares held by each Scheme Participant.

**Scheme Share** means a MMX Share held by a Scheme Participant as at the Record Date.

**Scrip Alternative** means the Scheme Consideration to be provided in the form of New MVT Shares.

**Second Court Date** means the first day on which the application made to the Court for an order for the purposes of section 411(4)(b) of the Corporations Act approving the Scheme is heard.

**Selective Reduction** means the selective reduction of capital of MMX under which all of the Scheme Shares are cancelled with effect from the Implementation Date and Scheme Consideration in the form of New MVT Shares or cash is provided to Scheme Participants.

**Share Register** means the register of members of MMX.

**Subsidiary** has the meaning set out in the Corporations Act.

**Superior Competing Transaction** means a bona fide unsolicited Competing Transaction received by MMX after the date of this Agreement which the Independent Board Committee has determined, acting in good faith and in accordance with their fiduciary duties, and after consultation with and the receipt of written advice from the Independent Board Committee's external legal or financial advisers, is:

- (a) reasonably capable of being completed, taking into account all aspects of the Competing Transaction and the person making it; and
- (b) more favourable to MMX Shareholders (as a whole) than the Transaction, taking into account all the terms and conditions of the Competing Transaction.

**Transaction** means implementation of the Selective Reduction and the Scheme.

**Timetable** means the indicative timetable for the implementation of the Transaction set out in Schedule 1.

**Third Party** means a person other than MVT and its Representatives.

## 1.2. Interpretation

In this Agreement, headings and bold type are for convenience only and do not affect interpretation and, unless the context requires otherwise:

- (a) words importing the singular include the plural and vice versa;
- (b) words importing a gender include any gender;
- (c) other parts of speech and grammatical forms of a word or phrase defined in this Agreement have a corresponding meaning;

- (d) a reference to a person includes an individual, the estate of an individual, a corporation, an authority, an association or a joint venture, a partnership, a trust and any Government Agency;
- (e) a reference to a Clause, Party, Attachment or Schedule is a reference to a clause of, and a party, attachment and schedule to this Agreement, and a reference to this Agreement includes any Attachment and Schedule;
- (f) a reference to a statute, regulation, proclamation, ordinance or by-law includes all statutes, regulations, proclamations ordinances or by-laws amending, consolidating or replacing it, whether passed by the same or another Government Agency with legal power to do so, and a reference to a statute includes all regulations, proclamations, ordinances and by laws issued under that statute;
- (g) a reference to any document (including this Agreement) is to that document as varied, novated, ratified or replaced from time to time;
- (h) the word **includes** in any form is not a word of limitation;
- (i) a reference to **\$** or **dollar** is to Australian currency;
- (j) a reference to any time, unless otherwise indicated, is a reference to the time in Sydney, Australia;
- (k) if an event must occur on a stipulated day which is not a Business Day then the stipulated day will be taken to be the next Business Day;
- (l) a term defined in or for the purposes of the Corporations Act has the same meaning when used in this Agreement; and
- (m) a reference to the Listing Rules includes any variation, consolidation or replacement of these rules and is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a Party.

## **2. Agreement to proceed with the Transaction**

### **2.1. Proposal of Transaction**

MMX agrees to propose the Transaction on and subject to the terms of this Agreement.

### **2.2. Assistance by MVT**

MVT agrees with MMX to assist MMX to propose the Transaction on and subject to the terms of this Agreement.

## **3. Conditions Precedent**

### **3.1. Conditions Precedent to the Scheme**

This Scheme will not become Effective, and the obligations of MVT under the Deed Poll and Clause 4.2(e) are not binding, until each of the following conditions precedent is satisfied or waived in the manner set out in Clause 3.3:

- (a) **Regulatory Approvals:**
  - (i) **ASIC:** ASIC issues or provides such consents, waivers or approvals or does such other acts which are necessary or reasonably desirable to implement the Transaction;

- (ii) **Other Government Agencies:** any other Government Agency which is required to do so issues such approvals which are necessary to implement the Transaction,

(together the **Regulatory Approvals**), and the Regulatory Approvals have not been withdrawn by 8.00 am on the Second Court Date;

- (b) **Scheme Meeting Approval:** MMX Shareholders agree to the Scheme at the Scheme Meeting by the requisite majorities under the Corporations Act;
- (c) **General Meetings Approval:** MMX Shareholders approve the Selective Reduction and subscription for New MVT Shares (as contemplated by the Scheme) by the requisite majorities under the Corporations Act;
- (d) **Court Approval:** the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act;
- (e) **Effective by the End Date:** an office copy of the Court orders approving the Scheme is lodged with ASIC as contemplated by section 411(10) of the Corporations Act on or before the End Date;
- (f) **Restraints:** no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or Government Agency or other material legal restraint or prohibition preventing the Transaction from being implemented is in effect or is threatened at 8.00 am on the Second Court Date;
- (g) **MMX Material Adverse Change:** no MMX Material Adverse Change occurs, is announced or is otherwise discovered by MVT (whether or not it becomes public) between the date of this Agreement and 8.00 am on the Second Court Date;
- (h) **MVT Material Adverse Change:** no MVT Material Adverse Change occurs, is announced or is otherwise discovered by MMX (whether or not it becomes public) between the date of this Agreement and 8.00 am on the Second Court Date;
- (i) **MMX Prescribed Occurrence:** no MMX Prescribed Occurrence occurs between the date of this Agreement and 8.00 am on the Second Court Date;
- (j) **MVT Prescribed Occurrence:** no MVT Prescribed Occurrence occurs between the date of this Agreement and 8.00 am on the Second Court Date;
- (k) **No breach of MMX Warranty:** MVT is satisfied, acting reasonably, that none of the MMX Warranties is or has become false, misleading or incorrect in a material respect by the Second Court Date; and
- (l) **No breach of MVT Warranty:** MMX is satisfied, acting reasonably, that none of the MVT Warranties is or has become false, misleading or incorrect in a material respect by the Second Court Date.

### 3.2. Reasonable endeavours

- (a) MMX must use its reasonable endeavours to procure that:
  - (i) the Conditions Precedent in Clauses 3.1(c), 3.1(g) and 3.1(i) are satisfied; and
  - (ii) there is no occurrence within the control of MMX that would prevent the Conditions Precedent in Clauses 3.1(c), 3.1(g), 3.1(i) and 3.1(k) being satisfied.
- (b) MVT must use its reasonable endeavours to procure that:
  - (i) the Conditions Precedent in Clauses 3.1(h) and 3.1(j) are satisfied; and

- (ii) there is no occurrence within the control of MVT that would prevent the Conditions Precedent in Clauses 3.1(h), 3.1(j) and 3.1(l) being satisfied.
- (c) MMX and MVT must each use its reasonable endeavours to procure that:
- (i) each of the Conditions Precedent in Clauses 3.1(a) to 3.1(f) is satisfied as soon as practicable after the date of this Agreement; and
  - (ii) there is no occurrence within the control of MMX or MVT (as the context requires) that would prevent the Conditions Precedent in Clauses 3.1(a) to 3.1(f) being satisfied.

### **3.3. Waiver of Conditions Precedent**

- (a) The Conditions Precedent in Clauses 3.1(a), 3.1(b), 3.1(c), 3.1(d) and 3.1(e), cannot be waived.
- (b) The Condition Precedent in Clause 3.1(f) is for the benefit of MMX and MVT and any breach or non-fulfilment of that Condition Precedent may only be waived with the written consent of MMX and MVT (each in its absolute discretion).
- (c) The Conditions Precedent in Clauses 3.1(g), 3.1(i) and 3.1(k) are for the sole benefit of MVT and any breach or non-fulfilment of any of those Conditions Precedent may be waived with the written consent of MVT (in its absolute discretion).
- (d) The Conditions Precedent in Clauses 3.1(h) 3.1(j) and 3.1(l) are for the sole benefit of MMX and any breach or non-fulfilment of any of those Conditions Precedent may be waived with the written consent of MMX (in its absolute discretion).
- (e) Waiver of a breach or non-fulfilment in respect of one Condition Precedent does not constitute:
  - (i) a waiver of a breach or non-fulfilment of any other Condition Precedent resulting from the same event; or
  - (ii) a waiver of a breach or non-fulfilment of that Condition Precedent resulting from any other event.

### **3.4. Termination on failure of Condition Precedent**

- (a) If:
  - (i) a Condition Precedent is not satisfied or waived by the date specified for its satisfaction; or
  - (ii) a Condition Precedent becomes incapable of being satisfied by the date specified for its satisfaction and is not waived,

and the relevant occurrence or the failure of the Condition Precedent does not arise out of a breach of Clause 3.2 or 3.5, then MMX and MVT must consult in good faith with a view to:

- (iii) determining whether the Transaction may proceed by way of alternative means or methods;
- (iv) changing the date of the application to be made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme or adjourning that application (as applicable) to another date agreed by the Parties (being a date not later than 5 Business Days before the End Date); or
- (v) extending the End Date.

- (b) If:
- (i) MMX and MVT are unable to reach agreement under Clause 3.4(a) within 5 Business Days of the date on which they both become aware that the Condition Precedent is not satisfied or has become incapable of being satisfied (or, if earlier, by 8.00 am on the Second Court Date); or
  - (ii) the relevant occurrence or the failure of the Condition Precedent arises out of a breach of Clause 3.2 or 3.5,

then unless the Condition Precedent is waived (and subject to Clause 3.4(c)), the Party entitled to the benefit of that Condition Precedent (whether alone or with the other Party) may terminate this Agreement at any time prior to 8.00 am on the Second Court Hearing Date with immediate effect by written notice to the other Party.

- (c) A Party may not terminate this Agreement under Clause 3.4(b), if the relevant Condition Precedent has not been satisfied, or is incapable of being satisfied, or there is an occurrence that will prevent the Condition Precedent being satisfied by the date specified in this Agreement for its satisfaction, as a result of:
- (i) a deliberate act or omission by that Party or its Subsidiaries, or any of their Representatives; or
  - (ii) a breach of this Agreement by that Party.
- (d) Subject to any rights or obligations arising under or pursuant to Clauses that are expressed to survive termination, on termination of this Agreement, no Party has any rights against or obligations to any other Party under this Agreement except for those rights and obligations which accrued prior to termination.

### **3.5. Certain notices**

- (a) If, before the time specified for satisfaction of a Condition Precedent, an event that will prevent that Condition Precedent being satisfied occurs, the Party with knowledge of that event must promptly give the other Party written notice of that event.
- (b) MMX must promptly advise MVT orally and in writing of any change or event causing, or which, so far as can reasonably be foreseen, would cause:
- (i) a representation or warranty provided in this Agreement by MMX to be false in a material respect;
  - (ii) a breach or non-fulfilment of any of the Conditions Precedent; or
  - (iii) a material breach of this Agreement by a member of MMX or its Representatives.
- (c) MVT must promptly advise MMX orally and in writing of any change or event causing, or which, so far as can reasonably be foreseen, would cause:
- (i) a representation or warranty provided in this Agreement by MVT to be false in a material respect;
  - (ii) a breach or non-fulfilment of any of the Conditions Precedent; or
  - (iii) a material breach of this Agreement by MVT or its Representatives.



### 3.6. Regulatory approval

For the purposes of Clause 3.1(a), a Regulatory Approval will be regarded as having been obtained even though a condition has been attached to that Regulatory Approval if the Parties agree to treat the approval as having been obtained.

## 4. Implementation

### 4.1. MMX's obligations

MMX must take all necessary steps to implement the Transaction as soon as is reasonably practicable and without limiting the foregoing use reasonable endeavours to ensure that each step in the Timetable is met by the relevant date set out beside that step (and must consult with MVT on a regular basis about its progress in that regard), including doing any acts it is authorised and able to do, on behalf of MMX Shareholders and including each of the following:

- (a) **preparation of Scheme Booklet:** prepare and dispatch the Scheme Booklet in accordance with all applicable laws and in particular with the Corporations Act and RG 142;
- (b) **directors' recommendation:** include in the Scheme Booklet a statement by the Independent Board Committee:
  - (i) unanimously recommending that MMX Shareholders vote in favour of the Scheme in the absence of any Superior Competing Transaction unless there has been a change of recommendation permitted by Clause 4.5; and
  - (ii) that each Independent Director of the MMX Board will vote, or procure the voting of any Independent Director Share, in favour of the Scheme at the Scheme Meeting;
- (c) **section 411(17)(b) statement:** apply to ASIC for the production of:
  - (i) an indication of intent letter stating that it does not intend to appear at Court on the First Court Date; and
  - (ii) a statement under section 411(17)(b) of the Corporations Act stating that ASIC has no objection to the Scheme;
- (d) **Court direction:** apply to the Court for orders directing MMX to convene the Scheme Meeting;
- (e) **Scheme Meeting:** convene the Scheme Meeting to agree to the Scheme in accordance with the orders made by the Court pursuant to section 411(1) of the Corporations Act;
- (f) **General Meetings:** convene General Meetings to:
  - (i) approve the Selective Reduction in accordance with Section 256C(2) of the Corporations Act; and
  - (ii) approve the subscription for the Aggregate New MVT Shares for the purposes of Listing Rules 10.1 and 11.1 (if applicable);
- (g) **Management certificate:** at 8.00am on the Second Court Date, give MVT a certificate signed by 2 Directors on behalf of MMX (and solely in their capacity as officers of MMX and not in their personal capacity) certifying that the MMX Warranties are true and correct in all material respects and that MMX has complied with all its obligations under this Agreement in all material respects (or setting out any circumstances in which such matters are not true and correct or where there has been non-compliance);

- (h) **Court approval:** subject to all Conditions Precedent in Clause 3.1 (other than Clauses 3.1(d) and 3.1(e)) being satisfied or waived in accordance with this Agreement, apply to the Court for orders approving the Scheme as agreed to by the MMX Shareholders at the Scheme Meeting;
- (i) **lodge copy of Court order:** lodge with ASIC an office copy of the Court orders approving the Scheme as agreed to by the MMX Shareholders at the Scheme Meeting no later than one Business Day after the day such office copy is received (or such later date as agreed in writing by MVT);
- (j) **subscription for New MVT Shares:** subject to the Scheme becoming Effective, subscribe for the New MVT Shares and direct MVT to issue the New MVT Shares to the Scheme Participants who have not made a valid election to receive the Cash Alternative in accordance with the Scheme;
- (k) **implementation of Selective Reduction:** subject to the Scheme becoming Effective, taking preliminary steps to implement the Selective Reduction by filing a copy of the resolutions approving the Selective Reduction with ASIC in accordance with section 256C(3) of the Corporations Act, cancelling all Scheme Shares and procuring the payment of the Scheme Consideration to the Scheme Participants in accordance with the Scheme;
- (l) **consultation with MVT:** consult with MVT as to the content and presentation of the Scheme Booklet including:
  - (i) providing to MVT drafts of the Scheme Booklet for the purpose of enabling MVT to review and comment on those draft documents;
  - (ii) taking all comments made by MVT into account in good faith when producing a revised draft of the Scheme Booklet;
  - (iii) providing to MVT a revised draft of the Scheme Booklet within a reasonable time before the Regulator's Draft is finalised and to enable MVT to review the Regulator's Draft before its submission; and
  - (iv) obtaining written approval from MVT for the form and content in which the MVT Information appears in the Scheme Booklet which must not be unreasonably withheld or delayed;
- (m) **information:** provide all necessary information, or procure that the Registry provides all necessary information, in each case in a form reasonably requested by MVT, about the Transaction and MMX Shareholders to MVT and its authorised Representatives which MVT reasonably requires in order to facilitate the provision by, or on behalf of, MVT of the Scheme Consideration;
- (n) **ASIC review:** keep MVT informed of any matters raised by ASIC in relation to the Scheme Booklet or the Scheme, and use reasonable endeavours to take into consideration in resolving such matters any issues raised by MVT;
- (o) **Independent Expert:** promptly appoint the Independent Expert and provide assistance and information reasonably requested by the Independent Expert to enable it to prepare its report for the Scheme Booklet as soon as practicable;
- (p) **Prescribed Occurrence:** ensure that no Prescribed Occurrence occurs between the date of this Agreement and 8.00am on the Second Court Date;
- (q) **Scheme Participant Notice:** subject to the Scheme becoming Effective, on the second Business Day after the Record Date, give MVT a Scheme Participant Notice;
- (r) **delivery of documents:** subject to the Scheme becoming Effective, on the Implementation Date, give MVT:

- (i) the written resignations and release of MMX from any claims by all Independent Directors and public officers of MMX to be effective on the appointment of the directors and public officers to be appointed at the board meetings to be convened under Clause 4.1(s);
- (ii) duly completed authorities for alteration of signatories of MMX's bank accounts;
- (iii) at the request of MVT, any forms of proxy required to give effect to clause 4.6 of the Scheme,

and make available to MVT:

- (iv) ledgers, journals and books of account of each member of MMX;
  - (v) cheque books of each member of MMX and a list of all bank accounts maintained by the members of MMX;
  - (vi) documents in the possession of MMX relating to the ownership and use of the assets and MMX's business;
- (s) **directors meeting:** subject to the Scheme becoming Effective, on or before the Implementation Date, the directors of MMX convening and holding a meeting to conduct the following business:
- (i) implement the Selective Reduction and direct the making of the requisite entry in the Share Register to give effect to the cancellation of the Scheme Shares;
  - (ii) acceptance of the resignation of MMX's existing Independent Directors and public officers effective on the appointment of the directors and public officers referred to in Clause 4.1(s)(iii);
  - (iii) appointment of MVT's nominees as directors and public officers of MMX;
  - (iv) alteration of the registered office of MMX to the registered office nominated by MVT,
- with each such resolution being subject to the payment of the Scheme Consideration in accordance with the Scheme;
- (t) **representation:** procure that it is represented by counsel at the Court hearings convened for the purposes of section 411(4)(b) of the Corporations Act, at which through its counsel, MMX will undertake (if requested by the Court) to do all such things and take all such steps within its power as are necessary in order to ensure the fulfilment of its obligations under this Agreement and the Scheme and, to the extent that leave of the Court is required for MMX to be represented at those Court hearings, apply for that leave;
- (u) **Calculation of MMX NTA:** procure that the MMX NTA is calculated and delivered to MVT within 5 Business Days of the Calculation Date with sufficient supporting information (**MMX Data**) to permit MVT and the MVT Auditor to review the calculation and provide a certification in accordance with Clause 4.2(g). The MMX NTA must be calculated on the basis that all costs payable by MMX referable in any way to the Transaction or the period up to the Calculation Date that remain unpaid as at the Calculation Date are treated as liabilities of MMX; and
- (v) **Certification of MVT NTA:** procure that the MMX Auditor certifies the MVT NTA in writing to the standard prescribed by Accounting Standard on Review Engagements ASRE 2410 "Review of an Interim Financial Report Performed by the Independent Auditor of the Entity" within 5 Business Days of receipt of the MVT Data.

#### 4.2. MVT's obligations

MVT must take all necessary steps to implement the Transaction as soon as is reasonably practicable and use reasonable endeavours to ensure that each step in the Timetable is met by the date set out beside that step (and consult with MMX on a regular basis about its progress in that regard), including doing each of the following:

- (a) **MVT Information:** prepare and promptly provide to MMX all information regarding MVT reasonably requested by MMX, including all information regarding MVT required by all applicable laws and ASIC regulatory guides to be included in the Scheme Booklet;
- (b) **Independent Expert's report:** subject to the Independent Expert entering into arrangements with MVT in relation to confidentiality in a form reasonably acceptable to MVT, provide any assistance or information reasonably requested by MMX or by the Independent Expert in connection with the preparation of the Independent Expert's report to be sent together with the Scheme Booklet;
- (c) **representation:** procure that it is represented by counsel at the Court hearings convened for the purposes of section 411(4)(b) of the Corporations Act, at which through its counsel, MVT will undertake (if requested by the Court) to do all such things and take all such steps within its power as are necessary in order to ensure the fulfilment of its obligations under this Agreement and the Transaction and, to the extent that leave of the Court is required for MVT to be represented at those Court hearings, apply for that leave;
- (d) **Deed Poll:** on or prior to the First Court Date, enter into a Deed Poll;
- (e) **Issue of New MVT Shares:** if the Scheme becomes Effective, on the Implementation Date, issue the Aggregate New MVT Shares to the Scheme Participants other than those who have made a valid election to receive the Cash Alternative in accordance with the Scheme;
- (f) **Calculation of MVT NTA:** procure that the MVT NTA is calculated and delivered to MMX within 5 Business Days of the Calculation Date with sufficient supporting information (**MVT Data**) to permit MMX and the MMX Auditor to review the calculation and provide a certification in accordance with Clause 4.1(v). The MVT NTA must be calculated on the basis that all costs payable by MVT referable in any way to the Transaction or the period up to the Calculation Date that remain unpaid as at the Calculation Date are treated as liabilities of MVT; and
- (g) **Certification of MMX NTA:** procure that the MVT Auditor certifies the MMX NTA in writing to the standard prescribed by Accounting Standard on Review Engagements ASRE 2410 "Review of an Interim Financial Report Performed by the Independent Auditor of the Entity" within 5 Business Days of receipt of the MMX Data.

#### 4.3. Conduct of appeals

If the Court refuses to grant an order convening any required Scheme Meeting or approving the Scheme, then MVT and MMX must consult with each other in good faith as to whether to appeal the Court's decision. If, in the opinion of senior counsel obtained by either party within 5 Business Days of the Court's decision, there are reasonable prospects of successfully appealing the Court's decision then:

- (a) MMX must appeal the Court's decision, the cost of which is to be borne equally by MMX and MVT; and
- (b) MVT and MMX must seek to agree in good faith an extension of the End Date by a period of not more than 3 months to account for the period for determination of the appeal on an expedited basis.

#### 4.4. Conduct of business

- (a) From the date of this Agreement up to and including the Implementation Date, MMX must conduct its business, and must cause MMX to conduct its business, in the ordinary and proper course of business consistent with past practice, keep MVT informed of the conduct of business, and make all reasonable efforts to:
- (i) keep available the services of their directors, officers and employees;
  - (ii) maintain and preserve satisfactory relationships with their, suppliers, lenders, and others having business dealings with MMX (including using reasonable endeavours to obtain consents from third parties to any change of control provisions in contracts or arrangements to which MMX is a party);
  - (iii) not enter into any lines of business or other activities in which MMX are not engaged as of the date of this Agreement;
  - (iv) preserve intact its asset and business organisation;
  - (v) maintain in effect all of its permits and authorisations from any Government Agency;
  - (vi) not allow any tax payment that is due and payable to remain unpaid; and
  - (vii) manage its working capital in the ordinary course of ordinary business consistent with past practice.
- (b) MMX must consult with MVT in good faith immediately after execution of this Agreement and for the period up to the Implementation Date, to discuss and assist in preparing a transition plan.
- (c) Nothing in Clause 4.4(a) restrains MMX from taking any action permitted by this Agreement or with the prior written consent of MVT, which consent will not be unreasonably withheld or delayed.

#### 4.5. Independent Board Committee recommendation

- (a) Subject to Clause 4.5(b), the Independent Board Committee must unanimously recommend that MMX Shareholders vote in favour of the Transaction in the absence of a Superior Competing Transaction and the Scheme Booklet must include statements by the Independent Directors to that effect.
- (b) The Independent Board Committee collectively, and the Independent Directors of the MMX Board individually, must not change, withdraw or modify its, his or her recommendation in favour of the Transaction unless the Independent Board Committee has first obtained written legal advice from its legal advisors that the Independent Board Committee, by virtue of its fiduciary duties, is required to change, withdraw or modify its recommendation. By way of example but not limitation, the Independent Board Committee may change, withdraw or modify its recommendation if:
- (i) the Independent Expert does not conclude that the Scheme is in the best interests of the MMX Shareholders; or
  - (ii) it receives a Superior Competing Transaction.
- (c) If the Independent Board Committee proposes to change its recommendation in accordance with Clause 4.5(b):

- (i) the Independent Board Committee must notify MVT in writing no less than 3 Business Days prior to announcing a change, withdrawal or modification of recommendation that it intends to change, withdraw or modify its recommendation; and
- (ii) the Parties must consult in good faith to consider and determine whether the recommendation in place at that time can be maintained.

#### **4.6. Access to information**

- (a) Between the date of this Agreement and the Implementation Date, MMX must, and must cause MMX to, afford to MVT reasonable access to the books and records (subject to any existing confidentiality obligations owed to third parties), premises and personnel of members of MMX at mutually convenient times and afford MVT reasonable co-operation for the purpose of:
  - (i) implementation of the Transaction, provided that nothing in this sub-clause will require MMX to provide information to MVT concerning MMX's directors and management's consideration of the Transaction;
  - (ii) MVT obtaining an understanding of the operations of the business, financial position, prospects and affairs of each member of MMX in order to allow and facilitate the development and the implementation of the plans of MVT for those businesses following implementation of the Transaction (including, for the avoidance of doubt, to formulate the transition plan referred to in Clause 4.4(b));
  - (iii) MVT contacting MMX Shareholders with a view to encouraging their support for the Transaction; and
  - (iv) any other purpose agreed between the parties.
- (b) MMX must provide, and must cause MMX to provide, MVT, its authorised Representatives and any investigating accountant with reasonable access (at times mutually agreeable to the parties) to MMX's auditors, accountants, books and records (including financial reports, audited or otherwise) for the purpose of facilitating the integration and transition of MMX with and to MVT and the preparation of the financial statements (including for the merged MMX-MVT entity, if any) for inclusion in the Scheme Booklet (and any updates).

#### **4.7. Reasonable endeavours regarding certain filings and approvals**

- (a) MMX and MVT must cooperate in:
  - (i) determining whether any action by or in respect of, or filing with, any Government Agency is required, or any actions, consents, approvals or waivers are required to be obtained from parties to any Material Contracts, in connection with the implementation of the Transaction; and
  - (ii) taking such actions or making any such filings, furnishing information required in connection therewith and seeking to obtain any such actions, consents, approvals or waivers in a timely manner.
- (b) MMX and MVT must each use its reasonable endeavours to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable law to:
  - (i) prepare and file as promptly as practicable with any Government Agency or other Third Party all documentation to effect all necessary filings, notices, petitions, statements, registrations, submissions of information, applications and other documents; and

- (ii) obtain and maintain all approvals, consents, registrations, permits, authorisations and other confirmations required to be obtained from any Government Agency or other Third Party that are necessary, proper or advisable to implement the Transaction.
- (c) Each of MVT and MMX must:
- (i) promptly notify each other of any written or oral communication to that Party from any Government Agency and, subject to applicable law, permit each other party to review in advance any proposed written communication to any Government Agency, in each case concerning this Agreement or the Transaction;
  - (ii) not agree to participate in any substantive meeting or discussion with any Government Agency in respect of any filings, investigation or inquiry concerning this Agreement or the transactions contemplated hereby unless it consults with each other party in advance and, to the extent permitted by such Government Agency and consistent with the reasonably determined confidentiality obligations of each Party, gives each other Party the opportunity to attend and participate in such meeting, provided that if the Government Agency does not permit such participation by the other parties, or if all Parties agree that such joint participation would not be advisable, each party shall allow outside counsel for the other Parties to attend and participate to the extent permitted by the Government Agency; and
  - (iii) furnish each other Party with copies of all correspondence, filings, and communications (and memoranda setting forth the substance thereof) between them and their respective Representatives, on the one hand, and any Government Agency or members of their respective staffs, on the other hand, concerning this Agreement and the Transaction. Without limiting the generality of the foregoing, MMX must provide MVT the opportunity to participate in the defence of any Proceeding against MMX and/or its directors relating to the Transaction and must obtain the prior written consent of MVT prior to settling or satisfying any such Proceeding.
- (d) Notwithstanding anything else in this Agreement, nothing in this Agreement requires MVT, nor may MMX without the prior written consent of MVT, agree or proffer to, divest, hold separate, or enter into any licence or similar agreement with respect to, or agree to restrict the ownership or operation of, any business or assets of MVT or MMX. In no event is MVT obligated to litigate or participate in the litigation of any Proceeding, whether judicial or administrative, brought by any Government Agency or appeal any writ, order, injunction, judgment or ruling:
- (i) challenging or seeking to make illegal, delay materially or otherwise directly or indirectly restrain or prohibit the implementation of the Transaction or seeking to obtain from MVT any damages in connection therewith;
  - (ii) seeking to prohibit or limit in any respect, or place any conditions on, the ownership or operation by MMX or MVT of all or any portion of the business, assets or any product of MMX or MVT or to require any such person to dispose of, licence (whether pursuant to an exclusive or nonexclusive licence) or hold separate all or any portion of the business, assets or any product of MMX or MVT, in each case as a result of or in connection with the Transaction;
  - (iii) seeking, directly or indirectly, to impose or confirm limitations on the ability of MVT to acquire or hold, or exercise full rights of ownership of, any MMX Shares, including the right to vote the MMX Shares on all matters properly presented to MMX Shareholders;
  - (iv) seeking to require divestiture by MVT of any MMX Shares; or
  - (v) which would reasonably be expected to impede, interfere with, prevent or materially delay the Transaction or that would reasonably be expected to dilute the benefits to MVT of the Transaction.

## 5. Representations and undertakings

### 5.1. MVT's representations

MVT represents and warrants to MMX (in its own right and separately as trustee or nominee for each of the other Indemnified Parties) that:

- (a) the MVT Information provided to MMX for inclusion in the Scheme Booklet will be provided in good faith and on the understanding that each of the Indemnified Parties will rely on that information to prepare the Scheme Booklet and to propose and implement the Transaction in accordance with the Corporations Act;
- (b) the MVT Information provided under Clause 4.2(a) included in the Scheme Booklet, as at the date the Scheme Booklet is dispatched to MMX Shareholders, will (to the best of MVT's knowledge, information and belief, after due enquiry) not contain any statement which is materially misleading or deceptive including by way of omission from that statement;
- (c) MVT will, as a continuing obligation, provide to MMX all further or new information which it becomes aware of after the Scheme Booklet has been dispatched until the date of the Scheme Meeting which is necessary to ensure that there would be no breach of Clause 5.1(b) if it applied as at the date on which that information arose;
- (d) MVT is a validly existing corporation registered under the laws of its place of incorporation;
- (e) the execution and delivery of this Agreement has been properly authorised by all necessary corporate action of MVT;
- (f) MVT has full corporate power and lawful authority to execute, deliver and perform this Agreement; and
- (g) this Agreement does not conflict with or result in the breach of or default under MVT's constitution or any other agreement or any writ, order or injunction, judgment, law, rule or regulation to which it is party or by which it is bound.

### 5.2. MVT's indemnity

MVT agrees with MMX (in its own right and separately as trustee or nominee for each of the other Indemnified Parties) to indemnify the Indemnified Parties against any claim, action, damage, loss, liability, cost, expense or payment of whatever nature and however arising which any of the Indemnified Parties suffers, incurs or is liable for arising out of any breach of any of the representations and warranties in Clause 5.1. MMX agrees to cause the Indemnified Parties to mitigate any damages or loss that any of them may suffer arising out of any breach of any of the representations and warranties in Clause 5.1.

### 5.3. MMX's representations

MMX represents and warrants to MVT and its directors and officers (in its own right and separately as trustee or nominee for each of the MVT directors and officers) that:

- (a) no information (other than the MVT Information) contained in the Scheme Booklet, as at the date the Scheme Booklet is dispatched to MMX Shareholders, will contain (to the best of MMX's knowledge, information and belief, after due enquiry) any statement which is materially misleading or deceptive, including by way of omission from that statement;
- (b) MMX is a validly existing corporation registered under the laws of its place of incorporation;
- (c) the execution and delivery of this Agreement has been properly authorised by all necessary corporate action of MMX;



- (d) MMX has full corporate power and lawful authority to execute and deliver this Agreement and to perform or cause to be performed its obligations under this Agreement;
- (e) this Agreement does not conflict with or result in the breach of or default under any provision of MMX's constitution or any material term or provision of any agreement or any writ, order or injunction, judgment, law, rule or regulation to which it is Party or subject or by which it is bound; and
- (f) its capital structure, including all issued securities, as at the date of this Agreement is as set out in clause 2.1(c) of the Scheme.

#### **5.4. MMX's indemnity**

MMX agrees with MVT (in its own right and separately as trustee or nominee for each of MVT's directors and officers) to indemnify MVT and its directors and officers from any claim, action, damage, loss, liability, cost, expense or payment of whatever nature and however arising which MVT or any of its directors or officers suffers, incurs or is liable for arising out of any breach of any of the representations and warranties in Clause 5.3. MVT agrees to mitigate any damages or loss that MVT may suffer arising out of any breach of any of the representations and warranties in Clause 5.3.

#### **5.5. Repetition of Warranties**

- (a) MMX must ensure that as at the date of this Agreement and at all times prior to 8.00am on the Second Court Date each of the MMX Warranties is accurate.
- (b) MVT must ensure that as at the date of this Agreement and at all times prior to 8.00am on the Second Court Date each of the MVT Warranties is accurate.

#### **5.6. Survival of representations**

Each representation and warranty in Clauses 5.1 and 5.3:

- (a) is severable;
- (b) survives the termination of this Agreement; and
- (c) is given with the intention that liability under it is not confined to breaches which are discovered before the date of termination of this Agreement.

#### **5.7. Survival of indemnities**

Each indemnity in this Agreement (including those in Clauses 5.2 and 5.4):

- (a) is severable;
- (b) is a continuing obligation;
- (c) constitutes a separate and independent obligation of the Party giving the indemnity from any other obligations of that Party under this Agreement; and
- (d) survives the termination of this Agreement.

## **6. Public announcement**

### **6.1. Announcement of Transaction**

Immediately after the execution of this Agreement, each of MVT and MMX must issue a public announcement.

## **6.2. Public announcement and submissions**

- (a) Subject to Clause 6.3, no public announcement in connection with the Transaction may be made other than in a form approved by both Parties.
- (b) Each Party must use all reasonable endeavours to provide the approval and constructively participate in the consultation contemplated by Clauses 6.2(a) as soon as practicable.

## **6.3. Required disclosure**

If a Party is required by law or the Listing Rules to make any announcement or disclosure relating to matter the subject of this Agreement, it may do so only after it has given the other Party at least 1 Business Day's notice (or any lesser period of notice required or permitted by the effect of a legal obligation), but in any event prior notice must be given to the other Party and the Party must consult to the fullest extent possible with the other Party regarding the form and content of the announcement or disclosure.

## **7. No talk and no shop obligations**

### **7.1. No talk**

Subject to Clause 7.3, during the No Talk Period, MMX must not, and must ensure that none of its Representatives:

- (a) directly or indirectly participates in or continues any discussions or negotiations with a Third Party;
- (b) provides or makes available any information to a Third Party (including by way of providing information and access to perform due diligence);
- (c) enters into any agreement, arrangement or understanding with a Third Party; or
- (d) communicates to a Third Party any intention to do any of these things,

in relation to, or which:

- (e) may reasonably be expected to lead to, a Competing Transaction;
- (f) may reasonably be expected to otherwise lead to the Transaction not being implemented; or
- (g) in the case of Clause 7.1(b), may reasonably be expected to result in a material detriment to a member of MMX.

### **7.2. No shop**

During the No Shop Period, MMX must not, and must ensure that none of its Representatives:

- (a) solicits (including by way of providing information concerning MMX to any person), invite, directly or indirectly, enquiries, discussions or proposals in relation to, or which may reasonably be expected to lead to, a Competing Transaction; or
- (b) communicates to any person an intention to do any of the things referred to in Clause 7.2(a).

### **7.3. Limitation to no talk**

- (a) MMX and its Representatives may undertake any action that would otherwise be prohibited by Clause 7.1 in relation to a bona fide Competing Transaction which was not solicited by it and was not otherwise brought about as a result of any breach by it of its obligations under this Clause 7 where the Independent Board Committee, acting in good faith, determines after

having taken advice from its legal advisors, that not undertaking that act would be likely to involve a breach of the fiduciary duties owed by any MMX director or would otherwise be unlawful and the Competing Transaction is more favourable to MMX Shareholders than the Transaction, taking into account all the terms and conditions of the Competing Transaction including whether it is capable of being valued and completed on a timely basis and including having regard to legal, regulatory and financial matters, including any conditions precedent.

- (b) Prior to undertaking an act otherwise prohibited by Clause 7.1 but that is permitted by this Clause 7.3, MMX must not, and ensure that none of its Representatives, undertakes any such prohibited act until after first consulting with MVT for not less than 3 Business Days in good faith to consider and determine whether the recommendation of the Independent Board Committee in place at that time can be maintained.

#### **7.4. Notification of approaches**

- (a) During the No Shop Period, MMX must notify MVT immediately in writing if it, or any of its Representatives becomes aware of any:

- (i) negotiations or discussions, approach or attempt to initiate any negotiations or discussions, or intention to make such an approach or attempt to initiate any negotiations or discussions in respect of any expression of interest, offer or proposal of a kind referred to in Clause 7.1 or 7.2 including details of the party making the expression of interest, offer or proposal, their terms and any updates to the expression of interest, offer or proposal;

- (ii) proposal whether written or otherwise made to MMX or any of its Representatives, in connection with, or in respect of any exploration or consummation of, a Competing Transaction or a proposed or potential Competing Transaction, whether unsolicited or otherwise, including details of the party making the proposal, the terms of the proposal and any updates to the proposal;

- (iii) provision by MMX or its Representatives of any information relating to MMX or its business or operations to any person in connection with or for the purposes of a current or future Competing Transaction; and

- (iv) action by MMX, or any intention of it to take any action, in reliance on Clause 7.3,

prior to undertaking the relevant act (which acts are only permitted to be undertaken pursuant to Clause 7.3).

#### **7.5. Provision of information**

- (a) Prior to providing any information to any Third Party who is or may be considering a Competing Transaction, MMX must enter into a confidentiality agreement with such Third Party on terms no less favourable to MMX than those contained in the Confidentiality Agreement (and containing provisions that expressly permit MMX to comply with the terms of Clause 7.4 and this Clause 7.5), a copy of which must be promptly (in all events within 48 hours) provided for information purposes only to MVT.

- (b) MMX must within 2 Business Days provide MVT with any information or due diligence materials (including responses to requests for further information) provided to any Third Party who is or may be considering a Competing Transaction (other than identical copies of documents that have previously been provided to MVT).

- (c) Such provision of information of materials under Clause 7.5 is only permitted to be undertaken pursuant to Clause 7.3.

## **7.6. Compliance with law**

- (a) Without limiting Clause 7.3, if it is finally determined by a court, or the Takeovers Panel, that the agreement by MMX under this Clause 7 or any part of it:
- (i) constituted, or constitutes, or would constitute, a breach of the fiduciary or statutory duties of the MMX Board or the Independent Board Committee; or
  - (ii) constituted, or constitutes, or would constitute, unacceptable circumstances within the meaning of the Corporations Act; or
  - (iii) was, or is, or would be, unlawful for any other reason,
- then, to that extent (and only to that extent) MMX will not be obliged to comply with that provision of Clause 7.
- (b) The parties must not make or cause to be made any application to a court or the Takeovers Panel for or in relation to a determination referred to in Clause 7.6(a)(i).

## **7.7. Warranty and representation**

MMX represents and warrants to MVT that, as at the date of this Agreement, no agreement, arrangement or understanding exists with any Third Party in relation to any expression of interest, offer or proposal of the kind referred to in Clause 7.1 or 7.2.

## **8. Conduct of Court proceedings**

### **8.1. Conduct of Court Proceedings**

- (a) MMX and MVT are entitled to separate representation at all Court proceedings affecting the Transaction.
- (b) This Agreement does not give MMX or MVT any right or power to give undertakings to the Court for or on behalf of the other Party without that Party's consent.
- (c) MMX and MVT must give all undertakings to the Court in all Court proceedings which are reasonably required to obtain Court approval and confirmation of the Scheme as contemplated by this Agreement.

## **9. Break Fee**

### **9.1. MMX Break Fee**

Subject to Clauses 9.3 and 9.4, if:

- (a) any Independent Director of MMX:
  - (i) makes any public statement prior to the approval of the Transaction by the Court under section 411(4)(b) to the effect that he or she does not support (or no longer supports) the Transaction; or
  - (ii) (without limiting (i) above) fails to recommend the Transaction to MMX Shareholders or, having done so, any Independent Director of MMX publicly withdraws or varies his or her favourable recommendation of the Transaction (or any part of it) prior to the approval of the Scheme by the Court under section 411(4)(b),

other than because the Independent Expert has concluded in the Independent Expert's report that the Transaction is not in the best interests of MMX Shareholders;

- (b) any Independent Director of MMX publicly recommends, promotes or otherwise endorses a Competing Transaction;
- (c) MVT terminates this Agreement in accordance with Clause 10.1(a);
- (d) this Deed is terminated in accordance with Clause 3.4 as a result of the non-satisfaction of any of the Condition set out in Clauses 3.1(b) or 3.1(c) where a Competing Transaction has been proposed that is more favourable to MMX Shareholders than the Transaction, taking into account all the terms and conditions of the Competing Transaction; or
- (e) this Deed is terminated in accordance with Clause 3.4 as a result of the non-satisfaction of any of the Conditions set out in Clauses 3.1(i) or 3.1(k),

then MMX must pay to MVT a break fee equal to the lower of the costs incurred by MVT in formulating, proposing and seeking to implement the Transaction and \$100,000 (**MMX Break Fee**).

## **9.2. MVT Break Fee**

Subject to Clauses 9.3 and 9.4, if:

- (a) MMX terminates this Agreement in accordance with Clause 10.1(a); or
- (b) this Deed is terminated in accordance with Clause 3.4 as a result of the non-satisfaction of any of the Conditions set out in Clauses 3.1(j) or 3.1(l),

then MVT must pay to MMX a break fee equal to the lower of the costs incurred by MMX in formulating, proposing and seeking to implement the Transaction and \$150,000 (**MVT Break Fee**).

## **9.3. No payment if Scheme becomes Effective**

Neither the MMX Break Fee nor the MVT Break Fee is payable under Clauses 9.1 or 9.2 respectively if the Scheme becomes Effective.

## **9.4. Compliance with law**

If it is finally determined following the exhaustion of all reasonable avenues of appeal to the Takeovers Panel or a court that all or any part of either the MMX Break Fee or MVT Break Fee required to be paid under Clause 9.1 or 9.2 respectively (**Impugned Amount**):

- (a) is unlawful;
- (b) involves a breach of directors' duties; or
- (c) constitutes unacceptable circumstances,

then:

- (d) the requirement to pay the MMX Break Fee or MVT Break Fee respectively does not apply to the extent of the Impugned Amount; and
- (e) if MVT or MMX (as applicable) has received the Impugned Amount, it must refund it within 10 Business Days of the final determination being made.

## **9.5. Acknowledgments**

- (a) The Parties acknowledge that both Parties will incur significant costs, expenses, outgoings and losses if Transaction is not successful, but that it is not possible to accurately ascertain these costs.

- (b) Each Party confirms that:
- (i) it has received legal advice on this agreement and the operation of this clause; and
  - (ii) it considers this Clause to be fair and reasonable and that it is appropriate to agree to the terms in this Clause in order to secure the significant benefits to it (and its shareholders) resulting from the Transaction.

## **9.6. Payment**

Any payment of either the MMX Break Fee or MVT Break Fee required under this Clause 9 must be made within 5 Business Days of receipt of a written demand from the other Party. The demand may only be made after the Scheme fails to become Effective by the End Date or this Agreement is terminated in accordance with its terms.

## **9.7. Regulatory intervention**

If any regulatory body (including ASIC or the Takeovers Panel) or a court requires any modification (including requiring such a modification as a condition of consenting to or approving the Transaction or as a condition of not opposing the Transaction) to the MMX Break Fee or the MVT Break Fee, including as to the amount or circumstances in which it is to be paid, then:

- (a) the Parties will accept this determination and amend this Agreement to that extent, and
- (b) it will not result in a breach of this Agreement or termination of the transactions contemplated by it.

## **9.8. Other claims and payment of break fees only once**

- (a) The maximum aggregate amount which MVT and MMX respectively are required to pay in relation to a breach of this Agreement and/or in connection with the payment of the MVT Break fee or MMX Break Fee as the case may be is \$150,000 and \$100,000 and in no event will the aggregate liability for MVT or MMX under or in connection with a breach of this Agreement exceed, in the case of MVT, \$150,000 and, in the case of MMX, \$100,000.
- (b) Where the MVT Break Fee or MMX Break Fee becomes payable, and is actually paid to MMX or MVT as the case may be, neither MMX nor MVT (as the recipient of that break fee) may make a claim for any subsequent MMX Break Fee or MVT Break Fee.

## **10. Termination**

### **10.1. Termination by either Party**

Without prejudice to any other rights of termination under this Agreement, either Party may terminate this Agreement by written notice to the other Party at any time before 5.00 pm on the day before the Second Court Date if:

- (a) the other Party is in material breach of any provision of this Agreement (except to the extent that those breaches can be and have been waived in writing by the aggrieved Party) the Party wishing to terminate has given written notice to the other Party setting out the relevant circumstances and stating an intention to terminate, and the relevant circumstances continue to exist 5 Business Days (or any shorter period ending at 5.00pm on the day before the Second Court Date) from the time the notice is given; or
- (b) a Court or Government Agency has taken any action permanently restraining or otherwise prohibiting the Transaction, or has refused to do any thing necessary to permit the Transaction, and the action or refusal has become final and cannot be appealed (but this does not limit MVT's right to seek damages or other relief in those proceedings).

## 10.2. Effect of termination

If this Agreement is terminated by either MMX or MVT under Clauses 2 or 10.1, except to the extent that the termination results from a breach by either Party of its obligations under this Agreement, this Agreement becomes void and is of no effect, without any liability or obligation on the part of MMX or MVT, other than the provisions of Clauses 5, 6, 11 and 12, which will remain in force after termination.

## 11. Duty, GST, costs and expenses

### 11.1. Costs and expenses

Except as otherwise provided in this Agreement, each Party must pay its own costs and expenses in connection with the negotiation, preparation, execution and performance of this Agreement and the proposed, attempted or actual implementation of this Agreement and the Transaction.

### 11.2. Stamp duty

MVT must:

- (a) pay all stamp duties and any fines and penalties with respect to stamp duty in respect of this Agreement or the Transaction or the steps to be taken under this Agreement or the Transaction; and
- (b) indemnify MMX against any liability arising from failure to comply with Clause 11.2(a).

### 11.3. GST

- (a) Any consideration or amount payable under this Agreement, including any non-monetary consideration (as reduced in accordance with Clause 11.3(e) if required) (**Consideration**) is exclusive of GST.
- (b) If GST is or becomes payable on a Supply made under or in connection with this Agreement, an additional amount (**Additional Amount**) is payable by the party providing consideration for the Supply (**Recipient**) equal to the amount of GST payable on that Supply as calculated by the party making the Supply (Supplier) in accordance with the GST Law.
- (c) The Additional Amount payable under Clause 11.3(b) is payable at the same time and in the same manner as the Consideration for the Supply, and the Supplier must provide the Recipient with a Tax Invoice. However, the Additional Amount is only payable on receipt of a valid Tax Invoice.
- (d) If for any reason the amount of GST payable on a Supply (taking into account any Decreasing or Increasing Adjustments in relation to the Supply) varies from the Additional Amount payable by the Recipient under Clause 11.3(b):
  - (i) the Supplier must provide a refund or credit to the Recipient, or the Recipient must pay a further amount to the Supplier, as appropriate;
  - (ii) the refund, credit or further amount (as the case may be) will be calculated by the Supplier in accordance with the GST Law; and
  - (iii) the Supplier must notify the Recipient of the refund, credit or further amount within 14 days after becoming aware of the variation to the amount of GST payable. Any refund or credit must accompany such notification or the Recipient must pay any further amount within 7 days after receiving such notification, as appropriate.
- (e) Despite any other provision in this Agreement:

- (i) if an amount payable under or in connection with this Agreement (whether by way of reimbursement, indemnity or otherwise) is calculated by reference to an amount incurred by a Party, whether by way of cost, expense, outlay, disbursement or otherwise (**Amount Incurred**), the amount payable must be reduced by the amount of any Input Tax Credit to which that party is entitled in respect of that Amount Incurred; and
  - (ii) no Additional Amount is payable under Clause 11.3(b) in respect of a Supply to which section 84-5 of the GST Law applies.
- (f) Any reference in this clause to an Input Tax Credit to which a party is entitled includes an Input Tax Credit arising from a Creditable Acquisition by that party but to which the Representative Member of a GST Group of which the party is a member is entitled.
- (g) Any term starting with a capital letter that is not defined in this Agreement has the same meaning as the term has in the *A New Tax System (Goods & Services Tax) Act 1999* (Cth).

## 12. General

### 12.1. No representation or reliance

- (a) Each Party acknowledges that no Party (nor any person acting on its behalf) has made any representation or other inducement to it to enter into this Agreement, except for representations or inducements expressly set out in this Agreement.
- (b) Each Party acknowledges and confirms that it does not enter into this Agreement in reliance on any representation or other inducement by or on behalf of any other Party, except for any representation or inducement expressly set out in this Agreement.
- (c) Each Party acknowledges and confirms that Clauses 12.1(a) and 12.1(b) do not prejudice any rights a Party may have in relation to information which has been filed by the other Party with the ASIC or ASX.

### 12.2. No merger

The rights and obligations of the Parties do not merge on implementation of the Transaction. They survive the execution and delivery of any assignment or other document entered into for the purpose of implementing the Transaction.

### 12.3. Consents

Any consent referred to in, or required under, this Agreement from any Party may not be unreasonably withheld, unless this Agreement expressly provides for that consent to be given in that Party's absolute discretion.

### 12.4. Notices

Any communication under or in connection with this Agreement:

- (a) must be in writing;
- (b) must be addressed as shown below:

MMX

Address: Level 17  
8-12 Chifley Square  
SYDNEY NSW 2000

Fax no: (02) 9210 6611



Attention: Andrew Lumsden

MVT

Address: Level 11  
139 Macquarie Street  
SYDNEY, NSW 2000

Fax no: (02) 8084 9918

Attention: Gabriel Radzynski

(or as otherwise notified by that Party to the other Party from time to time);

- (c) must be signed by the Party making the communication or by a person duly authorised by that Party;
- (d) must be delivered or posted by prepaid post to the address, or sent by fax to the number, of the addressee, in accordance with Clause 12.4(b); and
- (e) is regarded as received by the addressee:
  - (i) if sent by prepaid post, on the third Business Day after the date of posting to an address within Australia, and on the fifth Business Day after the date of posting to an address outside Australia;
  - (ii) if sent by fax, at the local time (in the place of receipt of that fax) which then equates to the time at which that fax is sent as shown on the transmission report which is produced by the machine from which that fax is sent and which confirms transmission of that fax in its entirety, unless that local time is not a Business Day, or is after 5.00pm on a Business Day, when that communication will be regarded as received at 9.00am on the next Business Day; and
  - (iii) if delivered by hand, on delivery at the address of the addressee as provided in Clause 12.4(b), unless delivery is not made on a Business Day, or after 5.00pm on a Business Day, when that communication will be regarded as received at 9.00am on the next Business Day.

#### **12.5. Governing law and jurisdiction**

- (a) This Agreement is governed by the laws of the State of New South Wales.
- (b) Each Party irrevocably submits to the non-exclusive jurisdiction of the courts of the State of New South Wales and courts competent to hear appeals from those courts.

#### **12.6. Waivers**

- (a) Failure to exercise or enforce, a delay in exercising or enforcing, or the partial exercise or enforcement of any right, power or remedy provided by law or under this Agreement by any Party does not in any way preclude, or operate as a waiver of, any exercise or enforcement, or further exercise or enforcement, of that or any other right, power or remedy provided by law or under this Agreement.
- (b) Any waiver or consent given by any Party under this Agreement is only effective and binding on that Party if it is given or confirmed in writing by that Party.
- (c) No waiver of a breach of any term of this Agreement operates as a waiver of another breach of that term or of a breach of any other term of this Agreement.

**12.7. Variation**

This Agreement may only be varied by a document signed by or on behalf of each of the Parties.

**12.8. Assignment**

A Party may not assign, novate or otherwise transfer any of its rights or obligations under this Agreement without the prior written consent of the other Party.

**12.9. Further action**

Each Party will do all things and execute all further documents necessary to give full effect to this Agreement.

**12.10. Entire agreement**

This Agreement supersedes all previous agreements in respect of its subject matter and embodies the entire agreement between the Parties.

**12.11. Counterparts**

- (a) This Agreement may be executed in any number of counterparts.
- (b) All counterparts, taken together, constitute one instrument.
- (c) A Party may execute this Agreement by signing any counterpart.

# Schedule 1

## Timetable

	Scheme milestone	Date	Comments
1.	Execution of Scheme Implementation Agreement	Monday, 17 March 2014	
2.	Appoint and brief independent expert	Monday, 17 March 2014	
3.	Lodge Scheme Booklet (including IER) with ASIC	Friday 4 April 2014	There is a mandatory 14 day ASIC review period
4.	Application to court	Friday 4 April 2014	Application made to court for a first court hearing date.
5.	<b>VERIFICATION OF SCHEME BOOKLET</b> This allows two weeks to complete verification of the Scheme Booklet		
6.	ASIC review period ends	Tuesday 22 April 2014	Final scheme booklet lodged with ASIC, incorporating ASIC's recommendations. Obtain confirmation from ASIC that it will not object to scheme meeting(s) being convened <sup>1</sup>
7.	Scheme booklet to court	Tuesday 22 April 2014	Provide a copy of the final scheme booklet to court <sup>2</sup>
8.	First Court Hearing Date	Monday 28 April 2014	The Court will order that the Scheme meeting be convened and authorise despatch of the Scheme Booklet
9.	Scheme Booklet registered with ASIC	Monday 28 April 2014	Registered after First Court Hearing
10.	Notify ASIC of proposed capital reduction	Monday 28 April 2014	MMX must submit a completed ASIC form 2560 with the notice of meeting(s) (no less than 29 days before meeting), notifying ASIC of the proposed capital reduction.
11.	Last day for alteration of printer's proof	Monday 28 April 2014	Email PDF of Scheme Booklet to typesetter/printer. Confirm with Link Market Services/ typesetter/printer the number of days required to print Scheme Booklet before despatch
12.	Despatch of Scheme Booklet	Friday 2 May 2014 Deemed receipt on Thursday 8 May 2014.	Link Market Services arranges despatch of Scheme Booklet Minimum requirement 28 days notice plus deemed delivery under MMX Constitution Therefore assumed received fourth business day after being posted <sup>3</sup>
13.	Advertisement	Monday 9 June 2014	We would seek to publish the advertisement on the day before the Scheme Meeting
14.	Scheme meeting	Tuesday 10 June 2014	MMX Shareholders approve the Scheme
15.	1 <sup>st</sup> Extraordinary general meeting	Tuesday 10 June 2014	MMX Shareholders approve (1) share subscription for relevant number of New MVT Shares to reflect to the value of the Scrip Consideration and (2) selective capital reduction.
16.	2 <sup>nd</sup> Extraordinary meeting	Tuesday 10 June 2014	MMX Shareholders whose shares to be cancelled to approve share cancellation

<sup>1</sup> ASIC states in Regulatory Guide 60 at 60.31 that: "We consider the 14-day period referred to in s 411(2)(a) will generally be the minimum period required to examine the scheme documents. Schemes that are novel or more complex will often require more time."

<sup>2</sup> The date for provision of scheme booklet to Court may vary depending on the requirements of the presiding judge.

<sup>3</sup> The MMX Constitution deems delivery by post "at the time the letter would be delivered in the ordinary course of post". With respect to Australian resident shareholders, this is on the fourth working day after posting. If there are overseas resident shareholders, the deemed delivery date may be later.

17.	ASX announcement	Tuesday 10 June 2014	MMX tells ASX of outcome of the Scheme meeting subject to the Scheme becoming effective
18.	Lodge notice with ASIC that shareholders have approved capital reduction	Tuesday 10 June 2014	Section 256C requires MMX to lodge with ASIC a copy of the resolution within 14 days of the resolution being passed. MMX may not make the reduction until 14 days after the lodgement. Lodge ASIC Forms 2205 and 484.
19.	Submit scheme documents to ASIC including affidavits	Tuesday 10 June 2014	Usually allow five business days to receive ASIC statement of no objection
20.	Receive ASIC statement of no objection	By close of business on Thursday 12 June 2014	
21.	Conditions precedent	8:00am Friday 13 June 2014	The Scheme provides that the conditions precedent must be satisfied by 8:00am on the day of the second court hearing
22.	Second Court Hearing Date	Friday 13 June 2014	Court approves the Scheme
23.	ASX announcement	Friday 13 June 2014	MMX tells ASX of Court approval MMX tells ASX of its intention to lodge the Court order with ASIC
24.	Calculation Date	5:00pm, Friday 13 June 2014	Calculation of consideration under the applicable formula (calculation of respective NTA values by this point)
25.	MVT Appendix 3B	Friday 13 June 2014	MVT required to lodge with ASIC an Appendix 3B stating the maximum number of New MVT Shares that may be issued under the Scheme
26.	Effective Date	Monday 16 June 2014	Day 0 – MMX lodges the Court order with ASIC Trading in MMX Shares on ASX is suspended from close of trade on Monday 16 June 2014 Elections to be made by 7pm on Effective Date (preferences for cash, scrip, or a combination in equal proportions of the two)
27.	ASX announcement is made	Monday 16 June 2014	MMX tells ASX that it has lodged the Court order with ASIC
28.	Deferred settlement trading	Tuesday 17 June 2014	New MVT Shares begin trading on a deferred settlement basis based on the maximum number of New MVT Shares that may be issued under the Scheme under the Appendix 3B lodged with ASX on Friday 13 June 2014
29.	Notify MVT of Elections	Tuesday 17 June 2014	Link Market Services to send MVT details of final elections made by each Scheme Participant
30.	Record Date	7.00pm on Monday 23 June 2014	+5 Business Days after Effective Date. Record Date for determining entitlement to Scheme Consideration
31.	Provide details of Scheme Participants to MVT	Wednesday 25 June 2014	MMX to provide names, registered addresses and holdings of MMX shares for each scheme participant to MVT in accordance with clause 6.4 of the Scheme
32.	Subscribe for New MVT Shares	Wednesday 25 June 2014	MMX to subscribe for New MVT Shares (not less than 2 Business Days before the Implementation Date under clause 4.2(a) of the Scheme).
33.	Implementation Date	Monday 30 June 2014	+5 Business Days after Record Date
34.	MMX to provide Subscription Monies to MVT, and direction to MVT	Monday 30 June 2014	MMX to pay MVT an amount equal to the Subscription Monies in satisfaction of the Scrip Consideration amount, and the direction to MVT in accordance with clause 4.2 of the Scheme (terms as defined in Scheme).
35.	Effect capital reduction and share cancellation	Monday 30 June 2014	MMX to hold directors' meeting at which the capital reduction and share cancellation are effected .
36.	MVT to issue the New MVT Shares to Scheme Participants	Monday 30 June 2014	MVT to issue the New MVT Shares to the Scheme Participants that have made a valid Scrip Election in accordance with clause 4.2(b) and 5.4(b)(i) of the Scheme.

37.	Despatch Date	Monday 30 June 2014	Despatch of holding statements of New MVT Shares to MMX Shareholders
38.	ASX announcement is made	Monday 30 June 2014	MVT to update the ASX on the actual number of New MVT Shares that were issued
39.	T+3 trading commences	Wednesday 2 July 2014	New MVT Shares commence trading on the ASX on a normal T+3 basis
40.	MVT to provide holders of New MVT Shares with confirmation of issue	Monday 7 July 2014	MVT to despatch to the Scheme Participants confirmation of issue of Scrip Consideration.
41.	Cash Consideration distributed	Monday 7 July 2014	Last day for MMX to distribute the Cash Consideration by way of direct transfer or cheque in accordance with clause 5.3 of the Scheme (must occur within 5 Business Days of the Implementation Date).
42.	MMX to apply for removal from ASX	Date to be determined by MVT	MMX to apply for termination of its official quotation on the ASX of MMX Shares, and will apply to have itself removed from the official list of ASX (on a date after the Implementation Date).
43.	End Date	Tuesday 30 September 2014	

## NOTE:

- 18 April, 21 April, 25 April and 9 June 2014 are public holidays in New South Wales

## **Schedule 2**

### **Scheme**

Please see Annexure C in the Scheme Booklet

## **Schedule 3**

### **Deed Poll**

Please see Annexure D in the Scheme Booklet

Executed by the Parties as an Agreement:

SIGNED by )  
Mercantile Investment Company Limited )  
(ACN 121 415 576) in accordance with )  
section 127 of the Corporations Act: )

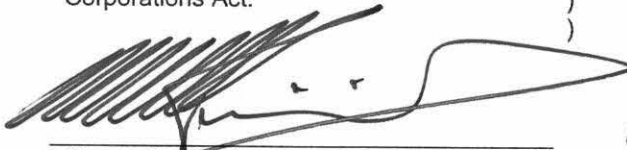
  
\_\_\_\_\_  
Director/Secretary

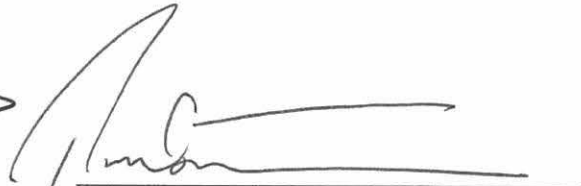
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Name (please print)

\_\_\_\_\_  
Name (please print)

SIGNED by )  
Murchison Metals Limited (ACN 078 257 )  
799) in accordance with section 127 of the )  
Corporations Act: )

  
\_\_\_\_\_  
Director/Secretary

  
\_\_\_\_\_  
Director

**Mark Licciardo**  
\_\_\_\_\_  
Name (please print)

  
\_\_\_\_\_  
Name (please print)



Executed by the Parties as an Agreement:

**SIGNED** by )  
**Mercantile Investment Company Limited** )  
**(ACN 121 415 576)** in accordance with )  
section 127 of the Corporations Act: )

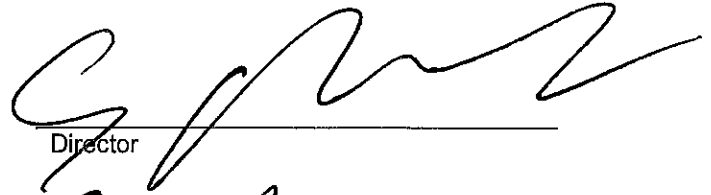
\_\_\_\_\_  
Director/Secretary

\_\_\_\_\_  
Name (please print)

**SIGNED** by )  
**Murchison Metals Limited (ACN 078 257** )  
**799)** in accordance with section 127 of the )  
Corporations Act: )

\_\_\_\_\_  
Director/Secretary

\_\_\_\_\_  
Name (please print)



\_\_\_\_\_  
Director

*Gabriel Radzyminski*  
\_\_\_\_\_  
Name (please print)

\_\_\_\_\_  
Director

\_\_\_\_\_  
Name (please print)

# Annexure C

## Scheme of Arrangement



## **Scheme of Arrangement**

**pursuant to section 411 of the Corporations Act 2001**

### **Murchison Metals Limited**

(ACN 078 257 799)

**The holders of fully paid ordinary shares in Murchison Metals Limited as at the Record Date other than Mercantile Investment Company Limited and Associated Shareholders**

#### **Watson Mangioni Lawyers Pty Limited**

Corporate and Commercial Lawyers  
Level 13, 50 Carrington Street  
SYDNEY NSW 2000  
Tel: (02) 9262 6666  
Fax: (02) 9262 2626  
Email: [mail@wmlaw.com.au](mailto:mail@wmlaw.com.au)  
Ref: PAV 214 3797

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# Scheme of Arrangement

Pursuant to section 411 of the Corporations Act 2001.

## Parties:

1. **Murchison Metals Limited** (ACN 078 257 799) of c/o Corrs Chambers Westgarth, Level 17, 8-12 Chifley Square, Sydney, NSW, 2000 (**MMX**).
2. **The holders of fully paid ordinary shares in the capital of MMX as at the Record Date, other than Mercantile Investment Company Limited and the Associated Shareholders.**

## 1. Definitions and Interpretation

### 1.1. Definitions

In this Agreement:

**Aggregate Cash Consideration** means the aggregate of all of the Cash Consideration payable to Scheme Participants under this Scheme.

**ASIC** means the Australian Securities and Investments Commission.

**Associate** has the meaning given in the Corporations Act and a reference to an Associate of any person means a reference to the associates of that person within the meaning of the Act.

**Associated Shareholders** means shareholders of MMX who are

- (a) Associates of MVT;
- (b) any nominees or custodians of an Associate of MVT; or
- (c) any nominees or custodians of MVT.

**ASX** means ASX Limited (ACN 008 624 691) or, as the context requires, the financial market operated by it.

**Business Day** means a weekday on which trading banks are open for business in Sydney, Australia, excluding any Saturday, Sunday or public holiday.

**Calculation Date** means 5:00pm (Sydney time) on the Second Court Date.

**Cash Consideration** means, for each Scheme Share, an amount equal to the MMX NTA.

**Cash Election** means an election by a Scheme Participant to receive the Cash Consideration for each Scheme Share held by that Scheme Participant in accordance with Clause 5.3.

**CHESS** means the Clearing House Electronic Subregister System for the electronic transfer of securities and other financial products operated by ASX Settlement Pty Ltd (ACN 008 504 532).

**Class Meeting** means the meeting of Scheme Participants convened to approve the Selective Reduction.

**Condition Precedent** means the conditions precedent in clause 3.1 of the Scheme Implementation Agreement.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Corporations Regulations** means the *Corporations Regulations 2001* (Cth).

**Court** means the Supreme Court of NSW or such other court of competent jurisdiction under the Corporations Act agreed to in writing by MMX and MVT.

**Deed Poll** means the deed poll by MVT in favour of the Scheme Participants.

**Effective** means, when used in relation to this Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Scheme.

**Effective Date** means the date on which the Scheme becomes Effective.

**Election Form** means a form to be completed by MMX Shareholders to record their election in relation to Scheme Consideration which forms part of the Scheme Booklet.

**End Date** means 30 September 2014.

**Explanatory Statement** means the statement pursuant to section 412 of the Corporations Act which has been, or will be, registered by ASIC in relation to this Scheme, a copy of which will be included in the Scheme Booklet.

**First Court Date** means the day on which an application made to the Court for an order under section 411(1) of the Corporations Act convening the Scheme Meeting is heard.

**General Meeting** means the meeting of MMX Shareholders convened to approve:

- (a) the Selective Reduction; and
- (b) the subscription for New MVT Shares as contemplated by the Scheme.

**Implementation Date** means the fifth Business Day after the Record Date or such other date as MMX and MVT agree in writing.

**Independent Expert's Report** means the report prepared by a person appointed by MMX to be provided to MMX and MMX Shareholders providing an opinion as to whether the Transaction is in the best interests of MMX Shareholders.

**Ineligible Foreign Shareholder** means a Scheme Participant whose Registered Address as at the Record Date is a place outside Australia and its external territories and New Zealand, unless MMX and MVT agree in writing that it is lawful and not unduly onerous or impracticable to issue that Scheme Participant with New MVT Shares when this Scheme becomes Effective.

**Material Adverse Change** means one or more changes, events, occurrences or matters which (whether individually or when aggregated with all such changes, events, occurrences or matters of a like kind) has had or will have:

- (a) a material adverse effect on the business, assets, liabilities, condition (financial or otherwise) or results of operations of MMX; or
- (b) an effect that will prevent, materially delay or materially impair MMX's ability to consummate this Scheme,

excluding alone or in combination those changes, events, occurrences or matters:

- (c) required by this Scheme or transactions contemplated by it; or
- (d) which took place with the prior written consent of MVT.

**MMX Constitution** means the constitution of MMX as amended from time to time.

**MMX NTA** means the NTA of MMX on the Calculation Date.

**MMX Share** means a fully paid ordinary share in the capital of MMX.

**MMX Shareholder** means a person who is registered in the Share Register as the holder of a MMX Share.

**MVT** means Mercantile Investment Company Limited (ACN 121 415 576).

**MVT Constitution** means the constitution of MVT as amended from time to time.

**MVT NTA** means the NTA of MVT as at the Calculation Date.

**MVT Share** means a fully paid ordinary share in the capital of MVT.

**New MVT Share** means an MVT Share to be issued pursuant to this Scheme to Scheme Participants that have made a valid Scrip Election or who have not otherwise made a valid Cash Election such that they are taken to have made a Scrip Election for 50% of their Scheme Shares in accordance with Clause 5.4.

**NTA** means the net tangible asset backing of MMX or MVT (as the context requires) per MMX Share or (as the case may be) MVT Share less all deferred tax assets plus any deferred tax liabilities calculated in accordance with the Corporations Act, Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations adjusted such that:

- (a) the MMX NTA must be calculated on the basis that all costs payable by MMX associated with implementing the Transaction (including advisors expenses, legal expenses, counsel fees and fees of the independent expert), referable in any way to the Transaction or the period up to the Calculation Date that remain unpaid as at the Calculation Date are treated as liabilities of MMX; and
- (b) the MVT NTA must be calculated on the basis that all costs payable by MVT referable in any way to the Transaction or the period up to the Calculation Date that remain unpaid as at the Calculation Date are treated as liabilities of MVT,

as certified in writing by the auditors of MVT or MMX (respectively), to the standard prescribed by Auditing Standard on Review Engagements ASRE 2410 "Review of an Interim Financial Report Performed by the Independent Auditor of the Entity".

**Record Date** means 7.00pm (AEDT) on the fifth Business Day after the Effective Date.

**Registered Address** means, in relation to a MMX Shareholder, the address of the MMX Shareholder as recorded in the Share Register.

**Registry** means Link Market Services of Level 12, 680 George St, Sydney, NSW, 2000.

**Related Bodies Corporate** has the meaning given in the Corporations Act.

**Scheme** means this scheme of arrangement under Part 5.1 of the Corporations Act between MMX and the Scheme Participants.

**Scheme Booklet** means the information to be despatched to all MMX Shareholders, and approved by the Court, in connection with the Transaction, including this Scheme, the Explanatory Statement, the Independent Expert's Report, the Deed Poll, a notice convening the Scheme Meeting and notices convening the General Meetings, together with proxy forms for the Scheme Meeting and General Meetings.

**Scheme Consideration** means, depending on the election or deemed election made by a Scheme Participant under Clause 5.1, for each Scheme Share:

- (a) the Cash Consideration;
- (b) the Scrip Consideration; or
- (c) a combination of Cash Consideration and Scrip Consideration in equal proportions.

**Scheme Implementation Agreement** means the scheme implementation agreement between MMX and MVT dated 17 March 2014, as it stood at 8.00am on the First Court Date.

**Scheme Meeting** means the meeting of MMX Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act.

**Scheme Participant** means each MMX Shareholder as at the Record Date, other than MVT and the Associated Shareholders.

**Scheme Share** means a MMX Share held by a Scheme Participant as at the Record Date.

**Scrip Consideration** means, for each Scheme Share (subject to Clause 5.4(e)), the number of New MVT Shares to be issued, following a Scrip Election (or deemed Scrip Election under Clause 5.1), as determined by the following formula:

$$\text{New MVT Shares} = \text{MMX Shares subject to Scrip Election} \times \frac{\text{MMX NTA}}{\text{MVT NTA}}$$

**Scrip Election** means an election by a Scheme Participant to receive the Scrip Consideration for each or 50% of the Scheme Shares held by that Scheme Participant in accordance with Clause 5.1 and 5.4.

**Second Court Date** means the first day on which the application made to the Court for an order for the purposes of section 411(4)(b) of the Corporations Act approving the Scheme is heard or if the hearing is adjourned for any reason, the first day on which the adjourned application is heard.

**Selective Reduction** means the selective capital reduction of Scheme Shares to be approved at each of the General Meeting and the Class Meeting.

**Share Register** means the register of members of MMX.

**Subscription Monies** means an amount equal to the MVT NTA multiplied by the number of New MVT Shares comprising the Scrip Consideration.

**Transaction** means implementation of the Scheme.

## 1.2. Interpretation

In this Scheme, headings and bold type are for convenience only and do not affect interpretation and, unless the context requires otherwise:

- (a) words importing the singular include the plural and vice versa;
- (b) words importing a gender include any gender;
- (c) other parts of speech and grammatical forms of a word or phrase defined in this Scheme have a corresponding meaning;
- (d) a reference to a person includes an individual, the estate of an individual, a corporation, an authority, an association or a joint venture, a partnership, a trust and any government agency;
- (e) a reference to a Clause, party, attachment or schedule is a reference to a Clause of, and a party, attachment and schedule to this Scheme, and a reference to this Scheme includes any attachment and schedule;



- (f) a reference to a statute, regulation, proclamation, ordinance or by law includes all statutes, regulations, proclamations ordinances or by laws amending, consolidating or replacing it, whether passed by the same or another government agency with legal power to do so, and a reference to a statute includes all regulations, proclamations, ordinances and by laws issued under that statute;
- (g) a reference to any document (including this Scheme) is to that document as varied, novated, ratified or replaced from time to time;
- (h) the word **includes** in any form is not a word of limitation;
- (i) a reference to **\$** or **dollar** is to Australian currency;
- (j) a reference to any time or AEDT, unless otherwise indicated, is a reference to Australian Eastern Daylight Time;
- (k) if an event must occur on a stipulated day which is not a Business Day then the stipulated day will be taken to be the next Business Day; and
- (l) a term defined in or for the purposes of the Corporations Act has the same meaning when used in this Scheme.

## **2. Preliminary**

### **2.1. MMX**

- (a) MMX is a public company incorporated in Australia and registered in New South Wales and is a company limited by shares.
- (b) MMX is admitted to the official list of ASX.
- (c) As at the date of the Scheme Implementation Agreement, MMX had on issue 278,236,477 MMX Shares which are officially quoted on ASX.

### **2.2. MVT**

MVT is a public company incorporated in Australia and registered in New South Wales and is a company limited by shares. MVT is admitted to the official list of the ASX.

### **2.3. Consequences of the Scheme becoming Effective**

If the Scheme becomes Effective:

- (a) MMX will implement the Selective Reduction under which all Scheme Shares will be cancelled and the Scheme Consideration will be paid or provided to each Scheme Participant;
- (b) each Scheme Participant will be entitled to receive the Scheme Consideration in respect of each of their Scheme Shares;
- (c) the Scheme Consideration will be provided to the Scheme Participants in accordance with the provisions of this Scheme;
- (d) it will bind MMX and all Scheme Participants, including those who do not attend the Scheme Meeting to vote on this Scheme, those who do not vote at that meeting and those who vote against this Scheme at that meeting; and
- (e) it will override the MMX Constitution, to the extent of any inconsistency.

## **2.4. Deed Poll**

MVT has executed the Deed Poll in favour of the Scheme Participants pursuant to which it has covenanted to carry out its obligations under this Scheme.

## **3. Conditions Precedent**

### **3.1. Conditions precedent to Scheme**

The Scheme is conditional on:

- (a) all of the Conditions Precedent (other than the conditions set out in Clauses 3.1(d) and 3.1(e) of the Scheme Implementation Agreement) having been satisfied or waived in accordance with the terms of the Scheme Implementation Agreement by 8:00am on the Second Court Date;
- (b) as at 8:00am on the Second Court Date the Scheme Implementation Agreement having not been terminated in accordance with the terms.

### **3.2. Satisfaction of conditions**

The fulfilment of Clause 3.1 is a condition precedent to the operation of Clauses 4.2, 4.5, 4.6, 5.2, 5.3 and 5.4.

### **3.3. End Date**

The Scheme will lapse and be of no further force or effect if the Effective Date does not occur on or before the End Date.

### **3.4. Certificates**

MVT and MMX must each provide to the Court at the Second Court Date a certificate confirming (in respect of matters within their knowledge) whether or not all of the conditions precedent in this Scheme (other than the condition relating to Court approval of this Scheme) have been satisfied or waived. The certificate constitutes conclusive evidence that such conditions precedent are satisfied, waived or taken to be waived.

## **4. Implementation of Scheme**

### **4.1. Lodgement of Court orders**

MMX will lodge with ASIC an office copy of the Court orders under section 411 of the Corporations Act approving the Scheme by no later than 5.00pm on the first Business Day after the day such office copy is received (or such later date as agreed in writing by MVT).

#### **4.2. Monies to be held on trust for Scheme Participants**

Subject to the resolutions to approve the Selective Reduction at each of the General Meeting and Class Meeting being approved and the Scheme being approved by the Supreme Court of New South Wales, MMX will, immediately following the Scheme being approved, separate from its cash balances and hold an amount equal to \$9.8 million (being the expected Aggregate Cash Consideration based on the NTA of MMX as stated in the 31 March 2014 MMX balance sheet and assuming 100% of Scheme Participants make valid Cash Elections) on trust for the Scheme Participants to be applied by MMX on the Implementation Date as Subscription Monies or Cash Consideration in accordance with Clauses 4.3(b) and 5.3 (except that any interest on the amount will be for the account of MVT).

#### **4.3. Issue of New MVT Shares**

- (a) Not less than 2 Business Days before the Implementation Date, MMX must subscribe for the New MVT Shares for and on behalf of Scheme Participants who make a valid Scrip Election (or who do not otherwise make a valid Cash Election such that they are taken to have made a Scrip Election in respect of 50% of their Scheme Shares).
- (b) On the Implementation Date:
  - (i) MMX must pay the Subscription Monies to MVT in immediately available funds;
  - (ii) MMX must direct MVT to issue the New MVT Shares to the Scheme Participants who have made a valid Scrip Election or who have not otherwise made a valid Cash Election such that they are taken to have made a Scrip Election in respect of 50% of their Scheme Shares in full satisfaction of the obligations of MMX to pay the Scheme Consideration in respect of the relevant Scheme Shares; and
  - (iii) subject to receipt of the Subscription Monies, MVT must, in accordance with Clause 5.4, issue the New MVT Shares to the Scheme Participants who have made a valid Scrip Election in respect of the Scheme Shares the subject of that Scrip Election and to those Scheme Participants who have not otherwise made a valid Cash Election such that they are taken to have made a Scrip Election in respect of 50% of their Scheme Shares, in respect of those Scheme Shares.

#### **4.4. Cancellation of Scheme Shares**

On the Implementation Date, all of the Scheme Shares will be cancelled without any further act by any Scheme Participant (other than acts performed by MMX as attorney and agent for Scheme Participants under Clause 8 or otherwise).

#### **4.5. Entitlement to Scheme Consideration**

On the Implementation Date, in consideration for the cancellation of each Scheme Share, each Scheme Participant will be entitled to receive the Scheme Consideration in accordance with Clause 5.

#### **4.6. Appointment of MVT as sole proxy**

From the Effective Date until the cancellation of the Scheme Shares, each Scheme Participant:

- (a) is deemed to have irrevocably appointed MVT as attorney and agent (and directed MVT in such capacity) to appoint an officer or agent nominated by MVT as its sole proxy and, where applicable, corporate representative to attend shareholders' meetings, exercise the votes attaching to the Scheme Shares redirected in their name and sign any shareholders' resolutions, whether in person, by proxy or by corporate representative;
- (b) undertakes not to otherwise attend shareholders' meetings, exercise the votes attaching to the Scheme Shares registered in their name and sign any shareholders' resolutions, whether in person, by proxy or corporate representative;

- (c) must take all other actions in the capacity of a registered holder of the Scheme Shares as MVT reasonably directs.

## **5. Scheme Consideration**

### **5.1. Election**

- (a) Using the Election Form, each MMX Shareholder will be requested to elect one of the following:
  - (i) the Cash Election;
  - (ii) the Scrip Election; or
  - (iii) a combination of Cash Election and Scrip Election in equal proportions.
- (b) An MMX Shareholder who elects a combination of Cash Election and Scrip Election under clause 5.1(a)(iii), must indicate this in the Election Form.
- (c) A valid election may be made by a Scheme Participant by returning the Election Form before 7:00 pm on the Effective Date in writing to an address to be specified by MMX in the Explanatory Statement.
- (d) Once made, a valid election by a Scheme Participant may be varied before 7:00 pm on the Effective Date by returning another validly completed Election Form to an address to be specified by MMX in the Explanatory Statement.
- (e) If a valid election is not made by a Scheme Participant prior to 7:00 pm on the Effective Date, that Scheme Participant will be deemed to have elected to receive a combination of Cash Election and Scrip Election in equal proportions in respect of all Scheme Shares held by that Scheme Participant.
- (f) In the manner considered appropriate by MMX (acting reasonably), a Scheme Participant that holds one or more parcels of Scheme Shares as trustee or nominee for, or otherwise on account of, another person may make separate elections in relation to each of those parcels of Scheme Shares.
- (g) MMX must ensure that, to the extent reasonably practicable, Scheme Participants that have acquired MMX Shares after the date of despatch of the Scheme Booklet and up until the Effective Date can receive an Election Form on request to MMX.

### **5.2. Effect of election**

- (a) If a Scheme Participant makes a valid Scrip Election, the Scheme Participant will be entitled to receive for each Scheme Share held by that Scheme Participant the Scrip Consideration.
- (b) If a Scheme Participant makes a valid Cash Election, the Scheme Participant will be entitled to receive for each Scheme Share held by that Scheme Participant for which a valid Cash Election was made, the Cash Consideration.
- (c) If a Scheme Participant does not make a valid election, or elects a combination of Cash Election and Scrip Election in equal proportions, the Scheme Participant will be entitled to receive Cash Consideration in respect of 50% of its Scheme Shares, and Scrip Consideration in respect of 50% of its Scheme Shares.
- (d) Scheme Participants making a Scrip Election agree to:
  - (i) become members of MVT for the purposes of section 231 of the Corporations Act; and

- (ii) be bound by MVT Constitution.

### **5.3. Payment of Aggregate Cash Consideration**

- (a) MMX must send the Scheme Consideration to those Scheme Participants receiving the Cash Consideration pursuant to Clause 5.2 within five Business Days of the Implementation Date by:
  - (i) where the Scheme Participant has nominated (by notice to MMX or the Registry on or before the Record Date) a bank account with an Australian financial institution for the purpose of payment of the Scheme Consideration, depositing directly to that bank account; or
  - (ii) dispatching or procuring the dispatch to each Scheme Participant by pre-paid post to their Registered Address a cheque in Australian currency drawn on an Australian bank in the name of the Scheme Participant,

the amount of Cash Consideration payable being the amount equal to the number of Scheme Shares held by that Scheme Participant in respect of which Cash Consideration is payable (pursuant to Clause 5.2) multiplied by the Cash Consideration.

- (b) In the case of joint holders of Scheme Shares, a cheque will be payable and forwarded in the names of those joint holders.
- (c) In the event that MMX believes that a Scheme Participant is not known at the Scheme Participant's Registered Address, and no account has been notified in accordance with Clause 5.3(a)(i) or a deposit into such account is rejected or refunded, MMX may credit the amount payable to the relevant Scheme Participant to a separate bank account of MMX to be held until the Scheme Participant claims the amount or the money is dealt with in accordance with any applicable unclaimed money legislation. MMX must hold the amount on trust, but any benefit accruing from the amount will be for the benefit of MMX. An amount credited to the account is to be treated as having been paid to the Scheme Participant when credited to the account. MMX must maintain records of the amounts paid, the Scheme Participants who are entitled to the amounts and any transfers of the amounts.
- (d) In the case of a notice having been given to MMX (or the Registry) of an order made by a court of competent jurisdiction:
  - (i) which requires payment to a third party of a sum in respect of Scheme Shares held by a particular Scheme Participant, which would otherwise be payable to the particular Scheme Participant in accordance with Clause 5.3(a) above, then MMX must procure that payment is made in accordance with that order; or
  - (ii) which would prevent MMX from dispatching payment to any particular Scheme Participant in accordance with Clause 5.3(a) above, then MMX must retain an amount that would otherwise be payable to that Scheme Participant in accordance with Clause 5.3(a) until such time as payment is permitted by law.

### **5.4. Provision of New MVT Shares**

- (a) In order to facilitate the issue of the New MVT Shares, MMX must provide, or procure the provision, to MVT, or a nominee of MVT, details of the final elections made by each Scheme Participant, on the Business Day immediately following the Effective Date.
- (b) The obligation of MVT to provide Scrip Consideration to Scheme Participants that have made a valid Scrip Election or who have not otherwise made a valid Cash Election will be satisfied by MVT as follows:

- (i) on the Implementation Date, issuing the applicable New MVT Shares to each applicable Scheme Participant (or in the case of Ineligible Foreign Shareholders, a MVT appointed nominee) in accordance with the terms of this Scheme;
  - (ii) on the Implementation Date, entering in the register of members of MVT, the name and address of each such Scheme Participant and the number of New MVT Shares which that Scheme Participant is entitled to receive under this Scheme; and
  - (iii) on or within five Business Days after the Implementation Date, despatching to each such Scheme Participant by pre-paid ordinary post (or, if the address of the Scheme Participant is outside Australia, by pre-paid airmail post) to their Registered Address at the Record Date confirmation of issue of the Scrip Consideration issued to that Scheme Participant in accordance with this Scheme.
- (c) In the case of Scheme Shares held in joint names, a certificate for the New MVT Shares must be issued in the names of the joint holders and sent to the holder whose name appears first in the Share Register on the Record Date.
  - (d) The New MVT Shares to be allotted and issued by MVT as part of the Scheme Consideration will be of equal ranking with all existing MVT Shares then on issue and will be allotted and issued free from all encumbrances.
  - (e) If the number of Scheme Shares held by a Scheme Participant is such that an entitlement of that Scheme Participant to New MVT Shares is not a whole number then any fractional entitlement to New MVT Shares will be rounded down to the nearest whole number of New MVT Shares.

## **6. Dealings in MMX Shares**

### **6.1. Dealings**

To establish the identity of the Scheme Participants, dealings in MMX Shares will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESSE, the transferee is registered in the Share Register as the holder of the relevant MMX Shares on the Record Date; and
- (b) in all other cases, registrable transmission applications or transfers in respect of those dealings are received at the Registry by the Record Date.

### **6.2. Registration of transmissions and transfers**

- (a) MMX must register registrable transmission applications or transfers of the kind referred to in Clause 6.1(b) by, or as soon as practicable after, the Record Date. The persons shown in the Share Register, and the number of MMX Shares shown as being held by them, after registration of those transmission applications and transfers will be taken to be the MMX Shareholders, and the number of MMX Shares held by them, on the Record Date.
- (b) MMX will not accept for registration or recognise for any purpose any transmission application or transfer in respect of MMX Shares received after the Record Date (or received prior to the Record Date not in registrable form).

### **6.3. Maintenance of Share Register**

For the purpose of determining entitlements to the Scheme Consideration, MMX must maintain or procure the maintenance of the Share Register in accordance with the provisions of this Clause 6 until the Scheme Consideration has been paid to the Scheme Participants. The Share Register in this form will solely determine the identity of the Scheme Participants and their entitlements to the Scheme Consideration.

#### **6.4. Provision of details**

As soon as possible after the Record Date and in any event within 2 Business Days before the Implementation Date, MMX will ensure that details of the names, Registered Addresses and holdings of MMX Shares for each Scheme Participant are available to MVT in the form MVT reasonably requires.

### **7. Quotation**

#### **7.1. Quotation of MMX Shares**

On a date after the Implementation Date to be determined by MVT, MMX will apply for termination of the official quotation on the ASX of MMX Shares and will apply to have itself removed from the official list of ASX.

### **8. General Scheme provisions**

#### **8.1. Power of attorney**

Each Scheme Participant, without the need for any further act, irrevocably appoints MMX and all of its directors, secretaries and officers severally as its attorney and agent for the purpose of executing any document or doing any other act necessary to give effect to the Scheme including without limitation, executing any instrument appointing MVT as sole proxy or attorney for or, where applicable, corporate representative of each Scheme Participant as contemplated by this Scheme.

#### **8.2. Amendments to Scheme**

If the Court proposes to approve the Scheme subject to any alterations or conditions, MMX may by its counsel consent on behalf of all persons concerned to those alterations or conditions to which MVT has consented.

#### **8.3. Stamp duty**

MVT will pay any stamp duty payable in connection with the cancellation of the Scheme Shares.

#### **8.4. Notices**

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to MMX, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at the place where the Share Register is kept.
- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such a notice by any Scheme Participant will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

#### **8.5. Scheme Participants' consent**

The Scheme Participants consent to MMX doing all things necessary, expedient or incidental to the implementation of this Scheme, including (to the extent permitted by law) the provision of any information held by MMX in relation to the Scheme Participants to MVT.

#### **8.6. Governing law**

- (a) This Scheme is governed by the laws of the State of New South Wales.
- (b) The parties irrevocably submit to the non-exclusive jurisdiction of the courts of the State of New South Wales and courts competent to hear appeals from those courts.

**8.7. Further action**

MMX will execute all documents and do all things necessary to implement and perform its obligations under this Scheme.



# Annexure D

**Deed Poll**



## **Deed Poll**

**By**

**Mercantile Investment Company Limited**  
(ACN 121 415 576)

**Watson Mangioni Lawyers Pty Limited**  
Corporate and Commercial Lawyers  
Level 13, 50 Carrington Street  
SYDNEY NSW 2000  
Tel: (02) 9262 6666  
Fax: (02) 9262 2626  
Email: [mail@wmlaw.com.au](mailto:mail@wmlaw.com.au)  
Ref: PAV 214 3797 EBD

**This Deed Poll** is made on 5 May 2014

**By**

**Mercantile Investment Company Limited** (ACN 121 415 576) of Level 11, 139 Macquarie Street Sydney NSW 2000 (**MVT**).

**In favour of:**

1. **Murchison Metals Limited** (ACN 078 257 799) (**MMX**); and
2. **Each holder of fully paid ordinary shares in the capital of MMX as at the Record Date determined in accordance with the Scheme (the Scheme Participants).**

**Recitals:**

- A. MVT considers that it is in the best interests of MMX and of the MMX Shareholders that the MMX Shareholders are given the opportunity to consider and, if they think fit, approve the Scheme.
- B. Accordingly, MVT has proposed to the directors of MMX that MMX propose the Scheme.
- C. The effect of the Scheme is that all MMX Shares (together with all rights and entitlements to those shares) other than MMX Shares held by MVT will be cancelled under a selective reduction of capital.
- D. MVT is entering into this Deed for the purpose of covenanting in favour of MMX and the Scheme Participants to perform its obligations under the Scheme.

**This Deed provides:**

**1. Definitions and Interpretation**

**1.1 Definitions**

In this Deed, unless the context otherwise requires:

- (a) words and phrases have the same meaning (if any) given to them in the scheme document attached as Annexure A (the **Scheme**); and
- (b) words and phrases not defined in the Scheme have the same meaning (if any) given to them in the Corporations Act.

**1.2 Interpretation**

In this Deed, headings are for convenience only and do not affect interpretation and, unless the context requires otherwise:

- (a) words importing the singular include the plural and vice versa;
- (b) words importing a gender include any gender;
- (c) other parts of speech and grammatical forms of a word or phrase defined in this Deed have a corresponding meaning;
- (d) a reference to a person includes an individual, the estate of an individual, a corporation, an authority, an association or a joint venture, a partnership, a trust and any Government Agency;

- (e) a reference to a Clause, party, annexure, exhibit or schedule is a reference to a Clause of, and a party, annexure, exhibit and schedule to this Deed, and a reference to this Deed includes any annexure, exhibit and schedule;
- (f) a reference to a statute, regulation, proclamation, ordinance or by law includes all statutes, regulations, proclamations ordinances or by laws amending, consolidating or replacing it, whether passed by the same or another Government Agency with legal power to do so, and a reference to a statute includes all regulations, proclamations, ordinances and by laws issued under that statute;
- (g) a reference to any document (including this Deed) is to that document as varied, novated, ratified or replaced from time to time;
- (h) the word **includes** in any form is not a word of limitation;
- (i) a reference to **\$** or **dollar** is to Australian currency;
- (j) a reference to any time is a reference to that time in Sydney; and
- (k) a term defined in or for the purposes of the Corporations Act has the same meaning when used in this Deed.

### **1.3 Business Day**

Where the day on or by which anything is to be done is not a Business Day, that thing must be done on or by the next Business Day.

### **1.4 Nature of Deed**

MVT acknowledges that this Deed may be relied on and enforced by MMX and by any Scheme Participant in accordance with its terms even though MMX and the Scheme Participants are not party to it.

## **2. Conditions**

### **2.1 Conditions**

MVT's obligations under Clause 3 are subject to the Scheme becoming Effective.

### **2.2 Termination**

This Deed and MVT's obligations under this Deed terminate automatically if the condition in Clause 2.1 is not satisfied or waived by notice in writing by MVT to MMX on or before the End Date.

### **2.3 Consequences of termination**

If this Deed is terminated under Clause 2.2, in addition and without prejudice to any other rights, powers or remedies available to it:

- (a) MVT is released from its obligations to further perform this Deed except those obligations under Clause 5.2; and
- (b) MMX and the Scheme Participants retain the rights they have against MVT in respect of any breach of this Deed which occurred before the termination of this Deed.

### **3. Compliance with Scheme Obligations**

#### **3.1 Compliance with Scheme obligations**

In consideration of the payment of the Subscription Monies and agreement to undertake the Selective Reduction in accordance with the Scheme, MVT covenants in favour of MMX and of each Scheme Participant to:

- (a) vote in favour of each and all of the relevant resolutions on which they are entitled to vote at the General Meetings; and
- (b) subject to Clause 2 do all those things MVT is required to do under the Scheme, including the provision of the Scheme Consideration in accordance with the terms of the Scheme.

### **4. Warranties**

#### **4.1 Warranties**

MVT represents and warrants that:

- (a) it is a corporation validly existing under the laws of its place of registration;
- (b) it has the corporate power to enter into and perform its obligations under this Deed and to carry out the transactions contemplated by this Deed;
- (c) it has taken all necessary corporate action to authorise its entry into this Deed and has taken or will take all necessary corporate action to authorise the performance of this Deed and to carry out the transactions contemplated by this Deed;
- (d) this Deed is valid and binding on it;
- (e) it is solvent and no resolutions have been passed nor has any other step been taken or legal proceedings commenced or threatened against it for its winding up or dissolution or for the appointment of a liquidator, receiver, administrator or similar officer over any or all of its assets; and
- (f) this Deed does not conflict with or result in the breach of or default under any provision of its constitution, any material term or provision of any material agreement or any writ, order or injunction, judgment, law, rule, regulation or instrument to which it is a party or subject or by which it is bound.

### **5. General**

#### **5.1 Continuing obligations**

This Deed is irrevocable and, subject to Clause 2, remains in full force and effect until:

- (a) MVT has fully performed its obligations under this Deed; or
- (b) the earlier termination of this Deed under Clause 2.2.

#### **5.2 Stamp duty**

MVT must:

- (a) pay all stamp duties in respect of the Scheme and this Deed, the performance of this Deed and each transaction effected by or made under the Scheme and this Deed; and

- (b) indemnify MMX and each Scheme Participant against any liability arising from failure to comply with Clause 5.2(a).

### 5.3 Notices

Any notice or other communication to MVT in respect of this Deed must be in legible writing and in English and:

- (a) addressed as shown below:

Attention: Gabriel Radzynski  
 Address: Level 11  
 139 Macquarie Street  
 SYDNEY, NSW 2000  
 Fax no: (02) 8014 1188

- (b) must be signed by the person making the communication or by a person duly authorised by that person;
- (c) must be delivered or posted by prepaid post to the address, or sent by fax to the fax number, of MVT in accordance with Clause 5.3(a); and
- (d) will be regarded as received by MVT:
- (i) if sent by fax, at the local time (in the place of receipt of that fax) which then equates to the time at which that fax is sent as shown on the transmission report which is produced by the machine from which that fax is sent and which confirms transmission of that fax in its entirety, unless that local time is a not a Business Day, or is after 5.00 pm on a Business Day, when that communication will be regarded as received at 9.00 am on the next Business Day; and
- (ii) in any other case, on delivery at the address of MVT as provided in Clause 5.3(a), unless that delivery is not made on a Business Day, or is after 5.00 pm on a Business Day, when that communication will be regarded as received at 9.00 am on the next Business Day.

### 5.4 Governing law and jurisdiction

- (a) This Deed is governed by the laws of the State of New South Wales.
- (b) MVT irrevocably submits to the non-exclusive jurisdiction of the courts exercising jurisdiction in the State of New South Wales.

### 5.5 Waiver

- (a) Waiver of any right arising from a breach of this Deed or of any right, power, authority, discretion or remedy arising upon default under this Deed must be in writing and signed by the party granting the waiver.
- (b) A failure or delay in exercise, or partial exercise, of:
- (i) a right arising from a breach of this Deed; or
- (ii) a right, power, authority, discretion or remedy created or arising upon default under this Deed,

does not result in a waiver of that right, power, authority, discretion or remedy.

- (c) A party is not entitled to rely on a delay in the exercise or non-exercise of a right, power, authority, discretion or remedy arising from a breach of this Deed or on a default under this Deed as constituting a waiver of that right, power, authority, discretion or remedy,
- (d) A party may not rely on any conduct of another party as a defence to exercise of a right, power, authority, discretion or remedy by that other party.
- (e) This Clause may not itself be waived except in writing.

**5.6 Variation**

A provision of this Deed may not be varied unless the variation is agreed to by MVT and the Court indicates that the amendment would not of itself preclude approval of the Scheme, in which event MVT will enter into a further Deed in favour of MMX and the Scheme Participants giving effect to the amendment.

**5.7 Cumulative rights**

The rights, powers and remedies of MVT, MMX and the Scheme Participants under this Deed are cumulative and do not exclude any other rights, powers or remedies provided by law independently of this Deed.

**5.8 Assignment**


The rights and obligations of a person under this Deed are personal and cannot not be assigned, charged or otherwise dealt with at law or in equity and no person shall attempt or purport to do so.

**5.9 Further action**

MVT will promptly do all things and execute all further documents necessary to give effect to this Deed.

**Executed as a deed**

EXECUTED by Mercantile Investment )  
 Company Limited )  
 ACN 121 415 576 in accordance with )  
 section 127 of the Corporations Act:

  
 \_\_\_\_\_  
 Director/Secretary

*RON BRIERLEY*  
 \_\_\_\_\_  
 Name (please print)

  
 \_\_\_\_\_  
 Director

*Gabriel Radzyminski*  
 \_\_\_\_\_  
 Name (please print)

## **Annexure A**

### **Scheme of Arrangement**

#### **Pursuant to Section 411 of the Corporations Act 2001**

Please see Annexure C in the Scheme Booklet



# Annexure E

## Notice of Scheme Meeting

Notice is given that, by order of the Supreme Court of New South Wales pursuant to section 411(1) of the *Corporations Act 2001* (Cth) a meeting of the ordinary shareholders of Murchison Metals Limited (**MMX**) other than Mercantile Investment Company Limited (**MVT**) and its Associated Shareholders will be held at:

Location: Vintage Room Royal Automobile Club, 89 Macquarie Street, Sydney

Date: Thursday 19 June 2014

Time: 10.00am (Sydney time)

### **Business of the Scheme Meeting**

The purpose of the Scheme Meeting is to consider, and if thought fit, to agree to a scheme of arrangement (with or without modification) proposed to be made between MMX and the MMX shareholders other than MVT (**Scheme**) pursuant to Part 5.1 of the Corporations Act.

The Scheme is proposed to be made in the form of the scheme contained in **annexure C** of the Scheme Booklet accompanying this Notice of Scheme Meeting. To assist you in making an informed voting decision, further information regarding the Scheme is set out in the Scheme Booklet.

### **Resolution**

At the Scheme Meeting, you will be asked to consider and, if thought fit, to pass the following resolution:

*"That, pursuant to and in accordance with section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed between Murchison Metals Limited and the holders of its fully paid ordinary shares (other than those shares held by Mercantile Investment Company Limited and Associated Shareholders\*), the terms of which are described in the Scheme Booklet of which the notice convening this meeting forms part, is approved (with or without modification as approved by the Supreme Court of New South Wales)."*

*\* Associated Shareholders has the meaning given to it in the Scheme Booklet, of which the notice convening the Scheme Meeting forms part.*

By order of the Court

Dated: 8 May 2014

## Information for Shareholders

### 1 Material accompanying this notice

This notice of meeting and the Scheme Resolution should be read in conjunction with the accompanying Scheme Booklet dated 8 May 2014. Unless otherwise defined in this notice of meeting, capitalised terms used in this notice have the same meaning as set out in the Glossary of Terms in section 13 of the Scheme Booklet.

A copy of the Scheme of Arrangement is contained in **annexure C** to this Scheme Booklet.

A Proxy Form also accompanies the Scheme Booklet.

### 2 Voting

Each of the Independent Directors recommends that the Scheme Participants vote in favour of the Scheme Resolution, in the absence of a superior proposal.

### 3 Majority required

In order for the Scheme to be implemented the Scheme Resolution must be approved by Scheme Participants at the Scheme Meeting. This means votes in favour of the Scheme Resolution must be received from:

- unless the Court orders otherwise, a majority in number (more than 50%) of Scheme Participants present and voting at the Scheme Meeting (whether in person, by proxy, by attorney or, by corporate representative); and
- at least 75% of the total number of votes cast on the Scheme Resolution (whether in person, by proxy, by attorney or, by corporate representative).

### 4 Court approval

In accordance with section 411(4)(b) of the Corporations Act, the Scheme is subject to the approval of the Court. If the Scheme Resolution is approved at the Scheme Meeting by the requisite majority of Scheme Participants, and the Conditions Precedent to the Scheme (summarised in **section 10.9** of the Scheme Booklet, and set out in full in clause 3.1 of the Scheme Implementation Agreement) are satisfied or, where applicable, waived, MMX intends to apply to the Court for approval of the Scheme.

### 5 Who is entitled to vote

Each Scheme Participant that is registered on the Share Register as an MMX Shareholder at 7.00pm (Sydney time) on Tuesday 17 June 2014 is entitled to attend and vote at the Scheme Meeting, either in person, by proxy or attorney. If you are a corporate shareholder, then you can appoint a corporate representative to attend and vote your shares at the Scheme Meeting.

In the case of MMX Shares held by joint holders, only one of the joint shareholders is entitled to vote. If more than one shareholder votes in relation to jointly held MMX Shares, only the vote of the shareholder whose name appears first in the Share Register will be counted.

MVT and any entity holding MMX Shares controlled by MVT are excluded from voting at the Scheme Meeting.

### 6 Voting

#### 6.1 How to vote on the Scheme

You can vote:

- (a) **in person**, by attending the Scheme Meeting
- (b) **by mailing** the accompanying Proxy Form so that it is received before 10.00am on Tuesday 17 June 2014 to:  
Link Market Services  
Locked Bag A14  
Sydney South, NSW, 1235  
Australia
- (c) **by faxing** the accompanying Proxy Form so that it is received before 10.00am on Tuesday 17 June 2014 to:  
+61 2 9287 0309 (within Australia)
- (d) online by visiting [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) and following the instructions in your Proxy Form to submit your voting intentions.

#### 6.2 Voting by proxy

Using the Proxy Form, you can:

- (a) appoint a proxy and direct your proxy how to vote;
- (b) vote a portion of your holding; and
- (c) appoint up to two proxies to attend the meeting and vote on a poll.

A proxy does not need to be a MMX Shareholder.

### **6.3 Undirected proxies**

The Chairman of the Scheme Meeting will act as your proxy if the Proxy Form is returned to the Registry without naming a proxy or proxies.

Proxy appointments in favour of the Chairman of the Scheme Meeting, the company secretary of MMX or any MMX Director which do not contain a direction as to how to vote will be voted in support of the Scheme, in the absence of a superior proposal.

### **6.4 Voting by attorney**

Scheme Participants wishing to vote by attorney at the Scheme Meeting must, if they have not already presented an appropriate power of attorney to MMX for notation, deliver to MMX the original instrument appointing the attorney by no later than 10.00am on Tuesday 17 June 2014 (Sydney time) (or, if the Scheme Meeting is adjourned, at least 48 hours before the resumption of the Scheme Meeting in relation to the resumed part of the Scheme Meeting).

Unless the contrary is evident from the express terms of attorney, any power of attorney granted by a Scheme Participant will, as between MMX and that Scheme

Participant, continue in force and may be acted on, unless express notice in writing of its revocation or the death of the relevant Scheme Participant is lodged with MMX.

### **6.5 Voting by corporate representative**

To vote by corporate representative at the Scheme Meeting, a corporate Scheme Participant or proxy should obtain an appointment of corporate representative form from the Registry and complete and sign the form in accordance with the instructions on it. The appointment of corporate representative form must then be lodged either prior to the Scheme Meeting with the Registry or at the registration desk on the day of the Scheme Meeting.

The appointment of a representative may set out restrictions on the representative's powers.

The original form of appointment of a representative, a certified copy of the appointment or a certificate of the body corporate evidencing the appointment of a representative is evidence of a representative having been appointed.

The Chairman of the Scheme Meeting may permit a person claiming to be a representative to exercise the appointing body's powers even if they have not produced a certificate or other satisfactory evidence of their appointment.

# Annexure F

## Notice of General Meeting

Notice is given that a general meeting of the shareholders of Murchison Metals Limited (**MMX**) will be held at:

Location: Vintage Room Royal Automobile Club, 89 Macquarie Street, Sydney

Date: Thursday 19 June 2014

Time: 10.30am (Sydney time)

### **Business of the General Meeting**

The purpose of resolution 1 being put to this meeting convened by this notice of meeting (the **General Meeting**) is to approve the subscription of New MVT Shares, namely the issue of shares in Mercantile Investment Company Limited (**MVT**) to Scheme Participants who are eligible to receive scrip consideration in consideration for cancelling their shares in accordance with the scheme of arrangement.

The purpose of resolution 2 being put to the General Meeting is to approve the cancellation of the shares of MMX held by Scheme Participants who will, in consideration for the cancellation of their shares in MMX, be entitled to either cash, New MVT Shares or an equal proportion of both under the proposed scheme of arrangement. The only MMX shareholders who can vote in favour of this resolution at this General Meeting are MVT and its Associated Shareholders, whose MMX Shares are not being cancelled. However, all MMX shareholders may abstain from voting on the resolution or vote against the resolution. A separate Class Meeting will be held of Scheme Participants i.e. those members of MMX whose shares are to be cancelled. The notice of meeting for the Class Meeting accompanies this notice of meeting.

### **Resolution 1 – Subscription Resolution**

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

*“That, subject to and conditional on:*

- (a) the scheme of arrangement (**Scheme**) proposed to be made between Murchison Metals Limited (**MMX**) and the holders of its fully paid ordinary shares (other than those shares held by Mercantile Investment Company Limited (**MVT**) and its Associated Shareholders) (**Scheme Participants**), and to be considered at a meeting of Scheme Participants on 19 June 2014, being approved by the Supreme Court of New South Wales;*
- (b) an office copy of the Order of the Supreme Court of New South Wales approving the Scheme being lodged with the Australian Securities and Investments Commission; and*
- (c) the passing of resolution 2 in the General Meeting,*

*the subscription for such amount of MVT shares necessary to comprise the scrip consideration provided under the Scheme (**New MVT Shares**) is approved, the amount of such New MVT Shares to be calculated pursuant to the NTA formula set out in the Scheme Booklet at the calculation date of the Scheme, and such New MVT Shares to be issued (at MMX's direction) on the implementation date of the Scheme to those Scheme Participants who are eligible to receive scrip consideration provided under the Scheme.*

### **Resolution 2 – Capital Reduction Resolution**

To consider and, if thought fit, to pass the following resolution as a special resolution:

*"That, pursuant to sections 256B and 256C(2)(a) of the Corporations Act 2001 (Cth), subject to and conditional on:*

- (a) the Scheme proposed to be made between MMX and the Scheme Participants, and to be considered at a meeting of Scheme Participants on 19 June 2014, being approved by the Supreme Court of New South Wales;*
- (b) an office copy of the Order of the Supreme Court of New South Wales approving the Scheme being lodged with the Australian Securities and Investments Commission; and*
- (c) and the passing of resolution 1 in the General Meeting,*

*the capital of MMX be reduced by cancelling all fully paid ordinary MMX shares held by Scheme Participants (being 200,668,069 MMX shares) with such cancellation to be in consideration for either cash, scrip consideration in the form of New MVT Shares, or a combination of both in equal proportions (**Scheme Consideration**), where the amount of such New MVT Shares is to be calculated pursuant to the NTA formula set out in the Scheme Booklet at the calculation date of the Scheme, and each Scheme Participant's entitlement to the Scheme Consideration arises only upon the reduction of capital in respect of the MMX shares held by that Scheme Participant."*

By order of the Board

Dated: 15 May 2014

## Information for Shareholders

### 1 Material accompanying this notice

This notice of meeting should be read in conjunction with the accompanying Scheme Booklet dated 8 May 2014. Unless otherwise defined in this notice of meeting, capitalised terms used in this notice have the same meaning as set out in the Glossary of Terms in section 13 of the Scheme Booklet.

A copy of the Scheme of Arrangement is contained in **annexure C** to this Scheme Booklet.

A Proxy Form also accompanies the Scheme Booklet.

### 2 Voting

Each of the Independent Directors recommends that:

- MMX Shareholders vote in favour of the Subscription Resolution; and
- MMX Shareholders other than MVT and its Associated Shareholders abstain from voting on the Capital Reduction Resolution,

in the absence of a superior proposal.

### 3 Majority required

In order for the selective capital reduction and subscription of New MVT Shares to occur, the resolutions must be approved by MMX Shareholders at the General Meeting.

This means that:

- votes in favour of the Subscription Resolution must be received from a majority in number (more than 50%) of MMX Shareholders present and voting at the General Meeting (whether in person, by proxy, by attorney or, by corporate representative); and
- votes in favour of the Capital Reduction Resolution must be received from at least 75% of the total number of votes cast at the General Meeting (whether in person, by proxy, by attorney or, by corporate representative).

### 4 Who is entitled to vote

Each person that is registered on the Share Register as a MMX Shareholder at 7.00pm (Sydney time) on Tuesday 17 June 2014 is entitled to attend and vote at the General

Meeting, either in person, by proxy or attorney. If you are a corporate shareholder, then you can appoint a corporate representative to attend and vote your shares at the General Meeting.

In the case of MMX Shares held by joint holders, only one of the joint shareholders is entitled to vote. If more than one shareholder votes in relation to jointly held MMX Shares, only the vote of the shareholder whose name appears first in the Share Register will be counted.

The Company advises that, in respect of resolution 2 at the General Meeting, it will disregard any vote cast in favour of that resolution by MMX Shareholders other than MVT and its Associated Shareholders.

### 5 Voting

#### 5.1 How to vote in the General Meeting

You can vote:

- (a) **in person**, by attending the General Meeting
- (b) **by mailing** the accompanying Proxy Form so that it is received before 10.30am on Tuesday 17 June 2014 to:  
Link Market Services  
Locked Bag A14  
Sydney South, NSW, 1235  
Australia
- (c) **by faxing** the accompanying Proxy Form so that it is received before 10.30am on Tuesday 17 June 2014 to:  
+61 2 9287 0309 (within Australia)
- (d) online by visiting [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) and following the instructions in your Proxy Form to submit your voting intentions.

#### 5.2 Voting by proxy

Using the Proxy Form, you can:

- (a) appoint a proxy and direct your proxy how to vote;
- (b) vote a portion of your holding; and
- (c) appoint up to two proxies to attend the meeting and vote on a poll.

A proxy does not need to be a MMX Shareholder.

### **5.3 Undirected proxies**

The Chairman of the General Meeting will act as your proxy if the Proxy Form is returned to the Registry without naming a proxy or proxies.

Proxy appointments in favour of the Chairman of the General Meeting, the company secretary of MMX or any MMX Director which do not contain a direction as to how to vote will be voted in support of the resolutions, in the absence of a superior proposal.

The Chairman of the General Meeting may permit a person claiming to be a representative to exercise the appointing body's powers even if they have not produced a certificate or other satisfactory evidence of their appointment.

### **5.4 Voting by attorney**

MMX Shareholders wishing to vote by attorney at the General Meeting must, if they have not already presented an appropriate power of attorney to MMX for notation, deliver to MMX the original instrument appointing the attorney by no later than 10.30am on Tuesday 17 June 2014 (Sydney time) (or, if the General Meeting is adjourned, at least 48 hours before the resumption of the General Meeting in relation to the resumed part of the General Meeting).

Unless the contrary is evident from the express terms of attorney, any power of attorney granted by a MMX Shareholder will, as between MMX and that MMX Shareholder, continue in force and may be acted on, unless express notice in writing of its revocation or the death of the relevant MMX Shareholder is lodged with MMX.

### **5.5 Voting by corporate representative**

To vote by corporate representative at the General Meeting, a corporate MMX Shareholder or proxy should obtain an appointment of corporate representative form from the Registry and complete and sign the form in accordance with the instructions on it. The appointment of corporate representative form must then be lodged either prior to the General Meeting with the Registry or at the registration desk on the day of the General Meeting.

The appointment of a representative may set out restrictions on the representative's powers.

The original form of appointment of a representative, a certified copy of the appointment or a certificate of the body corporate evidencing the appointment of a representative is evidence of a representative having been appointed.

**Explanatory Memorandum for General Meeting and Class Meeting to be held on 19 June 2014 in relation to:**

- **Selective capital reduction by cancellation of shares held by Scheme Participants (being all of the shares in MMX held by shareholders other than MVT and its Associated Shareholders).**
- **Subscription for New MVT Shares**

This explanatory memorandum is provided in relation to the proposed selective capital reduction by cancellation of shares in MMX which is described in context in the accompanying Scheme Booklet prepared in relation to the Scheme proposed to be entered into between MMX and the Scheme Participants. This explanatory memorandum should be read in conjunction with that Scheme Booklet but provides additional information relevant to the reduction of capital in conjunction with the notices of meeting for:

- (a) the General Meeting for the selective capital reduction referred to herein and the subscription of New MVT Shares;
- (b) the Class Meeting for the meeting of the Scheme Participants (i.e. MMX Shareholders other than MVT and its Associated Shareholders) whose shares are to be cancelled as set out in resolution 2 on the notice of General Meeting;

Where terms used in this explanatory memorandum are defined in the accompanying notices of meeting or Scheme Booklet, they have the same meaning herein unless otherwise defined or unless repugnant to the context in which such terms are used.

#### **Capital Reduction Resolution**

The proposed reduction of capital is a selective reduction of capital in accordance with the provisions of section 256B(2) of the Corporations Act.

#### **Resolution 2 in the General Meeting and Resolution 1 in the Class Meeting: Cancellation of MMX Shares held by MMX Shareholders other than MVT and its Associated Shareholders**

These resolutions deal with the cancellation of the Shares held by the Scheme Participants (i.e. MMX Shareholders other than MVT and its Associated Shareholders) in exchange for the Scheme Consideration, being either cash, New MVT Shares or an equal proportion of both.

The Scheme will be implemented by this reduction of capital in conjunction with the provisions of the Scheme proposed to be entered in to between MMX and the Scheme Participants, as described in the Scheme Booklet which accompanies this Notice of Meeting. The Capital Reduction Resolution is described in detail in the Scheme Booklet which Scheme Participants should read carefully to obtain a more complete understanding of the proposals of which the Capital Reduction Resolution forms part. The Scheme, if it comes into effect, will be effected by the cancellation of MMX shares held by Scheme Participants and the payment of the Scheme Consideration as described in the Scheme Booklet.

The Scheme Booklet and this notice of meeting and explanatory memorandum have each been lodged with ASIC in accordance with the requirements of sections 256C(4) and 256C(5) of the Corporations Act.

#### **Requirements of Section 256B of the Corporations Act**

Section 256B(1) of the Corporations Act provides that a company may reduce its share capital if the reduction:

- is fair and reasonable to the company's shareholders as a whole;
- does not materially prejudice the company's ability to pay its creditors; and



- is approved by shareholders under section 256C of the Corporations Act.

### **Requirements of Section 256C of the Corporations Act**

A reduction of capital is a selective reduction of capital unless it applies to each holder of ordinary shares in proportion to the number of ordinary shares they hold. The Capital Reduction Resolution does not satisfy this test and, accordingly, the reduction of capital is a selective reduction of capital.

As the reduction of capital is a selective reduction, MMX must hold both a General Meeting and a separate Class Meeting to approve the reduction of capital. The Corporations Act requires that a general meeting and a class meeting are held in relation to every selective reduction of capital where shares are being cancelled.

At each such general meeting the members whose shares are being cancelled are not allowed to vote in favour of the resolution to cancel the shares held by them. However, these members may abstain from voting on the resolution or vote against the resolution.

At each such class meeting, the members whose shares are being cancelled are the only members allowed to vote on the resolution to cancel their shares.

The Corporations Act thus requires both groups of members to approve any selective cancellation of shares and requires the splitting of that approval process so that both groups of members must give approval. This prevents any dominant member controlling the cancellation of shares process.

The process described above applies to this selective reduction of capital.

Insofar as the current General Meeting and the Class Meeting are concerned the right of members to vote, as determined by the above process, is set out below.

### **Voting at the General Meeting**

At the General Meeting:

- All MMX Shareholders may vote on resolution 1.
- The only MMX Shareholders who can vote in favour of resolution 2 are MVT and its Associated Shareholders, whose MMX Shares are not being cancelled.
- MMX Shareholders other than MVT and its Associated Shareholders whose MMX Shares are being cancelled under resolution 2 are not able to vote in favour of that resolution. However all MMX Shareholders can abstain from voting on resolution 2 or can vote against resolution 2.

### **Voting at the Class Meeting**

At the Class Meeting:

- All MMX Shareholders whose MMX Shares are being cancelled can vote.
- MVT and its Associated Shareholders, being MMX Shareholders whose MMX Shares are not being cancelled cannot vote.

### **Effect of Reductions of Capital on Creditors**

The Independent Directors consider that the reduction of capital associated with the Scheme being implemented will not prejudice MMX's ability to pay its creditors. Further, the Independent Directors advise that the reduction of capital will not result in MMX becoming insolvent at the time of the capital reduction is made, nor will MMX become insolvent as a result of the capital reduction.

Further and as set out in the Scheme Booklet, Grant Thornton Corporate Finance Pty Ltd, as the Independent Expert commissioned to consider the Scheme, considers that while the 100% Scrip

Consideration option is not fair and not reasonable, the proposed Scheme and the reduction of capital by cancellation of MMX Shares held by Scheme Participants in exchange for the Scheme Consideration is, overall, in the best interests of MMX Shareholders, in the absence of a superior proposal.

All Scheme Participants are recommended to read the Scheme Booklet in full.

**Effect of Capital Reductions**

The effect of the proposed reductions of capital and the Scheme are set out in detail in the Scheme Booklet.

# Annexure G

## Notice of Class Meeting

Notice is given that a class meeting of the shareholders of Murchison Metals Limited (**MMX**) (other than Mercantile Investment Company Limited (**MVT**) and its Associated Shareholders) will be held at:

Location: Vintage Room Royal Automobile Club, 89 Macquarie Street, Sydney

Date: Thursday 19 June 2014

Time: 11.00am (Sydney time)

### Business of the Class Meeting

The purpose of the sole resolution being put to the meeting convened by this notice of meeting (the **Class Meeting**) is to approve the cancellation of the shares of MMX held by MMX Shareholders (other than MVT and its Associated Shareholders) who will exchange their shares in MMX for either cash, New MVT Shares or an equal proportion of both under the proposed scheme of arrangement. All MMX Shareholders can vote on this resolution at the Class Meeting other than MVT and its Associated Shareholders whose shares are not being cancelled. A separate general meeting (**General Meeting**) has been held to approve the cancellation of such shares. The notice of meeting for the General Meeting is in Annexure F of the Scheme Booklet.

### Resolution 1 – Capital Reduction Resolution

To consider and, if thought fit, to pass the following resolution as a special resolution:

*“That, pursuant to sections 256B and 256C(2)(a) of the Corporations Act 2001 (Cth), subject to and conditional on:*

- (a) *the scheme of arrangement (**Scheme**) proposed to be made between Murchison Metals Limited (**MMX**) and the holders of its fully paid ordinary shares (other than those shares held by Mercantile Investment Company Limited (**MVT**) and its Associated Shareholders) (**Scheme Participants**), and to be considered at a meeting of Scheme Participants on 19 June 2014, being approved by the Supreme Court of New South Wales; and*
- (b) *an office copy of the Order of the Supreme Court of New South Wales approving the Scheme being lodged with the Australian Securities and Investments Commission; and*
- (c) *the passing of resolution 1 in the General Meeting,*

*the capital of MMX be reduced by cancelling all fully paid ordinary MMX shares held by Scheme Participants (being 200,668,069 MMX shares) with such cancellation to be in consideration for either cash, scrip consideration provided under the Scheme (**New MVT Shares**), or a combination of both in equal proportions (**Scheme Consideration**), where the amount of such New MVT Shares is to be calculated pursuant to the NTA formula set out in the Scheme Booklet at the calculation date of the Scheme, and each Scheme Participant’s entitlement to the Scheme Consideration arises only upon the reduction of capital in respect of the MMX shares held by that Scheme Participant.”*

By order of the Board

Dated: 15 May 2014

# Information for Shareholders

## 1 Material accompanying this notice

This notice of meeting should be read in conjunction with the accompanying Scheme Booklet dated 8 May 2014. Unless otherwise defined in this notice of meeting, capitalised terms used in this notice have the same meaning as set out in the Glossary of Terms in section 13 of the Scheme Booklet.

A copy of the Scheme of Arrangement is contained in **annexure C** to this Scheme Booklet.

A Proxy Form also accompanies the Scheme Booklet.

## 2 Voting

Each of the Independent Directors recommends that Scheme Participants vote in favour of the Capital Reduction Resolution, in the absence of a superior proposal.

## 3 Majority required

In order for the selective capital reduction to occur, the resolution must be approved by Scheme Participants at the Class Meeting. This means votes in favour of the resolutions must be received from:

- at least 75% of the total number of votes cast at the Class Meeting (whether in person, by proxy, by attorney or, by corporate representative).

## 4 Who is entitled to vote

Each Scheme Participant that is registered on the Share Register as a MMX Shareholder at 7.00pm (Sydney time) on Tuesday 17 June 2014 is entitled to attend and vote at the Class Meeting, either in person, by proxy or attorney. If you are a corporate shareholder, then you can appoint a corporate representative to attend and vote your shares at the Class Meeting.

In the case of MMX Shares held by joint holders, only one of the joint shareholders is entitled to vote. If more than one shareholder votes in relation to jointly held MMX Shares, only the vote of the shareholder whose name appears first in the Share Register will be counted.

## 5 Voting

### 5.1 How to vote in the Class Meeting

You can vote:

- (a) **in person**, by attending the Class Meeting
- (b) **by mailing** the accompanying Proxy Form so that it is received before 11.00am on Tuesday 17 June 2014 to: Link Market Services Locked Bag A14 Sydney South, NSW, 1235 Australia
- (c) **by faxing** the accompanying Proxy Form so that it is received before 11.00am on Tuesday 17 June 2014 to: +61 2 9287 0309 (within Australia)
- (d) online by visiting [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) and following the instructions in your Proxy Form to submit your voting intentions.

### 5.2 Voting by proxy

Using the Proxy Form, you can:

- (a) appoint a proxy and direct your proxy how to vote;
- (b) vote a portion of your holding; and
- (c) appoint up to two proxies to attend the meeting and vote on a poll.

A proxy does not need to be a MMX Shareholder.

### 5.3 Undirected proxies

The Chairman of the Class Meeting will act as your proxy if the Proxy Form is returned to the Registry without naming a proxy or proxies.

Proxy appointments in favour of the Chairman of the Class Meeting, the company secretary of MMX or any MMX Director which do not contain a direction as to how to vote will be voted in support of the resolution, in the absence of a superior proposal.

### 5.4 Voting by attorney

Scheme Participants wishing to vote by attorney at the Class Meeting must, if they have not already presented an appropriate power of attorney to MMX for notation, deliver to MMX the original instrument appointing the attorney by no later than 11.00am on Tuesday 17 June 2014 (Sydney time) (or, if the Class Meeting is adjourned, at least 48 hours before the resumption of the Class Meeting in relation to the resumed part of the Class Meeting).

Unless the contrary is evident from the express terms of attorney, any power of attorney granted by a Scheme Participant will, as between MMX and that Scheme Participant, continue in force and may be acted on, unless express notice in writing of its revocation or the death of the relevant Scheme Participant is lodged with MMX.

#### **5.5 Voting by corporate representative**

To vote by corporate representative at the Class Meeting, a corporate Scheme Participant or proxy should obtain an appointment of corporate representative form from the Registry and complete and sign the form in accordance with the instructions on it. The appointment of corporate representative form must then be lodged either prior to the Class Meeting with the Registry or at the registration desk on the day of the Class Meeting.

The appointment of a representative may set out restrictions on the representative's powers.

The original form of appointment of a representative, a certified copy of the appointment or a certificate of the body corporate evidencing the appointment of a representative is evidence of a representative having been appointed.

The Chairman of the Class Meeting may permit a person claiming to be a representative to exercise the appointing body's powers even if they have not produced a certificate or other satisfactory evidence of their appointment.