



14 July 2014

DIRECTORS

David Deloub

Executive Chairman

Ian Prentice

Non-Executive Director

Jason Eveleigh

Non-Executive Director

Suzie Foreman

Company Secretary

SHARE INFORMATION

ASX Code: MEH

Issued Capital:

28.5M Fully Paid Shares

7.0M Unlisted Options

2.0M Performance Rights

CONTACT INFORMATION

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MERAH RESOURCES TO ACQUIRE COPPER PROJECTS IN THE YUKON, CANADA AND COOPER PEDY, SOUTH AUSTRALIA

Highlights:

- Merah to acquire the farm in rights to two copper projects via the acquisition of private, unlisted company, Oresearch Limited;
- Fyre Lake project in the Yukon, Canada, hosts the Kona VMS deposit, containing a total Mineral Resource of 8.93 Mt @ 1.52% Cu, 0.09% Co and 0.56g/t Au, classified in accordance with guidelines of the 2012 JORC code;
- Previous drilling at the Kona deposit includes:
 - 31.3m @ 2.29% Cu, 0.07% Co, 0.53g/t Au
 - 10m @ 2.98% Cu, 0.1% Co, 0.95g/t Au
 - 7m @ 6.07% Cu, 0.05% Co, 0.68g/t Au
- Fyre Lake occurs in the productive Finlayson Lake region which also hosts the undeveloped Kudze Kayah deposit and the high-grade Wolverine mine;
- Cooper Pedy project in South Australia has a strong, discrete, magnetic and gravity anomaly, the Cyclops prospect, of similar dimensions to the Prominent Hill copper-gold mine.
- Transactions form part of Merah's transition to a new Board and Management Team with a greater emphasis on copper project acquisition and development.
- Jeremy Read of Oresearch to join Merah's Board as Managing Director, and Adam Davey as a Non-Executive Director.
- Merah to undertake a capital raising via a placement to an existing shareholder, and a pro rata entitlements issue on a 2 for 3 basis at \$0.03 to raise a total of \$780k.
- The Rights Issue shortfall to be underwritten by Patersons Securities Limited.

Merah Resources Limited (“Merah” or “The Company”) (ASX: MEH) is pleased to announce that it has entered into a Term Sheet Agreement (**Agreement**) with Oresearch Limited (**Oresearch**), an unlisted Australian domiciled company, and its shareholders, to acquire the legal and beneficial ownership of 100% of Oresearch shares and its assets.

By acquiring Oresearch, Merah will purchase the farm-in joint venture rights to explore the Fyre Lake project in the Yukon in Canada and the Coober Pedy Project in South Australia.

The consideration payable to Oresearch is \$600,000 of Merah fully paid ordinary shares, split into 3 equal tranches, based around the delivery of set milestones. The first tranche is payable upon settlement of the acquisition; the second tranche split on completion of Initial and Secondary capital raisings; and the third tranche upon a twelve month project exploration milestone. Further details of the terms of the Agreement are detailed in Annexure A.

FYRE LAKE PROJECT

Project Geology

The Fyre Lake project is located in the Finlayson Lake District, south east Yukon Territory, Canada. The project contains the Kona Mineral Resource, which is classified as a Volcanogenic Hosted Massive Sulphide (VMS) deposit and over nine kilometres of favourable host rocks with geochemical and geophysical targets indicative of VMS mineralization.

The Finlayson Lake District also hosts the Kudze Kayah and Wolverine VMS deposits. Wolverine occurs 25km to the north east of Fyre Lake and reached full commercial production of approximately 650,000 tonnes per annum in the first quarter of 2013. The Wolverine mine is owned by Yukon Zinc, who have reported NI 43-101 compliant proven and probable remaining reserves of 5.2Mt @ 9.66% Zn, 0.91% Cu, 1.26% Pb, 281.8 g/t Ag and 1.36 g/t Au. Wolverine was discovered in 1995, slightly preceding the commencement of the drilling to define the Kona deposit on the Fyre Lake project.

Exploration History

During 1996 and 1997 the current project owner, Pacific Ridge Exploration Ltd, focused its attention on delineating one target, the Kona deposit, through completion of 23,200 m of drilling in 115 holes. The Kona Deposit consists of two parallel northwest trending zones of Cu-Co-Au VMS mineralization found in horizons with mineralized thicknesses varying from 8 m to 40 m over a length of 1,500 m and a width of 250 m.

The drilling delineated a total Mineral Resource at the Kona deposit of 8.93 Mt @ 1.52% Cu, 0.09% Co and 0.56 g/t Au, utilizing a 1.0% Cu cut-off, which has been classified under the JORC code (2012). Metallurgical studies indicate metal recoveries of 90% for copper and 70% for gold and cobalt.

Resource Class	Tonnes	Cu	Co	Au
	(Mt)	(%)	(%)	(g/t)
Indicated	3.57	1.57	0.1	0.61
Inferred	5.36	1.48	0.08	0.53
Total	8.93	1.52	0.09	0.56

The Kona Mineral Resources are reported in accordance with the guidelines of the 2012 edition of the Australasian Code for reporting of Exploration Results, Minerals Resources and Ore Reserves (the JORC Code).

The mineralisation at Kona remains open down plunge and down dip to the East and West with indications that the grade increases with depth.

No drilling has been conducted on the Fyre Lake project since 1997, despite the Kona Mineral Resource being open and exploration targets remaining untested.

Exploration Plan

Merah aims to increase the size of the Kona resource via infill and extensional drilling with a high probability of materially increasing the JORC compliant resource. Significant exploration potential remains, over and above determining the ultimate size of the Kona massive sulphide deposit. A 4km long exploration target located northeast of Kona and a three kilometre-long exploration target lying west of Kona (both based on magnetic anomalies) are larger and more intense as compared to the magnetic feature associated with the Kona mineralization. These anomalies are priority drill targets for discovery of additional VMS deposits.

Commercial Terms of the Fyre Lake Joint Venture

First Option

To acquire an initial 51% right, title and interest in the Fyre Lake Project, Merah will be required to pay Pacific Ridge the following:

- (i) (a) on execution of the Letter Agreement, CDN\$50,000 and on the date in which the last of the conditions in the Letter Agreement are satisfied (Effective Date), the issue and delivery to Pacific Ridge of fully paid ordinary shares in Merah to a Value of CDN\$50,000;
- (b) on the first anniversary of the Effective Date CDN\$100,000 and issue and deliver fully paid ordinary shares in Merah to a Value of CDN\$100,000;
- (c) on the second anniversary of the Effective Date CDN\$200,000 and issue and deliver fully paid ordinary shares in Merah to a Value of CDN \$200,000; and
- (d) on the third anniversary of the Effective Date CDN\$300,000 and to issue and deliver fully paid ordinary shares in Merah to a Value of CDN\$300,000.
- (ii) prior to the first anniversary of the Effective Date, Merah is to incur not less than an aggregate CDN\$500,000 in exploration expenditures on the Property, and prior to

the third anniversary of the Effective Date, Merah to incur not less than an aggregate CDN\$3,500,000 in exploration expenditures on the Property.

Value for the purposes of the shares issued above is calculated using the 20 day VWAP of the shares at the time of their issue.

Second Option

Upon acquiring a 51% interest in the Yukon properties, Merah can elect to proceed with the second option to earn up to 70% in the project by incurring a further \$3,000,000 in exploration expenditures on the property prior to the fourth anniversary of the Effective Date.

Merah can then elect to either enter into a joint venture agreement to continue with exploration or development on the property on a 70:30 basis, or sole fund through to a Feasibility Study to increase its holding to 80%.

COOBER PEDY PROJECT

The Coober Pedy project is 100% owned by Teck Australia Limited and comprises five exploration licenses, totalling 1,320 km², located at the north-western end of the highly endowed Proterozoic Olympic Iron Oxide Copper-Gold (IOCG) Province in the Gawler Craton, South Australia.

Project Geology

The project area has similar geology and high amplitude magnetic and gravity features to the adjoining Mt Woods Domain that hosts the Prominent Hill IOCG deposit (303.2Mt @ 1% Cu, 0.71g/t Au) and covers crustal-scale structures, the Karari Shear Zone and Horse Camp Fault.

Exploration History

Previous work by Teck defined a strong, discrete magnetic and gravity anomaly, the Cyclops prospect, which is an untested 'walk-up' IOCG drill target in close proximity to the Karari Shear Zone. The magnetic and gravity anomalies have been forward modelled and are consistent with a magnetite-rich IOCG body of approximately 800m x 250m, starting at a depth of about 150-200m.

Elsewhere within the project tenure, residual magnetic/gravity anomalies require further modelling, prioritization, and drill testing where warranted.

Exploration Plan

Under the agreement with Teck, Merah will complete an initial drilling program of at least 1,200m to test the geophysical anomalies defined at the Cyclops prospect, with subsequent exploration to be determined based on the results of this initial drilling program.

Commercial Terms

Merah will assume the rights of Oresearch to earn up to a 100% interest in the Coober Pedy projects currently owned by Teck.

A minimum of \$500,000 of exploration expenditure (including 1,200m of drilling, of which 600m will be core drilling at 200m per hole) is required to be spent on the project within the first 12 months.

Following delivery of the results and expenditure information to Teck, Merah can elect to either terminate the interest or proceed to acquire a 100% in the property by incurring a further \$3,500,000 of exploration expenditure on the property within three years of making the election.

Teck will maintain a right to earn back 65% interest in the property via a direct cash payment to Merah of \$10 million or sole funding the next \$20 million in exploration expenditure on the property (back-in right). Teck will also reserve a 2% NSR royalty on the property, however if the back in right is exercised the NSR royalty will be extinguished.

CAPITAL RAISING

Merah is to undertake a capital raising by way of a placement of 4,100,000 ordinary shares and a non renounceable entitlements issue at \$0.03 to raise a total of \$780,000. The entitlements issue is on the basis of two (2) new shares for every three (3) shares held by Merah shareholders on the record date.

Timetable

Event	Date
Record Date for determining Shareholder entitlements (5.00pm WST)	1 August 2014
Opening Date and dispatch of Prospectus to Shareholders and Dispatch of Notice of Meeting	6 August 2014
Last Day to Extend the Offer Closing Date	19 August 2014
Closing Date of Offer (5.00pm WST)*	22 August 2014
Issue date of Securities of the Offer	29 August 2014
Shareholder Meeting	5 September 2014
Settlement of Securities the subject of Shareholder Approval	8 September 2014
Settlement of Acquisition	12 September 2014

Note: These dates are indicative only and may be changed without notice at the discretion of Merah.

Resulting Capital Structure

The effect of the Transaction on the capital structure of Merah following completion of the Transaction will be as follows:

	Shares	Options
Current issued capital	28,495,001	7,000,000
Securities Issued as part of this transaction		
Placement	4,100,000	-
Payment to Contour – Ghanaian assets	500,000	
2:3 Rights Issue	22,066,667	-
Consideration Shares ¹	6,666,667	-
Possible future issues		
Fyre Lake Earn in up to Year 1 ²	1,666,667	-
Total	61,828,335	7,000,000

Notes:

1. First Tranche payable at transaction close. Total shares are to be issued in three tranches to a total value of \$600,000. Number of shares to be issued are calculated based on the market price of MEH of \$0.03 per share
2. It is assumed that the VWAP is at \$0.03 per share, the same as the Initial Capital Raising

MANAGEMENT AND BOARD CHANGES

Upon Completion of the Acquisition, the Managing Director of Oresearch Jeremy Read will join Merah's board of directors as Managing Director, and Adam Davy of Oresearch will also join the board as a non-executive director.

Mr Jeremy Read has 26 years domestic and international minerals exploration experience and was previously the Manager of BHP's Australian Exploration Team. He has extensive exploration experience for copper, nickel and gold mineral deposits having played a critical role in the discovery of Cairn Hill Cu-Fe deposit in South Australia and the Kabanga North Ni deposit in Tanzania.

Jeremy was the founding managing director of Discovery Metals from its incorporation in May 2003, until his appointment as a non-executive director on 1 February 2008. Mr Read secured the Boseto Copper Project for the Discovery Metals and was responsible for all Discovery Metals' fund raising activities and for listing Discovery Metals on the Australian Securities Exchange, Botswana Stock Exchange and the Alternative Investment Market in London.

Mr Read was also the founding managing director of Meridian Minerals Limited, obtained the Lennard Shelf Zn-Pb Project for Meridian and led the company until its takeover by the Chinese mining company NWME.

Jeremy's experience and expertise are seen as valuable assets to the Merah Resources Board and signal a change in the Company's strategy to a more aggressive path of project acquisition, project development and value capture for shareholders. The Company will primarily focus its activities on advanced copper projects with the ability to create shareholder value through expanding defined Mineral Resources and undertaking feasibility studies.

Mr Adam Davey's expertise spans over 25 years and includes capital raising (both private and public), mergers and acquisition, ASX listings, asset sales and purchases, transaction due diligence and director duties. Adam has been involved in significantly growing businesses in both the industrial and mining sector. This has been achieved through holding various roles within different organisations. Including Chairman, Managing Director, Non-executive director, major shareholder or corporate adviser to the board.

Mr Jason Eveleigh will step down from the board of Merah Resources Limited. The Board thanks Jason for his contribution.

Yours faithfully,



David Deloub

Managing Director

About Merah Resources Limited

Merah was incorporated on 27th August 2010 for the purpose of identifying, evaluating and acquiring resource projects and assets in Australia and/or overseas that are considered by the Board to add potential shareholder value.

The Company plans to actively explore the Ghanaian project that make up its current asset portfolio by initiating a targeted and cost effective exploration program.

The Company also intends to continue to identify, evaluate and if warranted, acquire additional resource projects and assets both in Australia and overseas.

These projects may be acquired by way of direct project acquisition, joint venture, farm-in or equity investment.

Competent Person/Qualified Person

The technical information in this news release relating to the Kona Mineral Resources is based on information compiled by Mr. J. Douglas Blanchflower (P.Geo), who is a member of the Association of Professional Engineers and Geoscientists of British Columbia (APEGBC) and of the Association of Professional Geoscientists of Ontario (APGO). Mr Blanchflower provided information to his client, Merah, as paid consulting work in his capacity as Principal Consulting Geologist and operator of independent geological consultancy Minorex Consulting Ltd. He and Minorex are professionally and financially independent of their Client and of the Client's project. The consulting was provided on a paid basis and the results or conclusions reported were not contingent on payments. He has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the JORC Code) and "Qualified Person" as this term is defined in Canadian National Instrument 43-101 ("NI 43-101"). Mr. Blanchflower consents to the inclusion in this news release of the information in the form and context in which it appears. The technical report can be found under Pacific Ridge Exploration Ltd. on SEDAR (www.sedar.com).

APPENDIX A – TRANSACTION TERMS FOR ACQUISITION

Initial Consideration

As consideration for the sale of the Oresearch Shares to Merah, at Settlement Merah will issue to the Oresearch Shareholders (or their nominees) pro-rata to their existing proportion holding, that number of Merah Shares, when multiplied by the Issue Price, will be equal to \$200,000 (**Initial Consideration Shares**).

The **Issue Price** will be the same price as an Initial Capital Raising which is to settle on the settlement of the Acquisition, and is anticipated to be at \$0.03 per share.

The Initial Consideration Shares will be subject to a voluntary escrow period of six (6) months from their date of issue.

Initial Capital Raising

Merah will complete a capital raising to raise \$780,000 via:

- (a) a placement of approximately 4,100,000 fully paid ordinary shares under Merah's ASX Listing Rule 7.1 placement capacity (**Placement**); and
- (b) an entitlement issue of Merah Shares on a 2 for 3 basis (**Entitlement Issue**),

at an issue price to be determined by the Merah in its absolute discretion (**Initial Capital Raising**).

Deferred Consideration

Subject to any necessary approvals, Merah will issue to the Oresearch Shareholders (or their nominees) pro-rata:

- (a) that number of Merah Shares, when multiplied by the Issue Price, will equal \$200,000 (Tranche 1 Deferred Consideration Shares) to be issued as follows:
 - (i) where 50% or more of the funds raised from the Entitlement Issue (including the shortfall) are raised from persons or entities introduced by Oresearch Shareholders, that number of Merah Shares, when multiplied by the Issue Price, will equal \$100,000, to be issued at Settlement; and
 - (ii) the balance of the Tranche 1 Deferred Consideration Shares to be issued on completion of the Secondary Capital Raising; and
- (b) that number of Merah Shares, when multiplied by the Issue Price, will be equal to \$200,000 (**Tranche 2 Deferred Consideration Shares**) to be issued on the earlier to occur of:
 - (i) completion of the earlier to occur of:
 - (A) the first 12 months of exploration on the Coober Pedy Project; or

- (B) meeting the minimum expenditure commitment on the Coober Pedy Project,

and, the board of directors of the Merah electing to continue to fund expenditure on the Coober Pedy Project (either by sole funding or assigning or selling its joint venture interest) following satisfaction of the minimum expenditure commitment on the Coober Pedy Project; and

- (ii) completion of the earlier to occur of:

- (A) the first 12 months of exploration on the Fyre Lake Property; or

- (B) meeting the minimum expenditure commitment on the Fyre Lake Property,

and, the board of directors of the Merah electing to continue to fund expenditure on the Fyre Lake Property (either by sole funding or assigning or selling its joint venture interest) following satisfaction of the minimum expenditure commitment on the Fyre Lake Property,

(together, the **Deferred Consideration Shares**).

The Deferred Consideration Shares will be subject to a voluntary escrow period of six (6) months (or such period as determined by the ASX) from their date of issue.

The Agreement is subject a number of conditions precedent including;

- completion of legal and technical due diligence by Merah to its sole satisfaction,
- Merah obtaining all necessary regulatory, shareholder and legal approvals and third party consents; and
- Completion of the Oresearch joint venture agreements on terms satisfactory to Merah.