***No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.***

*A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Nova Scotia, but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.*

*These securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**") or any state securities laws. Accordingly, the securities may not be offered or sold in the United States or to U.S. persons unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States or its territories or possessions or to U.S. persons. See "Plan of Distribution".*

***Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada.*** *Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of Mercator Minerals Ltd. at 1971 Sandown Place, North Vancouver, British Columbia, Canada, V7P 3C3 (Telephone: (604) 981-9661 or (604) 716-5582), and are also available electronically at www.sedar.com.*

*This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.*

Preliminary Short Form Prospectus

New Issue January 15, 2009

MERCATOR MINERALS LTD.

1971 Sandown Place
North Vancouver, British Columbia, Canada
V7P 3C3

**$20,299,650**
**28,999,500 Units**

This preliminary short form prospectus (the "**Prospectus**") qualifies for distribution (the "**Offering**") 28,999,500 units (the "**Units**") at a price of $0.70 per Unit (the "**Offering Price**"), each Unit consisting of one common share (a "**Common Share**") of Mercator Minerals Ltd. ("**Mercator**" or the "**Company**") and one-half of one common share purchase warrant (each whole warrant, a "**Warrant**") to be issued pursuant to a Warrant Indenture (as hereinafter defined), each Warrant being exercisable into an additional Common Share (a "**Warrant Share**") until 4:30 p.m. (Vancouver time) on the date that is four years following the Closing Date (as hereinafter defined) of the Offering at a price of $1.00 per Warrant Share. The Offering is made pursuant to an Underwriting Agreement (the "**Underwriting Agreement**") dated January 15, 2009 among Mercator and Blackmont Capital Inc., Acumen Capital Finance Partners Limited, Jennings Capital Inc. and Scotia Capital Inc. (collectively, the "**Underwriters**").

The Offering Price of $0.70 per Unit has been determined by negotiation between Mercator and the Underwriters.

The Common Shares of the Company are traded on the Toronto Stock Exchange (the "**TSX**") under the symbol "ML". On January 8, 2009, the last trading day before the public announcement of this Offering, the closing price of the Company's Common Shares as reported by the TSX was $0.85 per Common Share.

**Price:**
**$0.70 per Unit**

| | Price to the Public (1) | Underwriters' Fee (2) | Net Proceeds to the Company (3) |
|---|---|---|---|
| Per Unit ...................................................... | $0.70 | $0.042 | $0.658 |
| Total (4) ................................................... | $20,299,650 | $1,217,979 | $19,081,671 |

Notes:

(1) See "Plan of Distribution".

(2) A fee (the "**Underwriters' Fee**") equal to $0.042 per Unit from the sale of the Units will be paid to the Underwriters upon completion of the Offering. See "Plan of Distribution". The Company has also agreed to issue to the Underwriters common share purchase warrants of the Company (each whole common share purchase warrant, an "**Underwriters' Warrant**") entitling the Underwriters to purchase up to such number of Common Shares as is equal to 6.0% of the number of Units sold in the Offering ("**Underwriters' Warrant Shares**") for a price of $0.70 per Underwriters' Warrant Share at any time before 4:30 p.m. (Vancouver time) on the date that is 24 months after the Closing Date of the Offering. This Prospectus also qualifies the distribution of the Underwriters' Warrants. See "Plan of Distribution".

(3) Before deducting expenses of this Offering, estimated to be approximately $250,000, which will be paid from the Net Proceeds of the Offering.

(4) If the Over-Allotment Option (as hereinafter defined) is exercised in full, the total number of Units sold under the Offering will be 33,349,425, the total price to the public will be $23,344,598, the total Underwriters' Fee will be $1,400,676 and total net proceeds to the Company will be $21,943,922, before deducting costs of the Offering.

The Company has also granted the Underwriters an option (the "**Over-Allotment Option**"), exercisable in whole or in part in the sole discretion of the Underwriters up to 48 hours prior to the closing of the Offering, to purchase up to an additional 4,349,925 Units (the "**Over-Allotment Units**"), at a price of $0.70 per Over-Allotment Unit, solely to cover over-allotments, if any, and for market stabilization purposes. This Prospectus also qualifies the distribution of the Over-Allotment Option and Over-Allotment Units. See "Plan of Distribution". References to "**Units**" in this Prospectus shall include the up to 4,349,925 Units comprising the Over-Allotment Units, as applicable in the context used. A purchaser who acquires Over-Allotment Units acquires such securities under this Prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. The following table sets forth the number of securities issuable under the Over-Allotment Option and under the Underwriters' Warrants to the Underwriters:

| Security | Maximum size | Percentage of Offering | Exercise period | Exercise price |
|---|---|---|---|---|
| Over-Allotment Option | 4,349,925 Units | 15% of the Offering | Up to 48 hours prior to the closing of the Offering | $0.70 per Unit |
| Underwriters' Warrants | 2,000,965 Common Shares (including in connection with the exercise of the Over-Allotment Option) | 6% of the Offering | Within 24 months after the Closing Date | $0.70 per Common Share |

Investing in the Units involves risks. Prospective investors should carefully consider the risk factors described in this Prospectus under "Risk Factors".

The Company has applied to list the Common Shares, Warrants and Warrant Shares on the TSX. Listing will be subject to fulfilling all of the listing requirements of the TSX.

The Underwriters, as principals, conditionally offer the Units, subject to prior sale, if, as and when issued by Mercator and accepted by the Underwriters in accordance with the conditions contained in the Underwriting

Agreement as referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of Mercator by DuMoulin Black LLP, Vancouver, British Columbia and on behalf of the Underwriters by Stikeman Elliott LLP. Subscriptions for the Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. A definitive certificate or certificates representing the Common Shares and Warrants to be issued to Canadian purchasers pursuant to the Offering will be issued in registered form to CDS & Co. ("**CDS**") or its nominee and will be deposited with CDS at the closing of the Offering, which is expected to occur on or about January 29, 2009 (the "**Closing Date**") but in any event no later than 42 days following the date of a final receipt for this Prospectus. A Canadian purchaser of Units will receive only a customer confirmation or confirmations from a registered dealer who is a CDS participant and from or through which the Units are purchased. For all Units sold within the United States or to, or for the account or benefit of, U.S. persons, definitive certificates evidencing the Common Shares and Warrants will be registered in such name or names as the Underwriters may direct and will be available for delivery on the Closing Date.

In accordance with applicable laws and policies, the Underwriters may effect transactions that stabilize or maintain the market price of the Company's Common Shares at a level other than that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time. See "Plan of Distribution". After the Underwriters have made reasonable efforts to sell all of the Units by this Prospectus at such price, the Offering Price may be decreased, and further changed from time to time, to an amount not greater than the Offering Price. The compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by the purchasers for the Units is less than the gross proceeds paid by the Underwriters to the Company. **See "Plan of Distribution".**

The registered office of the Company is located at Suite 1000, 595 Howe Street, Vancouver, British Columbia, Canada, V6C 2T5.

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## DOCUMENTS INCORPORATED BY REFERENCE

The following documents of Mercator, filed with the securities commissions or similar authorities in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Nova Scotia, are specifically incorporated by reference into, and form an integral part of, this Prospectus:

1. Annual Information Form (the "**Annual Information Form**") dated March 27, 2008 and filed on SEDAR on March 31, 2008 under National Instrument 51-102;

2. Audited consolidated financial statements of Mercator for the years ended December 31, 2007 and December 31, 2006, together with the notes thereto and the auditors' report thereon and related management's discussion and analysis, filed on SEDAR on March 31, 2008;

3. Unaudited consolidated financial statements of Mercator for the three and nine months ended September 30, 2008 and September 30, 2007, together with the notes thereto and related management's discussion and analysis, filed on SEDAR on November 14, 2008, except for the notice provided pursuant to section 4.3(3)(a) of National Instrument 51-102;

4. Management Information Circular dated May 14, 2008 and filed on SEDAR on May 15, 2008 prepared in connection with Mercator's extraordinary meeting of noteholders held June 9, 2008;

5. Management Information Circular dated May 22, 2008 and filed on SEDAR on June 2, 2008 prepared in connection with Mercator's annual general meeting of shareholders held June 26, 2008;

6. Material Change Report dated March 17, 2008 and filed on SEDAR on March 18, 2008 respecting an agreement with Silver Wheaton (Caymans) Ltd. for the sale of silver production from Mercator's Mineral Park copper/molybdenum mine in Arizona; and

7. Material Change Report filed on SEDAR on January 12, 2009 with respect to this Offering.

Any other documents of the type described above, or other disclosure documents required to be incorporated by reference into a prospectus filed under National Instrument 44-101, that are filed by Mercator with the securities commissions or similar authorities in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Nova Scotia subsequent to the date of this Prospectus and prior to any termination of this Offering shall be deemed to be incorporated by reference in this Prospectus.

**The above documents (or statements contained therein) incorporated by reference in this Prospectus are not incorporated by reference to the extent their contents are modified or superseded by a statement contained in this Prospectus or any other subsequently filed document that is also incorporated by reference in this Prospectus. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this Prospectus.**

Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of Mercator Minerals Ltd. at 1971 Sandown Place, North Vancouver, British Columbia, Canada, V7P 3C3 (Telephone: (604) 981-9661 or (604) 716-5582).

## ELIGIBILITY FOR INVESTMENT

In the opinion of Thorsteinssons LLP, special tax counsel to the Company, provided the Common Shares and Warrants of the Company are listed on a "designated stock exchange" for the purposes of the *Income Tax Act* (Canada) (the "**Tax Act**") at the relevant time, then the Common Shares and Warrants will be "qualified investments" under the Tax Act and the regulations thereunder (the "**Regulations**") for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans, tax-free savings accounts (other than a tax-free savings account in which the holder thereof owns 10% or more of the issued and outstanding shares of any class of the Company) and deferred profit sharing plans (a "**Deferred Plan**"). Pursuant to the Regulations, the Warrants will be "qualified investments" at a particular time for a Deferred Plan (other than a tax-free savings account), even if the Warrants are not listed on a designated stock exchange, provided the Common Shares are at that time "qualified investments" for such plan and provided the Company is at that time and on an ongoing basis, dealing at arm’s length with each person who is an annuitant, a beneficiary, an employer or a subscriber under such plan. The TSX is a designated stock exchange for the purposes described above.

## CURRENCY AND FINANCIAL STATEMENTS

This Prospectus contains references to Canadian dollars and United States dollars. References in this Prospectus to "$" or "Cdn$" are to Canadian dollars. References in this Prospectus to "US$" are to United States dollars.

The closing, high, low and average exchange rates for the United States dollar in terms of Canadian dollars for the nine months ended September 30, 2008 and for each of the three years ended December 31, 2007, as reported by the Bank of Canada, were as follows:

| | Nine Months Ended September 30, 2008 | Year Ended December 31 | | |
|---|---|---|---|---|
| | | 2007 | 2006 | 2005 |
| Closing | Cdn$1.0642 | Cdn$0.9913 | Cdn$1.1654 | Cdn$1.1630 |
| High | Cdn$1.0765 | Cdn$1.1855 | Cdn$1.1722 | Cdn$1.2696 |
| Low | Cdn$0.9765 | Cdn$0.9215 | Cdn$1.0983 | Cdn$1.1518 |
| Average[(1)] | Cdn$1.0186 | Cdn$1.0750 | Cdn$1.1342 | Cdn$1.2116 |

(1) Calculated as an average of the daily close rates for each period.

On January 14, 2009, the Bank of Canada noon rate of exchange was US$1.00 = Cdn$1.2383.

The consolidated financial statements of the Company incorporated by reference are reported in United States dollars and have been prepared in accordance with Canadian generally accepted accounting principles.

## FORWARD-LOOKING STATEMENTS

This Prospectus and the documents incorporated by reference herein contain "forward-looking statements" within the meaning of applicable securities legislation, including the United States *Private Securities Litigation Reform Act of 1995*. These forward-looking statements are made as of the date of this Prospectus or, in the case of documents incorporated by reference herein, as of the date of such documents and the Company does not intend, and does not assume any obligation, to update these forward-looking statements.

Forward-looking statements include, but are not limited to, statements with respect to the future price of commodities, the estimation of mineral resources, the realization of mineral resource estimates, the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of the development of new deposits, timing of completion of technical reports and studies, success of exploration and development activities, permitting time lines, currency fluctuations, requirements for additional capital, government regulation of exploration operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, completion of acquisitions and their potential impact on the Company and its operations, limitations on insurance coverage and the timing and possible outcome of litigation. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to the completion and integration of acquisitions and actual effects of the acquisitions; actual results of current exploration activities; actual results of current reclamation activities; conclusions of future economic evaluations; changes in project parameters as plans continue to be refined; future prices of commodities; possible variations in ore resources, grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; availability of adequate power and water supplies; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors discussed in the section entitled "Risk Factors" in this Prospectus. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

## SUMMARY DESCRIPTION OF BUSINESS

The Company is a diversified natural resource company engaged in the mining, exploration, development and operation of mineral properties in Arizona, U.S.A. The Company's principal asset is the 100%-owned (subject to a net proceeds interest) Mineral Park mine ("**Mineral Park**"), a producing copper mine located near Kingman, Arizona, held through the Company's indirect wholly-owned subsidiary, Mineral Park Inc. (incorporated under the laws of the State of Delaware). The primary focus of the Company is the expansion of its copper production and the addition of molybdenum and silver production at Mineral Park.

The Company is continuing with the construction of the 50,000 ton per day concentrator mill facility at Mineral Park, while continuing with SXEW (solvent extraction / electro-winning) production and generating operating cash flows.

### Recent Developments

Throughout 2008, the Company continued with the construction of the current mill expansion at Mineral Park. Construction of the first stage of the expansion to 25,000 tons per day was completed, and commissioning of the 25,000 ton per day first stage began with the Company commencing the crushing of ore in early November 2008. At the end of 2008, approximately 70% of the second stage of the expansion to 50,000 tons per day had being completed, including the second SAG (semi autogenous grind) mill foundations and mill reconditioning, reclaim tunnel, ball mill base foundations, cleaner copper circuit, molybdenum circuit, tailings embankment, tailings thickener tank and water wells.

In December 2008, the Company commenced the production of copper and molybdenum concentrates at Mineral Park, with the first shipments of copper concentrates being made during the first week of January 2009.

Effective June 23, 2008, the Company closed a previously announced agreement (the "**Silver Purchase Agreement**") with an affiliate of Silver Wheaton Corp. ("**Silver Wheaton**") for the sale (during the term of the agreement, initially set at 40 years) of the life-of-mine silver production from the Mineral Park copper/molybdenum mine in Arizona in consideration for an up-front payment of US$42 million in cash to Mercator Minerals (Barbados) Ltd. ("**Mercator Barbados**"), a subsidiary of the Company. Upon delivery of the silver, Silver Wheaton's affiliate will also pay Mercator Barbados in cash the lesser of the silver spot price or US$3.90 per ounce of silver (escalated by 1% per annum starting on the earlier of (i) July 1, 2013 and (ii) the date that is three years following the date on which the mill achieves 35,000 tons of ore per day over a thirty (30) day consecutive period).

## CONSOLIDATED CAPITALIZATION

The following table sets forth the Company's consolidated capitalization as of the dates indicated, adjusted to give effect to the material changes in the share capital of the Company since September 30, 2008, the date of the Company's financial statements most recently filed in accordance with National Instrument 51-102. The table should be read in conjunction with the unaudited consolidated financial statements of the Company for the nine months ended September 30, 2008, including the notes thereto and management's discussion and analysis thereof.

| | As at September 30, 2008 (US$) | As at September 30, 2008 After Giving Effect on a Pro Forma Basis to the Offering(1)(2)(3)(4)(5)(6) (US$) |
|---|---|---|
| Common Shares | $54,931,567 (74,805,417 shares) | $70,524,191 (103,804,917 shares) |
| Contributed Surplus | $28,390,437 | $28,390,437 |
| Deficit | ($23,457,149) | ($23,457,149) |
| Total Capitalization | $59,864,855 (7) | $75,457,479 (7) |
| | | |
| Current Liabilities | $9,080,339 | $9,080,339 |
| Long Term Liabilities | | |
| Equipment Loans (8) | $7,462,795 | $7,462,795 |
| Asset Retirement Obligation (9) | $2,370,553 | $2,370,553 |
| Future Income Tax Liability | $290,462 | $290,462 |
| Deferred Revenue - Silver (10) | $42,000,000 | $42,000,000 |
| Secured Notes Payable(11) | $111,267,510 | $111,267,510 |

(1) Proceeds are translated to US$ at a rate of $0.8280.
(2) Not including the exercise of the Over-Allotment Option.
(3) Excludes 5,143,250 stock options outstanding as at September 30, 2008. Subsequent to September 30, 2008, the Company granted 895,000 stock options with an exercise price of $2.15. There were no stock options exercised subsequent to September 30, 2008.
(4) Excludes outstanding warrants for the purchase of 6,061,307 Common Shares outstanding at September 30, 2008.
(5) Excludes the exercise of the Warrants and Underwriters' Warrants to be issued in connection with the Offering.
(6) After deducting the Underwriters' Fee and the expenses of the Offering, which expenses are estimated to be approximately $250,000.
(7) Total capitalization is determined by combining share capital, contributed surplus and deficit.
(8) See Note 11 to the unaudited consolidated financial statements of Mercator for the nine months ended September 30, 2008.
(9) See Note 12 to the unaudited consolidated financial statements of Mercator for the nine months ended September 30, 2008.
(10) See Note 13 to the unaudited consolidated financial statements of Mercator for the nine months ended September 30, 2008.
(11) See Note 8 to the unaudited consolidated financial statements of Mercator for the nine months ended September 30, 2008.

## USE OF PROCEEDS

Mercator expects to receive approximately $19,081,671 in net proceeds of the Offering (assuming the Over-Allotment Option is not exercised) before deducting expenses of the Offering, estimated to be $250,000. From the Offering, Mercator intends to allocate approximately $10 million for continued development and expansion of the Mineral Park mine, and the balance remaining of approximately $9 million will be applied in such amounts as may be determined by management of the Company, including for general working capital and corporate purposes.

Any of the net proceeds of up to approximately $2,862,251 from the exercise of the Over-Allotment Option, of up to $16,674,712 from the exercise of the Warrants (including Warrants issued under the Over-Allotment Option) and of up to $1,400,676 from the exercise of the Underwriters' Warrants (including Underwriters' Warrants issued in connection with the exercise of the Over-Allotment Option) will be applied in such amounts as may be determined by management of the Company, including for general working capital and corporate purposes.

The amount and timing of the use of proceeds will depend on various factors, including the availability of resources to complete the mill expansion. While the Company intends to use the proceeds of the Offering as described above, business reasons may make it desirable for Mercator to re-allocate some or all of the proceeds of this Offering.

Pending expenditure, Mercator intends to invest the proceeds of the Offering in short-term investment-grade items, such as money market instruments or treasury bills.

## PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement dated January 15, 2009 between the Company and the Underwriters, the Company has agreed to sell and the Underwriters have agreed to purchase, subject to compliance with all necessary legal requirements and with the terms and conditions of the Underwriting Agreement, on January 29, 2009 or on such other date as the Company and the Underwriters may mutually agree (provided such date is not more than 42 days after the date of a final receipt for this Prospectus), all of the 28,999,500 Units offered hereby, at a price of $0.70 per Unit.

The total gross consideration payable in cash to the Company against delivery of a certificate or certificates representing the Units will be $20,299,650. The Offering Price for the Units has been determined by negotiation between the Company and the Underwriters. The Company has agreed to pay the Underwriters the Underwriters' Fee equal to $0.042 per Unit from the sale of the Units in consideration of services rendered by the Underwriters in connection with the Offering and to reimburse the Underwriters for expenses incurred in connection with the Offering. The Company has also agreed to issue to the Underwriters Underwriters' Warrants entitling the Underwriters to purchase up to such number of Underwriters' Warrant Shares as is equal to 6% of the number of Units sold in the Offering for a price of $0.70 per Underwriters' Warrant Share at any time before 4:30 p.m. (Vancouver time) on the date that is 24 months after the Closing Date of the Offering.

The Company has also granted the Underwriters the Over-Allotment Option, exercisable in whole or in part in the sole discretion of the Underwriters up to 48 hours prior to the closing of the Offering, to purchase up to an additional 4,349,925 Over-Allotment Units at a price of $0.70 per Over-Allotment Unit, solely to cover over-allotments, if any, and for market stabilization purposes. This Prospectus qualifies the distribution of the Over-Allotment Option and Over-Allotment Units. If the Over-Allotment Option is exercised in full, the total number of Units sold under the Offering will be 33,349,425, the cumulative gross proceeds will be $23,344,598, the total Underwriters’ Fee will be $1,400,676 and total net proceeds to the Company will be $21,943,922, before deducting costs of the Offering.

The obligations of the Underwriters under the Underwriting Agreement may be terminated at their discretion upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Units offered hereby if any of such Units are purchased under the Underwriting Agreement. Under the terms of the Underwriting Agreement, the Underwriters and their broker/dealer affiliates and their respective directors, officers, employees, partners, agents, advisors and shareholders may be entitled to indemnification by the Company against certain liabilities, including liabilities for misrepresentation in this Prospectus and liabilities under United States securities laws.

The Company has agreed that, for a period ending 120 days following the Closing Date, it will not, directly or indirectly, sell or issue, or enter into any agreement to sell or issue, any securities of the Company, without the written consent of the Blackmont Capital Inc., on behalf of the Underwriters, such consent not to be unreasonably withheld, other than pursuant to: (a) the Offering; (b) the issuance of securities on the exercise of rights or agreements outstanding at the date of the Underwriting Agreement, including options, warrants and other convertible securities and any rights which have been granted or issued, subject to any necessary regulatory approval; or (c) the grant or exercise of options pursuant to and in accordance with the Company's stock option plan.

The Company has applied to the TSX to list the Common Shares, Warrants and the Warrant Shares to be distributed hereunder. Listing of such securities on the TSX will be subject to the Company fulfilling all listing requirements of the TSX.

Pursuant to policies of certain securities regulators, the Underwriters may not, throughout the period of distribution under this Prospectus, bid for or purchase Common Shares of the Company. The foregoing restriction is subject to certain exceptions, on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in or raising the price of the Common Shares. These exceptions include a bid or purchase permitted under the by-laws and rules of the TSX relating to market stabilization and passive market making activities and a bid or purchase made for or on behalf of a customer where the order was not solicited during the period of distribution. The Company has been advised that, in connection with the Offering and subject to the foregoing, the Underwriters may over-allot or effect transactions intended to stabilize or maintain the market price of the Common Shares at levels above that which would otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Underwriters propose to offer the Units initially at the Offering Price. After the Underwriters have made reasonable efforts to sell all of the Units by this Prospectus at such price, the Offering Price may be decreased, and further changed from time to time to an amount not greater than the Offering Price. The compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by the purchasers for the Units is less than the gross proceeds paid by the Underwriters to the Company.

None of the Common Shares, Warrants or Warrant Shares issuable upon exercise of the Warrants have been or will be registered under the U.S. Securities Act or any state securities laws and neither the Units, the Over-Allotment Units nor any rights thereto or interests therein may be offered for purchase or sale, sold or otherwise disposed of, directly or indirectly, within the United States unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from registration is available. Each Underwriter has agreed that, except as permitted by the Underwriting Agreement, it will not offer or sell the Units or the Over-Allotment Units within the United States or to, or for the account or benefit of, U.S. Persons or persons in the United States, except that the Units may be offered by the Underwriters through their U.S. affiliates, and sold by the Company, to "accredited investors", as defined in Rule 501(a) under the U.S. Securities Act, on a private placement basis pursuant to Rule 506 of Regulation D and/or Section 4(2) under the U.S. Securities Act or sold by the Underwriters to "qualified institutional buyers" (as defined in Rule 144A(a)(1)) pursuant to Rule 144A. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Units in the United States or to, or for the account or benefit of, U.S. Persons. The terms "**United States**" and "**U.S. Person**" are as defined in Regulation S under the U.S. Securities Act.

Certificates representing any Common Shares, Warrants or Warrant Shares which are sold in the United States or to, or for the benefit or account of, any U.S. Person will bear a legend to the effect that the securities represented thereby are not registered under the U.S. Securities Act and may only be offered or sold pursuant to certain exemptions from the registration requirements of the U.S. Securities Act.

The Warrants may not be exercised in the United States or by, or for the benefit or account of, any U.S. Person or person in the United States, unless registered under the U.S. Securities Act or an exemption from such registration requirement is available.

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities in the United States. In addition, until 40 days after the commencement of this offering, an offer or sale of the Units or the Over-Allotment Units offered hereby within the United States by any dealer, whether or not participating in the Offering, may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an available exemption therefrom.

## DESCRIPTION OF COMMON SHARES AND WARRANTS

### The Common Shares

The authorized share capital of Mercator consists of an unlimited number of Common Shares without par value. As of the date of this Prospectus, there are 74,805,417 Common Shares issued and outstanding.

The holders of Common Shares are entitled to one vote per Common Share at all meetings of shareholders, to receive dividends as and when declared by the directors, and to receive a pro rata share of the remaining property and assets of the Company in the event of liquidation, dissolution or winding up of the Company. The Common Shares have no pre-emptive, conversion, exchange, redemption, retraction, purchase for cancellation or surrender provisions. There are no sinking fund provisions in relation to the Common Shares and they are not liable to further calls or to assessment by the Company.

### The Warrants

The Warrants will be governed by the terms of a warrant indenture (the "**Warrant Indenture**") to be dated as of the Closing Date between the Company and Computershare Trust Company of Canada, as warrant agent thereunder (the "**Warrant Agent**"). The Company has appointed the principal transfer office of the Warrant Agent in Vancouver, British Columbia as the location at which Warrants may be surrendered for exercise or transfer. The following summary of certain provisions of the Warrant Indenture does not purport to be complete and is qualified in its entirety by reference to the provisions of the Warrant Indenture.

The Common Shares and the Warrants comprising the Units will separate immediately upon closing of the Offering. Each whole Warrant will entitle the holder to purchase one Common Share at a price of $1.00. The exercise price and the number of Common Shares issuable upon exercise of the Warrants are both subject to adjustment in certain circumstances as more fully described below. Warrants will be exercisable at any time prior to 4:30 p.m. (Vancouver time) on the date which is four years after the Closing Date of the Offering, after which time the Warrants will expire and become null and void. Under the Warrant Indenture, the Company will be entitled to purchase in the market, by private contract or otherwise, all or any of the Warrants then outstanding, and any Warrants so purchased will be cancelled.

The exercise price for the Warrants is payable in Canadian dollars.

The Warrant Indenture will provide for adjustment in the number of Common Shares issuable upon the exercise of the Warrants and/or the exercise price per Common Shares upon the occurrence of certain events, including:

(i) the issuance of Common Shares or securities exchangeable for or convertible into Common Shares to all or substantially all of the holders of the Common Shares as a stock dividend or other distribution (other than a "dividend paid in the ordinary course", determined in accordance with the Warrant Indenture, or a distribution of Common Shares upon the exercise of the Warrants or pursuant to the exercise of stock options granted under the Company's stock option plans);

(ii) the subdivision, redivision or change of the Common Shares into a greater number of shares;

(iii) the reduction, combination or consolidation of the Common Shares into a lesser number of shares;

(iv) the issuance to all or substantially all of the holders of the Common Shares of rights, options or warrants under which such holders are entitled, during a period expiring not more than 90 days after the record date for such issuance, to subscribe for or purchase Common Shares, or securities exchangeable for or convertible into Common Shares, at a price per share to the holder (or at an exchange or conversion price per share) of less than 95% of the Current Market Price, (as defined in the Warrant Indenture), for the Common Shares on such record date; and

(v) the issuance or distribution to all or substantially all of the holders of the Common Shares of securities of any class other than the Common Shares, rights, options or warrants, evidences of indebtedness or assets.

The Warrant Indenture will also provide for adjustment in the class and/or number of securities issuable upon the exercise of the Warrants and/or exercise price per security in the event of the following additional events: (1) reclassifications of the Common Shares; (2) capital reorganizations; and (3) consolidations, amalgamations, arrangements or mergers of the Company with or into another entity.

No adjustment will be required in the number of Common Shares which may be subscribed for on the exercise of a Warrant unless it would result in a change of at least one-hundredth of a Common Share, provided that any adjustments which are not required to be made shall be carried forward and taken into account in any subsequent adjustment.

The Company will also covenant that, during the period in which the Warrants are exercisable, it will give notice to holders of Warrants of certain stated events, including events that would result in an adjustment to the exercise price for the Warrants or the number of Common Shares issuable upon exercise of the Warrants, at least 14 days prior to the record date or effective date, as the case may be, of such event.

No fractional Common Shares will be issuable upon the exercise of any Warrants. In lieu of fractional Common Shares, the Company shall pay to the holder who would otherwise be entitled to receive a fractional Common Share upon exercise of Warrants, within ten Business Days, an amount equal to the Current Market Price (as defined in the Warrant Indenture) of the Common Shares on such date multiplied by an amount equal to the fractional interest of Common Shares such holder would otherwise be entitled to receive upon such exercise, provided that the Company shall not be required to make such payment that is less than $5.00. Holders of Warrants will not have any voting or pre-emptive rights or any other rights which a holder of Common Shares would have.

From time to time, the Company and the Warrant Agent, without the consent of the holders of Warrants, may amend or supplement the Warrant Indenture for certain purposes, including but not limited to curing defects or inconsistencies or making any change that does not adversely affect the rights of any holder of Warrants. Any amendment or supplement to the Warrant Indenture that adversely affects the interests of the holders of the Warrants may only be made by "extraordinary resolution", which is defined in the Warrant Indenture as a resolution either (1) passed at a meeting of the holders of Warrants at which there are holders of Warrants present in person or represented by proxy entitled to acquire at least 25% of the aggregate number of Common Shares which could be acquired pursuant to all of the then outstanding Warrants and passed by the affirmative votes of holders of Warrants entitled to acquire not less than 66⅔% of the aggregate number of Common Shares which could be acquired pursuant to all of the then outstanding Warrants represented at the meeting and voted on the poll upon such resolution, or (2) adopted by an instrument in writing signed by the holders of Warrants entitled to acquire not less than 66⅔% of the aggregate number of Common Shares which could be acquired pursuant to all of the then outstanding Warrants.

The Warrants and the Warrant Shares have not been registered under the U.S. Securities Act or the securities laws of any state, and the Warrants may not be exercised in the United States by or on behalf of a U.S. person unless an exemption from registration is available.

## PRIOR SALES

The following table sets forth for the 12-month period prior to the date of this Prospectus, details of the price at which securities have been issued by the Company upon the exercise of options or warrants, the number of securities issued at that price and the date on which such securities were issued:

| Date of Issue | Type of Securities | No. of Common Shares | Issue or Exercise Price per Security | Reason for Issue |
|---|---|---|---|---|
| January 9, 2008 | Common Shares | 20,000 | $0.30 | Exercise of options |
| January 14, 2008 | Common Shares | 149,416 | N/A – Stock appreciation rights | Exercise of options |
| January 16, 2008 | Common Shares | 71,830 | N/A – Stock appreciation rights | Exercise of options |
| January 21, 2008 | Common Shares | 7,500 | $8.75 | Exercise of options |
| February 22, 2008 | Common Shares | 50,000 | $2.09 | Exercise of options |
| March 7, 2008 | Common Shares | 5,000 | $3.30 | Exercise of options |
| March 7, 2008 | Common Shares | 20,000 | $2.14 | Exercise of options |
| March 19, 2008 | Common Shares | 2,000 | $8.75 | Exercise of options |
| March 31, 2008 | Common Shares | 7,500 | $8.75 | Exercise of options |
| April 7, 2008 | Common Shares | 50,000 | $3.00 | Exercise of warrants |
| April 10, 2008 | Common Shares | 750 | $8.75 | Exercise of options |
| April 11, 2008 | Common Shares | 1,600 | $1.00 | Exercise of options |
| April 11, 2008 | Common Shares | 1,750 | $8.75 | Exercise of options |
| April 11, 2008 | Common Shares | 10,000 | $2.14 | Exercise of options |
| April 15, 2008 | Common Shares | 5,400 | $1.00 | Exercise of options |
| April 15, 2008 | Common Shares | 35,992 | N/A – Stock appreciation rights | Exercise of options |
| April 16, 2008 | Common Shares | 3,000 | $1.00 | Exercise of options |
| April 22, 2008 | Common Shares | 2,400 | $0.85 | Exercise of options |
| April 22, 2008 | Common Shares | 12,750 | $8.75 | Exercise of options |
| April 24, 2008 | Common Shares | 40,000 | $0.65 | Exercise of options |
| April 24, 2008 | Common Shares | 1,250 | $8.75 | Exercise of options |
| May 9, 2008 | Common Shares | 3,000 | $8.75 | Exercise of options |
| May 9, 2008 | Common Shares | 25,000 | $8.02 | Exercise of options |
| May 14, 2008 | Common Shares | 1,000 | $3.30 | Exercise of options |
| May 14, 2008 | Common Shares | 1,000 | $8.75 | Exercise of options |
| May 14, 2008 | Common Shares | 10,000 | $2.14 | Exercise of options |
| May 21, 2008 | Common Shares | 25,000 | $3.10 | Exercise of options |

| Date of Issue | Type of Securities | No. of Common Shares | Issue or Exercise Price per Security | Reason for Issue |
|---|---|---|---|---|
| May 22, 2008 | Common Shares | 8,000 | $8.75 | Exercise of options |
| May 22, 2008 | Common Shares | 1,000 | $9.07 | Exercise of options |
| May 23, 2008 | Common Shares | 17,500 | $3.00 | Exercise of warrants |
| May 28, 2008 | Common Shares | 1,500 | $8.75 | Exercise of options |
| May 30, 2008 | Common Shares | 40,000 | $2.14 | Exercise of options |
| May 30, 2008 | Common Shares | 1,000 | $8.75 | Exercise of options |
| June 9, 2008 | Common Shares | 9,250 | $8.75 | Exercise of options |
| June 11, 2008 | Common Shares | 6,000 | $8.75 | Exercise of options |
| June 11, 2008 | Common Shares | 1,000 | $9.07 | Exercise of options |
| June 12, 2008 | Common Shares | 4,500 | $8.75 | Exercise of options |
| June 20, 2008 | Common Shares | 500 | $8.75 | Exercise of options |
| June 24, 2008 | Common Shares | 5,000 | $2.14 | Exercise of options |
| June 30, 2008 | Common Shares | 3,000 | $8.75 | Exercise of options |
| July 7, 2008 | Common Shares | 2,000 | $8.75 | Exercise of options |
| July 11, 2008 | Common Shares | 750 | $8.75 | Exercise of options |

## TRADING PRICE AND VOLUME

The following table sets forth for the 12-month period prior to the date of this Prospectus, details of the trading prices and volume on the TSX on a monthly basis for the Company's Common Shares:

| Period | High | Low | Volume |
|---|---|---|---|
| **2008** | | | |
| January | $10.24 | $7.30 | 9,363,810 |
| February | $11.97 | $9.01 | 5,807,430 |
| March | $11.50 | $9.45 | 11,144,861 |
| April | $12.16 | $10.06 | 8,021,269 |
| May | $12.94 | $10.56 | 6,787,594 |
| June | $12.45 | $10.79 | 6,419,985 |
| July | $12.15 | $8.26 | 5,616,241 |
| August | $9.75 | $6.89 | 5,935,022 |
| September | $8.21 | $4.23 | 7,015,327 |
| October | $4.40 | $1.61 | 12,709,814 |
| November | $2.69 | $0.30 | 30,981,726 |
| December | $0.57 | $0.29 | 31,402,717 |

| | | | |
|---|---|---|---|
| **2009** | | | |
| January 1-14 | $1.08 | $0.42 | 22,119,755 |

Source: TSX Historical Data Access website

The following table sets forth for the 12-month period prior to the date of this Prospectus, details of the trading prices and volume on the TSX on a monthly basis for the Company's common share purchase warrants expiring February 16, 2012:

| **Period** | **High** | **Low** | **Volume** |
|---|---|---|---|
| **2008** | | | |
| January | $6.99 | $4.50 | 222,992 |
| February | $9.00 | $6.25 | 286,800 |
| March | $8.05 | $7.15 | 14,950 |
| April | $9.15 | $6.00 | 58,450 |
| May | $9.85 | $8.55 | 179,150 |
| June | $9.60 | $8.61 | 118,700 |
| July | $8.55 | $6.00 | 39,680 |
| August | $5.81 | $4.95 | 210,170 |
| September | $5.28 | $4.00 | 88,700 |
| October | $3.50 | $0.75 | 905,600 |
| November | $1.35 | $0.05 | 190,550 |
| December | $0.33 | $0.13 | 447,300 |
| **2009** | | | |
| January 1-14 | $0.50 | $0.07 | 1,979,600 |

Source: TSX Historical Data Access website

The following table sets forth for the 12-month period prior to the date of this Prospectus, details of the trading prices and volume on the TSX on a monthly basis for the Company's 11.5% secured notes due February 16, 2012:

| **Period** | **High** (per $100 face value of notes) | **Low** (per $100 face value of notes) | **Volume** (No. of $100 face value of notes traded) |
|---|---|---|---|
| **2008** | | | |
| January | $103.00 | $100.50 | 11,320 |
| February | $103.50 | $103.50 | 10,000 |
| March | $104.00 | $101.51 | 53,540 |
| April | $105.90 | $103.00 | 6,810 |
| May | $104.00 | $102.01 | 2,850 |
| June | $104.00 | $103.00 | 4,880 |
| July | $104.00 | $102.00 | 91,590 |

| | | | |
|---|---|---|---|
| August | $102.00 | $99.00 | 3,970 |
| September | $101.50 | $91.00 | 44,630 |
| October | $94.50 | $67.00 | 86,670 |
| November | $70.00 | $50.00 | 251,040 |
| December | $51.00 | $50.00 | 2,880 |
| **2009** | | | |
| January 1-14 | $75.00 | $50.50 | 11,330 |

Source: TSX Historical Data Access website

## CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Thorsteinssons LLP, special tax counsel to the Company, the following is, as of the date of this Prospectus, a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to holders of Common Shares and Warrants acquired under the Offering. This summary summarizes certain of the Canadian federal income tax considerations applicable to both the Common Shares and the Warrants for holders who, for the purposes of the Tax Act are either residents in Canada or the United States of America, who deal at arm's length and are not affiliated with the Company and hold their Common Shares and Warrants as capital property.

The Common Shares and Warrants will generally be "capital property" to a holder unless they are held in the course of carrying on a business of trading or dealing in securities or the holder is engaged in an adventure in the nature of trade with respect to such shares. Certain holders who are resident in Canada for purposes of the Tax Act and who might not otherwise be considered to hold their Common Shares or Warrants as capital property may, in certain circumstances, be entitled to make the irrevocable election permitted by subsection 39(4) of the Tax Act to have such Common Shares or Warrants and all other "Canadian securities" (as that term in defined in the Tax Act) be treated as capital property for the taxation year in which the election is made and all subsequent taxation years. **Holders of Common Shares or Warrants contemplating making the election permitted by subsection 39(4) of the Tax Act should consult their own independent tax advisors as such an election would affect the income tax treatment of dispositions by the holder of other Canadian securities.**

No part of this summary is applicable to corporations which are "financial institutions" for the purposes of the "mark to market" provisions of the Tax Act, to any "specified financial institution" as defined in the Tax Act, to any person an investment in which would constitute a "tax shelter" for the purposes of the Tax Act, to any underwriters or agents acting on behalf of the Company, nor to any person who has made an election under subsection 261(4) of the Tax Act to report its Canadian tax results in a currency other than Canadian currency.

This summary is based upon the current provisions of the Tax Act and the Regulations in force as of the date hereof, all specific proposals (the "**Proposed Amendments**") to amend the Tax Act or the Regulations that have been publicly announced by, or on behalf of, the Minister of Finance (Canada) prior to the date hereof, the current provisions of the *Canada-United States Income Tax Convention (1980)* (the "**Convention**"), and counsel's understanding of the current published administrative and assessing practices of the Canada Revenue Agency. If the Proposed Amendments are not enacted as presently proposed or other relevant amendments to the Tax Act or Regulations come into force, the tax consequences may not be as described below. This summary does not take into account or anticipate any other changes to the law, whether by legislative, governmental or judicial decision or action, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ from the Canadian federal income tax considerations.

**This summary is of a general nature only, is not exhaustive of all possible Canadian federal income tax considerations and is not intended to be, nor should it be construed to be, legal or tax advice to any**

**particular holder. Therefore, holders should consult their own tax advisors with respect to their particular circumstances.**

## Common Shares and Warrants - Canadian Federal Income Tax Considerations

### *Holders Resident in Canada*

The following discussion applies to a holder (a "**Canadian Holder**") of Common Shares or Warrants who, at all relevant times, is or is deemed to be resident in Canada for purposes of the Tax Act.

*Allocation of Unit Subscription Price*

Purchasers of Units will be required to allocate the purchase price paid for each Unit on a reasonable basis between the Common Share and one-half Warrant comprising each Unit in order to determine their respective costs for the purposes of the Tax Act. Of the $0.70 purchase price for each Unit, the Company will allocate $0.69 to each Common Share and $0.01 to each one-half Warrant and believes that such allocation is reasonable. While any allocation is not binding on the CRA, this summary assumes that the allocation by the Company will be reasonable and will be respected.

*Exercise or Expiry of Warrants*

Upon the exercise of a Warrant, there will be no immediate income tax consequences for a Canadian Holder. The initial adjusted cost base of a Warrant Share will equal the Canadian Holder's cost to acquire the Warrant plus the exercise price paid for the Warrant Share. That initial adjusted cost base is subject to averaging adjustments. See the discussion below under the heading "Adjusted Cost Base of Shares".

Upon expiry of an unexercised Warrant, generally a Canadian Holder will realize a capital loss equal to the cost thereof to the Canadian Holder. See the discussion below under the heading "Capital Gains or Capital Losses".

*Adjusted Cost Base of Shares*

The "adjusted cost base" of each Common Share of the Company owned by a Canadian Holder at any particular time, including any Warrant Shares, will be the average adjusted cost base (as adjusted) to the Canadian Holder of all Common Shares of the Company owned at that time by the Canadian Holder.

*Dividends*

Dividends received or deemed to be received on the Common Shares or Warrant Shares will be included in computing the Canadian Holder's income and will be subject to gross-up and dividend tax credit rules applicable to dividends paid by a taxable Canadian corporation. Taxable dividends received from a public corporation that is a taxable Canadian corporation which are designated by such corporation as "eligible dividends" in accordance with the Tax Act will be grossed-up by 45% (this percentage is scheduled to change to 44% effective January 1, 2010, 41% effective January 1, 2011 and 38% effective January 1, 2012) and the tax credit will be 11/18 (this fraction is scheduled to change to 10/17 effective January 1, 2010, 13/23 effective January 1, 2011, and 6/11 effective January 1, 2012) of the grossed-up amount. Dividends which are not designated as "eligible dividends" will be grossed-up by 25% and the dividend tax credit will be 2/3 of the gross-up amount.

Dividends received by a corporation on the Common Shares or Warrant Shares must be included in computing its income but generally will be deductible in computing its taxable income. Private corporations (as defined in the Tax Act) and certain other corporations controlled by or for the benefit of an individual (other than a trust) or related group of individuals (other than trusts) generally will be liable to pay a 33 1/3% refundable tax under Part IV of the Tax Act on dividends to the extent such dividends are deductible in computing the corporation's taxable income. This refundable tax generally will be refunded to a corporate holder at the rate of $1 for every $3 of taxable dividends paid while it is a private corporation.

*Capital Gains or Capital Losses*

Upon a disposition (or a deemed disposition) of a common share of the Company, a Canadian Holder generally will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of such share, net of any reasonable costs of disposition, are greater (or are less) than the adjusted cost base of such share to the Canadian Holder. One-half of any capital gain will be included in income as a taxable capital gain. One-half of any capital loss may generally be deducted as an allowable capital loss against taxable capital gains realized in the year of disposition, any of the three preceding taxation years or any subsequent taxation year, subject to the detailed provisions of the Tax Act.

The amount of any capital loss realized on the disposition or deemed disposition of common shares by a Canadian Holder that is a corporation may be reduced by the amount of dividends received or deemed to have been received by it on such shares or a share received in exchange for such share, in certain circumstances, to the extent and in the circumstances prescribed by the Tax Act. Similar rules may apply where a Canadian Holder that is a corporation is a member of a partnership or beneficiary of a trust that owns such shares or that is itself a member of a partnership or a beneficiary of a trust that owns such shares.

A Canadian Holder that is throughout the relevant taxation year a "Canadian-controlled private corporation" (as defined in the Tax Act) also may be liable to pay an additional refundable tax of 6 2/3% on its "aggregate investment income" for the year which will include taxable capital gains. This refundable tax generally will be refunded to a corporate holder at the rate of $1 for every $3 of taxable dividends paid while it is a private corporation.

*Minimum Tax on Individuals*

Under the Tax Act, taxes payable by an individual (including certain trusts and estates) resident in Canada will be the greater of the taxes otherwise determined and an alternative minimum tax computed by reference to such individual's adjusted taxable income for the taxation year in excess of a $40,000 exemption and reduced by certain tax credits.

In calculating adjusted taxable income for the purpose of computing the minimum tax, certain deductions and credits otherwise available are disallowed and certain amounts not otherwise included in income are included. Eighty percent (80%) of capital gains (net of capital losses) and the actual amount of taxable dividends (not including any gross-up or dividend tax credit) is included in calculating the individual's adjusted taxable income.

Whether and to what extent the tax liability of a particular holder will be increased by the alternative minimum tax will depend on the amount of such holder's income, the sources from which it is derived, and the nature and amounts of any deductions such holder claims. Any additional tax payable by an individual for the taxation year resulting from the application of the minimum tax will be deductible in any of the seven immediately following taxation years in computing the amount that would, but for the minimum tax, be such individual's tax otherwise payable for any such year to the extent that such tax payable exceeds the individual's minimum tax calculation for that particular year.

***Holders Resident in the United States***

The following summary is generally applicable to a holder who, at all relevant times, (i) for the purposes of the Tax Act is not and is not deemed to be resident in Canada at any time while they hold Common Shares; (ii) does not and will not use or hold the Common Shares in connection with carrying on a business in Canada; (iii) is a "resident" of the United States for purposes of the Convention; and (iv) is a "qualified person" for purposes of the Convention ("**U.S. Holders**"). Special rules, which are not discussed in this summary, may apply to a U.S. Holder that is an insurer carrying on business in Canada and elsewhere. This summary addresses certain Canadian federal income tax considerations under the Tax Act only and does not address U.S. federal or state tax considerations that may be relevant to U.S. Holders. U.S. Holders should consult their own tax advisors in this regard.

The discussions above under the headings "Allocation of Unit Subscription Price", "Exercise or Expiry of Warrants" and "Adjusted Cost Base of Shares" are generally applicable to U.S. Holders.

*Dividends*

Dividends paid or credited or deemed under the Tax Act to be paid or credited to a U.S. Holder who is the beneficial owner of the dividends will, in accordance with the Convention, generally be subject to Canadian withholding tax at the rate of 15% of the gross amount of the dividend. This rate is reduced to 5% in the case of a U.S. Holder that is the beneficial owner of the dividends and that is a corporation that owns at least 10% of the voting stock of the Company.

*Capital Gains or Capital Losses*

A U.S. Holder will not be subject to tax under the Tax Act in respect of any capital gain arising on a disposition or deemed disposition of Common Shares unless such Common Shares constitute "taxable Canadian property" of the U.S. Holder within the meaning of the Tax Act and the U.S. Holder is not otherwise entitled to relief under the Convention. Generally, common shares of the Company will not constitute taxable Canadian property of a U.S. Holder provided that (i) the Common Shares are listed on a designated stock exchange (which includes the TSX) for the purposes of the Tax Act at the time of disposition; and (ii) at no time during the 60 month period immediately preceding the disposition of the Common Shares were 25% or more of the issued shares of any class or series of the capital stock of the Company owned by the U.S. Holder, by persons with whom the U.S. Holder did not deal at arm's length, or by the U.S. Holder together with such persons.

Under the Convention, capital gains derived by a U.S. Holder from the disposition of Common Shares which constitute taxable Canadian property to the U.S. Holder, generally will not be taxable in Canada unless the value of the Common Shares is derived principally from real property situated in Canada.

A disposition or deemed disposition of common shares of the Company by a U.S. Holder whose common shares are taxable Canadian property and who is not entitled to an exemption under the Convention will give rise to a capital gain (or a capital loss) equal to the amount, if any, by which the proceeds of disposition, less the reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the common shares to the U.S. Holder at the time of the actual or deemed disposition. Generally, one-half of any capital gain realized will be required to be included in income as a taxable capital gain and taxed at applicable Canadian tax rates. One-half of any capital loss will be deductible, subject to certain limitations, against taxable capital gains in the year of disposition or the three preceding years or any subsequent year in accordance with the detailed provisions in the Tax Act. Generally, the disposition of a Warrant by a U.S. Holder will not give rise to any Canadian tax consequences unless, at the time of disposition of the Warrants, the Common Shares underlying the Warrants would, if held by the U.S. Holder at that time, constitute a taxable Canadian property of the U.S. Holder. In such circumstances, the Warrants would also constitute "taxable Canadian property" and the above disclosure would have application. **U.S. Holders to whom these rules may be relevant should consult their own tax advisors in this regard.**

**BECAUSE THE TAX CONSEQUENCES OF ACQUIRING, HOLDING OR DISPOSING OF THE COMMON SHARES OR WARRANTS MAY VARY DEPENDING ON THE PARTICULAR CIRCUMSTANCES OF EACH SHAREHOLDER AND OTHER FACTORS, SHAREHOLDERS ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS TO DETERMINE THE PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING, HOLDING OR DISPOSING OF COMMON SHARES OR WARRANTS OF THE COMPANY.**

## RISK FACTORS

Investment in securities of Mercator involves a significant degree of risk and should be considered speculative due to the nature of Mercator's business and the present stage of its development. Prospective purchasers of Units should carefully consider the risk factors set out on pages 35 to 45 of the Annual Information Form incorporated herein by reference, as well as other risk factors relating to the Offering set out below and the other information contained in this Prospectus and documents incorporated by reference herein, including the historical financial statements of the Company and the notes thereto, before making an investment decision to purchase the Units. See "Documents Incorporated by Reference". **These risk factors include the risks associated with exploration and development, additional financing, fluctuating commodity prices, title to property, the limited operating history of the Company, government approvals and regulations, foreign regulatory requirements, permits and licensing, environmental laws, competition, dependence on key management, uninsurable risks, operating hazards and risks, volatility of share prices and currency fluctuations, among others. Such risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.**

*Price Fluctuations: Share Price Volatility*

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, including the Company, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in the Company's Common Share price will not occur.

*Securities of the Company and Dilution*

The Offering Price was determined by negotiation between the Company and the Underwriters and bears no relationship to earnings, book value or other valuation criteria. The Company plans to use the proceeds of the Offering to carry out its activities, but to further such activities may require additional funds and it is likely that, to obtain the necessary funds, the Company will have to sell additional securities including, but not limited to, its Common Shares or some form of convertible securities, the effect of which could result in a substantial dilution of the present equity interests of the Company's shareholders. The purchase price of the Common Shares comprised in the Units under the Offering may exceed the net tangible book value per Common Share and accordingly investors would suffer immediate and substantial dilution of their investment.

*Tax Matters*

The tax treatment of the Common Shares and the Warrants has a material effect on the advisability of an investment in the Units. See "Certain Canadian Federal Income Tax Considerations" herein.

*There is Currently no Market for the Warrants*

Although the Company has applied to list the Warrants on the TSX, there is currently no market through which the Warrants may be sold and purchasers may not be able to resell the Warrants purchased under this Prospectus. There is no assurance that a secondary market for trading in the Warrants will develop or that any secondary market which does develop will continue. Also, there is no assurance that any such secondary market will be active.

*Current Conditions Relating to Construction Completion*

The completion of the construction of the 50,000 ton per day concentrator mill facility at Mineral Park still requires significant funds. The prices of copper and molybdenum have recently declined significantly and if such prices continue to decline or costs of operations increase, the Company may not have sufficient funds from operations (when combined with current working capital and the funds from this Offering) to complete the construction. This may require the Company to seek additional financing. There can be no assurance that the Company will be able to obtain such financing on favourable terms, if at all.

*Existing Security Interests and Contractual Obligations*

Pursuant to the terms of the note indenture dated February 15, 2007 governing the Company's 11.5% secured notes (the "**Notes**") due February 16, 2012, if the earnings of the Company before interest, taxes, depreciation and amortization ("**EBITDA**") on a consolidated basis in any quarter beginning after March 31, 2009 does not exceed interest expenses under the Notes for that quarter, the Company will be obliged to repay to the holders of the Notes the lesser of its Free Cash Balance (as defined below) and 25% of the outstanding principal of the Notes (currently US$120 million), such payment to be made within 60 days of the end of such quarter. The total of all amounts repayable under the EBITDA provision will not exceed 25% of the original total principal of the Notes (US$120 million), and the 25% limit will apply on a cumulative basis during the term of the Notes. "**Free Cash Balance**" is defined in the Note Indenture to mean, at a particular time, the cash and cash equivalents of the Company and its subsidiaries determined on a consolidated basis and in accordance with Canadian generally accepted accounting principles as of the most recently ended financial quarter of the Company. Accordingly, the Company may be required to repay to the holders of the Notes its Free Cash Balance (which may include net proceeds of this Offering) if its EBITDA for any such quarter beginning after March 31, 2009 does not exceed interest expenses under the Notes for that quarter.

In addition, the Company and its subsidiaries have granted certain security on their assets in favour of the holders of the Notes and Silver Wheaton's affiliate to secure repayment obligations to them. If the Company or its subsidiaries default on such repayment obligations, the secured parties may take enforcement actions to realize on such security which could have material adverse affects on the Company and its subsidiaries. The Common Shares rank junior to existing (including the Notes) and future secured and unsecured indebtedness of the Company. In the event of the liquidation of the Company, the assets of the Company would be used first to repay secured and unsecured indebtedness of the Company, prior to being distributed to the holders of the Common Shares.

Further, pursuant to the terms of the Silver Purchase Agreement, upon the occurrence of certain events of default by the Company (other than with respect to failure to achieve minimum target rates), Silver Wheaton's affiliate will have the right to demand repayment of the remaining balance (determined in accordance with the terms of the Silver Purchase Agreement) of the up-front US$42 million cash deposit made to Mercator Barbados on the closing of the Silver Purchase Agreement.

*Effecting Service of Process on the Company's Directors*

Since certain of the Company's directors live outside of Canada, it may not be possible to effect service of process on them and since all or a substantial portion of their assets are located outside Canada, there may be difficulties in enforcing judgments against them obtained in Canadian courts. Similarly, essentially all of the Company's assets are located outside Canada and there may be difficulties in enforcing judgments obtained in Canadian courts.

*Increased Costs and Compliance Risks as a Result of Being a Public Company*

Legal, accounting and other expenses associated with public company reporting requirements have increased significantly in the past few years. The Company anticipates that costs may continue to increase with corporate governance related requirements, including, without limitation, requirements under Multilateral Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, Multilateral Instrument 52-10 – *Audit Committees* and National Instrument 58-101 – *Disclosure of Corporate Governance Practices*.

The Company also expects these rules and regulations may make it more difficult and more expensive for it to obtain director and officer liability insurance, and it may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for the Company to attract and retain qualified individuals to serve on its board of directors or as executive officers.

## AUDITORS, TRANSFER AGENT AND REGISTRAR

The Company's auditors are BDO Dunwoody LLP, independent chartered accountants, located at 600 Cathedral Place, 925 West Georgia Street, Vancouver, British Columbia. BDO Dunwoody LLP has advised the Company that it is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

The transfer agent and register for the Common Shares of the Company is Computershare Investor Services Inc. and its principal offices are in Vancouver, British Columbia and Toronto, Ontario.

## LEGAL MATTERS

Certain Canadian legal matters in connection with this Offering will be passed upon by DuMoulin Black LLP on behalf of Mercator, by Stikeman Elliott LLP on behalf of the Underwriters and by Thorsteinssons LLP on behalf of Mercator with respect to certain Canadian tax matters. As at the date hereof, the Company is advised that the partners and associates, as a group, of each of DuMoulin Black LLP, Stikeman Elliott LLP and Thorsteinssons LLP, beneficially own, directly or indirectly, less than one percent of the outstanding Common Shares of the Company.

## PURCHASERS' STATUTORY RIGHTS

Securities legislation in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Nova Scotia provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment thereto. In British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Nova Scotia, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment thereto contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. Purchasers should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

## AUDITORS' CONSENT

We have read the short form prospectus of Mercator Minerals Ltd. (the "**Company**") dated January ●, 2009 qualifying the distribution of Units (each Unit consisting of one common share and one-half of one common share purchase warrant of the Company) of the Company. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the shareholders of the Company on the consolidated balance sheets of the Company as at December 31, 2007 and 2006 and the consolidated statements of operations and retained earnings (deficit) and cash flows for the years then ended. Our report is dated March 26, 2008.

Vancouver, British Columbia
January ●, 2009

(signed) ●
Chartered Accountants

**CERTIFICATE OF MERCATOR MINERALS LTD.**

Dated: January 15, 2009

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Nova Scotia.

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|---|---|
| (Signed) **MICHAEL SURRATT**<br>President and Chief Executive Officer | (Signed) **RAYMOND LEE**<br>Chief Financial Officer |

**On behalf of the Board of Directors**

| | |
|---|---|
| (Signed) **ROBERT J. QUINN**<br>Director | (Signed) **RONALD EARL VANKOUGHNETT**<br>Director |

## CERTIFICATE OF THE UNDERWRITERS

Dated: January 15, 2009

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Nova Scotia.

**BLACKMONT CAPITAL INC.**

(Signed) **JOSHUA H. H. KINGSMILL**

| ACUMEN CAPITAL FINANCE PARTNERS LIMITED | JENNINGS CAPITAL INC. | SCOTIA CAPITAL INC. |
|---|---|---|
| (Signed) **ALFRED SAILER** | (Signed) **DARYL HODGES** | (Signed) **MARCUS CHALK** |