ASX ANNOUNCEMENT ASX Code: MMX

16 March 2011

MURCHISON METALS REPORTS $3.3 MILLION INTERIM NET PROFIT

Highlights

- Interim net profit for the half year ended 31 December 2010 of $3.3 million (HY 2009: $20.3 million loss)
- Interim sales revenue for Crosslands Resources up 64% to $119.7 million (HY 2009:$72.5 million)
- 845,185 tonnes shipped by Crosslands (HY 2009: 920,405 tonnes)
- Average realised iron ore price of US$130 per tonne (HY 2009:US$70/tonne)
- Jack Hills mineral resource increased to 3.22 billion tonnes grading 32.3% Fe[1]
- Review of project schedules completed
- Technical engineering study completed for Oakajee infrastructure project
- Memoranda of Understanding signed with OPR Foundation Customers
- US$100 million bridging finance facility with Resource Capital Funds executed subsequent to the end of the reporting period
- Federal Court upholds Murchison's position on ownership of Jack Hills iron ore project

Murchison Metals Ltd (Murchison) is pleased to report an after tax profit from continuing operations of $3.3 million for the half year ended 31 December 2010.

This compares with a net loss of $20.3 million in the corresponding period of 2009.

Interest earned on investments during the period amounted to $1.6 million, while cash and liquid investments at the end of the period totalled $31.3 million.

The encouraging interim profit result reflects higher iron ore prices and continuing strong cashflow from the Jack Hills Stage 1 iron ore mine in the mid-west region of Western Australia owned and operated by Crosslands Resources Ltd (Crosslands).

Murchison is a 50% shareholder in Crosslands, in which the remaining 50% is held by Mitsubishi Development Pty Ltd (Mitsubishi), a subsidiary of Mitsubishi Corporation, Japan's largest general trading company. Murchison and Mitsubishi also each hold a 50% economic interest in Oakajee Port & Rail (OPR), which was established to construct new port and rail infrastructure to provide logistics services to miners (including Crosslands) and other potential customers in WA's mid-west.

[1] Refer to Murchison ASX Announcement 23 September 2010 for full details of the Jack Hills Mineral Resource. Jack Hills tonnes are dry metric tonnes. The main Jack Hills Mineral Resource estimate is comprised of 902Mt of Measured at 32.3%Fe and 23.9% DTR, indicated of 1256Mt at 32.2%Fe and 28.1%DTR and inferred of 1060Mt at 32.3%Fe and 27.0% DTR. The Brindal Inferred Mineral Resource estimate is 11.1Mt at 46.5%Fe and 2.8% DTR.

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Crosslands reported a significantly improved performance compared to the same period in 2009, with increases in iron ore prices contributing to a 64% increase in interim sales revenue to $119.7 million, offsetting an 8% decline in shipments to 845,145 tonnes from the Stage 1 Jack Hills mine. Consequently, Crosslands reported net cash inflow of $28.6 million for the period, compared with negative cash outflow of $8.3 million in the six months ending 31 December 2009. The decline in shipments reflected the start of a planned cutback of the western pit wall to access ore for continued operations.

Crosslands realised an average FOB iron ore price of US$130/tonne for direct shipping (DSO) lump and fines for the period, compared to US$70/tonne in the previous corresponding period, reflecting strong demand from China and other Asian customers. Prices have continued to rise since the end of the period, with the spot CFR price for benchmark 62% Fe fines currently above US$165/tonne and the March forward contract price exceeding US$160/tonne.

The major expenditure item in the period was $34.8 million paid to Crosslands and OPR to finance feasibility studies and exploration costs, including completion of the technical engineering study for OPR's infrastructure project, ongoing production and flowsheet optimisation for Crosslands Jack Hills Expansion Project (JHEP) and resource definition and extension drilling.

To date, more than $370 million has been invested by Murchison and Mitsubishi in advancing the Jack Hills and Oakajee projects.

Murchison Executive Chairman Paul Kopejtka said the results and strong outlook for the iron ore sector underscored the Company's confidence in the world-class Oakajee and JHEP projects.

"Murchison is in a unique position to capitalise on the robust long term outlook for the global iron ore market as we bring the Oakajee infrastructure development and Jack Hills Expansion Project to fruition", he said.

"With bankable feasibility studies for both these world-class projects on track for completion in the coming quarter, we are enormously excited about the prospect of moving into the development phase and establishing the mid-west as a major iron ore producing region."

Bankable feasibility studies (BFS) for both the JHEP and infrastructure projects remain on track for completion in the June 2011 quarter, in line with the revised project schedules announced by Murchison to the ASX on 4 November 2010. Under the revised project schedules, first shipments through the Oakajee port are anticipated in late 2014/early 2015. As a consequence of these changes of schedule, Murchison and Mitsubishi requested an extension of certain project deadlines agreed with the WA Government under the State Development Agreement. The WA Government agreed to grant the extension on 2 March 2011.

A major milestone during the period was OPR's completion, in November 2010, of the detailed technical engineering study to finalise the engineering and design parameters for the Oakajee port and rail infrastructure project. The study is being reviewed by Murchison and Mitsubishi and forms a critical part of the BFS.

OPR also achieved significant progress on the commercial front, signing Memoranda of Understanding for the provision of supply chain services with its selected Foundation Customers, Sinosteel Midwest, Karara Mining and Crosslands Resources in August 2010. This was a major step toward establishing detailed supply chain agreements (SCAs) that will underpin development of the Oakajee project.

Work on the BFS for the JHEP also moved into the final stages following a significant increase in the Jack Hills mineral resource to 3.22 billion tonnes grading 32.2% Fe in September 2010. Key activities included mine optimisation studies for selective mining of high grade DSO and bulk mining of beneficiated feed material, metallurgical testwork to finalise flowsheet design, review of the location of processing plant and other JHEP infrastructure, evaluation of terms sheets from major gas suppliers, and initial due diligence with regard to establishing a SCA with OPR.

Final responses to public and government submissions to the Public Environmental Review documents for the JHEP, the Oakajee port and Oakajee rail developments were also lodged with WA's Environmental Protection Authority in December 2011. State and Federal environmental approvals for both the infrastructure project and JHEP are anticipated in mid 2011.

On the financing front, draft term sheets detailing proposed financing structures for the mine and infrastructure projects were prepared and discussed with a core group of banks, while planning commenced for engagement with Export Credit Agencies, which are expected to be a key source of funding.

Separately, Murchison signed a terms sheet for a US$100 million bridging finance facility with a fund managed by Resource Capital Funds (RCF) in November 2010, to provide funding for Murchison's ongoing feasibility and development activities and working capital. RCF manages resources-focused equity funds, one of which is a major long term shareholder in Murchison. Formal documentation was executed subsequent to the end of the reporting period.

During the period, Murchison also achieved a favourable outcome in the Federal Court action brought by Chameleon Mining against Murchison, Crosslands and others. On 20 October 2010, Justice Jacobson dismissed Chameleon's claim that it was entitled to an interest in either the Jack Hills iron ore project and/or Murchison's shares in Crosslands. Justice Jacobson's decision made it clear that there is no claim to any future income or profits from the Jack Hills project. More details are contained in the attached financial statements for the period ending 31 December 2010.

Subsequent to the end of the period, on 4 February 2011, Chameleon was granted leave to appeal the Court's decision. Murchison and Crosslands were also granted leave to cross appeal in respect of certain findings and orders. The Court also made an order sought by Murchison that the hearing of the appeals be expedited. The Appeal has been listed for hearing commencing on 8 August 2011.

For further information, please contact:

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About Murchison

Murchison Metals Limited ("Murchison") is an Australian ASX listed company. Murchison is included in the S&P/ASX 200 Index.

Murchison is a 50% shareholder in Crosslands Resources Ltd ("Crosslands") which is the owner of the Jack Hills iron ore project located in the mid-west region of Western Australia. The remaining 50% of Crosslands is held by Mitsubishi Development Pty Ltd ("Mitsubishi"), a subsidiary of Mitsubishi Corporation, Japan's largest general trading company.

Murchison also has a 50% economic interest in an independent infrastructure business, Oakajee Port and Rail ("OPR"). OPR was established to construct new port and rail infrastructure to provide logistics services to miners (including Crosslands) and other potential customers in the mid-west region of WA. The remaining 50% economic interest in OPR is held by Mitsubishi.

In addition to its investments in Crosslands and OPR, Murchison owns the Rocklea iron ore project located in the Pilbara region of Western Australia.

MURCHISON METALS LTD

AND ITS CONTROLLED ENTITIES

ABN 38 078 257 799

HALF YEAR REPORT FOR THE PERIOD

ENDED 31 DECEMBER 2010

CONTENTS

CORPORATE INFORMATION
ABN 38 078 257 799

DIRECTORS

Paul Kopejtka	Executive Chairman
Trevor Matthews	Managing Director
James McClements	Non-Executive Director
Rodney Baxter	Non-Executive Director
Sun Moon Woo	Non-Executive Director

COMPANY SECRETARY AND ALTERNATE DIRECTOR
Chris Foley (Alternate Director for Trevor Matthews)

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178 St Georges Terrace
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Level 7
207 Kent Street
SYDNEY NSW 2000

HOME STOCK EXCHANGE
Australian Securities Exchange Ltd
Exchange Plaza
Level 8
2 The Esplanade
PERTH WA 6000
ASX Code: MMX

AUDITORS
Ernst and Young
11 Mounts Bay Road
PERTH WA 6000

SOLICITORS
Freehills
QV.1 Building
250 St Georges Terrace
PERTH WA 6000

BANKERS
Commonwealth Bank of Australia

DIRECTORS' REPORT

The Directors of Murchison Metals Ltd submit herewith the financial report for the half year ended 31 December 2010. The Directors report as follows:

DIRECTORS

The names of the Directors of the Company during or since the end of the half year are:

Mr Paul Kopejtka

Mr Trevor Matthews

Mr James McClements

Mr Rodney Baxter

Mr Sun Moon Woo

Mr Chris Foley (Company Secretary and Alternate Director for Trevor Matthews)

Directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

REVIEW AND RESULTS OF OPERATIONS

Murchison Metals Ltd ("Murchison") is an Australian ASX listed company. Murchison is included in the S&P/ASX 200 Index. Murchison aims to create shareholder wealth through mining and exporting high quality iron ore to world markets and establishing a world-class port and rail infrastructure business in Western Australia's mid-west region.

Highlights

Murchison

- Profit from continuing operations after tax of $3,322,000 for the half year ended 31 December 2010
- Cash and liquid investments of $31,344,000 at 31 December 2010
- US$100 million bridging finance facility with Resource Capital Funds executed subsequent to the end of the reporting period
- Federal Court upholds Murchison's position on ownership of Jack Hills Iron Ore Project
- Review of project schedules for Oakajee infrastructure development and Jack Hills Expansion Project completed

Crosslands Resources Ltd (Murchison 50% Interest)

- 845,185 tonnes shipped for the period (HY 2009: 920,405 tonnes)
- Interim sales revenue of $119.7 million (HY 2009:$72.5 million)
- Jack Hills mineral resource increased to 3.22 billion tonnes @ 32.2%Fe
- Bankable Feasibility Study progressed toward completion in June 2011 Quarter
- Terms sheets received from major gas suppliers
- Applications submitted for water extraction licences
- Heritage surveys completed over 180km of proposed 220km gas/water pipeline route to Jack Hills
- Responses to public/government submissions on PER for JHEP lodged with Environmental Protection Authority

Oakajee Port and Rail (Murchison 50% Interest)

- Technical engineering study for port and rail project completed
- Memoranda of Understanding signed with Foundation Customers and due diligence commenced
- Draft Supply Chain Agreement and draft Operating Protocol finalised and provided to Foundation Customers
- Responses to public/ government submissions on Oakajee port and rail PERs lodged with EPA
- Marine and terrestrial port components referred to relevant Federal environmental authorities for final review

Operating result

CONSOLIDATED	
31 DEC 2010	31 DEC 2009
$'000	$'000
3,322	(20,321)

No dividends have been paid or declared by the Company during the period (Dec 2009: $nil).

ABOUT MURCHISON

Murchison is a 50% shareholder in Crosslands Resources Ltd ("Crosslands") which is the owner of the Jack Hills iron ore project located in the mid-west region of Western Australia. The remaining 50% of Crosslands is held by Mitsubishi Development Pty Ltd ("Mitsubishi"), a subsidiary of Mitsubishi Corporation, Japan's largest general trading company.

Murchison also has a 50% economic interest in an independent infrastructure business, Oakajee Port and Rail ("OPR"). OPR was established to construct new port and rail infrastructure to provide logistics services to miners (including Crosslands) and other potential customers in the mid-west region of WA. The remaining 50% economic interest in OPR is held by Mitsubishi.

CORPORATE

As at 31 December 2010, Murchison was debt free and had cash and liquid investments of $31,344,000, a decrease of $42,067,000 from 30 June 2010. Interest earned on investments for the half amounted to $1,538,000. The cash outflow for the period includes amounts paid to Crosslands and OPR of $34,793,000 to finance feasibility studies and exploration costs, including completion of the technical engineering study for the infrastructure project, ongoing production and flowsheet optimisation for the Jack Hills Expansion Project (JHEP), and resource definition and extension drilling.

Strong cashflow from the Stage 1 Jack Hills mine due to higher iron ore prices contributed to Murchison posting a profit from continuing operations after tax of $3,322,000 for the half year ended 31 December 2010, compared to a loss from continuing operations of $20,321,000 for the half year ended 31 December 2009.

Strong demand from China underpinned an uplift in iron ore spot prices during most of 2010, with Crosslands realising an average FOB price of US$119 per tonne for fines and US$141 per tonne for lump during the half year ended 31 December 2010. Prices have continued to rise since the end of the period, with the CFR price for benchmark 62% Fe fines currently trading above US$165 per tonne and the March forward contract price exceeding US$160 per tonne.

In November 2010, Resource Capital Funds agreed to provide a US$100 million Bridge Finance Facility. More details relating to the finance facility are provided in the Banking and Finance section of this report.

A major focus of activity during the period was completion of a detailed review of the project schedules for both the Oakajee infrastructure project and JHEP. As a result of that review, on 4 November 2010 Murchison and Mitsubishi announced revised schedules for both the Oakajee infrastructure project and JHEP.

According to the revised schedules, completion of bankable feasibility studies for both projects is now targeted in the second quarter of 2011. First shipments through the Oakajee port are anticipated in late 2014/early 2015. As a consequence of these changes of schedule, Murchison and Mitsubishi requested an extension of certain project deadlines agreed with the WA Government under the State Development Agreement. The WA Government agreed to grant the extension on 2 March 2011.

Banking and Finance

In November 2010, Murchison announced it had signed a terms sheet for a US$100 million Bridge Finance Facility with a fund managed by Denver-based Resource Capital Funds (RCF). RCF manages resources-focused private equity funds, one of which is a major long term shareholder in Murchison.

The Facility will provide Murchison with the ability to draw in tranches, at Murchison's election, up to a total of US$100 million to fund its share of expenditure to progress the feasibility studies for the JHEP and Oakajee projects. The Facility may also be used for development activities for the projects and for working capital for Murchison.

The Facility is for a term of 12 months from first draw down with a 10% coupon rate. Under the Facility Murchison will pay an establishment fee to be satisfied by the issue of 4.2 million options that have an exercise price equal to 120% of the volume weighted average market price of Murchison shares over the 30 trading days prior to Murchison's acceptance of the facility. The term of the options is three years from the date of issue. Commitment fees and interest payments can be satisfied, at the Company's election, by the issue of shares or by the payment of cash. The Company must pay a break fee equal to 2% of the total commitment of the Facility if it elects not to draw down under the Facility. Formal documentation was executed subsequent to the end of the reporting period.

In accordance with the joint venture arrangements between Mitsubishi and Murchison, Mitsubishi is responsible for managing the arranging of limited recourse project finance required to fund development of both the JHEP and infrastructure projects. This financing process is progressing, with Mitsubishi and Murchison working concurrently on finance strategy, documentation and bank engagement.

During the half year ended 31 December 2010, draft term sheets detailing proposed financial structures were prepared and discussed with a core group of banks. The term sheets will provide the foundation for the ongoing development of financing arrangements for the mine and infrastructure projects and are being used for the development of financing documentation which continued during the period.

Planning for engagement with Export Credit Agencies (ECAs) occurred during the December quarter. ECAs are expected to be a key source of funding for both the mine and infrastructure projects.

It is planned to complete the financing process, incorporating both debt and equity, in the period following completion of the feasibility studies and prior to a final investment decision.

The deferred payment that Mitsubishi is contracted to make to Crosslands in consideration for Mitsubishi's 50% interest in the Jack Hills project is also required to be paid prior to a final investment decision.

During the period, Murchison appointed Rothschild Australia Ltd (Rothschild) to advise it with regard to financial arrangements for the JHEP and OPR infrastructure. Rothschild is one of the largest global mining advisory groups and its expertise and relationships with key stakeholders will add significant strength and capability to the financing effort.

Chameleon Litigation

On 20 October 2010, Justice Jacobson handed down his decision in the Federal Court action brought by Chameleon Mining against Murchison, Crosslands and others, and dismissed Chameleon's claim that it was entitled to an interest in either the Jack Hills iron ore project and/or Murchison's shares in Crosslands. Chameleon commenced legal proceedings in 2007, claiming an interest in Jack Hills and/or Murchison's shares in Crosslands, arising out of a series of transactions that occurred in 2004.On 20 December 2010, Justice Jacobson made orders to the effect that:

1. There is no constructive trust over the Jack Hills iron ore project or Murchison's shares in Crosslands.
2. Murchison is liable to pay Chameleon a portion of the profit it received as a consequence of the investment of $277,840 in Crosslands from 24 July 2004 to the present time. Murchison notes that it has not been paid any dividends as a consequence of its investment in Crosslands. As an alternative, Chameleon is entitled, at its election, to equitable compensation of $277,840 from Murchison plus interest at commercial rates on a compounding basis.
3. Crosslands is liable to pay Chameleon the profit obtained by it from the use of $152,750 on the same basis as Murchison. Murchison notes that the project operated at a loss over the relevant period. As an alternative, Chameleon is entitled, at its election, to equitable compensation of $152,750 from Crosslands plus interest at commercial rates on a compounding basis.
4. Murchison is not liable to pay Chameleon for 10 million shares in Murchison received by another defendant in the proceedings or for the profits from the sale of those shares.

Justice Jacobson's decision made it clear that there is no claim to any future income or profits from the Jack Hills project.

Subsequent to the end of the period, on 4 February 2011 Chameleon was granted leave to appeal the Court's decision. Murchison and Crosslands were also granted leave to cross appeal in respect of certain findings and orders. The Court also made an order sought by Murchison that the hearing of the appeals be expedited. The Appeal has been listed for hearing commencing on 8 August 2011.

Annual General Meeting

The Company held its Annual General Meeting of shareholders on 17 November 2010. At the meeting, Executive Chairman Paul Kopejtka was re-elected as a Director of the Company. Shareholders also approved the Company's Remuneration Report for the 2010 financial year and the 2010 Employee Incentive Plan.

EXPLORATION

Rocklea Project (Murchison 100% interest)

Murchison's Rocklea Project is located in the Pilbara region between the towns of Tom Price and Paraburdoo and is situated near existing and planned rail infrastructure.

Murchison is considering a number of strategic alternatives for the development of the project.

CROSSLANDS RESOURCES LTD (MURCHISON 50% INTEREST)

Crosslands is employing a two-stage strategy to develop its Jack Hills Project.

Stage 1 operations utilise contract mining, crushing and screening. Iron ore is transported to Geraldton by contract road haulage to ore storage and transfer facilities at the Port of Geraldton, ahead of shipment to customers.

The JHEP is targeting a substantial expansion of annual production capacity aimed at producing premium quality magnetite and hematite iron concentrates. Crosslands intends to utilise new port and rail infrastructure which OPR plans to develop in the mid-west region of Western Australia that will enable ore from the Jack Hills mine to be transported by rail for shipment from the new Oakajee port. At 31 December 2010, more than $155 million had been expended by Crosslands on the JHEP mine exploration and mine feasibility activities.

HALF-YEAR RESULTS OVERVIEW

Crosslands generated sales revenue of $120,039,000 for the half year ended 31 December 2010, an increase of 64% in comparison to sales revenue of $72,714,000 in the prior corresponding period and net cashflow of $28,595,000 versus negative cash outflow of $8,263,417 in the prior corresponding period. The improvement reflected an 86% increase in average realised sales prices to US$130/tonne FOB, compared to US$70/tonne for the half year ended 31 December 2009. Stronger prices offset an 8% decline in total tonnes shipped to 845,185 tonnes (HY 2009: 920,405 tonnes), resulting from increased waste movement due to the commencement of a cutback of the western pit wall during the period. Conversely, increased prices were offset by the strong Australian dollar, which achieved parity with the US dollar in December 2010.

STAGE 1 OPERATIONS

Mining

Ore mined for the half year ended 31 December 2010 amounted to 591,371 tonnes, compared to 929,862 tonnes in the previous corresponding period. The reduction reflected the commencement of the cutback of the western pit wall to provide access to ore for continued operations, this cutback is scheduled for completion early in the June 2011 quarter.

A total of 732,682 tonnes was crushed for the period, compared to 959,959 tonnes for the half year ended 31 December 2009, the percentage of lump product produced was 65.9%.

The average operating cash cost for the half year ended 31 December 2010 was $95 per tonne, including haulage, shipping and royalties.

Haulage and Shipping

Crosslands hauled 825,971 tonnes to Geraldton Port during the period, compared to 882,070 tonnes in the prior corresponding period. Haulage operations were adversely affected by seasonal flooding, which resulted in the closure of the road between Jack Hills and Cue from 17 December 2010 until early January 2011. Shipments were maintained from stockpiles at Cue kept for this purpose.

Crosslands' shipments during the period consisted of 14 vessels totalling 845,185 tonnes, of which 416,003 tonnes were direct shipping material (DSO) lump and 429,182 tonnes were DSO fines.

Marketing and Sales

Crosslands' shipments from its Stage 1 DSO operation proceeded smoothly during the period. Following the industry trend, new pricing agreements were established across Crosslands' Asian customer base and generated improved margins. The average FOB price realised by Crosslands was US$130 per tonne, compared to US$70 per tonne in the prior corresponding period. The average realised FOB price for lump and fines was US$141/tonne and US$119/tonne respectively.

Increased prices reflected the continuing recovery of the seaborne iron ore market, underpinned by strong demand from China. The outlook for continued price and demand growth remains positive, with prices rising further since the end of the period to near record levels. Spot CFR prices for benchmark 62% Fe fines are currently above US$165 per tonne, while the March forward contract price has firmed to over US$160 per tonne.

JACK HILLS EXPANSION PROJECT

Resource Update

On 23 September 2010, Murchison announced that Crosslands reported an increased Mineral Resource estimate as a result of ongoing Bankable Feasibility Study (BFS) work completed for the JHEP. The revised estimate included a 220 million tonne increase in the global resource. Global in situ Measured, Indicated and Inferred resources at the Jack Hills project are now estimated at 3.22 billion tonnes grading 32.3% Fe [1] (previously 3.01 billion tonnes @ 31.7% Fe).

The revised estimate includes an initial resource estimate for the high-grade Brindal satellite deposit, located 3km south of the main Jack Hills deposit.

Potential remains for further increases to the resource, with numerous untested exploration targets identified, including Detrital Iron Deposit targets and Massive Iron Mineralisation targets located within the mine infrastructure footprint. A detailed audit of the BFS resource model was completed during the period with the final report due in the first quarter of 2011.

Resource Definition Drilling

The emphasis of drilling activity during the period remained on infill and extension drilling for incorporation into the BFS. A total of 13,956 metres of RC drilling and 1,659 metres of diamond drilling were completed during the period, for a total of 79 drill holes. A further 804 metres of geotechnical drilling, 2,195 metres of hydrogeology drilling and 1,170 metres of sterilisation drilling were also completed in the period.

Bankable Feasibility Study

Crosslands continued to progress the BFS for the JHEP, with a total of $36.6 million expended during the half year ended 31 December 2010. Crosslands has adopted a multi-product strategy for the JHEP and is targeting production of a mix of DSO and beneficiated products.

A major focus during the period was a comprehensive review of the project schedule for the JHEP. This review was undertaken following the significant increase in the Jack Hills mineral resource and to enable the results of additional technical work, including final flowsheet design, to be incorporated into the BFS. According to the revised schedules, completion of the BFS is now targeted in the second quarter of 2011. First shipments through the Oakajee port are anticipated in late 2014/early 2015.

Technical and engineering work undertaken during the period included:

- Mine optimisation studies for selective mining of high grade DSO and bulk mining of beneficiated feed materials for processing into high grade (>65% Fe) concentrates;
- Metallurgical testwork to maximise hematite recovery to concentrate. A number of flowsheets allowing production of separate hematite and magnetite concentrates as well as a single product were reviewed;

[1] Refer to Murchison ASX Announcement 23 September 2010 for full details of the Jack Hills Mineral Resource. Jack Hills tones are dry metric tonnes. The main Jack Hills Mineral Resource estimate is comprised of 902Mt of Measured at 32.3%Fe and 23.9% DTR, indicated of 1256Mt at 32.2%Fe and 28.1% DTR and inferred of 1060Mt at 32.3%Fe and 27.0% DTR. The Brindal Inferred Mineral Resource estimate is 11.1Mt at 46.5%Fe and 2.8% DTR.

- Extraction of ore from the existing open cut to provide feed for the pilot jig program;
- Completion of the geotechnical engineering report for the Brindal project, which is now undergoing external review;
- Mine simulations to determine optimum blending options;
- Evaluation of revised supplier quotes to enable final definition of mining costs, and finalise mine optimisation and equipment selection;
- Review of the location of the processing plant and other Jack Hills infrastructure following a change in the location for the planned railway loop. The revised layout is expected to provide significant cost savings for the Project;
- Completion of BFS write-up for plant buildings, airport, water treatment and wastewater treatment plants;
- Ongoing water exploration programs in four target areas;
- Evaluation of options in respect of the proposed Integrated Waste Landform site based on cost, technical, environmental, health and safety risks.

Other feasibility study activities for the half year ended 31 December 2010 included:

- Release of Crosslands' Public Environmental Review for the JHEP for public comment in the September quarter;
- Lodgement of Crosslands' responses to public comments with the Office of the Environmental Protection Authority in the December quarter. The EPA is currently consulting with stakeholders and is expected to report to the WA Environment Minister during the second quarter of 2011;
- Applications for water extraction licenses were lodged with the Department of Water. The formal public consultation phase has commenced and further test drilling is underway to better define potential borefields in the target aquifers to the west and north of Jack Hills;
- Completion of a number of heritage surveys including significant progress along the proposed route of the planned gas pipeline from the Dampier to Bunbury gas pipeline to Jack Hills. This corridor will also include a planned water supply pipeline. More than 180kms of the proposed 220km route has now been surveyed;
- Evaluation of terms sheets received from major gas suppliers;
- Due diligence commenced with regard to establishment of a Supply Chain Agreement with OPR.

OAKAJEE PORT & RAIL (MURCHISON 50% ECONOMIC INTEREST)

Under a State Development Agreement signed with the Western Australian Government in March 2009, OPR has the exclusive right to develop the Oakajee deepwater port and associated northern rail infrastructure. By the end of 2010, $200 million had been spent on feasibility studies for the greenfields Oakajee port development and 570km of associated heavy haulage railway.

Major activities during the half year ended 31 December 2010 included:

- Completion of the technical engineering study for the project;
- Comprehensive review of the project schedule;
- Signing of Memoranda of Understanding with Foundation Customers;
- Provision of a draft Supply Chain Agreement (SCA) and draft Operating Protocol to the Foundation Customers;
- Final submissions made to WA Environmental Protection Authority for terrestrial port and Oakajee rail projects;
- Referral of terrestrial and marine port components to relevant Federal authorities for final review.

Technical Engineering Study

A major milestone was achieved in November 2010 with completion of the detailed technical engineering study to finalise the engineering and design parameters for the port and rail infrastructure. The study is being reviewed by Murchison and Mitsubishi and is undergoing further optimisation pending input from the Foundation Customers. This forms a critical part of the BFS, which is targeted for completion in the June 2011 quarter.

Project Schedule

A comprehensive review of the project schedule for the infrastructure project was undertaken in light of OPR's ongoing program to complete key agreements with the State Government and Foundation Customers, and was presented to the State Government in November 2010.

As announced by Murchison on 4 November 2010, under the revised project schedule completion of the BFS for the infrastructure project is now targeted in the second quarter of 2011. First shipments through the Oakajee port are anticipated in late 2014/early 2015. As a consequence of these changes of schedule, Murchison and Mitsubishi requested an extension of certain project deadlines agreed with the WA Government under the State Development Agreement. The WA Government agreed to grant the extension on 2 March 2011.

Customer and Operational Development

Major progress was achieved with respect to OPR's commercial arrangements during the half year ended 31 December 2010.

In August 2010, OPR signed Memoranda of Understanding (MOUs) for the provision of supply chain services with its selected Foundation Customers, Sinosteel Midwest, Karara Mining and Crosslands Resources. The MOUs represent a significant milestone in the development of detailed supply chain agreements that will underpin development of the Oakajee project.

Subsequently, OPR commenced and completed phase 1 due diligence studies on each of the Foundation Customers' mine projects to clarify timing, product volume and financial capacity. The Foundation Customers also completed a phase 1 due diligence on OPR during the quarter to define timing, design and cost of the port and rail projects.

In December 2010, OPR issued the Foundation Customers with a draft SCA. The draft SCA presents a detailed framework under which port and rail access will be made available to Foundation Customers, including operating protocols, capacity management and tariff pricing provisions. The draft operating protocols detail the planning processes and operating principles that will govern the users of the infrastructure, along with performance metrics and targets spanning the supply chain.

During the March 2011 quarter, OPR is scheduled to continue the detailed operational and commercial dialogue with Foundation Customers and continues to work toward the execution of SCAs by mid 2011.

Port

A key focus during the period was to advance understanding of the marine impacts of the port project. 2D testing of the breakwater was completed in November 2010 and 3D model testing commenced. Request for Quotation returns were obtained for the marine structures, while further design and costing work was undertaken for a temporary materials offloading facility. Initial preparation of tender documents for the breakwater and dredging works also commenced.

In addition to finalisation of the technical engineering study, work progressed on alternative stockyard design to potentially further optimise project economics.

Rail

Key components of the "below rail" earthworks, track and roads included ongoing optimisation of earthworks and drainage design. Initial meetings were held with Main Roads WA (MRWA) regarding the design of level crossings and associated roads, and liaison with Foundation Customers regarding rail spurs and mine loops and loading arrangements. Onsite works and geotechnical investigation continued along the proposed rail alignment. A refined construction water strategy is in place, with ground magnetic surveys of three large paleochannels planned in the pastoral area and construction water drilling along the alignment also underway.

The key "above rail" works included completing a report on the GSM-R radio and fibre optic "backbone" railway communications system for approval by the Australian Communications and Media Authority. Meetings were conducted with potential suppliers of the signals and communications systems. Development continued on OPR's concepts for road realignments of the Chapman Valley and Morrell Roads and a proposed bridge crossing. Review meetings and negotiations were conducted with MRWA/Department of Transport and the Public Transit Authority during the period.

In addition, a number of meetings were held with Government departments, Shires, landholders and a range of potential constructors and rail suppliers in Perth and China. All landholders have now discussed the alignment impacts on their properties and the outcomes of these meetings have generally been incorporated into the design or developed for further negotiation.

Environmental

OPR has continued to work closely with the State Environmental Protection Authority ("EPA") progressing the Public Environmental Reviews ("PER") for both the Oakajee terrestrial port and Oakajee rail developments. Following the Public Review Period for the PERs, which closed in August 2010, OPR has responded to public and government submissions and is awaiting the EPA's final report. State environmental approvals are anticipated by mid 2011.

At the Federal level, OPR and the WA Department of State Development (DSD) formally referred the Oakajee marine port to the Department of Sustainability, Environment, Water, Population and Communities ("SEWPaC", previously DEWHA) in November 2010. OPR submitted its Environment Protection and Biodiversity Conservation Act referral to the SEWPaC for the terrestrial port component of the Project in December 2010. It is expected that Federal environmental approvals for both the port marine and port terrestrial developments will be obtained by mid 2011.

Government

During the period, OPR continued to engage with the Department of State Development and other key State agencies and representatives to progress development of agreements and key approvals for the project. This included the continuing negotiation of the Port and Rail Implementation Agreements and the negotiation of the Port Common User Infrastructure funding and procurement arrangements.

SUBSEQUENT EVENTS

Refer to Note 19 for details of other matters or circumstances, which have arisen since the end of the reporting period for the half year ended 31 December 2010 that significantly affect or may significantly affect the operations of the Company, the results of those operations or state of affairs of the Company in future financial years.

AUDITOR'S INDEPENDENCE DECLARATION

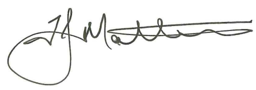
The auditor's independence declaration is included on page 11 and forms part of this report.

ROUNDING OFF OF AMOUNTS

The half year financial report is presented in Australian Dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

Signed in accordance with a resolution of Directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors



Mr Trevor Matthews
Director
Perth, 16 March 2011

Competent Persons' Statement

The information in this announcement that relates to Exploration Results and geological and mineralogical interpretations of the Mineral Resource estimate of the Jack Hills Project is based on information compiled by Mr Roland Bartsch. Mr Bartsch is a full time employee of Crosslands Resources Ltd and is a Member of the Australasian Institute of Mining & Metallurgy.

The information in this announcement that relates to Mineral Resources of the Jack Hills Project is based on information compiled by Mr Bruce Sommerville in his capacity as an employee of SRK Consulting. Mr Sommerville is a Member of the Australasian Institute of Mining & Metallurgy.

Mr Bartsch and Mr Sommerville have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as competent persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Mr Bartsch and Mr Sommerville consent to the inclusion in the announcement of the matters based on their information in the form and context in which it appears.

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Auditor's Independence Declaration to the Directors of Murchison Metals Limited

In relation to our review of the half year financial report of Murchison Metals Limited for the period ended 31 December 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
Perth
16 March 2011

		CONSOLIDATED	
	NOTES	31 DEC 2010 $'000	30 JUN 2010 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	31,344	73,410
Receivables	10	1,256	782
Prepayments		142	214
Non-current assets held for sale		60	-
TOTAL CURRENT ASSETS		32,802	74,406
NON-CURRENT ASSETS			
Exploration and evaluation expenditure	11	58,304	45,667
Property, plant and equipment		990	1,140
Investments accounted for using the equity method	12	155,082	125,960
Available-for-sale financial assets	13	2,000	2,000
TOTAL NON-CURRENT ASSETS		216,376	174,767
TOTAL ASSETS		249,178	249,173
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	4,824	8,819
Provisions	15	772	201
TOTAL CURRENT LIABILITIES		5,596	9,020
TOTAL LIABILITIES		5,596	9,020
NET ASSETS		**243,582**	**240,153**
EQUITY			
Equity Attributable to Equity Holders of the Parent			
Contributed equity	16	243,003	242,252
Reserves	17	18,663	19,307
Accumulated losses		(18,084)	(21,406)
TOTAL EQUITY		**243,582**	**240,153**

The accompanying notes form part of these financial statements.

	NOTE	CONSOLIDATED HALF YEAR ENDED 31 DEC 2010 $'000	31 DEC 2009 $'000
CONTINUING OPERATIONS			
Revenue	4	1,538	2,138
Other revenue	5	2	-
Revenue		**1,540**	**2,138**
Depreciation expense		(136)	(104)
Employee and Director expenses	6	(1,595)	(3,354)
Hired services expenses	6	(2,625)	(911)
Administration expenses	6	(1,687)	(6,553)
Impairment write-down expense	11	(1,281)	-
Travel expenses		(210)	(316)
Finance costs		(1)	-
Other expenses		(23)	(2)
Share of expenses from jointly controlled assets	7	(932)	(1,108)
Share of profit/(loss) from a jointly controlled entity	12	10,272	(10,111)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAX		**3,322**	**(20,321)**
Income tax expense		-	-
PROFIT/(LOSS) FROM CONTINUING OPERATIONS AFTER INCOME TAX		**3,322**	**(20,321)**
Other comprehensive income/(loss) for the period		-	-
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		**-**	**-**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**3,322**	**(20,321)**
PROFIT/(LOSS) FOR THE PERIOD IS ATTRIBUTABLE TO:			
Owners of the parent		3,322	(20,321)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD IS ATTRIBUTABLE TO:			
Owners of the parent		3,322	(20,321)
Earnings/(loss) per share for profit/(loss) attributed to the ordinary equity holders of the parent			
- basic (cents per share)		0.76	(4.67)
- diluted (cents per share)		0.75	(4.67)

The accompanying notes form part of these financial statements

CONSOLIDATED	FULLY PAID ORDINARY SHARES $'000	EMPLOYEE EQUITY BENEFITS RESERVE $'000	(ACCUMULATED LOSSES) / RETAINED EARNINGS $'000	TOTAL EQUITY $'000
BALANCE AT 1 JULY 2010	**242,252**	**19,307**	**(21,406)**	**240,153**
Other comprehensive income for the period	-	-	-	-
Profit for the period	-	-	3,322	3,322
Total comprehensive income for the period	**-**	**-**	**3,322**	**3,322**
Transactions with owners in their capacity as owners:				
Issue of shares	751	-	-	751
Share based payments	-	(644)	-	(644)
BALANCE AT 31 DECEMBER 2010	**243,003**	**18,663**	**(18,084)**	**243,582**
BALANCE AT 1 JULY 2009	**221,579**	**14,777**	**191**	**236,547**
Other comprehensive loss for the period	-	-	-	-
Loss for the period	-	-	(20,321)	(20,321)
Total comprehensive loss for the period	**-**	**-**	**(20,321)**	**(20,321)**
Transactions with owners in their capacity as owners:				
Issue of shares	20,662	-	-	20,662
Share based payments	-	1,532	-	1,532
BALANCE AT 31 DECEMBER 2009	**242,241**	**16,309**	**(20,130)**	**238,420**

The accompanying notes form part of these financial statements

	CONSOLIDATED HALF YEAR ENDED 31 DEC 2010 $'000	31 DEC 2009 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(6,106)	(6,605)
Interest received	1,682	2,013
GST (paid)/received	(238)	340
NET CASH USED IN OPERATING ACTIVITIES	(4,662)	(4,252)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment	(4)	(895)
Exploration and evaluation expenditure	(15,943)	(7,676)
Proceeds on disposal of investments	-	-
Increase in investment in jointly controlled entity	(18,850)	(25,850)
Proceeds on disposal of plant and equipment	-	-
Proceeds from related parties	-	320
NET CASH USED IN INVESTING ACTIVITIES	(34,797)	(34,101)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of loan to jointly controlled entity	(2,608)	-
Proceeds from issue of shares	-	15,202
NET CASH (USED IN)/ PROVIDED BY FINANCING ACTIVITIES	(2,608)	15,202
Net decrease in cash and cash equivalents	(42,067)	(23,151)
Net foreign exchange difference	1	(2)
Cash and cash equivalents at the beginning of the period	73,410	125,539
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**31,344**	**102,386**

The accompanying notes form part of these financial statements.

1. CORPORATE INFORMATION

The financial report of Murchison Metals Ltd for the half year ended 31 December 2010 was authorised for issue in accordance with a resolution of the Directors on 10 March 2011.

The Company is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange. The address of the registered office is Level 1, 5 Ord Street, West Perth, 6005 WA.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

This general purpose financial report for the half year ended 31 December 2010 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. It is recommended that the half year financial report be read in conjunction with the Annual Report for the year ended 30 June 2010 and considered together with any public announcements made by Murchison Metals Ltd during the half year ended 31 December 2010 in accordance with the continuous disclosure obligations of the ASX listing rules.

The half year financial report has been prepared on a historical cost basis, except for quoted available-for-sale financial assets that have been measured at fair value. The half year financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

For the purposes of preparing the half year financial report, the half year has been treated as a discrete reporting period.

Going Concern

Subsequent to period end, the Company entered into a Facility agreement and security documentation for the US$100 million bridging finance facility with RCF. The facility is repayable within 365 days of the first utilisation or earlier if an event of default occurs. The ability of the Company to repay the facility when due and payable in the normal course of events is dependent upon the outcomes of the Jack Hills Expansion Project and Infrastructure Project.

The Directors are satisfied that the outcomes of the BFSs will enable the Company to repay the facility when due and payable. Should this not be the case, the Consolidated Entity may have to consider alternative funding in order to repay the amount owing under the Facility which may include capital raisings, with which the Company has a demonstrated past record of success, or the sale of assets. Should these alternatives not be successful, the Consolidated Entity may not be able to continue as a going concern or may have to dispose of assets other than in the normal course of business.

No adjustments to the recoverability or classification of recorded assets or liabilities related to the above matter have been made in the financial report.

Significant accounting policies

There have been no significant changes in accounting policies during the period, the accounting policies and methods of computation are the same as those adopted in the Annual Financial Report of the Company for the year ended 30 June 2010.

From 1 July 2010, the Group has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2010. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Group.

- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*;
- AASB 2009-8 *Amendments to Australian Accounting Standards- Group Cash-settled share based payment transactions*;

Significant accounting policies (continued)

- AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*;
- Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*.

The Group has not elected to early adopt any other new Standards or amendments that are issued but not yet effective.

3. SEGMENT INFORMATION

The Group has identified one operating segment, which is mineral exploration and evaluation activities in Australia based on the internal reports that are reviewed and used by the Managing Director and his management team in assessing performance and in determining the allocation of resources.

The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of the financial statements.

	CONSOLIDATED HALF YEAR ENDED	
	31 DEC 2010 $'000	31 DEC 2009 $'000
4. REVENUE		
An analysis of the Group's revenue for the period is as follows:		
Interest revenue	1,502	2,122
Share of revenue from jointly controlled assets	36	16
	1,538	2,138
5. OTHER REVENUE		
Foreign exchange gain	2	-
	2	-

6. PROFIT/(LOSS) FOR THE PERIOD

Profit/(loss) from continuing operations for the period has been arrived at after (crediting)/charging the following gains and losses:

	CONSOLIDATED HALF YEAR ENDED	
	31 DEC 2010 $'000	31 DEC 2009 $'000
Employee and Director expenses		
Salaries and wages	1,369	924
Defined contribution superannuation expense	176	162
Directors' fees	656	648
Share-based payment expense (reversal)/charge	(644)	1,532
Recruitment	-	25
Other expenses	38	63
	1,595	3,354
Hired services expenses		
Air charter	9	22
Cartage and freight	4	1
Consultants	2,590	875
Equipment hire	5	5
Other expenses	17	8
	2,625	911
Administration expenses		
Accounting and audit fees	106	172
Bank charges	4	3
Compliance and secretarial	157	184

6. PROFIT/(LOSS) FOR THE PERIOD (CONTINUED)

Insurance	67	59
Legal expenses	797	5,383
Loss on disposal of assets	-	129
Office rental	253	276
Printing and Stationery	51	97
Other expenses	252	250
	1,687	6,553

7. SHARE OF EXPENSES FROM JOINTLY CONTROLLED ASSETS

	CONSOLIDATED HALF YEAR ENDED	
	31 DEC 2010 $'000	31 DEC 2009 $'000
Administrative expenses	232	132
Depreciation and amortisation expenses	33	12
Employee and Director expenses	571	734
Hired services expenses	95	190
Travel expenses	-	37
Other expenses	1	3
Group's share of expenses from jointly controlled assets (i)	932	1,108

(i) This figure represents MMX's 25% direct interest in OPR Port and Rail unincorporated joint venture expenditure for the period. MMX's additional 25% indirect interest is reflected through MMX's 50% interest in Crosslands, which is shown as an equity accounted investment at Note 12.

8. DIVIDENDS

No dividends were paid or proposed during the period (2009: $nil).

9. CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	31 DEC 2010 $'000	30 JUN 2010 $'000
For the purpose of the half year statement of cash flows, cash and cash equivalents are comprised of the following:		
Cash at bank and in hand	1,607	1,801
Short term deposit	29,737	71,609
	31,344	73,410

10. RECEIVABLES

	CONSOLIDATED	
	31 DEC 2010 $'000	30 JUN 2010 $'000
Interest receivable	129	310
Amounts receivable from Australian Taxation Authorities	114	100
Sundry debtor	1,012	367
Other receivables	1	5
	1,256	782

11. EXPLORATION AND EVALUATION EXPENDITURE

	CONSOLIDATED	
	31 DEC 2010 $'000	30 JUN 2010 $'000
Exploration and evaluation expenditure in respect of areas of interest		
Balance at the beginning of the period	45,667	29,326
Additions	13,918	16,341
Impairment write-down – Duck Hills and other minor tenements (i)	(1,281)	-
Balance at the end of the period (ii)	58,304	45,667

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas.

11. EXPLORATION AND EVALUATION EXPENDITURE (CONTINUED)

(i) The impairment write-down primarily relates to Murchison's 50% interest in the Duck Hills Nickel Laterite project located 35km from Murrin Murrin. Murchison no longer considers exploration of the Duck Hills tenement to be part of its long-term business objectives and therefore has no further plans to incur further significant exploration expenditure in exploring the tenement. Accordingly, Murchison considers it appropriate to write-off the capitalised exploration expenditure for the Duck Hills tenement in accordance with AASB 136 *Impairment of Assets*. The written-down value of the Duck Hills tenement is nil.

(ii) Includes an amount of $46,223,000 (31 December 2009: $23,715,000) relating to Murchison's share of joint venture assets. Refer to Note 20.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	CONSOLIDATED 31 DEC 2010 $'000	CONSOLIDATED 30 JUN 2010 $'000
Investments in jointly controlled entities	155,082	125,960

	CONSOLIDATED 31 DEC 2010 $'000	CONSOLIDATED 31 DEC 2009 $'000
Reconciliation of movement in investments accounted for using the equity method		
Balance at the beginning of the period	125,960	88,853
Investments during the year	18,850	25,850
Share of profit/(loss) for the period	10,272	(10,111)
	155,082 (i)	104,592

(i) As disclosed in Murchison's financial report for the year ended 30 June 2010, Crosslands Resources Ltd is currently engaged in arbitration with Tyson Resources Pty Ltd and Michael Ruane (50%), Zeedam Enterprises Pty Ltd & Karl William Wolzak (25%) and William Staverton Hitch (25%) (referred to as the "vendors") in relation to the method of calculating a contractual royalty payable to them. Crosslands considers that it has paid or accrued all royalties due. Crosslands has made a provision in the current period amounting to $3,200,000 and 50% of this provision has been recognised by Murchison through its equity accounted investment in Crosslands. The Board of Murchison Metals Ltd agrees with the view expressed by Crosslands. Depending on the results of the arbitration, there may be a possible further obligation for Crosslands to pay an amount in addition to the amount accrued. Management does not consider any possible further obligation to be material as at 31 December 2010.

Name of entity	Country of incorporation	Principal activity	OWNERSHIP INTEREST 31 DEC 2010 %	OWNERSHIP INTEREST 30 JUN 2010 %
Crosslands Resources Ltd	Australia	Mining	50	50
Oakajee Port & Rail Pty Ltd[2]	Australia	Construction	50	50

[2]The Group holds a 25% interest in Oakajee Port & Rail through MMX Port Holdings Pty Ltd and an additional 25% indirect interest through Murchison's 50% interest in Crosslands Resources Ltd.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

The aggregate financial position in respect of the Group's jointly controlled entities is set out below:

	CONSOLIDATED	
	31 DEC 2010 $'000	30 JUN 2010 $'000
Financial position:		
Cash and cash equivalents	18,307	22,851
Trade and other receivables	22,130	26,466
Other financial assets	25	25
Inventory	27,698	27,957
Current assets	**68,160**	**77,299**
Exploration and evaluation expenditure	247,734	175,104
Property, plant and equipment	39,555	47,022
Non-current assets	**287,289**	**222,126**
Total assets	**355,449**	**299,425**
Trade and other payables	39,965	39,433
Other current liabilities	3,128	6,289
Provision	2,521	2,380
Current liabilities	**45,614**	**48,102**
Related party payables	4,478	3,915
Non-current liabilities	**4,478**	**3,915**
Total liabilities	**50,092**	**52,017**
	305,357	**247,408**
Group's share of jointly controlled entity's net assets	**152,679**[3]	**123,704**

[3]The difference between the Group's Share of Jointly Controlled Entity's Net Assets as shown in the Financial Position table above and Investments Accounted for Using the Equity Method as shown in the Consolidated Statement of Financial Position is due to share options issued by Murchison to Crosslands employees prior to the sale of 50% of Crosslands to Mitsubishi on 27 September 2007.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

The aggregate financial performance in respect of the Group's jointly controlled entities is set out below:

	CONSOLIDATED HALF YEAR ENDED 31 DEC 2010 $'000	31 DEC 2009 $'000
Financial performance:		
Revenue	119,702	72,519
Other revenue	266	163
JV revenue	71	32
Revenue	120,039	72,714
Changes in inventory [4]	(259)	(5,980)
Administration expenses	(2,573)	(2,119)
Depreciation and amortisation expense	(8,238)	(8,243)
Employee expenses	(4,769)	(3,198)
Finance costs	-	(16)
Hired services expenses		
- mining	(16,699)	(18,601)
- cartage, freight and transport	(36,071)	(36,788)
- port charges	(4,458)	(4,862)
- accommodation, catering and air charter	(2,150)	(1,510)
- consultants	(975)	(1,164)
- equipment hire	(1,449)	(198)
- general	(138)	(202)
- other	(561)	(2,968)
Royalties	(12,392)	(6,510)
Other expenses	(6,967)	(2,081)
JV expenses	(1,797)	(2,192)
Profit/(loss) before income tax	20,543	(23,918)
Income tax	-	3,696
Profit/(loss) after income tax	20,543	(20,222)
Profit/(loss) attributable to members of parent entity	20,543	(20,222)
Group's share of jointly controlled entity's profit/(loss)	**10,272**	**(10,111)**

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	CONSOLIDATED 31 DEC 2010 $'000	30 JUN 2010 $'000
Non-current		
Shares – Unlisted	2,000	2,000
	2,000	2,000

Available-for-sale investments consist of investments in ordinary shares and therefore have no fixed maturity date or coupon rate.

14. TRADE AND OTHER PAYABLES

Trade payables	4,607	6,027
Other payables	212	181
Related party payable	5	2,611
	4,824	8,819

[4] Included in changes in inventory is an amount of ($1,147,320) (31 December 2009: ($7,154,000) relating to the net realisable write down adjustment for the period for Crosslands Resources Ltd.

15. PROVISIONS

	CONSOLIDATED 31 DEC 2010 $'000	CONSOLIDATED 30 JUN 2010 $'000
Provision for employee entitlements	226	201
Provision for Chameleon litigation (i)	546	-
	772	201

(i) Refer to Note 18 for a discussion of the Chameleon matter including the basis for the provision.

16. ISSUED CAPITAL

(i) Ordinary shares

	31 DEC 2010	30 JUN 2010
Issued and fully paid	243,003	242,252

	31 DEC 2010 NUMBER OF SHARES #	31 DEC 2010 $'000
(ii) Movement in ordinary shares on issue		
Beginning of the period	435,384,268	242,252
Shares issued	500,000	751
End of the period	435,884,268	243,003

17. RESERVES

	CONSOLIDATED 31 DEC 2010 $'000	CONSOLIDATED 30 JUN 2010 $'000
Share based payment reserve	18,663	19,307
Share Based Payment Reserve		
Balance at the beginning of the period	19,307	14,777
Share based payment	(644)	4,530
Balance at the end of the period	18,663	19,307

This reserve is used to record the value of equity benefits provided to employees and Directors as remuneration.

18. CONTINGENT LIABILITIES

Chameleon Mining NL

On 29 November 2007, Chameleon Mining NL ("Chameleon") commenced legal proceedings in the Federal Court against Murchison and other respondents. Chameleon is claiming an interest in the Jack Hills and Weld Range projects and/or Murchison's shares in Crosslands arising out of a series of transactions that occurred in 2004.

On 20 October 2010, Justice Jacobson handed down his decision and dismissed Chameleon's claim that it was entitled to an interest in either the Jack Hills iron ore project and/or Murchison's shares in Crosslands. Justice Jacobson made orders to the effect that:

1. There is no constructive trust over the Jack Hills iron ore project or Murchison's shares in Crosslands.
2. Murchison is liable to pay Chameleon a portion of the profit it received as a consequence of the investment of $277,840 in Crosslands from 24 July 2004 to the present time. Murchison notes that it has not been paid any dividends as a consequence of its investment in Crosslands. As an alternative, Chameleon is entitled, at its election, to equitable compensation of $277,840 from Murchison plus interest at commercial rates on a compounding basis.
3. Crosslands is liable to pay Chameleon the profit obtained by it from the use of $152,750 on the same basis as Murchison. Murchison notes that the project operated at a loss over the relevant period. As an alternative, Chameleon is entitled, at its election, to equitable compensation of $152,750 from Crosslands plus interest at commercial rates on a compounding basis.

Chameleon Mining NL (continued)

4. Murchison is not liable to pay Chameleon for 10 million shares in Murchison received by another defendant in the proceedings or for the profits from the sale of those shares.

Justice Jacobsen's decision had made it clear that there is no claim to any future income or profits from the Jack Hills project.

On 4 February 2011, Chameleon Mining NL was granted leave to appeal against Justice Jacobsen's decision. Murchison and Crosslands have been granted leave to cross appeal in respect of certain findings and orders. The Court also made an order sought by Murchison that the hearing of the appeals be expedited.

Murchison has made a provision for $546,000 (Note 15) being equitable compensation of $277,840 plus interest at commercial rates on a compounding basis from 24 July 2004 to 20 October 2010. No other provisions have been made.

Equitable Investments

In November 2010, Equitable Investments Ltd (EIL) commenced proceedings against Murchison in the NSW Supreme Court (Proceedings) asserting that it is entitled to the issue of 3.9 million shares and 1.9 million options in Murchison. The Proceedings relate to an agreement made in November 2003 for the sale and purchase of EIL's shares in ATL Exploration Ltd (ATL). It appears from documents available to Murchison that, at the relevant time, EIL was an entity associated with Phillip Grimaldi and Landon Roberts who, at that time, were also directors of Murchison.

By its defence (and a cross-claim), Murchison alleges that the ATL transaction was a breach of duty by the directors of Murchison at the time of the transaction. Murchison considers it has good prospects of defending the Proceedings and of succeeding in its recovery cross-claim. No provision has been made in the financial statements as Murchison is unable to determine if it is probable that an outflow of economic resources will occur.

19. SUBSEQUENT EVENTS

Subsequent to period end, the Board approved Murchison entering into the Facility agreement and security documentation for the US$100 million bridging finance facility with RCF. The Board also approved the issue of 4.2 million options to RCF as the establishment fee payable under the Facility. The Facility agreement and associated documents were executed on 15 March 2011 with only minor condition precedents pertaining to administrative matters remaining to be resolved prior to the Facility being available for drawdown. Murchison expects that the condition precedents will be satisfied within a matter of days and the Facility will be available for drawdown by 18 March 2011.

20. INTEREST IN JOINTLY CONTROLLED OPERATIONS AND ASSETS

The consolidated entity had the following interests in joint venture operations:

		OUTPUT INTEREST	
NAME OF OPERATION	PRINCIPAL ACTIVITY	31 DEC 2010	30 JUN 2010
Oakajee Port	Infrastructure	50%[5]	50%[5]
Oakajee Rail	Infrastructure	50%[5]	50%[5]
Tarraji	Mineral Exploration	10%	10%
Duck Hill	Mineral Exploration	50%	50%
Turtle	Mineral Exploration	65%	65%
Halls Creek	Mineral Exploration	10%	10%

[5] The Group holds a 25% interest in Oakajee Port & Rail through MMX Port Holdings Pty Ltd and an additional 25% indirect interest through Murchison's 50% interest in Crosslands Resources Ltd.

20. INTEREST IN JOINTLY CONTROLLED OPERATIONS AND ASSETS (CONTINUED)

Mineral exploration joint ventures

These joint ventures are of the type where initially one party contributes tenements with the other party earning a specified percentage by funding exploration activities; thereafter the parties often share exploration and development costs and output in proportion to their ownership of joint venture assets. There has been no activity in these tenements for the period ended 31 December 2010 (30 June 2010: $nil) and there are no significant assets or liabilities to be disclosed for the period ended 31 December 2010 (30 June 2010: $nil).

Infrastructure joint ventures

The joint ventures are not separate legal entities. They are contractual arrangements between participants for the sharing of costs and outputs and do not in themselves generate revenue and profit.

Joint venture net assets

The consolidated entity's share of significant assets and liabilities in jointly controlled operations are detailed below. The amounts are included in the consolidated financial statements in their respective categories:

	CONSOLIDATED	
Non-current assets	**31 DEC 2010**	**30 JUN 2010**
	$'000	**$'000**
Exploration and evaluation expenditure[6]	46,223	32,313

[6] This figure represents the Group's 25% direct interest in Oakajee Port and Rail exploration and evaluation expenditure held through MMX Port Holdings Pty Ltd. The Group also has an additional 25% indirect interest in Oakajee Port and Rail exploration and evaluation expenditure through Murchison's 50% interest in Crosslands Resources Ltd. Murchison's indirect interest in Oakajee Port and Rail exploration and evaluation expenditure is $46,233,000 (30 June 2010: $32,313,000) resulting in a total interest for Murchison (25% direct plus 25% indirect) of $92,466,000 (30 June 2010: $64,626,000). Oakajee Port and Rail unincorporated joint venture operations have spent a total of $184,932,000 (30 June 2010: $129,252,000) on exploration and evaluation expenditure as at 31 December 2010, in connection with evaluating the commercial viability of the Jack Hills deposit.

In accordance with a resolution of the Directors of Murchison Metals Ltd I state that:

In the opinion of the Directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the financial position as at 31 December 2010 and the performance for the half year ended on that date of the consolidated entity; and

   (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

(b) subject to the matters disclosed in Note 2, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Mr Trevor Matthews
Director
Perth, 16 March 2011

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To the members of Murchison Metals Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Murchison Metals Limited, which comprises the statement of financial position as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001 . As the auditor of Murchison Metals Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Murchison Metals Limited is not in accordance with the Corporations Act 2001, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualifying our review conclusion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 2 to the half-year financial report, there is a material uncertainty whether the consolidated entity will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they become due and payable and realise its assets and extinguish its liabilities in the normal course of operations and at the amounts stated in the half-year financial report. The half-year financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
Perth
16 March 2011