

ASX ANNOUNCEMENT

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OAKAJEE INFRASTRUCTURE PROJECT AND JACK HILLS EXPANSION PROJECT SUMMARY

Murchison Metals Limited ("Murchison") is pleased to provide the following project summary for the Oakajee infrastructure project and the Jack Hills Expansion Project ("JHEP").

To date, more than \$380 million has been jointly expended on advancing both projects by Murchison and its joint venture partner Mitsubishi Development Pty Ltd ("Mitsubishi"), to position Oakajee Port & Rail ("OPR") and JHEP owner Crosslands Resources Ltd ("Crosslands") to deliver Bankable Feasibility Studies ("BFS") for the projects by the end of the June Quarter 2011.

Construction of both projects is anticipated to commence in early 2012.

Highlights

OPR

- OPR expenditure to date +\$215 million;
- OPR named preferred proponent to develop Oakajee deepwater port in July 2008;
- OPR awarded exclusive rights to develop port and northern rail infrastructure in March 2009;
- State and Federal governments jointly commit \$678 million to fund Common Use Infrastructure at port in May 2009;
- Draft port and rail BFS completed and delivered to WA Government in March 2010;
- Memoranda of Understanding signed with Foundation Customers in August 2010;
- Detailed Technical Engineering Study for port and rail projects completed November 2010;
- Port and rail BFS on track for delivery in June Quarter 2011;
- Deadline for completion of Implementation Agreements with WA Government under Oakajee State Development Agreement ("SDA") extended to end 2011;
- Optimisation, value engineering and cost compression program ongoing;
- Preliminary engineering design completed for incremental port expansion above 45mtpa;
- Oakajee port and rail projects recommended for approval by Environmental Protection Authority of Western Australia;
- Heritage and native title negotiations progressing with relevant Aboriginal groups;

Crosslands

- Stage 1 Jack Hills mine development commissioned by Murchison in December 2006;
- First shipments in February 2007;
- Over 6 million tonnes DSO lump and fines shipped to date;
- JHEP expenditure to date +\$165 million;
- JHEP BFS on track for delivery in current quarter;
- JHEP resource increased to 3.22 billion tonnes @32.3%Fe;
- JHEP flowsheet finalised, confirming initial concentrate production base of +20 mtpa (in addition to Direct Shipping Ore lump and fines);
- Scope for expansion to +30mtpa concentrates (plus DSO);
- Base case mine life of 28 years;
- Premium quality product specification demonstrated by metallurgical testwork;
- Strong customer demand confirmed in mid 2010 with Letters of Intent signed with leading Asian steel mills for the supply of +55 mtpa of concentrate;
- Plant layout and rail loop finalised to minimise waste haulage and double handling;
- Water supply capacity of Byro Basin confirmed and water extraction licence applications submitted to Department of Water;
- Power/gas supply negotiations progressing;
- Gas pipeline licence granted by Department of Mines and Petroleum;
- JHEP assessed as “not a controlled action” under federal Environment Protection and Biodiversity Conservation Act in March 2011. State environmental approvals anticipated in September Quarter 2011;
- Heritage and Native Title negotiations targeted for completion in September Quarter 2011.

Financing

- Joint Venture agreements executed with Mitsubishi in September 2007;
- Initial payment of \$150 million for a 50% interest in Crosslands made by Mitsubishi in September 2007;
- Deferred Payment for Mitsubishi’s 50% interest in Crosslands expected in December Quarter 2011, prior to a final investment decision;
- Mitsubishi to manage arrangement of all debt funding for JHEP and infrastructure projects under Umbrella Financing Agreement (“UFA”);
- Mitsubishi required to provide to Murchison up to \$400 million in contingent equity type facilities under the UFA;
- Planning for debt funding arrangements well advanced with Mitsubishi;
- Draft short form terms sheets completed with syndicate of domestic and international commercial banks, including all four major Australian banks;
- Draft long form terms sheets under preparation for prospective debt providers, including Export Credit Agencies (“ECAs”);
- ECA engagement process well advanced, including road show in Japan, South Korea and China in March;
- Firm credit offers from debt providers targeted for December Quarter 2011;
- 12 month US\$100m bridge finance facility executed with RCF.

OPR

To date more than \$215 million has been invested by Murchison and Mitsubishi in OPR to advance the infrastructure BFS to its current advanced state, positioning OPR to deliver a BFS by the end of the current quarter.

OPR was named preferred proponent for the Oakajee port development in July 2008, and was subsequently awarded exclusive rights to develop both the port and associated 570km heavy haulage northern rail infrastructure on signing of the SDA for the project in March 2009. The WA and Federal Governments subsequently jointly committed \$678 million for construction of Common Use Infrastructure (“CUI”) at the port, reflecting the Oakajee project’s significance to the WA and national economies.

In March 2010, OPR delivered a Draft BFS to the WA Government for the port and rail projects. Building on the positive results of this Draft BFS, a Technical Engineering Study was completed in November 2010 to refine key design and engineering details for both the port and rail projects. The study forms a critical part of the BFS.

A comprehensive value engineering and cost/schedule compression program is in progress to optimise the project and finalise all capital estimates, inclusive of the government-funded CUI such as the breakwater, turning channel, navigation aids and ancillary facilities.

The 2.5km breakwater is a critical component in the CUI infrastructure, and is necessary to cope with the wave and weather conditions which prevail on the high-energy mid-west coastline.

Extensive 3D model testing of the breakwater has been conducted overseas by HR Wallingford (UK), focusing on the stability of the structure at different stages of construction and under the influence of different magnitude storm events. At the request of the State, the cumulative effect of six successive 1 in 10 year storms on the design was studied with positive results. A modified breakwater design is also under consideration at the request of the State.

On 4 November 2010, Murchison and Mitsubishi announced revised project schedules. As a consequence, Murchison and Mitsubishi requested an extension of the date specified in the SDA for completion of detailed Implementation Agreements with the State. The Implementation Agreements detail the specific responsibilities of the parties in relation to the port and rail projects. The WA Government agreed to grant the extension on 2 March 2011, and an agreement recording the extension was executed on 5 April 2011.

The date for completion of the Implementation Agreements has now been extended to 31 December 2011. Negotiations to finalise the Implementation Agreements are progressing, with key terms expected to be settled by mid-2011.

Three mid-west iron ore producers – Crosslands, Karara Mining Ltd, and Sinosteel Midwest Corporation – were selected as proposed Foundation Customers by OPR in March 2010 following a detailed evaluation process. Memoranda of Understanding were subsequently signed with each of the proposed Foundation Customers in August 2010. OPR is targeting completion of formal Supply Chain Agreements (“SCAs”) in the September Quarter 2011.

A key feature of OPR’s development plan is that the Oakajee port and rail facilities have been engineered to enable cost-effective expansion of capacity. This expansion capability is consistent with the WA Government’s clear objective of fostering the expansion of the mid-west iron ore industry.

Requests for capacity from proposed Foundation Customers in February 2010 significantly exceeded the port's initial targeted nameplate capacity of 35mtpa, leading to a revision of the design to increase initial capacity to 45mtpa. OPR also received indicative interest from other prospective miners for additional capacity beyond 45mtpa.

Consequently, OPR has already completed preliminary engineering for low-cost expansions of port capacity beyond 45mtpa.

The current detailed design for 45mtpa has one rail dumper, one reclaimer and shiploader serving two Cape size berths, plus a 37t axle load railway of 570km with 8 trains of up to 180 wagons. Capacity can be expanded to 55mtpa by the addition of a second shiploader. Expansion from 55mtpa to 75mtpa can be achieved with the addition of a second car dumper and associated rail track. This has also been subject to engineering design and tested with operational modeling of the logistics chain.

The railway will be a Pilbara style heavy haulage network, with increasing tonnage corresponding to the port capacity possible with expansion in the rolling stock fleet and additional passing loops. At higher tonnage, the railway has been designed to allow longer trains with three locomotives and up to 260 wagons.

The regulatory approvals process for the port and rail projects is also well advanced. WA's Environmental Protection Authority recommended approval of both the terrestrial port and rail projects, with final Ministerial approval anticipated in the September Quarter 2011. The marine component of the port development already has conditional state environmental approval. Federal environmental approvals for the port and rail proposals are also anticipated in the September Quarter of 2011.

Similarly, discussions are progressing with relevant Aboriginal groups to finalise heritage and native title agreements, and negotiations will soon begin regarding long term land access agreements with 60 affected landholders along the 570km rail corridor to allow construction and commercial operations. OPR has existing land access agreements in place with all affected landholders for rail feasibility works.

Crosslands

To date, more than \$165 million has been invested by Murchison and Mitsubishi on the JHEP, in addition to investment in Crosslands' existing Stage 1 Jack Hills iron ore mine which has exported more than 6 million tonnes of premium DSO lump and fines since shipments began in February 2007.

As announced previously, the BFS for the JHEP is on track to be delivered in the current quarter in order to begin exports through Oakajee by early 2015.

A number of significant milestones have been achieved in recent months which underpin Murchison's confidence in the JHEP and its potential to become the single biggest iron ore producer in the mid-west and primary user of OPR's infrastructure services.

Extensive drilling since 2006 has confirmed Jack Hills as one of the biggest JORC-standard iron ore resources in the mid-west region. As announced in September 2010, the current Jack Hills Mineral Resource Estimate stands at 3.22 billion tonnes grading 32.3% Fe¹, of which some 2.16 billion tonnes are in the Measured and Indicated categories.

Extensive metallurgical testwork of representative samples taken from the entire 7km strike length of the Jack Hills orebody has confirmed its potential, through processing, to yield premium quality magnetite and hematite concentrates, supplemented by additional production of DSO lump and fines.

The testwork demonstrated the JHEP could produce premium grade magnetite pellet feed concentrate, averaging in excess of 68% Fe and a hematite sinter feed concentrate averaging over 64% Fe. The natural mineralogy of the Jack Hills resource ensures that all JHEP products will contain extremely low levels of alumina and phosphorous, two contaminants which attract significant price penalties from steel makers.

Crosslands' pellet concentrates are premium products and, as such, are expected to attract premium prices. The sinter feed concentrate is expected to be attractive to North Asian steel makers as an important part of the sinter blend to offset declining grades of other iron ores.

Notwithstanding such factors, development of the JHEP is predicated on long term iron ore price forecasts which remain well below current market prices.

Strong market support for JHEP products has been confirmed by Crosslands' signing Letters of Intent (LoI) for the supply of more than 55mtpa of concentrates from the JHEP. These LoIs have been struck with top tier Asian steel producers, including major steel makers in Japan and South Korea and four of China's five top steel mills. These LoIs are expected to be converted to formal long term sales agreements for the JHEP's projected annual output over the coming months.

Crosslands' successful marketing of JHEP production also reflects the strong customer support established for Jack Hills products since exports from the existing Stage 1 mine began in February 2007.

Crosslands' extensive metallurgical testwork resulted in the selection in March 2011 of the preferred flowsheet design for the JHEP processing plant from eight competing alternatives. The selected flowsheet, comprising a two-module concentration circuit, confirmed a foundation production case of +20mtpa of concentrates, in addition to supplementary volumes of DSO lump and fines, with scope for expansion to +30mtpa of concentrates with the addition of a third module.

Supporting that production case, the base case mining schedule has been finalised, based on an initial mine life of 28 years. The JHEP mine plan envisages a high-volume strip mining method utilising large-scale mining fleet at multiple working faces to produce a consistent quality of ore feed for the processing plant, with a life of mine average waste:ore strip ratio of approximately 1:1.

The plant design incorporates established equipment and processing technologies used domestically and internationally within the iron ore and other extractive industries.

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.

Crosslands has also finalised the plant site layout and rail loop in order to minimise operating costs by minimising waste haulage and double handling.

Good quality water sources are a key requirement of the JHEP, with annual consumption estimated at up to 26 gigalitres. Extensive water exploration drilling has successfully identified the nearby Byro Basin and Murchison Paleochannel as potential sources of supply. Crosslands' applications for water licenses are now being assessed by the WA Department of Water.

Similarly, initiatives to secure power are progressing.

The base case for the BFS is premised on power for the mine being provided by an Independent Power Producer ("IPP") operating a gas-fired power station on site, fed via a gas lateral connected to the Dampier-Bunbury pipeline.

Discussions with major gas suppliers are progressing, following the receipt of terms sheets in the December Quarter 2010. A gas pipeline licence was granted by the WA Department of Mines and Petroleum in April 2011, while the owners of the Dampier-Bunbury gas pipeline have begun front end engineering and design for an expansion of the pipeline's capacity.

Separately, discussions are progressing for alternative energy supply options, including potential supply from existing electricity providers via the South West Interconnected System.

Significant progress has also been achieved on the regulatory front.

In April 2011, the Commonwealth Department of Sustainability, Environment, Water, Population and Communities determined the JHEP was not a controlled action under the Environmental Protection and Biodiversity Conservation Act and does not require further assessment by federal environmental authorities.

Final State environmental approvals are anticipated in the September Quarter 2011.

Negotiations with Traditional Owners are also well advanced with respect to heritage clearances and Native Title. Conclusion of these matters is anticipated in the September Quarter 2011.

Financing

Planning for debt funding arrangements for both OPR and Crosslands are well advanced under the Umbrella Financing Agreement ("UFA") with Mitsubishi. Under the UFA, Mitsubishi is required to manage the arrangement of all debt funding for both the infrastructure and JHEP developments, according to minimum agreed gearing levels of 60% debt for the infrastructure projects and 50% for the JHEP.

As part of this process, Murchison and Mitsubishi have been working with a syndicate of domestic and international commercial banks, including all four major Australian banks, on the financing strategy since mid 2010. Draft terms sheets are under preparation for proposed financing arrangements while detailed engagement with Export Credit Agencies, which are expected to be major debt providers, is well advanced.

That engagement process included a Mitsubishi-led road show to the major ECAs in Japan, South Korea and China during March.

Formal negotiations with commercial banks and ECAs will step up on completion of the BFSs for the infrastructure and mine projects, with formal credit offers targeted for the December Quarter 2011.

The remaining project funding requirements will be met by equity contributions from Murchison and Mitsubishi on a 50:50 basis. To that end, Murchison will be able to use the Deferred Payment that Mitsubishi is contractually required to make to Crosslands as part of the consideration payable for its acquisition of a 50% interest in Crosslands in September 2007.

Under the 2007 agreement, Mitsubishi paid an initial \$150 million in cash as part payment for its 50% interest and is required to make the Deferred Payment following fulfillment of various conditions, including completion of the BFSs for both OPR and Crosslands.

The Deferred Payment will be determined according to the agreed Net Present Value ("NPV") of the JHEP, based on a pre-agreed set of inputs such as long-term forecasts for iron ore prices and exchange rates.

If Murchison and Mitsubishi cannot reach agreement on the final NPV, it will be determined by an independent expert, appointed by mutual agreement, whose decision will be final.

Mitsubishi must then pay 100% of the final agreed NPV less \$75 million, into Crosslands. This cash will be used by Murchison and Mitsubishi as equity funding for development of the JHEP and infrastructure projects.

The Deferred Payment will be made following the receipt of all material government and regulatory and third party approvals, completion of Implementation Agreements with the WA Government for the infrastructure project, firm credit offers from the debt providers, finalisation of iron ore offtake agreements and infrastructure customer agreements, and selection of EPCM contractors. This is anticipated to occur by the end of 2011.

Murchison will also be able to access up to \$400 million in additional contingent equity type funding that Mitsubishi is required to provide to Murchison under the UFA at Murchison's election.

The Company is also evaluating a wide range of other potential funding options should they be required. Murchison's strategic interests in the world-class OPR and Crosslands businesses provide Murchison with significant flexibility to structure alternative funding arrangements.

In July 2010 South Korea's leading steel producer Posco, which has been a shareholder and strategic partner of Murchison since late 2005, increased its shareholding in Murchison to 13.9% to become Murchison's single biggest shareholder. As a major offtake customer of Crosslands, Posco is a long term supporter of the Oakajee infrastructure project and JHEP.

Separately, in March 2011 Murchison executed a US\$100 million bridging finance facility with specialist Denver-based resources investor Resource Capital Funds. One of the funds managed by RCF is a major long term shareholder in Murchison. This 12 month facility provides significant funding with minimal dilution for existing Murchison shareholders. At the end of the March Quarter 2011, the company had cash, liquid investments and undrawn loan facilities (including the RCF facility) of approximately \$116 million.

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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.

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.