ASX ANNOUNCEMENT **ASX CODE: MMX**

21 September 2009

2009 - A YEAR OF GREAT PROGRESS FOR MURCHISON METALS

Highlights

- Selection of OPR by WA Government as developer of deepwater port at Oakajee
- Execution of State Development Agreement for development of integrated port and rail infrastructure to serve mid-west miners
- $678 million commitment for Oakajee from State and Federal governments
- Mineral resource of more than 1 billion tonnes at Jack Hills[1], targeting an additional 400m to1000m tonnes[2]
- 1.65 million tonnes mined in FY09 from Jack Hills stage 1 starter project
- NPAT of $700,000 on group revenue of $32 million.

Murchison Metals Limited (Murchison) is pleased to present its financial statements for the 2009 financial year.

2009 was a year of great progress on the development of Murchison's assets, including its 50% interest in each of Crosslands Resources Ltd (Crosslands), owner of the Jack Hills iron ore project, and Oakajee Port and Rail (OPR), developer of new port and rail infrastructure to serve the mid-west mining industry.

Murchison Executive Chairman Paul Kopejtka said the events of 2009 confirmed the Company's pivotal position in the development of the mid-west as one of Australia most prospective new mining provinces.

"Murchison has a 50% interest in both the infrastructure that will serve all miners in the region and in the Jack Hills mine, which is shaping up as potentially one of the biggest mining projects in the region," said Mr Kopejtka.

"This positions Murchison for a very bright future, with opportunities to drive value for shareholders operationally and corporately."

The key development of the 2009 financial year was the selection of OPR as the WA Government's preferred developer of a deepwater port at Oakajee and the associated rail infrastructure in the state's mid-west, to serve the burgeoning iron ore industry.

This was followed in March 2009 by the signing of a State Development Agreement (SDA) between the WA Government, OPR, Murchison and Mitsubishi Development Pty Ltd, which holds the remaining 50% interest in Crosslands and OPR.

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1 Refer ASX Announcement 4 Feb 2009 for full details on Jack Hills Mineral Resource
2 Refer ASX Announcement 3 September 2009 for full details on Jack Hills exploration target

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The SDA provides exclusive rights to OPR to develop the deepwater port at Oakajee and the northern rail link to bring iron ore from Jack Hills and other mines in the mid-west to the Oakajee port for export to customers overseas.

The Oakajee project received a major boost during FY09 when the State and Federal governments each committed $339 million in funding to the project, signaling to all stakeholders high level government support for the project as a means of unlocking the value of mineral deposits in the mid-west.

Crosslands also reported major developments during the 2009 financial year, notably the announcement of a Mineral Resource of 96mt of DSO at 58.7% Fe and 991mt of beneficiation feed (BFO) at 34.1% Fe.

A further $23 million exploration program – one of the biggest running in Australia this year – was launched to expand and upgrade the established resource.

Subsequent to year end, Crosslands announced that based on results from the current exploration program Crosslands is targeting an additional **400m to 1,000 million tonnes** of BFO with a component of DSO.

If fully realised, these additional tonnages would potentially lift the project size to 2.1 billion tonnes.

"These announcements underline the significance and value of the Jack Hills project and give us great confidence in the potential for Jack Hills to become a large scale, multi-decade project with high quality product," said Mr Kopejtka.

In FY09, Crosslands mined some 1.65 million tonnes of ore at its Jack Hills stage 1 project, delivering further early cashflow to the project partners as the stage 2 development plan is progressed. Before corporate overheads and its share of OPR expenses, Crosslands generated earnings before interest, tax and depreciation in excess of $13.5 million.

Along with revenue from the sale of the Company's holding in Midwest Corporation, this revenue helped Murchison deliver a positive net profit result of $700,000 for the full financial year.

"All of these developments with OPR and Crosslands demonstrate the significant intrinsic value of Murchison, a fact acknowledged by investors such as POSCO and Chinese group Sinosteel, both of which increased their interests in the Company during the year (to 12.1% and 6.1% respectively)," said Mr Kopejtka.

"We now have great momentum with our mining and infrastructure projects and look forward to another strong year and to delivering additional value for all of our shareholders in 2010."

-Ends-

For further information, please contact:

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Executive Chairman	Director
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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 has a 50% economic interest in Oakajee Port and Rail (OPR), an independent infrastructure business 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 Development Pty Ltd ("Mitsubishi"), a subsidiary of Mitsubishi Corporation, Japan's largest general trading company.

Murchison is also a 50% shareholder in Crosslands Resources Ltd 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.

In addition to its investments in Crosslands, OPR and its Rocklea iron ore project (100% Murchison) located in the Pilbara, Murchison is actively exploring growth opportunities in iron ore, coal and manganese in accordance with its approved corporate strategy.

Murchison Metals Ltd
and Its Controlled Entities
ABN 38 078 257 799

Financial Report
for the year ended
30 June 2009

MURCHISON METALS LTD
AND ITS CONTROLLED ENTITIES
ABN 38 078 257 799

DIRECTORY

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

COMPANY SECRETARY
Chris Foley

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Australian Stock Exchange Ltd
Exchange Centre,
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ASX Code: MMX

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Perth WA 6000

SOLICITORS
Freehills
QV.1 Building
250 St George's Terrace
Perth WA 6000

Middletons
6 Kings Park Road
West Perth WA 6005

BANKERS
Commonwealth Bank of Australia

MURCHISON METALS LTD
AND ITS CONTROLLED ENTITIES
ABN 38 078 257 799

FINANCIAL REPORT

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DIRECTORS' REPORT

The directors present their report on Murchison Metals Ltd ("the Company") for the financial year ended 30 June 2009.

DIRECTORS

The names of directors of the Company in office at any time during or since the end of the year are:

Paul Kopejtka	
Trevor Matthews	
Rodney Baxter	(Appointed: 22 January 2009; ceased: 11 February 2009; re-appointed: 11 February 2009)
James McClements	
Sun Moon Woo	
Robert Vagnoni	(Resigned: 10 October 2008)

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

COMPANY SECRETARY

The following person held the position of Company Secretary during the financial year:

Chris Foley

Qualifications: BJuris, BLaws, ACIS

PRINCIPAL ACTIVITIES

The principal activities of the Company were mineral exploration, project development and iron ore mining operations. During the financial year the Company undertook the following activities:

- Exploration at the Rocklea project.
- Participated in the management of Crosslands Resources Ltd which is undertaking:
  - Continued exploration and mining at the Jack Hills iron ore project; and
  - Continued work on feasibility studies for the expansion of the Jack Hills project.
- Participated in the management of Oakajee Port and Rail Pty Ltd which is managing studies for the construction of the new port and rail infrastructure in the mid-west region of WA.
- Assessment of opportunities in the bulk commodities sector.

CHANGES IN STATE OF AFFAIRS

There was no significant change in the state of affairs of the consolidated entity during the financial year.

OPERATING RESULT

The profit / (loss) after providing for income tax amounted to the following:

Consolidated		Company	
2009	**2008**	**2009**	**2008**
$'000	**$'000**	**$'000**	**$'000**
732	55,629	(5,798)	(27,101)

DIVIDEND PAID OR RECOMMENDED

No dividends have been paid or declared by the Company during the year (2008: $nil).

REVIEW OF OPERATIONS

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.

Further details of the activities of Crosslands and OPR for the year ended 30 June 2009 appear below.

In addition to its investments in Crosslands and OPR, Murchison is the owner of the Rocklea iron ore project located in the Pilbara region of WA. Murchison is also actively exploring growth opportunities in iron ore, coal and manganese in accordance with its approved corporate strategy.

Corporate

The Group reported a net profit after tax for the year ended 30 June 2009 of $0.7 million. This profit is calculated taking into account the profit made on the sale of the Company's investment in Midwest Corporation of $25.9 million, less various corporate expenses which include share based payments ($1.3 million), settlement of litigation ($6.5 million) and various legal and consultants expenses ($4.7 million).

As at 30 June 2009, Murchison was debt free and had cash and liquid investments of $126 million.

REVIEW OF OPERATIONS (CONTINUED)

Sale of Midwest Shares

On 11 September 2008, Murchison disposed of its shareholding in Midwest Corporation Limited ('Midwest') when it accepted Sinosteel's takeover offer for Midwest. Murchison held 21.2 million shares representing a 9.2% stake in Midwest. The sale of the holding realised approximately $135 million.

Board and Management

In October 2008, the Company announced the resignation of Mr Robert Vagnoni as an Executive Director. Mr Vagnoni was a founding director of Murchison and made a significant contribution to the Company particularly in respect to the successful development of stage 1 of the Jack Hills project.

During the year, the Company strengthened its Board and management with a number of key appointments. On 22 January 2009, Mr Rod Baxter was appointed as a Non-Executive Director of the Company. Mr Baxter was most recently Managing Director of Consolidated Minerals Ltd. Prior to joining Consolidated Minerals, Mr Baxter held various senior executive and business development roles at Anglo American and Anglo Platinum. Mr Baxter brings to the Board a track record of operational achievement and outstanding corporate success.

The Company also strengthened its management team with the appointment of Mr Luca Rocchi in the role of Chief Mining Engineer and Mr Jamie Wright in the role of Manager – Corporate Development.

Mr Rocchi has 28 years experience in the mining industry in Australia. He has held a number of operational and technical roles ranging from supervisory and management through to technical positions. In his previous role as Manager Resource Strategy for BHP Billiton - Illawarra Coal, he was responsible for the long term planning of the operations and the future development options for the organisation. Mr Rocchi is a Member of the Australian Institute of Mining and Metallurgy. He also holds a First Class Mine Managers Certificate of competency as well as a Masters Degree in Mining Management from the University of Wollongong.

Mr Wright has more than eight years experience in corporate finance, investment banking and the mining industry. Prior to joining Murchison, Mr Wright worked with RFC Corporate Finance Ltd, a specialist resources-focused investment bank, where he advised on mergers and acquisitions, strategy assignments and public markets listings for Australian and international mining companies. His qualifications include a B Eng (Mining) and BSc (Geology) as well as a Graduate Diploma in Applied Finance and Investment.

Mitsubishi Arrangement

The Company entered into an alliance with Mitsubishi Development Pty Ltd (Mitsubishi), a subsidiary of Mitsubishi Corporation, Japan's largest general trading company, under which two jointly owned businesses were established, each 50% owned by Murchison and Mitsubishi.

Mitsubishi paid an initial $150 million for its interest in the Jack Hills project, and is required to make a further payment when feasibility studies for the mine and infrastructure projects have been completed. This further payment will be calculated according to the assessed fair value of the project at that time, with Mitsubishi required to pay half the assessed value of the project, minus $75 million (equivalent to half its initial payment). It is expect that this deferred payment will cover the equity component of Murchison's share of project funding.

Constitution

On 11 February 2009, a general meeting of shareholders of the Company approved the adoption of a new Constitution. The new Constitution is up to date with current laws and is drafted in a clear modern style. The Constitution includes a proportional takeover approval rule which will allow members to decide whether any proposed proportional takeover bid for the Company is acceptable and should be permitted to proceed.

REVIEW OF OPERATIONS (CONTINUED)

Settlement of Evans and Koh Litigation

Subsequent to year end, the Company settled the legal proceedings brought against the Company by David Evans and SH Koh, former directors of Chameleon Mining NL ("Chameleon").

The litigation, which commenced in March 2005, concerned an agreement made in 2004 between the plaintiffs and Nicu Metals Ltd (now Murchison) before the current Murchison Board and senior management group were appointed. The plaintiffs had claimed a 5% interest in the Jack Hills iron ore project and a quantity of Murchison shares.

Chameleon, which claimed to have an interest in the litigation under an agreement with the plaintiffs, had estimated the value of the claim to be in the order of $150 million - $250 million. Under the terms of the settlement, Murchison agreed to issue 3.5 million shares, make a payment of $350,000 and pay the plaintiff's costs (to be assessed).

Chameleon Litigation

On 29 November 2007, Chameleon Mining NL ("Chameleon") commenced legal proceedings in the Federal Court against Murchison, Crosslands and several other parties. Chameleon is claiming an interest in the Crosslands' Jack Hills and Weld Range projects and / or Murchison's shares in Crosslands, arising out of a series of transactions that occurred in 2004 before the current Board and management of Murchison were appointed. The matter is listed for a 4 week hearing commencing 28 September 2009.

Based on work undertaken since the claim was received and having reviewed the evidence that has been filed by Chameleon to date, Murchison maintains its previously announced view that there is no sustainable, factual basis for the Chameleon claim so far as it constitutes a claim for a substantial interest in Crosslands' Jack Hills or Weld Range tenements and/or in Murchison's shares in Crosslands.

Rocklea project

Murchison's 100% owned Rocklea project is located in the Pilbara region of WA between the towns of Tom Price and Paraburdoo, and is situated near existing and planned rail infrastructure.

On 2 February 2009, Murchison announced a maiden Inferred Mineral Resource estimate[1]. Based on the results of drilling, the maiden JORC compliant Inferred Mineral Resource is estimated to be:

Size	CaFe	Fe	P	SiO2	Al2O3	LOI	Cut Off
100 Mt	59%	52%	0.03%	9.6%	3.4%	11%	≥ 50% Fe
including:							
58 Mt	60%	53%	0.03%	8.8%	3.0%	11%	≥ 52% Fe

Channel Iron Deposits made up about one third of Australia's total iron ore production in 2008 and are highly valued by customers for their high value in use and ultra-low phosphorous levels. Iron Ore producers also favour this deposit style for the low strip ratios and low mining costs.

[1] Refer to ASX announcement 2 February 2009 for full details of the Mineral Resource

REVIEW OF OPERATIONS (CONTINUED)

While the iron grades tend to be lower than the more traditionally exploited Bedded Iron Deposits, much of this is accounted for as water of crystallisation, measured as LOI, which is easily burnt off in the sintering process. It is therefore the calcined iron (CaFe) grade and key contaminant levels, which should be used to assess the quality of iron ore deposits.

In April 2009, Murchison commenced a comprehensive program of work in preparation for a scoping study. An RC drilling program, focusing on the eastern part of the project where the maiden resource was identified, has been completed. A 14 hole diamond drilling program targeting samples for metallurgical testwork has also been completed. The drilling program forms part of a scoping study of the Rocklea project that will consider mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. Murchison is targeting the fourth quarter of 2009 for completion of the study.

The study is taking place against a background of increased activity in the Pilbara particularly in respect to infrastructure options for small and mid-cap miners.

CROSSLANDS RESOURCES LTD (MURCHISON 50% INTEREST)

Crosslands' Stage 1 operations utilises 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.

Stage 2 of the Jack Hills project is targeting a substantial expansion of annual production capacity. Feasibility studies for Stage 2 of the Jack Hills project are well advanced.

Stage 1 Operations

Mining

Ore mined for the year ended 30 June 2009 was 1,656,202 tonnes (463,531 bcm) compared to the previous year of 1,610,801 tonnes (460,540 bcm).The average grade of ore mined was 65.2% Fe for lump and 62.6% Fe for fines.

The strip ratio was 4.2:1 for the year. This was higher than expected due to the additional work undertaken during the year on the western wall cutback. The strip ratio improved as mining was concentrated in the T1 pit area.

A total of 1,604,539 tonnes were crushed for the year, compared to 1,640,642 tonnes in the prior year.

Production Summary

A comparative summary of operations performance for the year and previous two years is presented below.

Production Summary		30 June 2009	30 June 2008	30 June 2007	Project to Date
Volume Waste	BCM	1,957,853	2,063,881	974,963	4,996,697
Volume Ore	BCM	463,531	460,540	188,230	1,112,301
Ore Mined	Tonnes	1,656,202	1,610,801	709,811	3,976,814
Ore Crushed	Tonnes	1,604,539	1,640,642	689,401	3,934,582
Ore Hauled to Port	Tonnes	1,472,030	1,321,650	407,123	3,200,803
Ore Shipped - Lump	Tonnes	869,470	1,036,638	248,144	2,154,252
Ore Shipped - Fines	Tonnes	602,112	308,385	53,128	963,625
Grade - Lump	%Fe	65.2%	64.7%	64.2%	64.8%
Grade - Fines	%Fe	62.6%	62.0%	60.6%	62.3%

REVIEW OF OPERATIONS (CONTINUED)

Haulage

Total ore transported to the Geraldton Port for the year ended 30 June 2009 amounted to 1,472,030 tonnes, compared to the previous year of 1,321,650 tonnes. This was an increase of 11% on the prior year.

During the year, haulage was impacted on a number of occasions by adverse weather conditions, which flooded sections of the haulage roads.

Six new triple roadtrains for ore haulage between Cuddingwarra and Geraldton Port were brought into service during the year. This brings the total number of specialised belly dumping triple roadtrains in service to 36. The primary haulage contractor has undertaken significant structural changes and as a result, coupled with the additional roadtrains in service, daily delivered tonnages improved as the year progressed.

Shipping

A total of 1,471,582 tonnes of Jack Hills product was shipped during the financial year (2008: 1,345,023 tonnes). This amount comprised 869,470 tonnes of lump at an average Fe grade of 65.2% and 602,112 tonnes of fines at an average Fe grade of 62.6%.

During the year, Crosslands exported its three millionth tonne of Jack Hills ore since exports commenced in February 2007. Following the Berth 5 development at the Geraldton Port, the congestion that was experienced in the first years of operation is no longer a significant issue.

Marketing and Sales

During October 2008, the international iron ore market deteriorated sharply as steel companies implemented significant production cutbacks in response to the global economic crisis. Conditions in China, where iron ore stocks at major ports had increased significantly, placed considerable pressure on all suppliers. Shipment deferrals and cancellations affected most Australian producers and spot prices for iron ore fell rapidly and sharply. Despite this, Crosslands maintained regular shipments throughout the year as a result of the excellent relationships established with customers over the initial years of operation at Jack Hills and the high quality of Jack Hills ore. Towards the end of the financial year, the Chinese steel industry showed signs of improvement. This is believed to be mainly due to the Chinese government's stimulus package's positive impact on construction activity.

The Chinese government's 4 trillion Yuan investments are being mainly directed into infrastructure projects while the domestic housing construction market is showing some early signs of recovery. The stronger market demand for long products has helped the small and medium mills increase production, while major steel mills still face a tough market and oversupply.

Considerable progress has been made on technical marketing for the Jack Hills Stage 2 expansion. Activities included the preparation of future product samples. Test work at CSIRO and exchanges with an increasing range of steel producers continue to provide confidence in the marketability of Jack Hills products.

Stage 2 - Exploration

Resource Definition

On 4 February 2009, Crosslands reported a significant increase to its JORC Mineral Resource for the Jack Hills project to 96 million tonnes of DSO at 58.7% Fe and 991 million tonnes of Beneficiation Feed ("BFO") at 34.1% Fe. This increased Mineral Resource covers the Mt Matthew area to North East Ridge ("NER"), which includes the Saddle and Silver Spur areas, closing the gap across Mt Hale and incorporating the previously unannounced NER and central Mt Hale areas.

REVIEW OF OPERATIONS (CONTINUED)

The Jack Hills Mineral Resources are reported to JORC standards. The DSO is comprised of 26 million tonnes Measured, 52 million tonnes Indicated, and 18 million tonnes Inferred categories. The BFO Mineral Resource is comprised of 69 million tonnes Measured, 258 million tonnes Indicated, and 664 million tonnes Inferred[2].

The Mineral Resource is supported by preliminary metallurgical test work conducted by ProMet Engineers, which indicated that a high quality, high value concentrate product could be produced from BFO using conventional crushing and grinding followed by wet low intensity magnetic separation.

During April 2009, Crosslands commenced an extensive drilling program, which is currently one of the largest in the country, to further expand Crosslands' resource base and to upgrade established resources.

Geology

During the year, RC resource definition drilling at Jack Hills advanced 32,948m. Diamond drilling advanced a total of 8,722m during the year. A total of 135 resource definition drill holes were completed.

Subsequent to year end on 3 September 2009, Crosslands announced that based on the results of the drilling program it is targeting an additional 400 million to 1,000 million tonnes of primarily BFO with a component of DSO. The exploration target tonnage is conceptual in nature in that there has been insufficient exploration (as at the date of the announcement) to define a mineral resource and it is uncertain if further exploration will result in the determination of a mineral resource.[3]

Regional Exploration Targets

RC exploration drilling was undertaken at Weld Range West, during the latter part of the year. This drilling totalled 2,294m, with 24 drill holes completed. Banded Iron Formation material was intersected.

During the year, aeromagnetic surveys and geological mapping was undertaken on the Noonie Hills and Stewart Bore project areas.

Stage 2 Mine Expansion

Crosslands continues to progress feasibility studies for the Stage 2 expansion. The study strategy includes a production rate optimisation study to determine the best mine production rate for a number of possible port and rail options. Metallurgical test work continued to provide data for comparison of flow sheet options and sufficient information for sizing key process plant items such as mills and magnetic concentrators.

During the year Crosslands completed a water supply investigations report and reviewed proposals for the assessment of greenhouse gas emissions with respect to Stage 2.

The EPA set the level of assessment for the Stage 2 expansion at Public Environment Review. The appeal period closed on 22 June 2009 with no appeals.

Senior Executive Appointments

During the year Crosslands strengthened its management team with a number of key appointments including:

- Roland Bartsch – VP Geology
- Neil Holland – VP Corporate Services

Subsequent to year end Stephen Cowley was appointed as Project Director Stage 2.

[2] Refer to ASX announcement 4 February 2009 for full details of the Mineral Resource
[3] Refer to ASX announcement 3 September 2009 for full details.

REVIEW OF OPERATIONS (CONTINUED)

OAKAJEE PORT AND RAIL (MURCHISON 50% ECONOMIC INTEREST)

On 29 July 2008, OPR was announced as the WA Government's preferred proponent to develop a new deep water port at Oakajee north of Geraldton. The State Development Agreement for the Oakajee port project was signed by the WA State Government on 20 March 2009. The Development Agreement appointed OPR as the sole developer of the Oakajee port and associated northern rail infrastructure in the mid-west region. OPR continues to work on the detailed planning and feasibility studies for the project. A feasibility study is expected to be completed in the first quarter 2010.

On 25 May 2009, the Prime Minister Hon. Kevin Rudd and the Premier of Western Australia Hon. Colin Barnett visited the Geraldton Port Authority for a presentation on the Oakajee project. The visit followed an announcement by the Federal Government that it has allocated $339 million of Federal funds for the project. This allocation matches an earlier commitment by the WA State Government to the construction costs of certain aspects of the port infrastructure. The total funding commitment by the State and Federal Governments amounts to $678 million.

Subsequent to year end, WorleyParsons was appointed as Project Management Study Contractor. WorleyParsons will conduct a budget and engineering study for OPR's Bankable Feasibility Study (BFS) including management of design and engineering, and development of detailed capital and operating estimates for the deepwater port and associated heavy haulage rail network.

Port and Industrial Area

Key activities during the year included:

- A marine geotechnical investigation within the proposed dredge area. An analysis of samples is now underway;
- The second phase of a geotechnical investigation programme within the proposed quarry location for the provision of rock for the breakwater;
- A review of the cyclonic and non-cyclonic wave conditions at Oakajee;
- Detailed modelling and analysis of Long Period Wave impacts at Oakajee;
- Value Engineering Studies as part of the Planning Phase; and
- Consultation with potential Chinese stakeholders and industry associations.

Rail and Logistics Chain Simulation

The Oakajee to Jack Hills railway has been declared a public work. OPR is now consulting with land owners for access to the land within the rail feasibility corridor for the conduct of geotechnical, environmental and other studies.

Work on logistics chain simulation during the year included:

- Port modelling of the impact of various proposals for terrestrial configurations, iron ore product mixes, tonnages and breakwater design;
- Modelling for delay and demurrage impacts of varying wave heights and wind speed on port operations; and
- Train performance simulation and system modelling on the impact of various ruling grades, running time and fleet sizes.

REVIEW OF OPERATIONS (CONTINUED)

Environmental

OPR continued its Environmental Impact Assessment (EIA) for both the port and rail projects, with activities in the year including:

- Preparation of Environmental Management Plans for the Port;
- Preparation of Port Terrestrial and Rail Referral and Scoping documentation;
- Marine Baseline studies with further sediment quality and marine mammal surveys, and hydrodynamic modelling;
- Rail Baseline studies with further flora and vertebrate and invertebrate (short-range endemic) fauna surveys;
- Surveys and studies of fauna protected under the Commonwealth *Environmental Protection and Biodiversity Conservation Act 1999* (EPBC Act); and
- Preparation of EPBC Act Referral documentation.

Indigenous Affairs

Indigenous heritage and negotiations protocols have been completed with the Mullewa Wadjari Native Title group and Wajarri Yamatji Native Title group. Work is continuing on finalising agreements with remaining Native Title groups associated with the project. Negotiation of Indigenous Development (Comprehensive) Agreements is anticipated to be finalised during the second half of 2010.

OPR continues to engage with the Native Title groups with full heritage clearance over the breakwater quarry site achieved during the year. Rail project heritage surveys under the Wajarri Yamatji agreements for Phase 1 environmental survey sites, will commence in September 2009, with surveys with other groups to follow.

Senior Executive Appointments

During the year OPR expanded its management team with a number of key appointments including:

- Jim Netterfield – Operations Director
- Alwyn Vorster – Director – Supply Chain

Subsequent to year end the following management appointments were made:

- Geoff Cowie – Project Director
- Phil McKeiver – General Counsel

In addition subsequent to year end:

- Christoher Eves resigned as Chief Executive Officer.
- Alwyn Voster was appointed as Chief Development Officer and will assume the responsibilities of the Chief Executive Officer until a permanent replacement is appointed.

REVIEW OF OPERATIONS (CONTINUED)

Community and External Affairs

Key activities during the year included:

- An ongoing program of structured stakeholder engagement;
- A Social Impact Assessment study; and
- Publications in local media, project updates, and media releases.

OPR hosted the 2009 Good Heart Mid-West Aboriginal Art Exhibition, which was officially opened by the Premier of Western Australia. The event supports mid-west indigenous artists, with over 100 works displayed at an exhibition held in Perth.

FINANCIAL POSITION

The net assets of the Group have decreased by $16,860,000 (Parent Entity $4,832,000) from $253,407,000 (Parent Entity $165,846,000) at 30 June 2008 to $236,547,000 (Parent Entity $161,014,000) at 30 June 2009. This decrease is due to the sale of the Midwest Corporation Ltd shares, which was offset to an extent by the increase in cash and cash equivalents.

Cash and cash equivalents from continuing operations increased by $83,476,000 to $125,539,000 in the current year (2008: $42,063,000). Proceeds on the disposal of the Midwest Corporation Ltd shares amounted to $135,684,000. Cash outflows for the year consisted of corporate expenditure and the cash calls from the joint ventures.

Other financial assets decreased by $136,960,000 (Parent Entity $71,484,000) to $2,000,000 (Parent Entity: $2,000,000) from $138,960,000 (Parent Entity $73,484,000) in the previous financial year. This decrease was due to the sale of the investment in Midwest Corporation Ltd during the year.

Property, plant and equipment has increased to $599,000 (Parent Entity $541,000) in the current year compared to the prior year of $465,000 (Parent Entity $465,000). Additions for the year amounted to $275,000 (Parent Entity $214,000) and depreciation expense amounted to $137,000 (Parent Entity $134,000).

Investments accounted for using the equity method amounted to $88,853,000 and represents the Group's 50% interest in Crosslands Resources Ltd, a jointly controlled entity.

Exploration and evaluation amounts to $29,326,000 (Parent Entity $11,229,000) for the current year, compared to the prior year of $19,227,000 (Parent Entity $9,057,000). Additions to exploration and evaluation expenditure for the year related to the exploration activities at the Rocklea tenements and the Group's share of jointly controlled assets.

Trade and other payables decreased by $3,728,000 to $11,330,000 in the current year (2008: $15,058,000). Included in the payables in the prior year was an amount of $8,920,000 payable to the Oakajee Port joint venture for Murchison's share of the expenditure on infrastructure assets. In the current year, the litigation settlement with Evans and Koh has been included in payables. This was settled subsequent to year end.

Contributed equity increased by $109,000 to $221,579,000 in the current year (2008: $221,470,000). This increase was due to option conversions during the year.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the financial year there was no significant change in the state of affairs of the consolidated entity, other than that referred to above and in the financial statements or the notes thereto.

SUBSEQUENT EVENTS

Subsequent to year end, the Company settled the legal proceedings brought against the Company by David Evans and SH Koh, former directors of Chameleon Mining NL ("Chameleon"). The litigation, which commenced in March 2005, concerned an agreement made in 2004 between the plaintiffs and Nicu Metals Ltd (now Murchison) before the current Murchison Board and senior management group were appointed. The plaintiffs had claimed a 5% interest in the Jack Hills iron ore project and a quantity of Murchison shares. Under the terms of the settlement, Murchison agreed to issue 3.5 million shares, make a payment of $350,000 and pay the plaintiff's costs (to be assessed).

There are no other matters or circumstances which have arisen since the end of the financial year that significantly affect or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

To further improve the Company's financial performance and financial position, and thereby shareholder value, the following strategies and developments are intended to continue in the near future:

(i) Continue to evaluate the Company's Rocklea iron ore projects, and opportunities for acquisition of other properties in the region.

(ii) Continue participation in the management of Crosslands Resources Ltd, specifically with regards to:

- Exploration and mining at the Jack Hills iron ore project; and
- Work on feasibility studies for the expansion of the Jack Hills iron ore project.

(iii) Continue participation in the management of Oakajee Port and Rail Pty Ltd which is managing the studies for the construction of the new port and rail infrastructure in the mid-west region of WA.

(iv) Investigate opportunities in the bulk commodities sector.

These strategies and developments are expected to assist in the achievement of the Company's long-term goals and development of new business opportunities.

ENVIRONMENT REGULATIONS

The Group is subject to significant environmental regulations in respect of its operations and evaluation and development activities. The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation.

The Directors of the Group reviewed the Group's projects during the year and are not aware of any breach of environmental legislation for the financial year under review.

The Company has registered to report energy consumption and greenhouse gas emissions as required under the National Greenhouse and Energy Reporting Act ("NGER"). The Company will report for the Consolidated Group which, for the purposes of NGER, includes Crosslands.

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

The names and particulars of the directors of the Company during the financial year are:

Paul Kopejtka	–	Executive Chairman
Qualifications	–	Mr Kopejtka holds a Bachelor of Engineering (Chemical) degree from Curtin University WA specialising in the mineral resources sector.
Experience	–	Mr Kopejtka has over 20 years experience in the mining industry as an engineer and consultant in the areas of green and brown fields project evaluation and feasibility study management, plant design and engineering and commissioning. This experience extends to both the Australian and overseas mining industry. Throughout the 1990s he held tenure as a technical consultant with the Minproc and Bateman engineering groups before branching out in a similar capacity working with a number of major publicly listed companies.
Interest in Shares and Options at the date of this report	–	20,780,000 Shares 2,000,000 Unlisted Options
Directorships held in other listed entities	–	None
Trevor Matthews	–	Managing Director
Qualifications	–	BComm, GradDip (App Fin & Inv), CPA, FFin
Experience	–	Mr Matthews has worked in the resources industry for over 20 years and held executive positions with North Limited, WMC Resources Limited and other listed entities in both operational and corporate roles. Mr Matthews has significant experience in corporate governance, project development and finance.
Interest in Shares and Options at the date of this report	–	1,200,000 Shares 2,000,000 Unlisted Options
Directorships held in other listed entities	–	Kalgoorlie-Boulder Resources Ltd (Resigned: 23 December 2008)

INFORMATION ON DIRECTORS AND COMPANY SECRETARY (CONTINUED)

Rodney Baxter	–	Non-Executive Director (Appointed 22 January 2009; ceased and re-appointed 11 February 2009)
Qualifications	–	PhD (Physical Chemistry), MBA
Experience	–	Mr Baxter has nearly 20 years experience in the resource sector. He was the Managing Director of Consolidated Minerals where he presided over its strategic transformation and sale. Prior to Consolidated Minerals, Mr Baxter enjoyed a near 10 year career at Anglo American and Anglo Platinum in various senior executive and business development roles. He is currently the Managing Director of Calibre Global Pty Ltd.
Interest in Shares and Options at the date of this report	–	None
Directorships held in other listed entities	–	None

James McClements	–	Non-Executive Director
Qualifications	–	B. Economics (Hons)
Experience	–	Mr McClements is the co-founder of Resource Capital Funds (RCF) and is currently responsible for the implementation of RCF's investment strategy. Prior to founding RCF in 1998, he was Senior Vice President and Director of NM Rothschild & Sons (Denver) Limited responsible for North American resource banking. Prior to moving to North America, Mr McClements was with Rothschild Australia Limited in Sydney specialising in financing junior mining companies and other natural resource lending. He has also worked with Standard Chartered Bank Australia Limited as a resource industry credit analyst and with the Broken Hill Proprietary (BHP) mining company in its capital accounting division at Mt Newman.
Interest in Shares and Options at the date of this report	–	100,000 Unlisted Options
Directorships held in other listed entities	–	Rey Resources Ltd Bannerman Resources Limited (Appointed: 17 December 2008)

INFORMATION ON DIRECTORS AND COMPANY SECRETARY (CONTINUED)

Sun Moon Woo	–	Non-Executive Director
Qualifications	–	Masters Degree in Mining Engineering
Experience	–	Mr Woo joined POSCO in 1983 and has worked in the Raw Material Purchasing Division and Investment Division for 24 years. He has extensive experience in the natural resources industry and has managed POSCO investments in iron ore and coal projects globally including Australia and Brazil. Mr Woo is currently Managing Director of POSCO Australia Pty Ltd which is a 100% subsidiary of POSCO.
Interest in Shares and Options at the date of this report	–	None
Directorships held in other listed entities	–	Cockatoo Coal Limited

Chris Foley	–	Company Secretary
Qualifications	–	BJuris, BLaws, ACIS
Experience	–	Mr Foley holds a Bachelor of Jurisprudence and Bachelor of Laws from the University of Western Australia and a Graduate Diploma in Applied Corporate Governance. He has over twenty years experience in the resources sector in private practice and various corporate roles.
Interest in Shares and Options at the date of this report	–	100,000 Shares 914,000 Unlisted Options

REMUNERATION REPORT (AUDITED)

This Remuneration Report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report, Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for, directly or indirectly, planning, directing and controlling the major activities of the Company and the Group, including any director (whether executive or otherwise) of the Company and the Group, and includes the five executives in the Company and the Group receiving the highest remuneration.

For purposes of this report, the terms 'executive' encompasses the senior executives, general managers and secretaries of the Company and the Group.

KEY MANAGEMENT PERSONNEL (INCLUDING THE FIVE HIGHEST EXECUTIVES OF THE COMPANY AND THE GROUP)

Directors

Paul Kopejtka	Executive Chairman	
Trevor Matthews	Managing Director	
Robert Vagnoni	Executive Director	(Resigned: 10 Oct 2008)
James McClements	Non-Executive Director	
Sun Moon Woo	Non-Executive Director	
Rodney Baxter	Non-Executive Director	(Appointed: 22 Jan 2009; ceased: 11 Feb 2009; re-appointed: 11 Feb 2009)

Executives

Chris Foley	Company Secretary/Legal Counsel	
Sean Gregory	Chief Geologist	
Luca Rocchi	Chief Mining Engineer	(Appointed: 20 April 2009)
John Westdorp	Chief Financial Officer	
Jamie Wright	Manager – Corporate Development	(Appointed: 1 April 2009)

There were no changes of the directors or executives after the reporting date and before the date of the financial report was authorised for issue.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration Committee

The Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing remuneration arrangements for the directors and executives.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from attracting and retaining a high quality, high performing team of directors and executives.

It is the policy of the company to review salaries annually in accordance with employment contracts. This year, in view of the difficult economic circumstances prevailing for much of the financial year, the Board endorsed the Remuneration Committee's recommendation to freeze salaries and fees for directors, executives and staff and to defer any consideration of bonus payments until a sustained economic improvement was evident. Movements in salaries and the payment of bonuses included in this remuneration report relate to the annual review for the period ended 30 June 2008.

Remuneration Philosophy

The performance of the Company depends upon the quality of its directors, executives and staff. To prosper, the Company must attract, motivate and retain highly skilled directors, executives and staff.

To this end, the Company embodies the following principles in its remuneration framework:

- Motivate directors and senior executives to pursue the long term growth and success of the Company within an appropriate control framework; and
- Align the interest of key leadership with long-term interests of the company's shareholders through the issue of equity.

Remuneration Structure

In accordance with best practice corporate governance, the structure of remuneration paid to non-executive directors and executive remuneration is separate and distinct.

Non-Executive Directors' Remuneration

Objective

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, for a cost that is acceptable to shareholders.

Structure

The Company's constitution and the ASX listing rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The latest determination was at the annual general meeting held on 21 November 2008 when shareholders approved an aggregate remuneration of $500,000 per year.

The aggregate amount of remuneration and the fee structure is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

The Company has entered into contracts with the non-executive directors. Details of these contracts are provided below.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Non-Executive Directors' Remuneration (continued)

Each non-executive director receives a base fee of $43,000 per annum. An additional 9% is paid on the base fee for superannuation contribution.

The remuneration of non-executive directors for the period ending 30 June 2009 is detailed in table 1 in this report.

Long term incentives may be provided to non-executive directors in the form of share options. If provided, the share options vest immediately. There are no performance conditions attached to these options as they are issued at the discretion of the Board and approved by shareholders in a General Meeting. Non-executive directors are able to exercise the share options after vesting until the set expiry date.

No shares or options were issued to non-executive directors for the year ended 30 June 2009.

Executive Remuneration

Objective

The Group aims to reward executive directors and executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group so as to:

- Reward executives for individual performance against targets set by reference to appropriate benchmarks. There is currently no link between executive remuneration and the Company's financial performance.
- Align the interests of the executives with those of shareholders.
- Ensure total remuneration is competitive by market standards.
- Attract and retain well qualified and experienced executives.

Structure

In determining the level and make up of executive remuneration, the Remuneration Committee obtains independent advice and benchmarking reports from external consultants as required.

Remuneration consists of the following key elements:

- Fixed remuneration (base salary, superannuation and non-monetary benefits)
- Variable remuneration - Long term incentives
- Variable remuneration - Short term incentives

The Company has entered into contracts of employment with the Executive Chaiman, Managing Director and senior executives. Details of these contracts are provided below.

The proportion of fixed remuneration and variable remuneration for each executive is set out in table 1.

Fixed remuneration

Objective

Fixed remuneration is reviewed annually by the Remuneration Committee. The process consists of a review of company and individual performance, relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. As noted above, the Committee has access to external advice independent of management.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Executive Remuneration (continued)

Fixed remuneration (continued)

Structure

Executives receive their fixed (primary) remuneration in the form of a salary and superannuation every month. The fixed remuneration component of executives is detailed in table 1.

Variable remuneration – Long term incentives

Objective and structure

Executive Directors

The objective in providing long term incentives is to reward executive directors in a manner that aligns remuneration with the creation of shareholder value. Long term incentives may be provided to executive directors in the form of share options. If provided, the share options vest immediately. There are no performance conditions attached to these options as they are issued at the discretion of the Board and approved by shareholders in a General Meeting. Executive directors are able to exercise the share options after vesting until the set expiry date.

No shares or options were issued to executive directors for the year ended 30 June 2009.

Executives

The objective in providing long term incentives is to reward executives in a manner that aligns remuneration with the creation of shareholder wealth. Long term incentives may be provided to executives in the form of share options under an Employee Share Option Plan. Under the plan, the share options vest over a period of 2 years subject to meeting continuity of employment provisions, and subject to the Board's discretion. Executives are able to exercise the share options after vesting until a set expiry date.

The Company does not use performance hurdles in assessing and granting share options to executives under the Employee Share Option Plan. The Employee Share Option Plan is a key retention mechanism utilised by the Company.

In the event of the resignation or termination of employment of an option holder, the options granted and unvested lapse immediately, unless the directors, in their absolute discretion, determine otherwise. In the event of redundancy of an option holder, the options granted and unvested vest immediately.

For the year ended 30 June 2009, the Company does not have a policy that prohibits executives from entering into arrangements to protect the value of unvested share options.

Refer to table 2 below for details relating to options granted and the value of options granted, exercised and lapsed during the year.

Variable remuneration – Short term incentives

Executive Bonuses

For the 2008 financial year, 100% of the cash bonus of $170,000 vested to executives and was paid in the 2009 financial year. There were no forfeitures.

In June 2009, the Remuneration Committee considered the payment of a cash bonus for the year ending 30 June 2009 and decided to defer any consideration of bonus payments until a sustained economic improvement was evident.

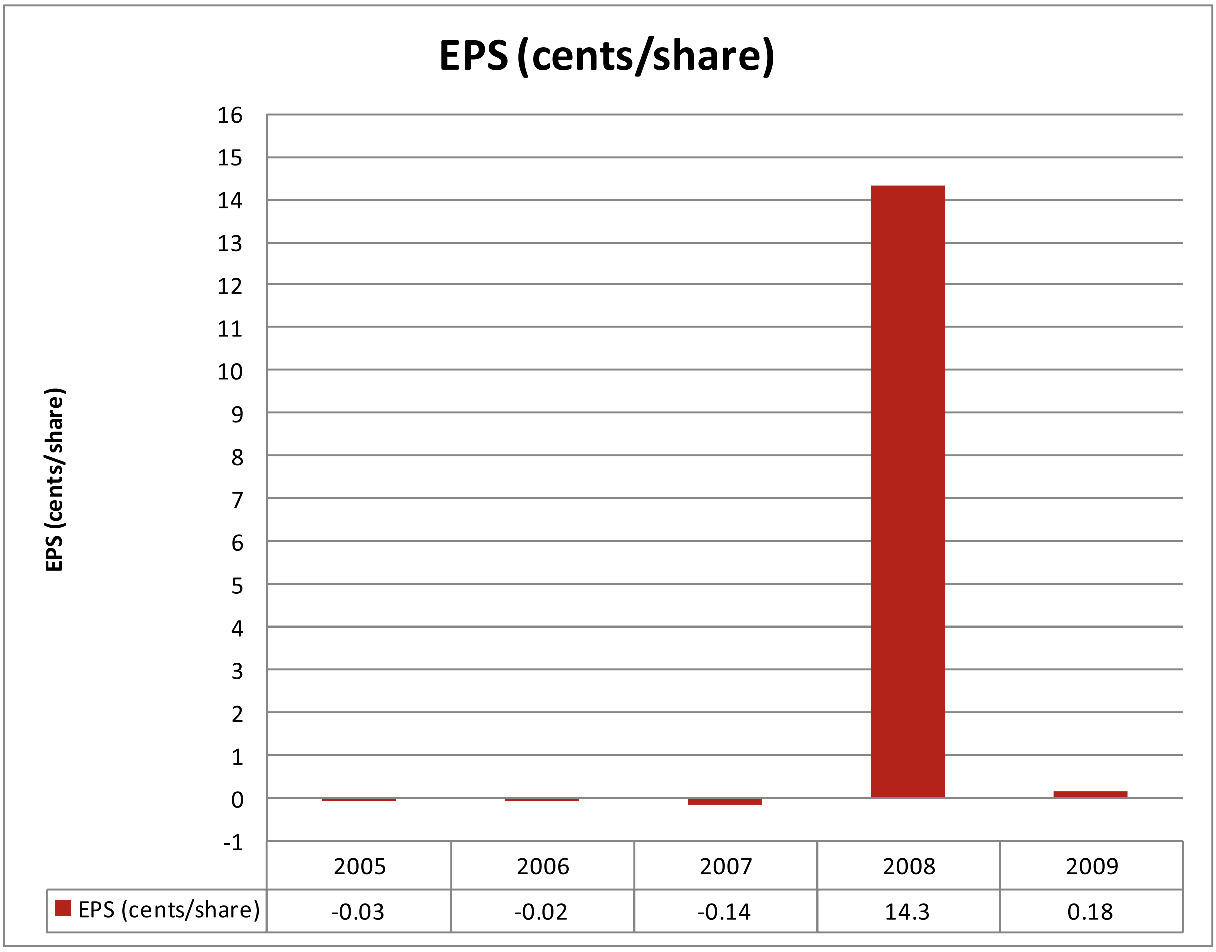
Refer to table 1.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Executive Remuneration (continued)

Group Performance

The graph below shows the performance of the Group (as measured by the Group's EPS) for the past five years (including the current period).



REMUNERATION REPORT (AUDITED) (CONTINUED)

Table 1: Remuneration of key management personnel and the five highest paid executives of the Company and the Group

	Short-term		Post-employment		Share-based payments		
	Salary and fees	Cash Bonus[1]	Super-annuation	Other	Options	Total	% Performance related
30 June 2009							
Directors							
Paul Kopejtka	460,000	-	41,400	-	-	501,400	-
Trevor Matthews	500,000	-	45,000	-	-	545,000	-
Robert Vagnoni [2]	44,768	-	-	180,000	-	224,768	-
Rodney Baxter [3]	18,992	-	1,709	-	-	20,701	-
James McClements	43,000	-	3,870	-	-	46,870	-
Sun Moon Woo	43,000	-	3,870	-	-	46,870	-
Executives							
Chris Foley	280,000	70,000	25,200	-	429,600	804,800	53.38
John Westdorp	300,000	70,000	27,000	-	234,585	631,585	37.14
Sean Gregory	220,000	30,000	19,800	-	440,231	710,031	62.00
Jamie Wright [3]	45,000	-	4,050	-	50,219	99,269	50.59
Luca Rocchi [3]	42,327	-	4,438	-	21,453	68,218	31.45
	1,997,087	170,000	176,337	180,000	1,176,088	3,699,512	
30 June 2008							
Directors							
Paul Kopejtka	354,251	-	-	-	-	354,251	-
Trevor Matthews	355,224	-	-	-	-	355,224	-
Robert Vagnoni	313,375	-	-	-	-	313,375	-
James McClements	50,049	-	4,504	-	139,200	193,753	-
Sun Moon Woo	39,417	-	3,548	-	-	42,965	-
				-			
Executives							
Chris Foley [4]	224,984		20,249		232,395	477,628	48.66
John Westdorp	238,100	-	21,429	-	274,571	534,100	51.41
Sean Gregory [4]	88,718	-	7,985	-	132,378	229,081	57.79
Richard Jupp [6]	53,460	-	4,811	-	557,439	615,710	90.54
Bernhard Neehoff [5]	49,477	-	3,515	-	-	52,992	-
Peter George [6]	18,982	-	2,608	-	168,216	189,806	88.63
Stewart Allen Silvester [6]	46,802	-	4,212	-	160,800	211,814	75.92
Terence Quaife [6]	57,417	-	5,168	-	1,367,750	1,430,335	95.62
	1,890,256	-	78,029	-	3,032,749	5,001,034	

1. Cash bonuses were paid in respect of the year ended 30 June 2008
2. Denotes key management personnel that resigned during the 2009 year. Refer to page 16 for details.
3. Denotes key management personnel that were appointed during the 2009 year. Refer to page 16 for details.
4. Denotes key management personnel that were appointed during the 2008 year.
5. Denotes key management personnel that resigned during the 2008 year.
6. Denotes key management personnel that ceased meeting the definition of a key management person under AASB 124 on 18 September 2007.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Table 2: Compensation options: Granted and vested during the year (Consolidated and Company)

	Granted 2009		Granted prior years		Terms and conditions for each Grant					Vested during year	
	No.	Grant Date	No.	Grant Date	Fair Value per option at grant date $ (note 31)	Exercise price per option $ (note 31)	Expiry Date	First Exercise Date	Last Exercise Date	No.	%
30 June 2009											
Executives											
Chris Foley	364,000	25 Jun 09			0.87	1.56	26 Jun 12	30 Jun 10	26 Jun 12	-	-
	150,000	22 Aug 08			0.88	2.34	22 Aug 11	30 Jun 09	22 Aug 11	150,000	100
	150,000	22 Aug 08			0.95	2.34	22 Aug 11	30 Jun 10	22 Aug 11	-	-
			100,000	21 Dec 07	3.22	0.05	1 Nov 09	31 Dec 07	1 Nov 09	50,000	50
			250,000	11 Apr 08	1.20	5.74	30 Jun 10	30 Jun 08	30 Jun 10	125,000	50
Sean Gregory	286,000	25 Jun 09			0.87	1.56	26 Jun 12	30 Jun 10	26 Jun 12	-	-
	110,000	22 Aug 08			0.88	2.34	22 Aug 11	30 Jun 09	22 Aug 11	110,000	100
	110,000	22 Aug 08			0.95	2.34	22 Aug 11	30 Jun 10	22 Aug 11	-	-
			100,000	11 Apr 08	2.31	2.70	30 Jun 11	23 Jul 09	30 Jun 11	-	-
			100,000	11 Apr 08	1.94	3.96	30 Jun 11	30 Sep 08	30 Jun 11	100,000	100
Luca Rocchi	245,000	25 Jun 09			0.87	1.56	26 Jun 12	30 Jun 10	26 Jun 12	-	-
	47,000	25 Jun 09			0.97	0.94	22 Aug 11	1 Jul 09	22 Aug 11	-	-
John Westdorp	390,000	25 Jun 09			0.87	1.56	26 Jun 12	30 Jun 10	26 Jun 12	-	-
	150,000	22 Aug 08			0.88	2.34	22 Aug 11	30 Jun 09	22 Aug 11	150,000	100
	150,000	22 Aug 08			0.95	2.34	22 Aug 11	30 Jun 10	22 Aug 11	-	-
Jamie Wright	100,000	25 Jun 09			1.16	0.68	30 Jun 12	1 Jul 09	30 Jun 12	-	-
	130,000	25 Jun 09			0.87	1.56	30 Jun 12	30 Jun 10	30 Jun 12	-	-
Total	2,382,000		550,000							685,000	

Note: Options granted on 22 August 2008, relate to the 2008 allocation made under the Employee Share Option Plan.
Options granted on 25 June 2009, relate to the 2009 allocation made under the Employee Share Option Plan.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Table 2: Compensation options: Granted and vested during the year (Consolidated and Company) (continued)

	Granted 2009		Granted prior years		Terms and conditions for each Grant					Vested during year	
	No.	Grant Date	No.	Grant Date	Fair Value per option at grant date $ (note 31)	Exercise price per option $ (note 31)	Expiry Date	First Exercise Date	Last Exercise Date	No.	%
30 June 2008											
Directors											
James McClements	100,000	30 Nov 07			1.39	5.19	30 Nov 10	30 Nov 07	30 Nov 10	100,000	100
Executives											
Chris Foley	100,000	21 Dec 07			3.22	0.05	1 Nov 09	31 Dec 07	1 Nov 09	50,000	50
	250,000	11 Apr 08			1.20	5.74	30 Jun 10	30 Jun 08	30 Jun 10	125,000	50
Sean Gregory	100,000	11 Apr 08			2.31	2.70	30 Jun 11	23 Jul 09	30 Jun 11	-	-
	100,000	11 Apr 08			1.94	3.96	30 Jun 11	30 Sep 08	30 Jun 11	-	-
Terence Quaife [1]	250,000	11 Apr 08			2.74	1.24	30 Nov 09	31 Dec 07	30 Nov 09	250,000	100
	250,000	11 Apr 08			2.73	1.25	30 Nov 09	31 Dec 08	30 Nov 09	-	-
Stewart Allen Silvester [1]	100,000	21 Dec 07			3.22	0.05	1 Nov 09	31 Dec 07	1 Nov 09	50,000	50
John Westdorp			550,000	8 Feb 07	1.57	0.05	1 Nov 09	8 Feb 07	1 Nov 09	275,000	50
Total	1,250,000		550,000							850,000	

1 Denotes key management personnel that ceased meeting the definition of a key management person under AASB 124 on 18 September 2007.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Table 3: Options granted as part of remuneration [1]

	Value of options granted during the year $	Value of options exercised during the year $	Value of options lapsed during the year $	% Remuneration consisting of options for the year %
30 June 2009				
Directors				
Paul Kopejtka (i)	-	-	-	-
Trevor Matthews (i)	-	-	-	-
Robert Vagnoni (i)	-	-	-	-
Executives				
Chris Foley	591,180	60,500	-	53.38
John Westdorp	613,800	110,000	-	37.14
Sean Gregory	450,120	-	-	62.00
Jamie Wright	229,100	-	-	50.59
Luca Rocchi	258,740	-	-	31.45
	2,142,940	170,500	-	
30 June 2008				
Directors				
James McClements	139,200	-	-	74.81
Executives				
Chris Foley	622,000	-	-	48.66
Sean Gregory	425,000	-	-	57.79
Terence Quaife [2]	1,367,500	1,047,500	-	95.62
Stewart Allen Silvester [2] (ii)	425,000	195,000	209,000	75.92
	2,978,700	1,242,500	209,000	

1 For details on the valuation of the options, including models and assumptions used, please refer to Note 31.
2 Denotes key management personnel that ceased meeting the definition of a key management person under AASB 124 on 18 September 2007.

(i) 2,000,000 share options relating to each director detailed above expired on 31 December 2008.

(ii) 50,000 share options relating to Mr Silvester have been forfeited due to his resignation from the Group effective 29 February 2008.

There were no alterations to the terms and conditions of the options granted as remuneration since their grant date.

Other than as mentioned above, there were no other forfeitures during the period.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Table 4: Shares issued on exercise of compensation options (Consolidated)

	Shares Issued No.	Paid per share $	Unpaid per share $
30 June 2009			
Executives			
Chris Foley	50,000	0.05	-
John Westdorp	137,500	0.05	-
Total	**187,500**		
30 June 2008			
Directors			
Paul Kopejtka	6,000,000	0.20 – 0.50	-
Trevor Matthews	1,000,000	0.50	-
Executives			
John Westdorp	137,500	0.05	-
Richard Jupp	262,500	0.05	-
Peter George	50,000	0.05	-
Stewart Allen Silvester	50,000	0.05	-
Terence Quaife	250,000	1.24	-
Total	**7,750,000**		

No other shares were issued to key management personnel on the exercise of compensation options.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Employment Contracts

The Group has contracts for services with key management personnel or their related entities. Key terms of these contracts are as follows:

Executive Directors

Mr Kopejtka is employed under a rolling contract. The current employment contract commenced on 1 July 2008. Under the terms of the contract:

- Mr Kopejtka receives fixed remuneration of $460,000 plus 9% superannuation.
- Mr Kopejtka may resign from his position and thus terminate the contract by giving three months written notice. On termination, Mr Kopejtka is only entitled to that portion of remuneration that is fixed, and only up to the date of the termination.
- The Company may terminate the contract by providing not less than seven days and not more than three months notice. If the Company terminates the contract (without cause), the Company shall pay Mr Kopejtka an amount equivalent to 12 months salary and superannuation.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs Mr Kopejtka is only entitled to that portion of remuneration that is fixed, and only up to the date of the termination.

Mr Matthews is employed under a rolling contract. The current employment contract commenced on 1 July 2008. Under the terms of the contract:

- Mr Matthews receives fixed remuneration of $500,000 plus 9% superannuation.
- Mr Matthews may resign from his position and thus terminate the contract by giving three months written notice. On termination, Mr Matthews is only entitled to that portion of remuneration that is fixed, and only up to the date of the termination.
- The Company may terminate the contract by providing not less than seven days and not more than three months notice. If the Company terminates the contract (without cause), the Company shall pay Mr Matthews an amount equivalent to 12 months salary and superannuation.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs Mr Matthews is only entitled to that portion of remuneration that is fixed, and only up to the date of the termination.

Senior Executives

All senior executives have rolling employment contracts with the Company. The Company may terminate the executive's employment agreement by providing not less than seven days and not more than three months written notice. If the Company terminates the contract (without cause), the Company shall pay the Employee an amount equivalent to between 3 to 12 months salary and superannuation. On termination on notice by the Company, any share options that have not yet vested will vest immediately. The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination.

End of the Remuneration Report.

MEETINGS OF DIRECTORS

During the financial year ten meetings of directors were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit And Risk Committee Meetings		Remuneration Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Mr Paul Kopejtka	10	10				
Mr Trevor Matthews	10	9				
Mr Robert Vagnoni	3	2				
Mr Rodney Baxter	5	5	1	1	1	1
Mr James McClements	10	9	1	1	2	2
Mr Sun Moon Woo	10	6	1	1		

Committee Membership

As at the date of this report, the Company had an audit and risk committee and a remuneration committee. Members acting on the committees of the board during the year were:

Audit And Risk Committee
Mr Rodney Baxter (c)
Mr James McClements
Mr Sun Moon Woo

Remuneration Committee
Mr James McClements (c)
Mr Rodney Baxter

(c) Designates the chairman of the committee

INDEMNIFYING OFFICERS

The Company's constitution provides that, subject to and so far as permitted by the Corporations Act 2001, the Company must, to the extent the person is not otherwise indemnified, indemnify every officer of the Company out of the assets of the Company to the relevant extent against any liability incurred by the officer in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the duties of the officer.

During or since the financial year, the company has paid premiums in respect of a contract insuring all the directors and officers of Murchison Metals Ltd against legal costs incurred in defending proceedings for conduct involving:

a) a wilful breach of duty or

b) a contravention of sections 182 or 183 of the Corporations Act 2001, as permitted by section 199B of the Corporations Act 2001.

The total amount of insurance contract premiums paid was $48,851.

OPTIONS

At the date of this report, the unissued ordinary shares of Murchison Metals Ltd under option are as follows:

Date of Expiry	Exercise Price	Class of Shares	Number under Option
1 Nov 2009	$0.05	Ordinary	127,500
11 Nov 2009	$0.20	Ordinary	3,751,000
30 Nov 2009	$1.25	Ordinary	250,000
31 Dec 2009	$0.50	Ordinary	3,750,000
31 Dec 2009	$1.00	Ordinary	4,500,000
31 Dec 2009	$1.25	Ordinary	6,000,000
30 Jun 2010	$5.74	Ordinary	250,000
30 Nov 2010	$5.19	Ordinary	100,000
30 Jun 2011	$2.70	Ordinary	100,000
30 Jun 2011	$3.96	Ordinary	100,000
22 Aug 2011	$0.94	Ordinary	47,000
31 Aug 2011	$2.34	Ordinary	1,014,000
23 Sept 2011	$1.27	Ordinary	17,000
15 Oct 2011	$0.81	Ordinary	21,000
17 Feb 2012	$0.61	Ordinary	2,000
26 Jun 2012	$1.56	Ordinary	1,691,400
30 Jun 2012	$0.68	Ordinary	100,000
			21,820,900

Details of shares issued during the financial year as a result of exercise of an option are:

Issuing entity	Number of shares issued	Class of Shares	Amount paid per share	Amount unpaid for shares
Murchison Metals Ltd	906,500	Ordinary	$0.05-$0.20	$nil

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

NON-AUDIT SERVICES

There were no non-audit services provided by the Company's auditors Ernst & Young during the year.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 30 of the financial report and forms part of this Directors' Report.

ROUNDING OFF OF AMOUNTS

The 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 the directors.

On behalf of the directors

Mr Trevor Matthews

Managing Director

Perth, 18 September 2009

Competent Persons' Statement

The information in this report that relates to Mineral Resources of the Jack Hills project is based on information compiled by Mr Chris Allen in his capacity as an employee of CSA Global. Mr Allen is a Member of the Australian Institute of Geoscientists.

The information in this report 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 who is a full time employee of Crosslands Resources Ltd and is a Member of The Australasian Institute of Mining & Metallurgy.

The information in this report that relates to Exploration Results and Mineral Resources for the Rocklea project is based on information compiled by Mr Sean Gregory, who is a Member of The Australasian Institute of Mining and Metallurgy and is a full time employee of Murchison Metals Ltd.

Mr Allen, Mr Bartsch and Mr Gregory 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 Allen, Mr Bartsch and Mr Gregory consent or have consented to the inclusion in this report of the matters based on his information in the form and context in which it appears.

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

In relation to our audit of the financial report of Murchison Metals Ltd for the financial year ended 30 June 2009, 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

R A Kirkby
Partner
18 September 2009

RK:MJ:MML:065

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	NOTE	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	COMPANY 2009 $'000	COMPANY 2008 $'000
CONTINUING OPERATIONS					
Revenue	2	6,067	7,402	6,048	7,402
Other income	3	25,919	34	17	34
Administration expenses	4	(4,822)	(5,195)	(4,736)	(14,625)
Depreciation and amortisation expense		(137)	(25)	(134)	(25)
Employee and director expenses	4	(5,582)	(4,900)	(5,308)	(4,900)
Finance costs	4	(2)	(173)	(2)	(173)
Hired services expenses	4	(2,433)	(7,900)	(2,073)	(7,900)
Other expenses	4	(6,473)	(13)	(6,471)	(13)
Travel expenses		(402)	(564)	(382)	(564)
Share of loss from jointly controlled entities accounted for using the equity method	12	(3,250)	(5,323)	-	-
PROFIT / (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAX EXPENSE		8,885	(16,657)	(13,041)	(20,764)
Income tax benefit / (expense)	5	(8,153)	20,703	7,243	(6,337)
PROFIT / (LOSS) FROM CONTINUING OPERATIONS AFTER INCOME TAX EXPENSE		732	4,046	(5,798)	(27,101)
DISCONTINUING OPERATIONS					
Profit / (loss) from discontinuing operations after income tax	21	-	51,583	-	-
PROFIT / (LOSS) FOR THE YEAR		732	55,629	(5,798)	(27,101)
PROFIT / (LOSS) ATTRIBUTABLE TO MEMBERS OF THE COMPANY		732	55,629	(5,798)	(27,101)
Earnings / (loss) per share attributable to ordinary equity holders from continuing operations					
- basic (cents per share)		0.18	1.04		
- diluted (cents per share)		0.17	0.99		
Earnings / (loss) per share attributable to ordinary equity holders					
- basic (cents per share)		0.18	14.30		
- diluted (cents per share)		0.17	13.59		

The accompanying notes form part of these financial statements.

MURCHISON METALS LTD
AND ITS CONTROLLED ENTITIES
ABN 38 078 257 799

BALANCE SHEET AS AT 30 JUNE 2009

	NOTE	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	COMPANY 2009 $'000	COMPANY 2008 $'000
CURRENT ASSETS					
Cash and cash equivalents	25(c)	125,539	42,063	125,539	42,063
Receivables	9	1,487	1,068	752	1,068
Prepayments		193	93	193	94
TOTAL CURRENT ASSETS		127,219	43,224	126,484	43,225
NON-CURRENT ASSETS					
Exploration and evaluation expenditure	10	29,326	19,227	11,229	9,057
Property, plant and equipment	11	599	465	541	465
Investments accounted for using the equity method	12	88,853	66,653	-	-
Related party receivables	9	-	-	48,861	23,654
Available for sale financial assets	13	2,000	138,960	2,000	73,484
Investments in subsidiaries	14	-	-	22,163	22,163
TOTAL NON-CURRENT ASSETS		120,778	225,305	84,794	128,823
TOTAL ASSETS		247,997	268,529	211,278	172,048
CURRENT LIABILITIES					
Trade and other payables	15	11,330	15,058	50,144	6,138
Provisions	16	120	64	120	64
TOTAL CURRENT LIABILITIES		11,450	15,122	50,264	6,202
TOTAL LIABILITIES		11,450	15,122	50,264	6,202
NET ASSETS		236,547	253,407	161,014	165,846
EQUITY					
Contributed equity	18	221,579	221,470	221,579	221,470
Reserves	19	14,777	32,478	14,777	13,920
Retained earnings / (Accumulated losses)	20	191	(541)	(75,342)	(69,544)
TOTAL EQUITY		236,547	253,407	161,014	165,846

The accompanying notes form part of these financial statements.

MURCHISON METALS LTD
AND ITS CONTROLLED ENTITIES
ABN 38 078 257 799

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2009

CONSOLIDATED	FULLY PAID ORDINARY SHARES $'000	RESERVES $'000	ACCUMULATED LOSSES $'000	RESERVES DIRECTLY ASSOCIATED WITH DISPOSAL GROUP HELD FOR SALE $'000	TOTAL EQUITY $'000
Balance at 1 July 2007	79,884	9,327	(56,170)	4,185	37,226
Net gains on available-for-sale financial assets	-	27,185	-	(4,185)	23,000
Related income tax	-	(8,161)	-	-	(8,161)
Total income and expense for the period recognised directly in equity	-	19,024	-	(4,185)	14,839
Profit for the period	-	-	55,629	-	55,629
Total income / (expense) for the period	-	19,024	55,629	(4,185)	70,468
Issue of shares	145,545	-	-	-	145,545
Share issue costs	(3,959)	-	-	-	(3,959)
Share based payments	-	4,127	-	-	4,127
Balance at 30 June 2008	221,470	32,478	(541)	-	253,407
Balance at 1 July 2008	221,470	32,478	(541)	-	253,407
Net loss on available-for-sale financial assets	-	(1,275)	-	-	(1,275)
Realised gain on available-for-sale financial asset	-	(25,902)	-	-	(25,902)
Related income tax	-	8,153	-	-	8,153
Total income and expense for the period recognised directly in equity	-	(19,024)	-	-	(19,024)
Profit for the period	-	-	732	-	732
Total income / (expense) for the period	-	(19,024)	732	-	(18,292)
Issue of shares	109	-	-	-	109
Share based payments	-	1,323	-	-	1,323
Balance at 30 June 2009	221,579	14,777	191	-	236,547
COMPANY					
Balance at 1 July 2007	79,884	9,327	(42,443)	-	46,768
Net gains on available-for-sale financial assets	-	666	-	-	666
Related income tax	-	(200)	-	-	(200)
Total income and expense for the period recognised directly in equity	-	466	-	-	466
Loss for the period	-	-	(27,101)	-	(27,101)
Total income/ (expense) for the period	-	466	(27,101)	-	(26,635)
Issue of shares	145,545	-	-	-	145,545
Share issue costs	(3,959)	-	-	-	(3,959)
Share based payments	-	4,127	-	-	4,127
Balance at 30 June 2008	221,470	13,920	(69,544)	-	165,846
Balance at 1 July 2008	221,470	13,920	(69,544)	-	165,846
Net loss on available-for-sale financial assets	-	(666)	-	-	(666)
Related income tax	-	200	-	-	200
Total income and expense for the period recognised directly in equity	-	(466)	-	-	(466)
Loss for the period	-	-	(5,798)	-	(5,798)
Total income / (expense) for the period	-	(466)	(5,798)	-	(6,264)
Issue of shares	109	-	-	-	109
Share based payments	-	1,323	-	-	1,323
Balance at 30 June 2009	221,579	14,777	(75,342)	-	161,014

The accompanying notes form part of these financial statements.

MURCHISON METALS LTD
AND ITS CONTROLLED ENTITIES
ABN 38 078 257 799

CASH FLOW STATEMENT
FOR THE YEAR ENDED
30 JUNE 2009

	NOTE	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	COMPANY 2008 $'000	COMPANY 2008 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		-	19,894	-	-
Payments to suppliers and employees		(13,919)	(45,624)	(12,053)	(26,999)
Interest received		5,430	6,771	5,430	6,771
Finance costs		(2)	(173)	(2)	(173)
GST received		914	5,839	19	5,849
Net cash used in operating activities	25(a)	(7,577)	(13,293)	(6,606)	(14,552)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of plant and equipment		(275)	(4,500)	(214)	(490)
Additions to exploration and evaluation		(19,019)	(24,943)	(2,172)	(9,057)
Proceeds on sale of plant and equipment		4	-	4	-
Proceeds on sale of available for sale financial asset		135,684	-	70,818	-
Payment for investments		-	(90,834)	-	(72,818)
Increase in investment in joint venture		(25,450)	(5,750)	-	-
Proceeds on repayment of related party loan		-	86,457	-	86,457
Amounts advanced to related parties		-	-	(43,329)	(46,586)
Amounts owed to related parties		-	-	64,866	-
Net cash outflow on deemed disposal		-	(9,440)	-	-
Increase in investment in controlled entity			-	-	(363)
Net cash provided by / (used in) investing activities		90,944	(49,010)	89,973	(42,857)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		109	123,587	109	123,587
Capital raising costs		-	(5,655)	-	(5,655)
Repayment of borrowings		-	(20,692)	-	(20,000)
Net cash provided by financing activities		109	97,240	109	97,932
NET INCREASE IN CASH AND CASH EQUIVALENTS		83,476	34,937	83,476	40,523
Cash and cash equivalents at the beginning of the year		42,063	7,126	42,063	1,540
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	25(c)	125,539	42,063	125,539	42,063

The accompanying notes form part of these financial statements.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for available-for-sale investments and derivative financial instruments, which have been measured at fair value.

The financial report includes the separate financial statements of the company and the consolidated financial statements of the Group.

The 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.

The financial report of Murchison Metals Ltd (the Company) for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors on 18 September 2009.

Statement of compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in changes to the Group's accounting policies.

The following Australian Accounting Standards that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2009:

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group
AASB Int. 15	Agreements for the Construction of Real Estate	This Interpretation requires that when the real estate developer is providing construction services to the buyer's specifications, revenue can be recorded only as construction progresses. Otherwise, revenue should be recognised on completion of the relevant real estate unit.	1 January 2009	The Group does not enter into agreements to provide construction services to the buyer's specifications and as such this interpretation is not expected to have any impact on the Group's financial report.	1 July 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard	Impact on Group accounting policies	Application date for Group
AASB Int. 16	Hedges of a Net Investment in a Foreign Operation	This Interpretation requires that the hedged risk in a hedge of a net investment in a foreign operation is the foreign currency risk arising between the functional currency of the net investment and the functional currency of any parent entity. This also applies to foreign operations in the form of joint ventures, associates or branches.	1 October 2008	This interpretation is not expected to have any impact on the Group's financial report as the Group does not have any investments in foreign operations.	1 July 2009
AASB Int. 17 and AASB 2008-13	Distributions of Non-cash Assets to Owners and consequential amendments to Australian Accounting Standards AASB 5 and AASB 110	The Interpretation outlines how an entity should measure distributions of assets, other than cash, as a dividend to its owners acting in their capacity as owners. This applies to transactions commonly referred to as spin-offs, split offs or demergers and in-specie distributions.	1 July 2009	This interpretation is not expected to have any impact on the Group's financial report as the Group does not make distributions of non-cash assets to its owners and does not expect to do so.	1 July 2009
AASB Int. 18	Transfers of Assets from Customers	This Interpretation provides guidance on the transfer of assets such as items of property, plant and equipment or transfers of cash received from customers. The Interpretation provides guidance on when and how an entity should recognise such assets and discusses the timing of revenue recognition for such arrangements and requires that once the asset meets the condition to be recognised at fair value, it is accounted for as an 'exchange transaction'.	Applies prospectively to transfer of assets from customers received on or after 1 July 2009	This interpretation is not expected to have any impact on the Group's financial report as the Group does not enter into agreements relating to transfers of assets from customers.	1 July 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group
AASB Int. 18 (continued)		Once an exchange transaction occurs the entity is considered to have delivered a service in exchange for receiving the asset. Entities must identify each identifiable service within the agreement and recognise revenue as each service is delivered.			
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New Standard replacing AASB 114 Segment Reporting, which adopts a management reporting approach to segment reporting.	1 January 2009	AASB 8 is a disclosure standard so it will have no direct impact on the amounts included in the Group's financial statements. The amendments, if any, may have an impact on the Group's segment disclosures.	1 July 2009
AASB 1039 (revised)	Concise Reporting	AASB 1039 was revised in August 2008 to achieve consistency with AASB 8 Operating Segments. The revisions include changes to terminology and descriptions to ensure consistency with the revised AASB 101 Presentation of Financial Statements.	1 January 2009	The amendments to AASB 1039 will have no direct impact on the amounts included in the Group's financial statements. The amendments, if any, may have an impact on the Group's segment disclosures.	1 July 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard	Impact on Group accounting policies	Application date for Group
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	These amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial report.	1 July 2009
AASB 101 (Revised), AASB 2007-8 and AASB 2007-10	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Group has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 July 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard	Impact on Group accounting policies	Application date for Group
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of "vesting conditions", introducing the term "non-vesting conditions" for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	The Group has share-based payment arrangements that may be affected by these amendments. However, the Group has not yet determined the extent of the impact, if any.	1 July 2009
AASB 2008-2	Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation	The amendments provide a limited exception to the definition of a liability so as to allow an entity that issues puttable financial instruments with certain specified features, to classify those instruments as equity rather than financial liabilities.	1 January 2009	These amendments are not expected to have any impact on the Group's financial report as the Group does not have on issue or expect to issue any puttable financial instruments as defined by the amendments.	1 July 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard	Impact on Group accounting policies	Application date for Group
AASB 3 (Revised)	Business Combinations	The revised Standard introduces a number of changes to the accounting for business combinations, the most significant of which includes the requirement to have to expense transaction costs and a choice (for each business combination entered into) to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	The Group may enter into some business combinations during the next financial year and will determine the accounting policy it wishes to adopt when the business combinations occur.	1 July 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	There are a number of changes arising from the revision to AASB 127 relating to changes in ownership interest in a subsidiary without loss of control, allocation of losses of a subsidiary and accounting for the loss of control of a subsidiary. Specifically in relation to a change in the ownership interest of a subsidiary (that does not result in loss of control) – such a transaction will be accounted for as an equity transaction.	1 July 2009	If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or a loss in the Group's income statement.	1 July 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard	Impact on Group accounting policies	Application date for Group
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127. Refer above.	1 July 2009	Refer to AASB 3 (Revised) and AASB 127 (Revised) above.	1 July 2009
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact. This was the first omnibus of amendments issued by the IASB arising from the Annual Improvements Project and it is expected that going forward, such improvements will be issued annually to remove inconsistencies and clarify wording in the standards. The AASB issued these amendments in two separate amending standards; one dealing with the accounting changes effective from 1 January 2009 and the other dealing with amendments to AASB 5, which will be applicable from 1 July 2009 [refer below AASB 2008-6].	1 January 2009	The Group has not yet determined the extent of the impact of these amendments, if any.	1 July 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard	Impact on Group accounting policies	Application date for Group
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	This was the second omnibus of amendments issued by the IASB arising from the Annual Improvements Project. Refer to AASB 2008-5 above for more details.	1 July 2009	Refer to AASB 2008-5 above.	1 July 2009
AASB 2008-7	Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to AASB 127 deleting the “cost method” and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.	1 January 2009	Recognising all dividends received from subsidiaries, jointly controlled entities and associates as income will likely give rise to greater income being recognised by the parent entity after adoption of these amendments. In addition, if the Group enters into any group reorganisation establishing new parent entities, an assessment will need to be made to determine if the reorganisation meets the conditions imposed to be effectively accounted for on a ‘carry-over basis’ rather than at fair value.	1 July 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard	Impact on Group accounting policies	Application date for Group
AASB 2008-8	Amendments to Australian Accounting Standards – Eligible Hedged Items	The amendment to AASB 139 clarifies how the principles underlying hedge accounting should be applied when (i) a one-sided risk in a hedged item is being hedged and (ii) inflation in a financial hedged item existed or was likely to exist.	1 July 2009	The Group does not participate in hedge accounting and as such this interpretation is not expected to have an impact on the Group's financial report.	1 July 2009
AASB 2009-2	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]	The main amendment to AASB 7 requires fair value measurements to be disclosed by the source of inputs, using the following three-level hierarchy: ► quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); ► inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and ► inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). These amendments arise from the issuance of Improving Disclosures about Financial Instruments (Amendments to IFRS 7) by the IASB in March 2009.	Annual reporting periods beginning on or after 1 January 2009 that end on or after 30 April 2009.	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report.	1 July 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard	Impact on Group accounting policies	Application date for Group
AASB 2009-2 (continued)		The amendments to AASB 4, AASB 1023 and AASB 1038 comprise editorial changes resulting from the amendments to AASB 7.			
AASB 2009-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16]	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The main amendment of relevance to Australian entities is that made to IFRIC 16 which allows qualifying hedge instruments to be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements in AASB 139 that relate to a net investment hedge are satisfied. More hedging relationships will be eligible for hedge accounting as a result of the amendment. These amendments arise from the issuance of the IASB's Improvements to IFRSs. The amendments pertaining to IFRS 5, 8, IAS 1,7, 17, 36 and 39 have been issued in Australia as AASB 2009-5 (refer below).	1 July 2009	The Group has not yet assessed the impact of these amendments on the Group's financial report.	1 July 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard	Impact on Group accounting policies	Application date for Group
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The main amendment of relevance to Australian entities is that made to AASB 117 by removing the specific guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible v property, plant and equipment) needs to be determined. These amendments arise from the issuance of the IASB's Improvements to IFRSs. The AASB has issued the amendments to IFRS 2, IAS 38, IFRIC 9 as AASB 2009-4 (refer above).	1 January 2010	The Group has not yet assessed the impact of these amendments on the Group's financial report.	1 July 2010
AASB 2009-7	Amendments to Australian Accounting Standards [AASB 5, 7, 107, 112, 136 & 139 and Interpretation 17]	These comprise editorial amendments and are expected to have no major impact on the requirements of the amended pronouncements.	1 July 2009	These editorial amendments are expected to have no major impact on the Group's financial report.	1 July 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard	Impact on Group accounting policies	Application date for Group
Amendments to International Financial Reporting Standards	Amendments to IFRS 2	The amendments clarify the accounting for group cash-settled share-based payment transactions, in particular: ► the scope of AASB 2; and ► the interaction between IFRS 2 and other standards. An entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. A "group" has the same meaning as in IAS 27 Consolidated and Separate Financial Statements, that is, it includes only a parent and its subsidiaries. The amendments also incorporate guidance previously included in IFRIC 8 Scope of IFRS 2 and IFRIC 11 IFRS 2—Group and Treasury Share Transactions. As a result, IFRIC 8 and IFRIC 11 have been withdrawn.	1 January 2010	The Group may receive goods or services in a share-based payment arrangement in the future, and as such will ensure that the goods or services are accounted for in accordance with these amendments.	1 July 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2009 and the comparative information presented in these financial statements for the year ended 30 June 2008.

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of Murchison Metals Ltd and its subsidiaries as at 30 June each year (the group).

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity. The results of subsidiaries disposed of during the year are included in the consolidated income statement up to the effective date of disposal, as appropriate.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

Investments in controlled entities are carried in the balance sheet of the Company at cost less any impairment losses.

(b) Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the consolidated financial report are taken to profit or loss.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowing in current liabilities on the balance sheet.

(d) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(e) Pensions and other post employment expenditure

Contributions to defined contribution superannuation plans are expensed when the obligation is incurred.

(f) Financial assets

Financial assets in the scope of AASB139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments or available for sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

<u>Available-for-sale investments</u>

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as either financial assets at fair value through profit or loss, loans and receivables or held to maturity investments. After initial recognition available for sale investments are measured at fair value with gains or losses being recognised directly in equity, until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit of loss.

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets (continued)

Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost, using the effective interest method less impairment. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

(g) Joint ventures

Jointly controlled entities

Interests in jointly controlled entities in which the Group is a venturer (and so has joint control) are accounted for under the equity method in the consolidated financial statements.

Jointly controlled assets

Interests in jointly controlled assets in which the Group is a venturer and has joint control are included in the financial statements by recognising the Group's share of jointly controlled assets, the share of liabilities incurred and the Group's share of expenses incurred by or in respect of each joint venture.

(h) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value at each reporting date. Certain derivative instruments are also held for trading for the purpose of making short term gains. These derivates do not qualify for hedge accounting and changes in fair value are recognised immediately in profit or loss in other revenue and expenses.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to profit or loss for the year.

The fair values of forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

For the purposes of hedge accounting, hedges are classified as:

- fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability;
- cash flow hedges when they hedge the exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction or;
- hedges of a net investment in a foreign operation.

A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objectives and strategies for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair values or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair values or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

Cash Flow Hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged income or expenses are recognised or when a forecast sale or purchase occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Derivative financial instruments and hedging (continued)

Cash Flow Hedges (continued)

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the income statement.

(j) Non-current assets and disposal groups held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement.

(k) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if its eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

Depreciation is calculated on a straight line basis over the estimated useful life of the assets as follows:

Buildings	5 to 10 years
Plant and equipment	5 to 15 years
IT equipment	3 years
Motor vehicles	4 years
Furniture and Fittings	5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Property, plant and equipment (continued)

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(l) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

(m) Impairment of non-financial assets other than goodwill

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(n) Trade and other payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs

Borrowing costs are recognised as an expense when incurred. Murchison Metals Ltd does not currently hold qualifying assets but, if it did, the borrowing costs directly associated with this asset are capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

(p) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of the provision to be reimbursed for example, under an insurance contract, the reimbursment is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

(q) Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(r) Share-based payment transactions

There is currently a Employee Share Option Plan (ESOP), which provides benefits to directors, senior executives and employees.

The costs of these equity-settled transactions with employees (for awards granted after 7 November 2002 that were unvested at 1 January 2005) is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 31.

In valuing equity-specific transactions, no account is taken of any vesting conditions, other than conditions linked to the prices of the shares of Murchison Metals Ltd (market conditions) if applicable.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Share-based payment transactions (continued)

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of (i) the grant date fair value of the award; (ii) the current best estimates of the awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period.

The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Equity-settled awards granted by Murchison Metals Ltd to employees of subsidiaries are recognised in the parent's separate financial statements as an additional investment in the subsidiary with a corresponding credit to equity. These amounts are eliminated on consolidation. As a result, the expense recognised by Murchison Metals Ltd in relation to equity-settled awards only represents the expense associated with grants to employees of the parent. The expense recognised by the Group is the total expense associated with all such awards.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

(s) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliability measured. The following specific recognition criteria must also be met before revenue is recognised.

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliability.

Recharge revenue

The Group recharges external contractors and suppliers for various goods provided at site. Revenue is recognised when the risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably.

Interest revenue

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(t) Income tax and other taxes

Current and deferred income taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income tax and other taxes (continued)

Current and deferred income taxes (continued)

Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable). Deferred income tax liabilities are provided on all temporary differences at the balance sheet date between the tax.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred income tax liabilities are provided on all temporary differences at the balance sheet date between the tax bases of the assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associated or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward or unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit not taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to an extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all of part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Income tax and other taxes (continued)

Current and deferred income taxes (continued)

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit and loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relates to the same taxable entity and the same taxation authority.

Tax consolidation legislation

Murchison Metals Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2004.

The current and deferred tax amounts for the tax consolidated group are allocated among the entities in the group using a stand-alone taxpayer approach whereby each entity in the tax consolidated group measures its current and deferred tax as if it continued to be a separately taxable entity in its own right. Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts of the assets and liabilities in the Company's balance sheet and their tax values applying under tax consolidation.

In addition to its own current and deferred tax amounts, Murchison Metals Ltd also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details of the tax funding agreements are disclosed in Note 5.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivable and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financial activities, which is recoverable from, or payable to, the taxation authority Is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Exploration and evaluation expenditure

Expenditure on exploration and evaluation is accounted for in accordance with the 'area of interest' method. Exploration and evaluation expenditure is capitalised provided the rights to tenure of the area of interest is current and either:

- the exploration and evaluation activities are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, then any capitalised exploration and evaluation expenditure is reclassified as capitalised mine development. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

Impairment

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimate recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Any impairment losses are recognised in the income statement.

(v) Mine development expenditure

Mine development expenditure represents the costs incurred in preparing mines for production, and includes stripping and waste removal costs incurred before production commences. These costs are capitalised to the extent they are expected to be recouped through successful exploitation of the related mining leases. Once production commences, these costs are amortised using the units-of-production method based on the estimated economically recoverable reserves to which they relate or are written off if the mine property is abandoned.

Impairment

The carrying value of capitalised mine development expenditure is assessed for impairment whenever the facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

The recoverable amount of capitalised mine development expenditure is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Any impairment losses are recognised in profit or loss.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Provisions for decommissioning and restoration costs

The Group is required to decommission and rehabilitate mines and processing sites at the end of their producing lives to a condition acceptable to the relevant authorities.

The expected cost of any approved decommissioning or rehabilitation programme, discounted to its net present value, is provided when the related environmental disturbance occurs. The cost is capitalised when it gives rise to future benefits, whether the rehabilitation activity is expected to occur over the life of the operation or at the time of closure. The capitalised cost is amortised over the life of the operation and the increase in the net present value of the provision for the expected cost is included in financial expenses. Expected decommissioning and rehabilitation costs are based on the discounted value of the estimated future cost of detailed plans prepared for each site. Where there is a change in the expected decommissioning and restoration costs, the value of the provision and any related asset are adjusted and the effect is recognised in profit or loss on a prospective basis over the remaining life of the operation.

(x) Significant accounting judgements, estimates and assumptions

In applying the Group's accounting policies management continually evaluates judgements, estimates and assumptions based on experiences and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(i) Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effects on the amounts recognised in the financial statements:

Recoverability of potential deferred income tax assets

The Group recognises deferred income tax assets in respect of tax losses to the extent that it is probable that the future utilisation of these losses is considered probable. Assessing the future utilisation of these losses requires the Group to make significant estimates related to expectations of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, this could result in significant changes to the deferred income tax assets recognised, which would in turn impact future financial results.

Classification of and valuation of investments

The Group has decided to classify investments in listed securities as 'available-for-sale' investments and movements in fair value are recognised directly in equity.

Determination of mineral resources and ore reserves

The determination of reserves impacts on the accounting for asset carrying values, depreciation and amortisation rates, deferred stripping costs (if applicable) and provisions for decommissioning and restoration. Murchison Metals Ltd estimates its mineral resources and ore reserves in accordance with the *Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2004* (the 'JORC' code). The information on mineral resources and ore reserves were prepared by and under the supervision of Competent Persons as defined by the JORC code. The amounts presented are based on the mineral resources and ore reserves determined under the JORC code.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Significant accounting judgements, estimates and assumptions (continued)

(i) Significant accounting judgements (continued)

Determination of mineral resources and ore reserves (continued)

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated.

(ii) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting periods are:

Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decide to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

Impairment of capitalised exploration and evaluation expenditure (continued)

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

Impairment of capitalised mine development expenditure

The future recoverability of capitalised mine development expenditure is dependent on a number of factors, including the level of proved, probable and inferred mineral resources, future technological changes that could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised mine development expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

1. Summary of Significant Accounting Policies (continued)

(x) Significant accounting judgements, estimates and assumptions (continued)

(ii) Significant accounting estimates and assumptions (continued)

Impairment of property, plant and equipment

Property, plant and equipment is reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of 'value in use' (being the net present value of expected future cash flows of the relevant cash generating unit) and 'fair value less costs to sell'.

In determining value in use, future cash flows are based on:

- estimates of the quantities of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- future production levels;
- future commodity prices; and
- future cash costs of production and capital expenditure.

Variations to the expected future cash flows, and the timing thereof, could result in significant changes to any impairment losses recognised, if any, which could in turn impact future financial results.

Provisions for decommissioning and restoration costs

Decommissioning and restoration costs are a normal consequence of mining, and the majority of this expenditure is incurred at the end of a mine's life. In determining an appropriate level of provision, consideration is given to the expected future costs to be incurred, the timing of these expected future costs (largely dependent on the life of the mine), and the estimated future level of inflation.

The ultimate cost of decommissioning and restoration is uncertain and costs can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other mine sites. The expected timing of expenditure can also change, for example, in response to changes in reserves or to production rates.

Changes to any of the estimates could result in significant changes to the level of provisioning required, which would in turn impact future financial results.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, with the assumptions detailed in Note 31. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

	CONSOLIDATED		COMPANY	
	2009	2008	2008	2008
	$'000	$'000	$'000	$'000
NOTE 2: REVENUE				
An analysis of the Group's revenue for the year, from both continuing and discontinued operations, is as follows:				
CONTINUING OPERATIONS				
Recharge income earned on provision of goods	166	631	166	631
Finance Revenue				
Interest – Banks	5,901	6,771	5,882	6,771
	6,067	7,402	6,048	7,402
DISCONTINUED OPERATIONS				
Revenue from the sale of goods	-	20,135	-	-
Recharge income earned on provision of goods	-	418	-	-
	-	20,553	-	-
Finance Revenue				
Interest – Banks	-	33	-	-
	-	20,586	-	-
NOTE 3: OTHER INCOME				
CONTINUING OPERATIONS				
Profit on sale of Midwest Corporation Ltd shares classified as available for sale	25,902	-	-	-
Net gain on foreign exchange	17	-	17	-
Other income	-	34	-	34
	25,919	34	17	34
DISCONTINUED OPERATIONS				
Other	-	16	-	-
Net gain on foreign exchange	-	1,957	-	-
	-	1,973	-	-

	CONSOLIDATED						COMPANY	
	CONTINUING		DISCONTINUED		TOTAL			
	2009	2008	2009	2008	2009	2008	2009	2008
NOTE 4 : (PROFIT)/LOSS FOR THE YEAR	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
(Profit)/Loss for the year has been arrived at after (crediting)/charging the following gains and losses:								
MOVEMENT IN INVENTORY								
Movement in inventory	-	-	-	(6,214)	-	(6,214)	-	-
Inventory write down to net realisable value	-	-	-	3,647	-	3,647	-	-
Net change in inventories	-	-	-	(2,567)	-	(2,567)	-	-
ADMINISTRATION EXPENSES								
Accounting and audit fees	381	377	-	-	381	377	371	377
Bank charges	9	7	-	39	9	46	8	7
Bad debts	-	309	-	-	-	309	-	309
Compliance and secretarial	336	353	-	1	336	354	336	353
Insurance	78	70	-	47	78	117	78	70
Legal expenses	2,666	2,853	-	52	2,666	2,905	2,666	2,853
Loss on disposal of subsidiary	-	-	-	-	-	-	-	9,430
Net loss on foreign exchange	-	46	-	-	-	46	-	46
Office rental	413	302	-	80	413	382	352	302
Other general administration expenses	826	275	-	146	826	421	815	275
Printing and stationery	106	132	-	13	106	145	103	132
Port charges	-	-	-	902	-	902	-	-
Registration and stamp duty fees	7	471	-	102	7	573	7	471
	4,822	5,195	-	1,382	4,822	6,577	4,736	14,625

	CONSOLIDATED						COMPANY	
NOTE 4 : (PROFIT)/LOSS FOR THE YEAR (CONTINUED)	**CONTINUING**		**DISCONTINUED**		**TOTAL**			
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**	**2009 $'000**	**2008 $'000**	**2009 $'000**	**2008 $'000**
EMPLOYEE AND DIRECTOR EXPENSES								
Salaries and wages	2,046	900	-	631	2,046	1,531	1,843	900
Defined contribution superannuation expense	222	132	-	35	222	167	210	132
Directors' fees	1,412	1,161	-	-	1,412	1,161	1,412	1,161
Share based payment expense	1,323	2,549	-	-	1,323	2,549	1,323	2,549
Payroll tax	324	-	-	-	324	-	324	-
Recruitment	149	106	-	43	149	149	102	106
Other	106	52	-	14	106	66	94	52
	5,582	4,900	-	723	5,582	5,623	5,308	4,900
FINANCE COSTS								
Bank loans and overdrafts	2	3	-	320	2	323	2	3
Finance charges payable under finance leases and hire purchase contracts	-	-	-	156	-	156	-	-
Other loans	-	-	-	439	-	439	-	-
Establishment fees	-	170	-	-	-	170	-	170
	2	173	-	915	2	1,088	2	173
HIRED SERVICES EXPENSE								
Accommodation and catering	-	-	-	520	-	520	-	-
Air charter	23	10	-	276	23	286	23	10
Cartage and freight	4	4	-	32	4	36	3	4
Consultants	2,036	7,865	-	49	2,036	7,914	2,035	7,865
Equipment hire	11	11	-	101	11	112	10	11
General	1	10	-	216	1	226	1	10
Mining	-	-	-	7,861	-	7,861	-	-
Other	358	-	-	428	358	428	1	-
Transport costs	-	-	-	10,973	-	10,973	-	-
	2,433	7,900	-	20,456	2,433	28,356	2,073	7,900
OTHER EXPENSES								
Settlement of litigation	6,461	-	-	-	6,461	-	6,461	-
Other	12	13	-	449	12	462	10	13
	6,473	13	-	449	6,473	462	6,471	13

NOTE 5: INCOME TAX

INCOME STATEMENT EXPENSE

The major components of income tax expense are:

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	COMPANY 2009 $'000	COMPANY 2008 $'000
Current income tax				
Current income tax charge before recoupment of tax losses	3,309	10,364	(2,072)	14,460
Adjustments in respect of current income tax of previous years	(3,005)	(974)	(4,131)	(230)
Deferred income tax				
Relating to the origination and reversal of temporary differences	2,727	(12,852)	2,419	(12,963)
Derecognition of temporary differences previously booked	5,123	-	(3,459)	5,070
Recognition of temporary differences previously unbooked	-	(2,995)	-	-
Derecognition of joint venture's temporary differences previously booked	-	(1,586)	-	-
Income tax expense / (benefit) reported in the income statement	8,153	(8,043)	(7,243)	6,337
Attributable to:				
Continuing operations	8,153	(20,703)	(7,243)	6,337
Discontinued operations	-	12,660	-	-
	8,153	(8,043)	(7,243)	6,337
Amounts charged or credited directly to equity				
Deferred income tax related to items charged or credited directly to equity				
Share issue costs	-	(1,696)	(200)	(1,697)
Revaluation reserve	(8,153)	8,153	-	200
Income tax (expense) / benefit reported directly in equity	(8,153)	6,457	(200)	(1,497)

NOTE 5: INCOME TAX (CONTINUED)

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
RECONCILIATION BETWEEN AGGREGATE TAX EXPENSE RECOGNISED IN THE INCOME STATEMENT AND TAX EXPENSE CALCULATED PER THE STATUTORY INCOME TAX RATE				
The product of accounting profit/ (loss) before income tax multiplied by the applicable income tax rate is reconciled to the income tax benefit as follows :				
Accounting profit/ (loss) from continuing operations	8,885	(16,657)	(13,041)	(20,764)
Accounting profit from discontinued operations	-	64,243	-	-
Total accounting profit/ (loss) before income tax	8,885	47,586	(13,041)	(20,764)
Tax payable/ (benefit) at the statutory income tax rate	2,666	14,275	(3,912)	(6,229)
Share based payments	397	1,068	397	1,068
Non-deductible legal expenditure	1,938	-	1,938	-
Other	-	26	-	1
Prior year R&D Claim	(347)	-	(347)	
Under/over provision for income tax return	(1,628)	(672)	(1,863)	73
Accounting loss on sale of Crosslands to Jack Hills Holdings Pty Ltd	-	-	-	2,829
Non-deductible expenditure	4	-	3	-
Portion of tax losses now recognised	-	(2,995)	-	-
Unbooked joint venture's temporary differences	-	(2,245)	-	-
Reversal of deemed profit on disposal	-	(19,837)	-	-
Reversal of joint venture's depreciation	-	(697)	-	-
Reversal of cash flow hedge	-	(478)	-	-
Balance of CGT event L5 not booked in accounts	-	3,525	-	3,525
Derecognition of temporary differences and tax losses previously booked	5,123	-	(3,459)	5,070
Derecognition of temporary differences not probable	-	1,573	-	-
Derecognition of joint venture's temporary differences previously booked	-	(1,586)	-	-
Aggregate income tax expense / (benefit)	8,153	(8,043)	(7,243)	6,337

NOTE 5: INCOME TAX (CONTINUED)

	BALANCE SHEET		INCOME STATEMENT	
DEFERRED INCOME TAX	**2009**	**2008**	**2009**	**2008**
Deferred income tax at 30 June relates to the following:	**$'000**	**$'000**	**$'000**	**$'000**
CONSOLIDATED				
Deferred income tax liabilities				
Exploration	(3,744)	(3,020)	(724)	(3,020)
Unrealised foreign exchange gain	-	-	-	6
Revaluation of investments	-	(8,154)	-	-
Business costs capitalised in investments	-	(111)	111	(111)
CGT event L5	-	-	-	14,705
Gross deferred income tax liabilities	(3,744)	(11,285)		
Deferred income tax assets				
Provisions	36	19	17	(15)
Accruals	27	50	(22)	25
Financing costs	-	2	(2)	(20)
Share raising costs	1,383	1,751	(368)	(536)
OPR bid costs	39	49	(10)	49
Unrealised foreign exchange loss	39	45	(6)	45
Other business related costs	-	1,724	(1,724)	1,724
Tangible Fixed Assets	1	-	1	-
Tax losses	2,219	7,645	-	-
Gross deferred income tax assets	3,744	11,285		
Net deferred income tax asset	-	-		
Deferred income tax charge			(2,727)	12,852
COMPANY				
Deferred income tax liabilities				
Exploration	(3,744)	(3,020)	(724)	(3,020)
Unrealised foreign exchange gain	-	-	-	7
Revaluation of investments	-	(200)	-	-
CGT event L5	-	-	-	14,705
Gross deferred income tax liabilities	(3,744)	(3,220)		
Deferred income tax assets				
Provisions	36	19	17	(15)
Accruals	27	50	(22)	25
Financing costs	-	2	(2)	(20)
Share raising costs	1,383	1,751	(367)	(536)
Other business related costs	-	1,304	(1,305)	1,724
OPR bid costs	39	49	(10)	49
Unrealised FX loss	39	45	(6)	45
Tangible Fixed Assets	1	-	1	-
Tax losses	2,219	-	-	-
Gross deferred income tax assets	3,744	3,220		
Net deferred income tax asset	-	-		
Deferred income tax charge			(2,418)	12,964

NOTE 5: INCOME TAX (CONTINUED)

POTENTIAL TAX ON DISPOSAL OF CROSSLANDS

In the event that the Group disposes of its remaining interest in Crosslands, the potential tax that may arise upon the disposal is $18,023,622 (being 30% of $60,078,741).

The directors of the Group have chosen not to book a deferred tax liability in relation to this amount on the basis that it is not planning to dispose of its interest in Crosslands.

TAX LOSSES

The Group has revenue losses for which no deferred tax asset is recognised on the balance sheet of $10,750,936 (2008: $5,627,212) which are available for offset against future taxable income subject to continuing to meet relevant statutory tests.

TAX CONSOLIDATION

Murchison Metals Ltd and its 100% owned Australian resident subsidiaries have formed a tax consolidated group with effect from 11 November 2004. Murchison Metals Ltd is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on a pro-rata basis. The agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote.

TAX EFFECT ACCOUNTING BY MEMBERS OF THE TAX CONSOLIDATED GROUP

The current and deferred tax amounts for the tax consolidated group are allocated among the entities in the group using a stand-alone taxpayer approach whereby each entity in the tax consolidated group measures its current and deferred taxes as it if continued to be a separately taxable entity in its own right. Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts of the assets and liabilities in the Company's balance sheet and their tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses assumed by the head entity from the subsidiaries in the tax consolidated group are recognised in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution to or distribution from the subsidiary. Distributions firstly reduce the carrying amount of the investment in the subsidiary and are then recognised as revenue.

The Company recognises deferred tax assets arising from unused tax losses or the tax consolidated group to the extent that it is probably that future taxable profits of the tax consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses assumed from subsidiaries are recognised by the head entity only.

The members of the tax consolidated group have entered into a tax funding arrangement which sets out the funding obligations of members of the tax consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability / (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity.

CONSOLIDATION ADJUSTMENTS	COMPANY 2009 $'000	COMPANY 2008 $'000
Total increase/ (reduction) to tax expense of Murchison Metals Limited	(7,443)	4,840
Total increase/ (reduction) to inter-company assets of Murchison Metals Ltd	7,443	(4,840)

NOTE 6: KEY MANAGEMENT PERSONNEL

(a) Compensation of Key Management Personnel

The aggregate compensation of the key management personnel of the consolidated entity and the company is set out below:

	CONSOLIDATED		COMPANY	
	2009	2008	2009	2008
	$	$	$	$
Short term employee benefits and fees	2,167,087	1,890,256	2,167,087	1,824,472
Post-employment benefits	356,337	78,029	356,337	71,209
Share-based payments	1,176,088	3,032,749	1,176,088	2,703,733
Total compensation	3,699,512	5,001,034	3,699,512	4,599,414

NOTE 6: KEY MANAGEMENT PERSONNEL (CONTINUED)

(b) Option holdings of Key Management Personnel

CONSOLIDATED						Vested as at the end of the year		
	Balance at beginning of year No.	Granted as remuneration No.	Options exercised No.	Net change other# No.	Balance at end of year No.	Total No.	Exercisable No.	Not exercisable No.
30 June 2009								
Directors								
Paul Kopejtka	4,000,000	-	-	(2,000,000)	2,000,000	2,000,000	2,000,000	-
Trevor Matthews	4,000,000	-	-	(2,000,000)	2,000,000	2,000,000	2,000,000	-
Robert Vagnoni*	7,500,000	-	-	(7,500,000)	-	-	-	-
Rodney Baxter	-	-	-	-	-	-	-	-
James McClement	100,000	-	-	-	100,000	100,000	100,000	-
Sun Moon Woo	-	-	-	-	-	-	-	-
Executives								
Chris Foley	350,000	664,000	(50,000)	-	964,000	400,000	400,000	-
John Westdorp	137,500	690,000	(137,500)	-	690,000	150,000	150,000	-
Sean Gregory	200,000	506,000	-	-	706,000	210,000	210,000	-
Jamie Wright	-	230,000	-	-	230,000	-	-	-
Luca Rocchi	-	292,000	-	-	292,000	-	-	-

Net change other include forfeitures.

* Denotes key management personnel that ceased meeting the definition of a key management person under AASB 124 on 10 October 2008, and hence whose option holdings are no longer disclosable.

NOTE 6: KEY MANAGEMENT PERSONNEL (CONTINUED)

(b) Option holdings of Key Management Personnel (continued)

CONSOLIDATED

	Balance at beginning of year No.	Granted as remuneration No.	Options exercised No.	Net change other# No.	Balance at end of year No.	Vested as at the end of the year: Total No.	Exercisable No.	Not exercisable No.
30 June 2008								
Directors								
Paul Kopejtka	10,000,000	-	(6,000,000)	-	4,000,000	4,000,000	4,000,000	-
Robert Vagnoni	7,500,000	-	-	-	7,500,000	7,500,000	7,500,000	-
Trevor Matthews	5,000,000	-	(1,000,000)	-	4,000,000	4,000,000	4,000,000	-
James McClement	-	100,000	-	-	100,000	100,000	100,000	-
Sun Moon Woo	-	-	-	-	-	-	-	-
Executives								
John Westdorp	275,000	-	(137,500)	-	137,500	-	-	-
Chris Foley	-	350,000	-	-	350,000	175,000	175,000	-
Sean Gregory	-	200,000	-	-	200,000	-	-	-
Richard Jupp*	675,000	-	(262,500)	(412,500)	-	-	-	-
Peter George*	150,000	-	(50,000)	(100,000)	-	-	-	-
Stewart Allen Silvester	-	100,000	(50,000)	(50,000)	-	-	-	-
Terence Quaife*	-	500,000	(250,000)	(250,000)	-	-	-	-

Net change other includes forfeitures.

* Denotes key management personnel that ceased meeting the definition of a key management person under AASB 124 on 18 September 2007, and hence whose option holdings are no longer disclosable.

NOTE 6: KEY MANAGEMENT PERSONNEL (CONTINUED)

(b) Option holdings of Key Management Personnel (continued)

COMPANY	Balance at beginning of year No.	Granted as remuneration No.	Options exercised No.	Net change other# No.	Balance at end of year No.	Vested as at the end of the year Total No.	Exercisable No.	Not exercisable No.
30 June 2009								
Directors								
Paul Kopejtka	4,000,000	-	-	(2,000,000)	2,000,000	2,000,000	2,000,000	-
Trevor Matthews	4,000,000	-	-	(2,000,000)	2,000,000	2,000,000	2,000,000	-
Robert Vagnoni	7,500,000	-	-	(7,500,000)	-	-	-	-
Rodney Baxter	-	-	-	-	-	-	-	-
James McClement	100,000	-	-	-	100,000	100,000	100,000	-
Sun Moon Woo	-	-	-	-	-	-	-	-
Executives								
Chris Foley	350,000	664,000	(50,000)	-	964,000	400,000	400,000	-
John Westdorp	137,500	690,000	(137,500)	-	690,000	150,000	150,000	-
Sean Gregory	200,000	506,000	-	-	706,000	210,000	210,000	-
Jamie Wright	-	230,000	-	-	230,000	-	-	-
Luca Rocchi	-	292,000	-	-	292,000	-	-	-

\# Net change other includes forfeitures.

* Denotes key management personnel that ceased meeting the definition of a key management person under AASB 124 on 10 October 2008, and hence whose option holdings are no longer disclosable.

NOTE 6: KEY MANAGEMENT PERSONNEL (CONTINUED)

(b) Option holdings of Key Management Personnel (continued)

COMPANY						Vested as at the end of the year		
	Balance at beginning of year No.	Granted as Remuneration No.	Options exercised No.	Net Change other No.	Balance at end of year No.	Total No.	Exercisable No.	Not Exercisable No.
30 June 2008								
Directors								
Paul Kopejtka	10,000,000	-	(6,000,000)	-	4,000,000	4,000,000	4,000,000	-
Robert Vagnoni	7,500,000	-	-	-	7,500,000	7,500,000	7,500,000	-
Trevor Matthews	5,000,000	-	(1,000,000)	-	4,000,000	4,000,000	4,000,000	-
James McClement	-	100,000	-	-	100,000	100,000	100,000	-
Sun Moon Woo	-	-	-	-	-	-	-	-
Executives								
John Westdorp	275,000	-	(137,500)	-	137,500	-	-	-
Chris Foley	-	350,000	-	-	350,000	175,000	175,000	-
Sean Gregory	-	200,000	-	-	200,000	-	-	-

No other key management personnel held options during the year ended 30 June 2009 or 30 June 2008.

NOTE 6: KEY MANAGEMENT PERSONNEL (CONTINUED)

(c) Share holdings of Key Management Personnel (Consolidated and Company)

Shares held in Murchison Metals Limited (number)

	Balance at beginning of year No.	Granted as Remuneration No.	On Exercise of Options No.	(Sale) / Purchase of shares No.	Net change other No. #	Balance at end of year No.
30 June 2009						
Directors						
Paul Kopejtka	20,600,000	-	-	180,000	-	20,780,000
Trevor Matthews	1,700,000	-	-	(500,000)	-	1,200,000
Robert Vagnoni	6,830,000	-	-	-	(6,830,000)	-
Rodney Baxter	-	-	-	-	-	-
James McClements	-	-	-	-	-	-
Sun Moon Woo	-	-	-	-	-	-
Executives						
Chris Foley	-	-	50,000	-	-	50,000
John Westdorp	-	-	137,500	(70,000)	-	67,500
Sean Gregory	-	-	-	-	-	-
Jamie Wright	-	-	-	-	-	-
Luca Rocchi	-	-	-	-	-	-
	29,130,000	-	187,500	(390,000)	(6,830,000)	22,097,500
30 June 2008						
Directors						
Paul Kopejtka	14,600,000	-	6,000,000	-	-	20,600,000
Trevor Matthews	700,000	-	1,000,000	-	-	1,700,000
Robert Vagnoni	6,830,000	-	-	-	-	6,830,000
Executives						
John Westdorp	-	-	137,500	(137,500)	-	-
Richard Jupp	160,000	-	262,500	(290,000)	(132,500)	-
Peter George	50,000	-	50,000	(50,000)	(50,000)	-
Stewart Allen Silvester	-	-	50,000	-	(50,000)	-
Terence Quaife	-	-	250,000	(165,000)	(85,000)	-
	22,430,000	-	7,750,000	(642,500)	(317,500)	29,130,000

Net change reflects shares held by key management personnel that ceased meeting the definition of a key management person under AASB 124 during the year, and hence whose share holdings are no longer disclosable.

No other key management personnel held shares during the year ended 30 June 2009 or 30 June 2008.

NOTE 6: KEY MANAGEMENT PERSONNEL (CONTINUED)

(c) Share holdings of Key Management Personnel (Consolidated and Company)(continued)

All equity transactions with key management personnel other than those arising from the grant or exercise of remuneration shares / options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

(d) Loans to Key Management Personnel (Consolidated and Company)

There were no loans made to key management personnel during the financial year (2008: $nil).

(e) Other transactions and balances with Key Management Personnel

There are no other transactions or balances with key management personnel that have not been disclosed above.

NOTE 7: AUDITOR'S REMUNERATION

	CONSOLIDATED		COMPANY	
	2009	**2008**	**2009**	**2008**
The auditor of Murchison Metals Ltd is Ernst & Young.				
Amounts received or due and receivable by Ernst & Young (Australia) for:				
Audit or review of the financial report of the entity and any other entity in the Group	128,750	133,900	128,750	133,900

No non-audit services were provided by the auditor for the years ended 30 June 2009 and 30 June 2008.

NOTE 8: EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	CONSOLIDATED	
	2009 $'000	**2008 $'000**
(a) Earnings used in calculating earnings per share		
For basic and diluted earnings per share:		
Net profit from continuing operations attributable to ordinary equity holders of the parent	732	4,046
Profit attributable to discontinued operations	-	51,583
Net profit attributable to ordinary equity holders of the parent	732	55,629

	2009 No. '000	**2008 No. '000**
(b) Weighted average number of shares		
Weighted average number of ordinary shares for basic earnings per share	412,623	388,921
Effect of dilution:		
- Share options	7,034	20,531
Weighted average number of ordinary shares adjusted for the effect of dilution	419,657	409,452

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between reporting date and the date of completion of these financial statements.

(c) Information on the classification of securities

(i) Options

Options granted to employees (including KMP) as described in Note 31 are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent they are dilutive. These shares have not been included in the determination of basic earnings per share.

NOTE 9: RECEIVABLES

	CONSOLIDATED		COMPANY	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
CURRENT				
Interest receivable	364	-	345	-
Amounts receivable from Australian Taxation Authorities	402	1,066	402	1,066
Sundry debtor	717	-	-	-
Other receivables	4	2	5	2
	1,487	1,068	752	1,068

(a) Ageing
Balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these balances will be received when due.

(b) Fair value and credit risk
Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer receivables to special purpose entities.

NON-CURRENT

Loans to controlled companies (refer to Note 27(e))	-	-	48,861	23,654
	-	-	48,861	23,654

All amounts are receivable in Australian Dollars and are not considered past due or impaired.

(a) Fair value and credit risk
Due to the nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the higher of the carrying value and fair value of each class of receivables. No collateral is held as security.

NOTE 10: EXPLORATION AND EVALUATION EXPENDITURE

	CONSOLIDATED		COMPANY	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Exploration and evaluation expenditure in respect of areas of interest:				
Balance at the beginning of the year	19,227	1,250	9,057	-
Additions	10,099	17,977	2,172	9,057
Balance at the end of the year (i)	29,326	19,227	11,229	9,057

(i) Includes an amount of $16,846,000 (2008: $8,920,000) relating to Murchison's share of jointly controlled assets. Refer to Note 28.

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.

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

CONSOLIDATED 30 JUNE 2009	PLANT & EQUIPMENT $'000	BUILDINGS $'000	IT EQUIPMENT $'000	CAPITAL WORK IN PROGRESS $'000	FURNITURE AND FITTINGS $'000	MOBILE EQUIPMENT $'000	TOTAL $'000
COST							
As at 1 July 2008	21	66	164	149	90	-	490
Additions	-	-	-	275	-	-	275
Disposals	-	-	(4)	-	-	-	(4)
Reclassification to fixed assets categories	27	153	108	(398)	105	5	-
As at 30 June 2009	48	219	268	26	195	5	761
ACCUMULATED DEPRECIATION							
As at 1 July 2008	1	3	18	-	3	-	25
Current year depreciation	7	24	67	-	39	-	137
As at 30 June 2009	8	27	85	-	42	-	162
NET CARRYING VALUE							
As at 1 July 2008	20	63	146	149	87	-	465
As at 30 June 2009	40	192	183	26	153	5	599
30 JUNE 2008							
COST							
As at 1 July 2007	-	-	-	-	-	-	-
Additions	21	66	164	149	90	-	490
As at 30 June 2008	21	66	164	149	90	-	490
ACCUMULATED DEPRECIATION							
As at 1 July 2007	-	-	-	-	-	-	-
Current year depreciation	1	3	18	-	3	-	25
As at 30 June 2008	1	3	18	-	3	-	25
NET CARRYING VALUE							
As at 1 July 2007	-	-	-	-	-	-	-
As at 30 June 2008	20	63	146	149	87	-	465

Property, plant and equipment pledged as security for liabilities

No assets for the Group were pledged as securities for non-current liabilities in the current year (2008: nil).

NOTE 11: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

COMPANY	PLANT & EQUIPMENT	BUILDINGS	IT EQUIPMENT	CAPITAL WORK IN PROGRESS	FURNITURE AND FITTINGS	MOBILE EQUIPMENT	TOTAL
30 JUNE 2009	$'000	$'000	$'000	$'000	$'000	$'000	$'000
COST							
As at 1 July 2008	21	66	164	149	90	-	490
Additions	-	-	-	214	-	-	214
Disposals	-	-	(4)	-	-	-	(4)
Reclassification to fixed assets categories	26	153	59	(349)	106	5	-
As at 30 June 2009	47	219	219	14	196	5	700
ACCUMULATED DEPRECIATION							
As at 1 July 2008	1	3	18	-	3	-	25
Current year depreciation	7	24	64	-	39	-	134
As at 30 June 2009	8	27	82	-	42	-	159
NET CARRYING VALUE							
As at 1 July 2008	20	63	146	149	87	-	465
As at 30 June 2009	39	192	137	14	154	5	541
30 JUNE 2008							
COST							
As at 1 July 2007	-	-	-	-	-	-	-
Additions	21	66	164	149	90	-	490
As at 30 June 2008	21	66	164	149	90	-	490
ACCUMULATED DEPRECIATION							
As at 1 July 2007	-	-	-	-	-	-	-
Current year depreciation	1	3	18	-	3	-	25
As at 30 June 2008	1	3	18	-	3	-	25
NET CARRYING VALUE							
As at 1 July 2007	-	-	-	-	-	-	-
As at 30 June 2008	20	63	146	149	87	-	465

NOTE 12: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	CONSOLIDATED		COMPANY	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Investments in jointly controlled entities	88,853	66,653	-	-
Reconciliation of movement in investments accounted for using the equity method				
Balance at 1 July	66,653	-	-	-
Investments during the year	25,450	70,399	-	-
Share of loss for the year	(3,250)	(5,323)	-	-
	88,853	65,076	-	-
Share based payments to employees of joint venture	-	1,577	-	-
Balance at 30 June	88,853	66,653	-	-

NAME OF ENTITY	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITY	OWNERSHIP INTEREST 2009 %	2008%
Crosslands Resources Limited	Australia	Mining	50	50
Oakajee Port and Rail Pty Ltd	Australia	Construction	25	25

(a) Jointly controlled entities' contingent liabilities and capital commitments

The Group's share of the capital commitments and other expenditure commitments of the jointly controlled entities is disclosed in Note 22.

NOTE 12: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Jointly controlled entities' financial information

Summarised financial information in respect of the Group's jointly controlled entities is set out below:

	CONSOLIDATED	
	2009 $'000	2008 $'000
FINANCIAL POSITION:		
Cash and cash equivalents	13,250	6,716
Trade and other receivables	13,265	45,365
Inventory	23,153	20,895
Current assets	49,668	72,976
Exploration and evaluation expenditure	93,221	54,254
Property, plant and equipment	62,316	62,100
Non-current assets	155,537	116,354
Total assets	205,205	189,330
Trade and other payables	(23,343)	(28,422)
Other current liabilities	(2,051)	(18,927)
Provisions	(1,916)	(1,810)
Interest bearing loans and borrowings	(1,297)	(3,472)
Current liabilities	(28,607)	(52,631)
Interest bearing loans and borrowings	-	(1,296)
Deferred tax liability	(3,696)	(6,900)
Non-current liabilities	(3,696)	(8,196)
Total liabilities	(32,303)	(60,827)
Net assets	172,902	128,503
Group's share of jointly controlled entity's net assets	86,451	64,251

NOTE 12: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

	CONSOLIDATED	
	2009	**2008**
	$'000	**$'000**
FINANCIAL PERFORMANCE:		
Revenue	152,947	116,401
Other income	1,310	5,597
Total revenue	154,257	121,998
Changes in inventory	2,367	12,427
Administration expenses	(2,533)	(2,460)
Employee expenses	(6,195)	(4,765)
Exploration expenditure write off	-	(162)
Hired services expenses		
- accommodation, catering and air charter	(3,142)	(2,862)
- cartage, freight and transport	(66,764)	(62,060)
- consultants	(1,721)	(1,342)
- equipment hire	(431)	(455)
- general	(475)	(429)
- mining	(37,685)	(37,503)
- port charges	(8,072)	(5,434)
- other	(2,999)	(4,849)
Royalties	(14,021)	(10,518)
Finance costs	(259)	(1,359)
Depreciation and amortisation expense	(15,138)	(11,817)
Income tax	3,204	7,468
Other expenses	(5,450)	(6,745)
Share of joint venture expenses	(1,444)	-
Total expenses	(160,758)	(132,865)
Loss attributable to members of parent entity	(6,501)	(10,867)
Group's share of jointly controlled entity's loss	(3,250)	(5,323)

Cost of sales
Cost of goods sold for the period amounted to $131,267,000 (2008: $120,947,000).

NOTE 13: AVAILABLE FOR SALE FINANCIAL ASSETS

	CONSOLIDATED		COMPANY	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Non-Current				
Shares – listed (i)	-	136,960	-	71,484
Shares – unlisted (ii)	2,000	2,000	2,000	2,000
	2,000	138,960	2,000	73,484

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

(i) Listed shares
The fair value of listed available for sale investments was determined directly by reference to published price quotations in an active market. The shares represented Murchison Metals Ltd's interest in Midwest Corporation Ltd.

(ii) Unlisted shares
Unlisted shares are carried at cost as their fair value cannot be measured reliably.

NOTE 14: OTHER NON-CURRENT ASSETS

	CONSOLIDATED		COMPANY	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Shares in subsidiaries:				
- ATL Pty Ltd	-	-	1,250	1,250
- MMX Investments Pty Ltd	-	-	20,948	20,948
- Jack Hills Holdings Pty Ltd	-	-	1,215	1,215
- MMX Port Holdings Pty Ltd	-	-	-*	-*
- MMX Rail Holdings Pty Ltd	-	-	-*	-*
- Oakajee Port and Rail Pty Ltd	-	-	-*	-*
	-	-	23,413	23,413
Impairment of shares in ATL Pty Ltd	-	-	(1,250)	(1,250)
	-	-	22,163	22,163

* Shares held in these entities were less than $1,000.

NOTE 14: OTHER NON-CURRENT ASSETS (CONTINUED)

	COUNTRY OF INCORPORATION	PERCENTAGE OWNED (%) 2009	2008
Parent entity:			
Murchison Metals Ltd	Australia	-	-
Subsidiaries of Murchison Metals Ltd:			
ATL Exploration Pty Ltd	Australia	100	100
MMX Investment Pty Ltd	Australia	100	100
Jack Hills Holdings Pty Ltd	Australia	100	100
MMX Port Holdings Pty Ltd	Australia	100	100
MMX Rail Holdings Pty Ltd	Australia	100	100

NOTE 15: TRADE AND OTHER PAYABLES

	CONSOLIDATED		COMPANY	
	2009	2008	2009	2008
CURRENT	**$'000**	**$'000**	**$'000**	**$'000**
Trade payables (i)	8,511	2,205	8,023	2,205
Other payables (ii)	148	312	148	312
Related party payable (iii)	2,671	12,541	41,973	3,621
	11,330	15,058	50,144	6,138

(i) Trade payables are non-interest bearing and are normally settled on 30 day terms.
(ii) Other payables are non-trade payables, are non-interest bearing and have an average term of 3 months.
(iii) Related party payables' terms and conditions are detailed in Note 27(e).

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

NOTE 16: PROVISIONS

	CONSOLIDATED		COMPANY	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Annual leave	120	64	120	64

(a) Movement in provisions

	Consolidated 2009 $'000	Company 2009 $'000
Annual leave		
Balance at 1 July 2008	64	64
Arising during the year	324	324
Utilised	(268)	(268)
Balance at 30 June 2009	120	120

(b) Employee numbers

	CONSOLIDATED		COMPANY	
	2009 No.	2008 No.	2009 No.	2008 No.
Average number of employees during the financial year	16	18	16	13

(c) Superannuation

The Company contributes to employees' superannuation plans in accordance with the requirements of Occupational Superannuation Legislation. Contributions by the Company represent a defined percentage of each employee's salary.

	CONSOLIDATED		COMPANY	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Superannuation contributions for the year	222	167	210	132

NOTE 17: DERIVATIVES AND HEDGES

(a) Forward currency contracts – cash flow hedge

As at 30 June 2009 and 2008, the Group no longer had iron ore sales and hence no longer utilises forward exchange contracts.

(b) Movement in forward currency contract cash flow hedge reserve

Opening balance	-	4,185	-	-
Charged to equity	-	-	-	-
Close out of hedge	-	(4,185)	-	-
Closing balance	-	-	-	-
Cash flow hedge ineffectiveness recognised immediately in profit and loss	-	-	-	-

NOTE 18: CONTRIBUTED EQUITY

	CONSOLIDATED		COMPANY	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
ORDINARY SHARES				
Issued and fully paid	221,579	221,470	221,579	221,470

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(a) Movements in ordinary shares on issue:	2009		2008	
FULLY PAID ORDINARY SHARES	No. '000	$'000	No. '000	$'000
Balance at beginning of financial year	412,111	221,470	342,440	79,884
Issued for cash	-	-	20,000	113,000
Issue on conversion of share options	906	109	45,444	10,587
Issued as remuneration to supplier (i)	-	-	200	1,010
Issued as part of takeover offer	-	-	4,027	20,948
Transaction costs (ii)	-	-	-	(3,959)
Balance at end of financial year	413,017	221,579	412,111	221,470

(i) 200,000 shares were issued as payment to a supplier for consulting services received. The fair value of the services received was measured with reference to the engagement letter detailing the market value of the services.

(ii) The transaction costs represent the costs of issuing shares.

SHARE OPTIONS GRANTED UNDER THE EMPLOYEE SHARE OPTION PLAN

In accordance with the provisions of the employee share option plan, as at 30 June 2009, executives and senior employees (including former employees) have options over 20,413,400 ordinary shares (of which 2,385,400 are unvested) (2008: 24,002,500 (of which 520,000 are unvested)) , in aggregate with various expiry dates

Share options granted under the employee share option plan carry no rights to dividends and no voting rights. Further details of the employee share option plan are contained in Note 31.

OTHER SHARE OPTIONS ON ISSUE

As at 30 June 2009, the company has 1,751,000 share options on issue (2008: 2,176,000) exercisable on a 1:1 basis for 1,751,000 ordinary shares of the company (2008: 2,176,000) at an exercise price of $0.20 (2008: $0.20). The options expire 11 November 2009 (2008: 11 November 2009) and carry no rights to dividends and no voting rights.

NOTE 19: RESERVES

	CONSOLIDATED		COMPANY	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Share based payment reserve	14,777	13,454	14,777	13,454
Available-for-sale revaluation reserve	-	19,024	-	466
	14,777	32,478	14,777	13,920
SHARE BASED PAYMENT RESERVE				
Balance at the beginning of the financial year	13,454	9,327	13,454	9,327
Share based payment	1,323	4,127	1,323	4,127
Balance at the end of the financial year	14,777	13,454	14,777	13,454

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

AVAILABLE-FOR-SALE REVALUATION RESERVE				
Balance at the beginning of the financial year	19,024	-	466	-
Revaluation during the current year	(1,276)	27,185	(666)	666
Transfer to profit on sale of available for sale investments	(25,902)	-	-	-
Related income tax	8,154	(8,161)	200	(200)
Balance at the end of the financial year	-	19,024	-	466

This reserve is used to record fair value changes on available-for-sale investments.

CASH FLOW HEDGE RESERVE				
Balance at the beginning of the financial year	-	4,185	-	-
Movement during the current year on disposal of controlling interest in Crosslands	-	(4,185)	-	-
Balance at the end of the financial year	-	-	-	-

This reserve is used to record fair value changes on the effective portion of the cash flow hedges.

NOTE 20: RETAINED EARNINGS / (ACCUMULATED LOSSES)

Accumulated loss at the beginning of the financial year	(541)	(56,170)	(69,544)	(42,443)
Net profit/ (loss) attributable to the members of the company	732	55,629	(5,798)	(27,101)
Retained earnings / (accumulated loss) at the end of the financial year	191	(541)	(75,342)	(69,544)

NOTE 21: DISCONTINUED OPERATIONS

On 18 June 2007, the Board of Directors entered into a principles agreement with Mitsubishi Development Pty Ltd ("MDP") to enable MDP to acquire 50% of Murchison Metals Ltd iron ore business. Final transaction documents were signed on 19 September 2007. Under these agreements, Mitsubishi, a subsidiary of Mitsubishi Corporation of Japan acquired a 50% interest in Crosslands through the issue of shares in Crosslands. Completion of the transaction occurred on 27 September 2007. Crosslands is the operating company for the mining operations at Jack Hills and hold the rights to the Jack Hills tenements and other iron ore tenements.
The financial information present below for the 2008 year in respect of Crosslands represents the period 1 July 2007 to 18 September 2007

	CONSOLIDATED 2008 $'000
The results of the discontinued operation for the year is presented below:	
Revenue	20,586
Other Income	1,973
	22,559
Expenses	
Changes in inventories	2,567
Demurrage and other sales costs	(2,896)
Depreciation and amortisation expense	-
Employee benefit expenses	(723)
Hired Services expenses	(20,456)
Holding costs	-
Administration expenses	(1,382)
Travel expenses	(47)
Finance costs	(915)
Reversal of cash flow hedge	1,593
Royalties	(1,733)
Other expenses	(449)
	(24,441)
Loss before tax	(1,882)
Attributable income tax benefit	5,570
Profit after income tax	3,688
Gain on disposal of operation (i)	66,125
Attributable income tax expense (ii)	(18,230)
Net profit recognised on disposal of Crosslands	47,895
Profit for the year from discontinued operation	51,583

NOTE 21: DISCONTINUED OPERATIONS (CONTINUED)

	CONSOLIDATED 2008 $'000
(i) Details of the gain on deemed disposal of Crosslands	
Murchison Metals Ltd share of Crosslands' net liabilities at disposal date	(2,380)
Murchison Metals Ltd share of Crosslands' net assets immediately after the share issue to Mitsubishi	63,745
Gain on deemed disposal before income tax	66,125
Related income tax expense	(18,230)
	47,895

(ii) The related income tax expense on the deemed disposal gain will be offset against the Company's tax losses.

	CONSOLIDATED 2008 $'000
(b) Cash flow from discontinued operation	
In respect of the discontinued operation of Crosslands, the following net cash flows are included in the Cash Flow Statement:	
Net cash flows from operating activities	(2,289)
Net cash flows from investing activities	(11,339)
Net cash flows from financing activities	(721)
Net cash flows	(14,349)
Earnings/ (loss) per share attributed to ordinary equity holders from discontinued operations	
- basic (cents per share)	13.26
- diluted (cents per share)	12.60

NOTE 22: COMMITMENTS

	CONSOLIDATED		COMPANY	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
(a) Capital expenditure commitments				
Plant and Equipment				
Continuing operations				
Within one year	688	-	688	-
After one year but no longer than five years	-	-	-	-
Longer than five years	-	-	-	-
	688	-	688	-
Joint venture:				
Within one year				
- exploration	15	-	-	-
- mining	10	-	-	-
- transport	13	-	-	-
After one year but no longer than five years	-	-	-	-
Longer than five years	-	-	-	-
	38	-	-	-
Infrastructure				
Continuing operations	-	-	-	-
Joint venture:				
Within one year				
- exploration	10	-	-	-
- mining	31	-	-	-
- road	2	5,462	-	-
- port	3	-	-	-
After one year but no longer than five years	-	-	-	-
Longer than five years	-	-	-	-
	46	5,462	-	-

NOTE 22: COMMITMENTS (CONTINUED)

	CONSOLIDATED		COMPANY	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000

(b) Operating commitments

Operating commitments relate to the company offices, office equipment and vehicle rentals. These leases have an average life of three years.

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	COMPANY 2009 $'000	COMPANY 2008 $'000
Continuing operations:				
Within one year	324	248	324	248
After one year but no longer than five years	1,116	61	1,116	61
Longer than five years	-	-	-	-
	1,440	309	1,440	309
Joint venture:				
Within one year	562	532	-	-
After one year but no longer than five years	657	849	-	-
Longer than five years	13	-	-	-
	1,232	1,381	-	-

(c) Tenements commitments

Commitments for the tenements contracted for at the reporting date but not recognised as liabilities, payable:

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	COMPANY 2009 $'000	COMPANY 2008 $'000
Continuing operations				
Within one year	181	165	181	165
After one year but no longer than five years	329	528	329	528
Longer than five years	12	140	12	140
	522	833	522	833
Joint venture				
Within one year	194	173	-	-
After one year but no longer than five years	575	639	-	-
Longer than five years	1,011	1,010	-	-
	1,780	1,822	-	-

NOTE 22: COMMITMENTS (CONTINUED)

	CONSOLIDATED		COMPANY	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000

(d) Other expenditure commitments

Mining operations

Commitments for the mining operations contractors and the haulage contractors under long-term contracts in existence at the reporting date but not recognised as liabilities payable:

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	COMPANY 2009 $'000	COMPANY 2008 $'000
Joint venture				
Within one year	1,610	1,675	-	-
After one year but no longer than five years	-	-	-	-
Longer than five years	-	-	-	-
	1,610	1,675	-	-

Port operations

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	COMPANY 2009 $'000	COMPANY 2008 $'000
Joint venture				
Within one year	197	-	-	-
After one year but no longer than five years	1,485	-	-	-
Longer than five years	-	-	-	-
	1,682	-	-	-

Remuneration

Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities payable:

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	COMPANY 2009 $'000	COMPANY 2008 $'000
Joint venture				
Within one year	16	88	-	-
After one year but no longer than five years	-	-	-	-
Longer than five years	-	-	-	-
	16	88	-	-

NOTE 23: CONTINGENT LIABILITIES

Contingent liabilities at balance date include:

Litigation

On 29 November 2007, Chameleon Mining NL ("Chameleon") commenced legal proceedings in the Federal Court against Murchison, Crosslands and several other parties. 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 before the current Board and management of Murchison were appointed. The matter is listed for a four week hearing commencing on 28 September 2009. Based on work undertaken since the claim was received and having reviewed the evidence that has been filed by Chameleon to date, Murchison maintains its previously announced view that there is no sustainable, factual basis for the Chameleon claim so far as it constitutes a claim for a substantial interest in the Jack Hills or Weld Range tenements and/or Murchison's shares in Crosslands. Consequently no provision has been made for this claim in the financial statements.

NOTE 24: SEGMENT REPORTING

The Company operated exclusively in the mineral exploration and development business solely within Australia during the financial year ended 30 June 2009.

NOTE 25: CASH FLOW INFORMATION

	CONSOLIDATED		COMPANY	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
(a) Reconciliation of net loss after tax to net cash flow from operations				
Profit/ (loss) from ordinary activities	732	55,629	(5,798)	(27,101)
Non-cash flows in loss from ordinary activities:				-
Depreciation	137	25	134	25
Loss on disposal of assets	-	-	-	9,430
Share based payment	1,323	2,549	1,323	2,913
Share based payment included in consultant fee	-	1,010	-	1,010
Gain on deemed disposal of controlled entity	-	(66,125)	-	-
Bad debt written off	-	309	-	309
Profit on sale of available for sale assets	(25,902)	-	-	-
Share of loss from jointly controlled entities accounted for using the equity method	3,250	5,323	-	-
Reversal of cash flow hedge	-	(1,593)	-	-
Changes in assets and liabilities:				
(Increase) / decrease in trade and other receivables	(519)	4,268	217	(604)
Decrease in inventories	-	2,567	-	-
Decrease / (increase) in deferred tax	8,154	(7,189)	(7,242)	1,496
Increase / (decrease) in trade and other creditors	5,192	(10,076)	4,704	(1,981)
Increase / (decrease) in provisions	56	10	56	(49)
Net Cash flow from operations	(7,577)	(13,293)	(6,606)	(14,552)

(b) Non-cash financing and investing activities

Share-based payments	1,323	2,549	1,323	2,913

NOTE 25: CASH FLOW INFORMATION (CONTINUED)

	CONSOLIDATED		COMPANY	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
(c) Reconciliation of Cash				
Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:				
Cash at bank and in hand	1,883	42,063	1,883	42,063
Short term deposit	123,656	-	123,656	-
	125,539	42,063	125,539	42,063

Cash at bank earns interest at floating rates based on daily bank deposit rates.
Short-term deposits are made for varying periods, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.
The fair value of cash and cash equivalents is $125,539,406 (2008: $42,063,487).

(d) Financing facilities available

At reporting date, the following financing facilities had been negotiated and were available:

	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Total Facilities				
- Bank	750	-	750	-
- Equity line of credit	10,000	10,000	10,000	10,000
	10,750	10,000	10,750	10,000
Total Facilities used at reporting date				
- Bank	409	-	409	-
- Equity line of credit	-	-	-	-
	409	-	409	-
Total Facilities unused at reporting date				
- Bank	341	-	341	-
- Equity line of credit	10,000	10,000	10,000	10,000
	10,341	10,000	10,341	10,000

NOTE 26: EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to year end, the Company settled the legal proceedings brought against the Company by David Evans and SH Koh, former directors of Chameleon Mining NL ("Chameleon"). The litigation, which commenced in March 2005, concerned an agreement made in 2004 between the plaintiffs and Nicu Metals Ltd (now Murchison) before the current Murchison Board and senior management group were appointed. The plaintiffs had claimed a 5% interest in the Jack Hills iron ore project and a quantity of Murchison shares. Under the terms of the settlement, Murchison agreed to issue 3.5 million shares, make a payment of $350,000 and pay the plaintiff's costs (to be assessed).

NOTE 27: RELATED PARTY TRANSACTIONS

(a) Equity interest in related parties

Equity interest in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 14 to the financial statements.

Interest in joint ventures

Details of interests in joint ventures are disclosed in Note 28 to the financial statements.

(b) Key management personnel compensation

Details of key management personnel compensation are disclosed in the Directors' Report under the section entitled Remuneration Report and in Note 6 to the financial statements.

(c) Key management personnel equity holdings

Details of key management personnel equity holdings are disclosed in Note 6 to the financial statements.

(d) Other transactions with key management personnel (and their related entities)

Fees were paid to director related entities in respect of their services. These amounts have been included in their compensation as disclosed in the directors' report.

(e) Loans to and from related parties

(i) During the financial year, Murchison Metals Ltd, as the parent entity, recognised the following loans to/ from related parties.

	2009 $	2008 $
Loans to related parties		
Jack Hills Holdings Pty Ltd	31,199,801	5,749,801
MMX Port Holdings Pty Ltd	9,877,301	-
MMX Rail Holdings Pty Ltd	7,783,475	-
MMX Investment Pty Ltd	-	17,904,340
	48,860,577	23,654,141

These receivables are repayable on demand, do not attract interest and are unsecured.

Loans from related parties		
MMX Investment Pty Ltd	39,301,867	-

This loan is repayable on demand, does not attract interest and is unsecured.

(ii) Murchison Metals Ltd recognised the following payable to Crosslands Resources Ltd.

Payable to joint venture		
Crosslands Resources Ltd	2,670,899	3,621,380
Oakajee Port and Rail	-	8,920,000
	2,670,899	12,541,380

This payable is repayable on demand, does not attract interest and is unsecured.

NOTE 28: INTEREST IN JOINTLY CONTROLLED OPERATIONS AND ASSETS

The consolidated entity had the following interests in joint ventures:

		OUTPUT INTEREST	
NAME OF OPERATION	**PRINCIPAL ACTIVITY**	**2009**	**2008**
Oakajee Port	Infrastructure	25%	25%
Oakajee Rail	Infrastructure	25%	25%
Tarraji	Mineral Exploration	10%	10%
Duck Hill	Mineral Exploration	50%	50%
Turtle	Mineral Exploration	65%	65%
Halls Creek	Mineral Exploration	10%	10%
Christmas Creek	Mineral Exploration	10%	10%

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 in the last financial year (2008: $ nil) and there are no significant assets or liabilities to be disclosed for the year ended 30 June 2009 (2008: $ 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 assets and liabilities in jointly controlled operations is detailed below. The amounts are included in the consolidated financial statements in their respective categories:

	CONSOLIDATED	
	2009	**2008**
	$'000	**$'000**
NON-CURRENT ASSETS		
Exploration and Evaluation Expenditure	16,846	8,920

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES
Capital commitments and contingent liabilities arising from the Group's interest in the joint ventures are disclosed in Note 22.

NOTE 29: FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's principal financial instruments during the current year comprised of receivables, payables, available for sale investments, cash and cash equivalents.

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate, foreign exchange and commodity prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, liquidity risk is monitored through development of future rolling cash flow forecasts.

Primary responsibility for identification and control of financial risks rests with the Board of Directors. The Board reviews and approves policies for managing each of the risks identified below.

(a) Capital risk management

The Company and Group manage its capital to ensure it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Company and Group's overall strategy remains unchanged from 2008.

The capital structure of the Company and Group consists of equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instruments are disclosed in note 1 to the financial statements.

NOTE 29: FINANCIAL INSTRUMENTS (CONTINUED)

(c) Categories of financial instruments

	CONSOLIDATED		COMPANY	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
FINANCIAL ASSETS				
Loans and receivables	1,680	1,161	49,806	24,816
Available-for-sale financial assets	2,000	138,960	2,000	73,484
Cash and cash equivalents	125,539	42,063	125,539	42,063
	129,219	182,184	177,345	140,363
FINANCIAL LIABILITIES				
Loans and payables	11,330	15,058	50,144	6,138

(d) Interest rate risk management

The Group is subject to interest rate risk exposure through its cash and cash equivalents. The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions and a mix of fixed and variable interest rates.

At balance sheet date, the Group had the following financial assets exposed to variable interest rate risk:

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Financial assets				
Cash and cash equivalents	125,539	42,063	125,539	42,063
Net Exposure	125,539	42,063	125,539	42,063

Interest rate sensitivity

The sensitivity analyses below have been determined based on exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

At the reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, post tax profit would have been affected as follows:

	Impact on Post Tax Profit Higher / (Lower)			
	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
+0.5% (50 basis points)	628	210	628	210
-0.5% (50 basis points)	(628)	(210)	(628)	(210)

The sensitivity is higher in 2009, compared to 2008, because of the significant increase in the cash and cash equivalents balance.

NOTE 29: FINANCIAL INSTRUMENTS (CONTINUED)

(e) Credit risk

Credit risk is managed on a Group basis. Credit risk predominantly arises from cash, cash equivalents and deposits with banks and financial institutions. Management mitigates some credit risk by using a number of different counterparties.

The credit quality of financial assets that are neither past due nor impaired can be assessed by referent to external credit ratings (if available) or to historical information about counterparty default rates.

	CONSOLIDATED		COMPANY	
	2009	2008	2009	2008
CASH AT BANK AND SHORT TERM DEPOSITS	$'000	$'000	$'000	$'000
Counterparties with external credit ratings				
A1+	120,539	42,063	120,539	42,063
A1	5,000	-	5,000	-
	125,539	42,063	125,539	42,063

(f) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, who built an appropriate framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

The following table details the Company and the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	CONSOLIDATED		COMPANY	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Less than one month	8,009	15,058	7,521	6,138
Later than one month and not later than three months	-	-	-	-
Later than three months and not later than one year	3,321	-	3,321	-
Later than one year and not later than five years	-	-	39,302	-
	11,330	15,058	50,144	6,138

NOTE 29: FINANCIAL INSTRUMENTS (CONTINUED)

(f) Liquidity risk (continued)

Maturity analysis of financial assets and liabilities based on management's expectations:

The risks implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows.

CONSOLIDATED	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	LESS THAN ONE MONTH	LATER THAN ONE MONTH AND NOT LATER THAN THREE MONTHS	LATER THAN THREE MONTHS AND NOT LATER THAN ONE YEAR	LATER THAN ONE YEAR AND NOT LATER THAN FIVE YEARS	TOTAL
2009	%	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial Assets						
Non-interest bearing	-	1,680	-	-	2,000	3,680
Variable interest rate	3.7	51,310	74,229	-	-	125,539
		52,990	74,229	-	2,000	129,219
Financial Liabilities						
Non-interest bearing	-	(8,009)	-	(3,321)	-	(11,330)
		(2,198)	-	(2,671)	-	(11,330)
Net maturity		**50,792**	**74,229**	**(2,671)**	**2,000**	**117,889**
2008						
Financial Assets						
Non-interest bearing	-	1,161	-	-	138,960	140,121
Variable interest rate	6.25	42,063	-	-	-	42,063
		43,224	-	-	138,960	182,184
Financial Liabilities						
Non-interest bearing	-	(15,058)	-	-	-	(15,058)
		(15,058)	-	-	-	(15,058)
Net maturity		**28,116**	**-**	**-**	**138,960**	**167,126**

NOTE 29: FINANCIAL INSTRUMENTS (CONTINUED)

(f) Liquidity risk (continued)

COMPANY	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	LESS THAN ONE MONTH	LATER THAN ONE MONTH AND NOT LATER THAN THREE MONTHS	LATER THAN THREE MONTHS AND NOT LATER THAN ONE YEAR	LATER THAN ONE YEAR AND NOT LATER THAN FIVE YEARS	TOTAL
2009	%	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial Assets						
Non-interest bearing	-	945	-	-	50,861	51,806
Variable interest rate	3.7	51,310	74,229	-	-	125,539
		52,255	74,229	-	50,861	177,345
Financial Liabilities						
Non-interest bearing	-	(7,521)	-	(3,321)	(39,302)	(50,144)
		(7,521)	-	(3,321)	-	(50,144)
Net maturity		**44,734**	**74,229**	**(3,321)**	**11,559**	**127,201**
2008						
Financial Assets						
Non-interest bearing	-	1,162	-	-	97,138	98,300
Variable interest rate	6.25	42,063	-	-	-	42,063
		43,225	-	-	97,138	140,363
Financial Liabilities						
Non-interest bearing	-	(6,138)	-	-	-	(6,138)
		(6,138)	-	-	-	(6,138)
Net maturity		**37,087**	**-**	**-**	**97,138**	**134,225**

NOTE 29: FINANCIAL INSTRUMENTS (CONTINUED)

(g) Price risk

Price sensitivity

The sensitivity analyses below have been determined based on exposure to fluctuations in equity prices on the available for sale investments. A 10% increase or decrease is used when reporting price risk internally to key management personnel and represents management's assessment of the possible change in equity prices.

At the reporting date, if equity prices had been 10% higher or lower and all other variables were held constant, equity would have been affected as follows:

	Equity Higher / (Lower)			
	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Increase 10%	-	13,696	-	7,148
Decrease 10%	-	(13,696)	-	(7,148)

The movements in equity are due to higher/lower equity prices of available for sale investments. There was no impact in the in the current year as the Group sold the listed shares classified as available for sale during the year.

(h) Net fair values

The directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

NOTE 30: COMPANY DETAILS

Murchison Metals Ltd is a public company listed on the Australian Stock Exchange, incorporated and operating in Australia.

Registered office and principal place of business

Level 1

50 Kings Park Road

West Perth WA 6005

NOTE 31: SHARE BASED PAYMENTS

(a) Recognised share-based payment expenses

The amount recognised for employee services received during the year is shown in the table below:

	CONSOLIDATED		COMPANY	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Expense arising from equity-settled share-based payment transactions	1,323	2,549	1,323	2,549
Capitalised expense to investment in joint venture arising from equity-settled share-based payment transactions	-	1,578	-	1,578
Total share-based payment during the year	1,323	4,127	1,323	4,127

(b) Type of share based payment plans

Directors

The objective of the long term incentives is to reward Directors in a manner that aligns remuneration with the creation of shareholder wealth. Long term incentives to executives are delivered in the form of share options. These share options vest immediately. Directors are able to exercise the share options after vesting until the set expiry date.

Executives

The objective of the long term incentives is to reward executives in a manner that aligns remuneration with the creation of shareholder wealth. Long term incentives to executives are delivered in the form of share options under an Executive Share Option Plan. Under the plan, the share options vest over a period of 2 years subject to meeting continuity of employment provisions, and subject to the Board's discretion. Executives are able to exercise the share options after vesting until a set expiry date.

The Company does not use performance hurdles in assessing and granting share options to executives under the Executive Share Option Plan.

In the event of the resignation or termination of employment of an option holder, the options granted and unvested lapse immediately, unless the Directors, in their absolute discretion, determine otherwise. In the event of redundancy of an option holder, the options granted and unvested vest immediately.

Employees

The objective of the long term incentives is to reward employees in a manner that aligns remuneration with the creation of shareholder wealth. Long term incentives to employees are delivered in the form of share options under the Employee Share Option Plan. The share options vest over a period of 2 year subject to continuity of employment of 12 months, and subject to the Board's discretion. Employees are able to exercise the share options after vesting until the set expiry date.

In the event of the resignation, redundancy or termination of employment of an option holder, the options granted lapse immediately, unless the Directors, at their absolute discretion, determine otherwise.

NOTE 31: SHARE BASED PAYMENTS (CONTINUED)

(c) Summaries of options granted under executive and employee share option plans

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of and movements in share options issued during the year:

	2009 No.	2009 WAEP	2008 No.	2008 WAEP
Outstanding at the beginning of the year	24,002,500	0.97	38,215,000	0.65
Granted during the year	2,892,400	1.79	1,545,000	2.11
Exercised during the year	(481,500)	0.05	(15,707,500)	0.32
Forfeited during the year	-	-	(50,000)	0.05
Expired during the year	(6,000,000)	1.00	-	-
Outstanding at the end of the year	20,413,400	1.10	24,002,500	0.97

The following share-based payment arrangements were in existence during the current and comparative reporting periods:

OPTION SERIES	EXPIRY DATE	EXERCISE PRICE	CLASS OF SHARES	NUMBER UNDER OPTION
Series 1	30 Nov 09	$0.20	Ordinary	2,000,000
Series 2	31 Dec 09	$0.50	Ordinary	3,750,000
Series 3	31 Dec 09	$1.00	Ordinary	4,500,000
Series 4	31 Dec 09	$1.25	Ordinary	6,000,000
Series 5	1 Nov 09	$0.05	Ordinary	471,000
Series 6	30 Jun 11	$2.70	Ordinary	100,000
Series 7	30 Jun 11	$3.96	Ordinary	100,000
Series 8	30 Nov 09	$1.25	Ordinary	250,000
Series 9	30 Jun 10	$5.74	Ordinary	250,000
Series 10	30 Nov 10	$5.19	Ordinary	100,000
Series 11	22 Aug 11	$2.34	Ordinary	1,014,000
Series 12	22 Aug 11	$0.94	Ordinary	47,000
Series 13	30 Jun 12	$0.68	Ordinary	100,000
Series 14	23 Sept 11	$1.27	Ordinary	17,000
Series 15	15 Oct 11	$0.81	Ordinary	21,000
Series 16	17 Feb 12	$0.61	Ordinary	2,000
Series 17	26 Jun 12	$1.56	Ordinary	1,691,400
				20,413,400

(d) Weighted average fair value

The weighted average fair value of options granted during the year was $0.90 (2008: $2.47).

NOTE 31: SHARE BASED PAYMENTS (CONTINUED)

(e) Option pricing model

The fair value of the equity-settled share options granted to employees or suppliers is estimated as at the date of grant using a binomial model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for the years ended 30 June 2009 and 30 June 2008:

	2009	2008
Dividend yield (%)	-	-
Expected volatility (%)	67.87 - 80	55 – 70
Risk-free interest rate (%)	4.18 – 5.85	6.26 – 6.85
Expected life of the option (years)	1.93 – 3.02	1.64 – 3.22
Option exercise price ($)	0.61 – 2.34	0.05 – 5.74
Weighted average share price at grant date ($)	1.59 – 2.22	3.26 – 4.01

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

(f) Exercised during the financial year

The following share options granted under the executive and employee share option plans were exercised during the financial year:

Option series	Number exercised	Exercise date	Share price at exercise date $
$0.05 1 November 2009	481,500	4 Jul 08 – 26 Jun 09	1.62 – 3.00

(g) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2009 is 1.5 years (2008: 1.9 years).

(h) Range of exercise price

The range of exercise prices for options outstanding at the end of the year was $0.05 – $5.74 (2008: $0.05 - $5.74).

DIRECTORS' DECLARATION

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, notes and the additional disclosures included in the directors' report designated as audited, of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

   (ii) complying with Accounting Standards and Corporations Regulations 2001; and

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2009.

On behalf of the Board

Mr Trevor Matthews

Managing Director

Perth, 18 September 2009

Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 Australia
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Independent auditor's report to the members of Murchison Metals Ltd and its controlled entities

Report on the Financial Report

We have audited the accompanying financial report of Murchison Metals Ltd and its controlled entities, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards and International Standards on Auditing. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met 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.

RK:MJ:MML:066

ERNST & YOUNG

Auditor's Opinion

In our opinion:

1. the financial report of Murchison Metals Ltd is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the financial position of Murchison Metals Ltd and the consolidated entity at 30 June 2009 and of their performance for the year ended on that date; and

   ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 26 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Murchison Metals Ltd for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

R A Kirkby
Partner
Perth
18 September 2009

RK:MJ:MML:066

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 11 September 2009.

1. DISTRIBUTION OF EQUITY SECURITIES

(i) Ordinary share capital

416,860,768 fully paid ordinary shares are held by 10,080 individual shareholders.
All issued ordinary shares carry one vote per share and carry the rights to dividends.

(ii) Options

20,180,500 options are held by 43 individual option holders.
Options do not carry a right to vote.

The number of shareholders, by size of holding, in each class is as follows:

	Fully paid Ordinary Shares	Options
1 – 1,000	2,875	-
1,001 – 5,000	4,122	3
5,001 – 10,000	1,390	9
10,001 – 100,000	1,503	18
100,001 – and over	190	13
	10,080	43

Holding less than a marketable parcel

2. SUBSTANTIAL SHAREHOLDERS

Ordinary Shareholders	Fully Paid No.	%
POSCO AUSTRALIA PTY LTD	50,567,000	12.13
CITICORP NOMINEES PTY LIMITED	37,764,249	9.06
JP MORGAN NOMINEES AUSTRALIA LIMITED	32,002,728	7.68
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	27,926,317	6.70
COLBERN FIDUCIARY NOMINEES PTY LTD	25,224,408	6.05
	173,484,702	41.62

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

3. TWENTY LARGEST HOLDERS OF QUOTED EQUITY SECURITIES

Ordinary Shareholders	**Fully Paid**	
	No.	**%**
POSCO AUSTRALIA PTY LTD	50,567,000	12.13
CITICORP NOMINEES PTY LIMITED	37,764,249	9.06
JP MORGAN NOMINEES AUSTRALIA LIMITED	32,002,728	7.68
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	27,926,317	6.70
COLBERN FIDUCIARY NOMINEES PTY LTD	25,224,408	6.05
ANZ NOMINEES LIMITED <CASH INCOME A/C>	17,536,357	4.21
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	15,028,115	3.61
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	14,468,952	3.47
RESOURCE CAPITAL FUND 111 L P	12,450,000	3.00
TASWA PTY LTD	11,360,000	2.73
MR PAUL JOHN KOPEJTKA & MRS KAREN LOUISE, KOPEJTKA <KOPEJTKA FAMILY A/C>	7,240,000	1.74
NATIONAL NOMINEES LIMITED	7,086,089	1.70
RESOURCES CAPITAL FUND III L P	6,000,000	1.44
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	5,383,218	1.30
BAZHOU CITY HENGJI STRIP STEEL CO LTD	4,965,000	1.20
ERIDITUS PTY LTD <THE ROBERT VAGNONI A/C>	4,730,000	1.14
NEFCO NOMINEES PTY LTD	4,233,899	1.02
AMP LIFE LIMITED	3,321,886	0.80
DR CHARLES FRATER	3,000,000	0.72
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	2,891,655	0.69
	293,179,873	70.33

4. INTEREST IN MINING TENEMENTS

Tenement	Project	Percentage interest
E04/1418	Tarraji	10%
E31/733	Duck Hill	50%
E59/1163	Bill Well	100%
E47/952	Rocklea	100%
E47/1153	Rocklea	100% of iron ore rights
E47/1977	Rocklea	100%
P47/1429	Rocklea	100%
E47/1954	Yandicoogina	100%
E47/1955	Yandicoogina	100%
E47/2044	Chichester Range	100%
E47/2045	Punda Spring	100%
E69/2576	Earaheedy	100%
E69/2606	Earaheedy	100%
M04/399	Turtle	50%
M80/90	Halls Creek	10%
E08/1984	Paulsens	100%
E08/1988	Paulsens	100%
E47/2116	Yandicoogina	100%

CORPORATE GOVERNANCE

ASX Listing Rule 4.10.3 requires ASX listed companies to report on the extent to which they have followed the Principles of Good Corporate Governance and Best Practice Recommendations ("ASX Principles") released by the ASX Corporate Governance Council. The ASX Principles require the Board to carefully consider the development and adoption of appropriate corporate governance policies and practices founded on the ASX Principles.

Details of the company's compliance with the ASX Principles are set out below. A checklist, cross referencing the ASX Principles to the relevant section of this statement and the remuneration report, is provided on pages 121 to 125 of this report.

1. BOARD OF DIRECTORS

a. Board Composition

Under the Constitution, the Board shall comprise not less than three and not more than ten Directors. The Board currently comprises two Executive Directors (one of whom is Executive Chairman and one of whom is Managing Director) and three Non-Executive Directors. Of the three Non-Executive Directors two are regarded as independent. Consequently, the Company does not have a majority of independent Directors.

The Board has an expansive range of relevant industry experience, financial and other skills and expertise to meet its objectives.

To ensure it has the right mix of management skills and technical expertise to meet the challenges of its business, the Board regularly reviews its composition. The Board believes that at the current stage of the Company's development, the composition of the Board is adequate.
Details of the skills, experience and expertise of each Director in office as at the date of the Annual Report are set out in the Directors Report.

b. Board Responsibilities

The roles and responsibilities of the Board are formalised in a Board Charter. The Board Charter distinguishes between the matters that are reserved for the Board and its committees, and those that the Board has delegated to management. The Board is ultimately responsible to shareholders for the strategy and performance of the Company. It is the role of the Board to govern the Company rather than manage it.

The principal functions and responsibilities of the Board include the following:

- guiding the development of an appropriate culture and values for the Company through the establishment and review of Codes of Conduct and rules and procedures to enforce ethical behaviour;
- overseeing the development and implementation of appropriate strategies including –
  - (i) Working with the senior management team to ensure that an appropriate strategic direction and array of goals are in place;
  - (ii) Ensuring that an appropriate set of internal controls are implemented and reviewed regularly;
  - (iii) Overseeing planning activities including the development and approval of strategic plans, annual plans, annual corporate budgets and long-term budgets including operating budgets, capital expenditure budgets and cash flow budgets;
- ensuring corporate accountability to the shareholders primarily through adopting an effective shareholder communications strategy;
- ensuring robust and effective risk management, compliance and control systems (including legal compliance) are in place and operating effectively; and
- overseeing the Company's senior management and personnel including the terms of the appointment of the Executive Chairman and Managing Director and ensuring appropriate succession plans are in place.

The Board Charter also contains a statement of the functions delegated to the Executive Chairman, the Managing Director and the Company Secretary.

The Board Charter is available in the Corporate Governance section on the Company's website.

c. Director Independence

The independence of a Director is assessed by determining whether the Director is independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

The test of whether a relationship or business is material is based on the nature of the relationship or business and on the circumstances and activities of the Director. Materiality is considered from the perspective of Murchison, the persons or organisations with which the Director has an affiliation and from the perspective of the Director. Materiality thresholds are considered by the Board from time to time. The Board considers that:

- a material customer is a customer of Murchison which accounts for more than 5% of Murchison's consolidated gross revenue;
- a supplier is material if Murchison accounts for more than 5% of the supplier's consolidated gross revenue;
- a substantial shareholder of Murchison is a shareholder who holds greater than 5% of the voting capital of Murchison; and
- service on the Board for a period exceeding 10 years is a period which could, or could reasonably be perceived to materially interfere with a Director's ability to act in the best interests of the Company.

In the event that one of more of these thresholds is exceeded, the Board considers whether or not, in their view, the relevant circumstances materially impacts on the independent judgement of a Director.

Based on the criteria above, the Board considers that Mr Clements and Mr Baxter qualify as independent Directors.

d. Directors' Retirement and Re-election

The Constitution of the Company provides that subject to rule 14.1 of the Constitution (which deals with the appointment of a Managing Director) -

- no Director except the Managing Director may hold office for a period in excess of 3 years, or beyond the third annual general meeting following the Director's election, whichever is the longer, without submitting himself or herself for re-election;
- at every annual general meeting one-third of the previously elected Directors, and if their number is not a multiple of three, then the number nearest to but not exceeding one third, must retire from office and are eligible for re-election; and
- a retiring Director is eligible for re-election without needing to give any prior notice of an intention to submit for re-election and holds office as a Director until the end of the meeting at which the Director retires.

e. Board Succession Planning

The Board reviews annually the size and composition of the Board and the mix of existing and desired competencies across members at least annually. The Board may engage an independent recruitment firm to undertake a search for suitable candidates.

f. Nominations and Appointment of New Directors

Recommendations for nomination of new Directors are made and considered by the Board as a whole. The Board considers Director appointments having regard to the skill base of current Directors, the requirements of the Board and the Company and the candidate's commercial experience, skills and other qualities. External consultants may be used from time to time to identify a wide base of potential Directors.

g. Board Performance Evaluation

The Board may conduct a performance evaluation of itself that:

(a) compares the performance of the Board with the requirements of its Charter;
(b) effects any improvements to the Board Charter and corporate governance principles and procedures deemed necessary or desirable; and
(c) includes a process for review of the performance of individual directors and a review of the performance of the Chairman by the other members of the Board.

The general management and oversight of this process of performance evaluation, together with development of appropriate Board member performance assessment measures, is the responsibility of the Chairman. Primarily the evaluation will be carried out through consultation by the Chairman with individual directors. An independent review of the conduct of the performance of each Director, and the Board as a whole has not been undertaken during the past year.
The Company has a formal performance appraisal system for all executive employees.

h. Access to Professional Advice

Directors may, in carrying out their duties, seek external professional advice. Directors are required to inform the Chairman about the nature of the advice sought and the estimated cost of the advice. All Directors have the individual authority to commit the Company to up to $5,000 per annum in professional advice. If the cost of the advice is likely to exceed $5,000 the Director shall seek authority from the Chairman prior to obtaining the advice.

i. Conflicts of Interest

The Company has adopted Codes of Conduct for Directors and employees that deal with conflicts of interest.

Directors are required to disclose any actual or potential conflict or material personal interests that may or might be reasonably be thought to exist between the interests of the Director and the interests of the Company.
Directors are required to declare any conflict of interest when appointed or when a conflict subsequently arises. If a Director is unable or unwilling to remove a conflict of interest that Director must not be present when the matter is discussed or voted on by the Board.

The Code of Conduct for employees provides that:

- employees should not engage in activities or hold or trade assets that involve or could appear to involve a conflict between their personal interests and the interests of the Company;
- employees should not hold directorships in publicly listed companies without the prior approval of the Company;
- employees should not hold positions in, or have relationships with, outside organisations that have business dealings with Murchison in the employee could influence these transactions;
- employees must advise their manager of situations that could involve an actual or perceived conflict of interest.

j. Terms of Appointment, Induction Training and Continuing Education

Non-executive directors are provided with a Letter of Appointment setting out the key terms and conditions of the appointment, including duties, rights and responsibilities, the time commitment envisaged and the Board's expectations regarding their involvement with committee work.

The Chairman and/or Managing Director, with assistance from the Company Secretary, will provide an induction for new directors appointed to the Board. All directors are expected to maintain the skills required to discharge their obligations to the Company. Directors are encouraged to undertake continuing professional education and where this involves industry seminars and approved education courses, this is paid for by the Company, where appropriate.

k. Board Meetings

The Board meets formally to conduct appropriate business. The Board meets at least quarterly and at other times as considered necessary.

The Chairman sets the agenda for each meeting in conjunction with the Managing Director and Company Secretary. Any Director may request additional matters be added to the agenda. Members of senior management attend meetings of the Board by invitation. Non-executive directors may meet as required without Executive Directors, the Managing Director or management being present.

Board papers are circulated in advance of the meetings in either electronic or hard copy form. Directors are entitled to request additional information where they consider the information is necessary to support informed decision-making.

k. Board Meetings (continued)

The Board uses circulating resolutions in writing signed by all Directors to deal with matters requiring decisions between meetings.

l. Directors and Senior Management Remuneration

The Board, on advice from the Remuneration Committee, determines the fees and salaries for all Directors and senior management. Total remuneration for the Executive Directors includes an Annual Salary and other entitlements. Attendance at and participation in Board and Committee Meetings are considered among the duties of the Executive Director.

The actual remuneration paid to all Directors and the top five executives is detailed in the Directors Report.

2. BOARD COMMITTEES

o Board Committees and Membership

The Board currently has two standing committees to assist in the discharge of its responsibilities. These are the:

- Audit and Risk Committee; and
- Remuneration Committee.

The charters of the Board committees detailing the roles and duties of each are available in the Corporate Governance section of Murchison's website. All Board committee charters are reviewed at least annually.

At the date of this report the membership of each Board committee comprises the following Non-executive Directors:

Audit and Risk Committee	Remuneration Committee
Rod Baxter (Chair)	James McClements (Chair)
James McClements	Rod Baxter
SM Woo	

Committee members are chosen for the skills, experience and other qualities they bring to the committees. Executive Directors and senior executives may attend Board committee meetings by invitation.

All papers considered by the standing committees are available on request to Directors who are not on that committee.

Following each committee meeting, generally at the next Board meeting, the Board is given a verbal update by the Chair of each committee. Minutes of committee meetings are made available to all Directors.

The Company Secretary or another senior executive acts as secretary for each of the committees.

Other committees can be convened to address major transactions or other matters calling for special attention

- **Audit and Risk Committee**

The role of the Audit and Risk Committee is to assist the Board to meets its oversight responsibilities in relation to the Company's financial reporting, internal control structure, financial and operation risk management procedures and the internal and external audit function. In doing so, it is the Committee's responsibility to maintain free and open communication between the Committee and the external auditors and the management of Murchison.

The Audit and Risk Committee comprises three non-executive Directors, the majority of whom are regarded as independent.

The external auditors, the Executive Chairman, the managing Director and the Chief Financial Officer attend committee meetings by invitation. The Committee meets at least twice a year.

Murchison's independent external auditor is Ernst and Young. Ernst and Young were appointed by shareholders at the 2005 annual general meeting in accordance with the *Corporations Act*.

The Board is satisfied that the policies of the Auditors with regards to audit rotation, ensures auditors independence.

- **Remuneration Committee**

The role of the Remuneration Committee is to assist the Board by reviewing and making appropriate recommendations to the Board on:

- Remuneration for executive directors and senior executives; and
- Employee incentive and equity based plans.

The Committee's responsibilities include:

- review of the Company's *Remuneration Policy* and framework;
- review and determine remuneration and incentives for Executive Directors and senior executives;
- review short term incentives strategy, performance targets and bonus payments;
- review and make recommendations concerning long-term incentive compensation plans, including the use of share options and other equity-based plans;
- ensure that incentive plans are designed around appropriate and realistic performance targets that measure relative performance and provide rewards when they are achieved;
- continually review and if necessary improve any existing benefit programs established for employees; and
- review performance assessment processes for senior executives.

The Committee has authority, as it deems necessary or appropriate, to obtain advice from external consultants or specialists in relation to remuneration related matters.

Executive Directors and senior executives may attend Committee meetings by invitation although no individual can be involved in deciding their own remuneration. The Committee meets at least once a year.

- **Board Nomination**

The Board as a whole regularly considers the composition of the Board to ensure it has the right mix of skills and experience. The Board believes at the current stage of the Company's development and the composition of the Board, a nomination committee is not necessary and all matters are dealt with by the full Board.

3. CONTROLLING AND MANAGING RISK

a. Approach to Risk Management

The Audit and Risk Committee is responsible for overseeing the implementation of the Company's Risk Management Policy by senior executives. The Audit and Risk Committee ultimately reports to the Board.

The Company has a defined set of processes to effectively manage risk in the business. They include processes to:

- *Identify* risks relevant to the business to determine what can happen, when and how.
- *Assess* identified risks to determine their potential severity and I impact on the business.
- *Evaluate* risks.
- *Treatment* plans for risks deemed unacceptable to the business.
- *Communicate* risk management activities and processes to employees.
- *Monitor and review* risks, risk mitigation strategies and actions as well as the risk management processes and system.

The executive management team is responsible for the development and implementation of policies, processes and procedures to identify risks and mitigation strategies in Murchison's activities. A management reporting system is in place to ensure risks and risk issues are reported on a regular basis and are escalated where necessary. Risks with levels higher than that acceptable to the business are mitigated through the development of appropriate risk treatment actions and plans.

All risks and risk treatment plans are recorded on the Company's risk register. Responsibility for implementing risk treatment plans is allocated to specific individuals.

The executive management team attends monthly risk meetings to review the risk register, risk rankings and to identify any new risks that may have arisen. The outcomes of these meetings are noted in monthly management reports and are communicated to the Risk and Audit Committee and the Board on a regular basis.

b. Managing Director and CFO Assurance on Corporate Reporting

The Board receives monthly reports about the financial condition and operational results of Murchison and its controlled entities.

The Managing Director and CFO provide, at the end of each six monthly period, a formal statement to the Board confirming that the Company's financial reports present a true and fair view, in all material respects, and the Group's financial condition and operational results have been prepared in accordance with the relevant accounting standards.

The statement also confirms the integrity of the Company's financial statements and notes to the financial statements, is founded on a sound system of risk management and internal compliance and control which implements the policies approved by the Board, and that Murchison's risk management and internal compliance and control systems, to the extent they relate to financial reporting, are operating efficiently and effectively in all material respects.

4. PROMOTING ETHICAL AND RESPONSIBLE BEHAVIOUR

a. Health and Safety

The Company is committed to providing a safe and healthy working environment for all staff. It considers that safety is a collective responsibility and ensures that regular training in safe working methods is undertaken and encourages participation and involvement in the development of workplace safety programs. Individual employees and employees of contractors are required to practice safe working habits, to take all reasonable care to prevent injury to themselves and their colleagues and to report all hazards and accidents.

New staff and contractors (where appropriate) are required to undergo an induction program to familiarise themselves with policies, procedures and work practices prior to commencing work. All staff are covered against injury under the various Workers Compensation Acts.

b. Codes of Conduct

The Company has adopted Codes of Conduct for Directors and Employees.

Directors must ensure they perform their duties in accordance with legal requirements and agreed ethical standards. These include the requirement to:

- Act honestly, in good faith and in the best interests of the Company;
- Use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office;
- Act with a level of skill expected from directors and key executives of a publicly listed company;
- Use the powers of office for a proper purpose, in the best interests of the Company as a whole;
- Not take improper advantage of the position of Director or use the position for personal gain or to compete with the Company;
- Not take advantage of Company property or use such property for personal gain or to compete with the Company.

A copy of the Directors Code of Conduct is available in the Corporate Governance section of the Company's website.

The Company also has a Code of Conduct for employees to ensure its employees (and consultants and contractors) observe high standards of honesty, integrity and ethical behaviour in dealing with other employees, shareholders, contractors and other third parties. The code requires employees to:

- not discriminate against any staff member or potential employee;
- carry out their duties lawfully at all times;
- use the Company's assets responsibly;
- respect the confidentiality of the Company's business dealings; and
- take responsibility for their own actions and for the consequences surrounding their own actions.

The Code of Conduct for employees is available to employees on the Company's internal intranet.

c. Share Trading

Murchison's Share Trading Policy is binding on all Directors and senior executives. The objectives of the policy are to:

(a) minimise the risk of Directors and Senior Executives of the Company contravening the laws against insider trading;
(b) ensure the Company is able to meets its reporting obligations under the ASX Listing Rules; and

(c) increase transparency with respect to trading in securities of the Company by Directors and Senior Executives.

The policy provides a brief summary of the law on insider trading and what constitutes "price sensitive information". The policy also prescribes "blackout periods" when Directors and senior executives should not, in the absence of exceptional circumstances, trade in the Company's securities.

A copy of the Company's Share Trading Policy is available in the Corporate Governance section of Murchison's website.

5. CONTINUOUS DISCLOSURE

Murchison is committed to maintaining a level of disclosure that meets the highest standards and provides all investors with timely and equal access to information.

Murchison's Continuous Disclosure Policy reinforces Murchison's commitment to ASX continuous disclosure requirements and outlines management's accountabilities and the processes to be followed for ensuring compliance. The policy also describes Murchison's guiding principles for market communications.

A copy of the Continuous Disclosure Policy is available in the Corporate Governance section of Murchison's website.

6. SHAREHOLDER COMMUNICATIONS AND PARTICIPATION

Murchison is committed (subject to commercial and confidentiality constraints) to maintaining direct, open and timely communications with all shareholders and encouraging their participation at general meetings. Similarly, prospective new investors are entitled to be able to make informed investment decisions when considering the purchase of shares in Murchison.

A wide range of communication approaches are employed including direct communications with shareholders and presentations to shareholders at the Company's Annual General Meeting. Publication of all relevant company information, including the Company's Annual Report is in the Investor Information section of Murchison's website at www.mml.net.au. Shareholders are also given the opportunity to receive information in print or electronic format.

Murchison's Shareholder Communication Policy provides that the Company will communicate effectively with its shareholders and give shareholders ready access to balanced and understandable information about Murchison. It does this by:

- ensuring that financial reports are prepared in accordance with applicable laws;
- ensuring the disclosure of full and timely information about Murchison's activities in accordance with the general and continuous disclosure principles of the ASX Listing Rules and the Corporations Act 2001. This includes reporting quarterly, half yearly and annually on the activities and prospects of the Company;
- the Executive Chairman and Managing Directors reporting to shareholders at the Company's annual general meeting;
- placing all ASX announcements (including quarterly reports and financial reports) on Murchison's website as soon as practicable following release; and
- ensuring that reports, notices of meeting and other shareholder communications are prepared in a clear and concise manner.

A copy of the Shareholder Communication Policy is available in the Corporate Governance section of Murchison's website.

Unless otherwise noted references to "sections" in the table below are references to sections of the Corporate Governance Report

Principle	Details	Comments
1.	**Lay solid foundations for management and oversight**	
	Companies should establish and disclose the respective roles and responsibilities of board and management.	
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Comply – refer section 1b
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Comply – refer Remuneration Report in Directors Report
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	Comply – the information is provided in sections 1a and 1b and the Remuneration Report

2.	**Structure the Board to add value**	
	Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.	
2.1	A majority of the board should be independent directors.	The Board as structured does not comply with this principle. However, as the Board consists of a majority of non-executive directors (and the majority of non-executive directors are independent) the Board believes the structure of the Board is adequate.
2.2	The chair should be and independent director.	The Company does not comply with this principle. The Board believes the Company and Board functions adequately with an Executive Chairman.
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Comply. The Company has a Managing Director that performs the role of Chief Executive Officer as distinct from the role of Executive Chairman

2.	Structure the Board to add value (continued)	
2.4	The board should establish a nomination committee.	The Company does not comply with this principle. Recommendations for the nomination of new Directors are made and considered by the Board as a whole. The Board considers Director appointments having regard to the skill base of current Directors, the requirements of the Board and the Company and the candidate's commercial experience, skills and other qualities.
2.5	Companies should disclose the process for evaluating the performance of its board, its committees and individual directors.	Comply – refer sections 1g and 2c
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	Comply – refer Directors Report

3.	Promote ethical and responsible decision making	
	Companies should actively promote ethical and responsible decision making.	
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: - the practices necessary to maintain confidence in the company's integrity - the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders - the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Comply – refer section 4b
3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	Comply – refer section 4c
3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Comply – refer sections 4b and 4c

4.	Safeguard integrity in financial reporting	
	Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.	
4.1	The board should establish an audit committee.	Comply – refer sections 2a and 2b
4.2	The audit committee should be structured so that it: - Consists only of non-executive directors - Consists of a majority of independent directors - Is shared by an independent chair, who is not the chair of the board - Consists of a majority of independent directors - Is chaired by an independent chair, who is not the chair of the board - has at least three members.	Comply – refer sections 2a and 2b
4.3	The audit committee should have a formal charter.	Comply – refer section 2a
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Comply – refer Directors Report

5.	Make timely and balance disclosure	
	Companies should promote timely and balanced disclosure of all material matters concerning the company.	
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those polices or a summary of those policies.	Comply – refer section 5
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Comply – refer section 5

6.	Respect the rights of shareholders	
	Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.	
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclosure their policy or a summary of that policy.	Comply – refer section 6
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	Comply – refer section 6

7.	Recognise and manage risk	
	Companies should establish a sound system of risk and oversight and management and internal control.	
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Comply – refer sections 2b, 3a and 3b
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Comply – refer section 3a
7.3	The board should disclosure whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Comply – refer section 3b
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Comply – refer sections 3a and 3b

8.	Remunerate fairly and responsibly	
	Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.	
8.1	The board should establish a remuneration committee.	Comply – refer section 2c
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Comply – refer Remuneration Report
8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Comply – refer section 2a and Remuneration Report