

ASX ANNOUNCEMENT

ASX Code: MMX

24 November 2011

A\$325 MILLION SALE OF CROSSLANDS AND OAKAJEE PORT AND RAIL INTERESTS

- Murchison has entered into a conditional sale agreement with Mitsubishi in relation to its interests in Crosslands and OPR for total cash consideration of A\$325 million¹
- Implied value per share of A\$0.51², representing a premium of 85% to Murchison's last closing share price of A\$0.275 and 82% to the 1-month VWAP of A\$0.281
- Murchison's sale of its interests in the projects is subject to a limited number of conditions
- Murchison shareholders expected to vote to approve the sale in February 2012, with Murchison retaining the full flexibility to seek a superior proposal

Murchison Metals Ltd ("Murchison" or the "Company") has entered into a conditional sale agreement with Mitsubishi Development Pty Ltd (a wholly owned subsidiary of Mitsubishi Corporation) ("Mitsubishi") in relation to all of the Company's interests in Crosslands Resources Ltd ("Crosslands"), the owner of the Jack Hills Expansion Project, and the Oakajee Port and Rail ("OPR") project (the "Transaction").

Following completion of the Transaction, Murchison will have no ongoing exposure to the risks associated with project development, or the requirement to continue funding their ongoing development. Murchison has, however, agreed to continue funding Crosslands and OPR through to completion, and has agreed to support interim budgets for the period between 1 January 2012 to 31 March 2012, with its net exposure to the interim budgets capped at A\$11.2 million, and subject to a pro rata scale back should completion occur before 31 March 2012.

The Transaction is subject to a limited number of conditions, including approval by Murchison shareholders at a meeting scheduled to occur prior to 15 February 2012. A summary of the key terms of the Share and Asset Purchase Agreement are outlined in Appendix 1.

Murchison anticipates sending shareholder materials, including an independent expert report, in January 2012 in advance of the Extraordinary General Meeting to approve the Transaction.

¹ Note that this figure is before net cash calls to fund Crosslands and OPR to completion of the Transaction

² Reflects A\$325m cash proceeds less 30 Sep 2011 net debt of A\$44m and other estimated cash payments through to completion of A\$52m (including transaction costs, project cash calls and indicative legal settlement costs), based off fully diluted total shares outstanding of 448m (including 6m in-the-money options). The implied value per share does not take account of ongoing Murchison corporate expenditure and is an indicative estimate only.

Under the terms of the Transaction, Murchison is free to continue to seek superior proposals up until the time that Murchison shareholders vote on the Transaction. A break fee of A\$3 million applies in the event the Murchison Board chooses to change its recommendation supporting the Transaction³, recommends a third party proposal or terminates the Share and Asset Purchase Agreement due to a superior proposal.

Murchison has been actively engaged in a Strategic Review process in recent months to identify the most appropriate means to extract value for its shareholders within the constraints of the significant funding requirements of the Oakajee Port and Rail development and Jack Hills Expansion Project.

Managing Director Greg Martin said that “the Company has tested third party interest in Murchison and its assets over recent months, and at this time it is the Board’s unanimous view that the Transaction is in the best interests of shareholders.”

“The Murchison team has worked extremely hard to unlock value for its shareholders in recent months, and it is our view that the Transaction represents a solid outcome in very challenging circumstances. Mitsubishi has put forward an offer that represents a good financial result for Murchison shareholders, although we will also continue to pursue discussions with other parties to give shareholders comfort this is the best option available” said Mr Martin.

Assuming the Transaction is completed, Murchison intends to use the funds to pay down all outstanding debts, costs of the transaction and other obligations. The Board will be considering its options as to the future of Murchison following completion of the Transaction. These options will include determining the most effective mechanism to distribute net proceeds to shareholders subject to further tax and legal considerations.

The indicative timetable for the transaction is as follows:

January 2012	Notice of Meeting and Explanatory Memorandum dispatched to shareholders
February 2012	Murchison Extraordinary General Meeting of shareholders to approve transaction
March 2012	Completion of transaction

³ Unless on the basis of the independent expert determining that the Transaction is “not in the best interests of shareholders”

Murchison's Managing Director Greg Martin will today conduct media and investor briefings as follows:

	Media Conference Call	Investor Conference Call												
Time	9.00am Perth (AWST) / 12.00pm (AEDT)	8.30 am Perth (AWST) / 11.30pm (AEDT)												
Conference ID#	30827509	30829113												
Dial in Numbers	<div>+ 61 2 8314 8370</div> <div>Toll Free Dial-in Number(s):</div> <table><tr><td>Australia</td><td>1800 123 296</td></tr><tr><td>Hong Kong</td><td>800908865</td></tr><tr><td>New Zealand</td><td>0800452782</td></tr><tr><td>Singapore</td><td>8006162288</td></tr><tr><td>United Kingdom</td><td>08082340757</td></tr><tr><td>United States</td><td>18552931544</td></tr></table> <div>In the 10 minutes prior to the start time, please call one of the dial-in numbers listed above and then provide the operator with your full name along with the relevant Conference ID</div>		Australia	1800 123 296	Hong Kong	800908865	New Zealand	0800452782	Singapore	8006162288	United Kingdom	08082340757	United States	18552931544
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Murchison's financial advisers in relation to the Transaction are Rothschild and O'Sullivan Partners, with Corrs Chambers Westgarth and Freehills acting as legal advisers.

For further information, please contact:

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Appendix 1 – Summary of key terms of Share and Asset Purchase Agreement

Sale Interests	<p>All of Murchison's interest in:</p> <ul style="list-style-type: none"> • Crosslands Resources Limited (Crosslands), the owner of the Jack Hills mine; • Oakajee Port and Rail Pty Ltd (OPR), the manager of the Oakajee port and rail joint ventures; and • the Oakajee port and rail joint ventures.
Purchase price	A\$325 million
Conditions precedent	<ul style="list-style-type: none"> • FIRB approval • Murchison shareholder approval • No material adverse change occurring (being an event or combination of events that could reasonably be expected to result in the value of the Sale Interests as a whole being reduced by any amount equal to or exceeding A\$50 million, where those events arise as a result of an act or omission by Murchison or its related parties which is intended to have an adverse effect, or which is performed or not performed with knowledge or reckless indifference to a reasonably foreseeable adverse effect, on the Jack Hills project or the OPR project) • Novation of key contracts relating to the Oakajee port and rail project (including the State Development Agreement entered into with the WA State Government) • Release of all encumbrances over the Sale Interests (except for those that relate to the existing joint venture granted in favour of Mitsubishi, CRL and / or OPR) • All other necessary government approvals to give effect to the transaction • Settlement of the claim by Chameleon Mining NL against Murchison and others, but excluding the cross claim made by Phillip Grimaldi against Murchison (the Chameleon Claim). <p>Completion is scheduled to occur 5 business days after the conditions precedent are satisfied or waived. On completion of the transactions the joint venture arrangements between Murchison and Mitsubishi, including the obligation to pay the residual contribution will terminate.</p>
Budgets and cash calls	<p>Murchison's obligation to fund ongoing works by Crosslands and OPR in the three months from 1 January is limited to A\$11.244 million. Mitsubishi may terminate the agreement if Murchison does not contribute its share of cash calls up to a maximum cap of A\$11.244 million. Alternatively, Mitsubishi may elect to complete the transaction and deduct any shortfall from the Purchase price otherwise payable by Mitsubishi.</p> <p>If operating cash flows are lower than expected, then Mitsubishi must pay Murchison's share of any budgeted expenditures above A\$11.244 million. Murchison must reimburse such payments within 90 days if the transaction does not complete.</p>
Termination rights	<ul style="list-style-type: none"> • Murchison has a right to terminate the transaction in the event that it is not able to settle the Chameleon Claim for not more than A\$25 million by 23 December 2011 (unless the condition is otherwise waived by Mitsubishi). • Mitsubishi has the right to terminate the transaction if Murchison shareholder approval is not obtained by 15 February 2012. • Murchison may terminate the transaction if a superior proposal emerges prior to the date that Murchison shareholders vote on the transaction. Murchison also has a right to terminate if it receives an independent expert report which concludes that the transaction is not in the best interests of Murchison shareholders. • Either party has the right to terminate the transaction if the remaining conditions precedent are not satisfied by 23 March 2012.
Deal protection	<ul style="list-style-type: none"> • Murchison may solicit and negotiate alternative proposals up to the date that its shareholders consider the transaction. • Break fee of A\$3 million is payable to Mitsubishi where: <ul style="list-style-type: none"> – a majority of the board of directors of Murchison publicly recommend any offer or proposal in relation to Murchison or its assets which is made by a party other than Mitsubishi; – a majority of the board of directors of Murchison fails to publicly recommend the transaction, other than as a result of an independent expert engaged by Murchison opining that the transaction is not in the best interests of Murchison shareholders;

or

- Murchison terminates the transaction as a consequence of accepting or becoming subject to a superior proposal.

Warranties

- Warranties given by Murchison in favour of Mitsubishi are limited to warranties relating to Murchison's title to the assets being sold, and Murchison's power and authority to complete the transaction. No warranties are provided in regards to the status of the Jack Hills project or the Oakajee port and rail projects.

Non-compete

- Murchison must not be engaged or involved in any business which is the same or similar to the Oakajee port and rail project in the mid-west region of Western Australia for the period ending 3 years after the date of the agreement.