

ASX ANNOUNCEMENT

ASX Code: MMX

7 March 2012

**FINANCIAL REPORT FOR HALF YEAR ENDED 31 DECEMBER 2011**

Murchison Metals Ltd ("Murchison" or "the Company") today lodged its Financial Report for the half year ended 31 December 2011.

The Company reported a net loss for the Consolidated Entity for the period to 31 December 2011 of \$50.7m. The result includes \$35.8m for discontinuing operations associated with the sale of the Company's interests in Crosslands Resources Ltd and the Oakajee Port and Rail infrastructure projects including \$25m for settlement of the Chameleon litigation, \$8m in connection with the RCF debt facility and other transaction costs.

Immediately following completion of the Mitsubishi transaction on 20 February 2012, the Company commenced working on an application to the Australian Taxation Office for a class ruling to enable the Company to distribute the net cash proceeds from the Mitsubishi transaction to shareholders as a return of capital (**Distribution Process**).

In parallel with the Distribution Process, the Board will also assess the merits of investment opportunities in the natural resources sector that are presented to, or identified by, the Company which have the potential to enhance shareholder value. If no such opportunities are identified by mid-April, the Company will concentrate solely on preparation for implementing the Distribution Process.

In the interim, the Company is reviewing options to divest its other assets, which include the Rocklea iron ore project, a 3.2% in the unlisted company Cashmere Iron and a number of exploration tenements.

**For further information, please contact:**

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

**HALF YEAR REPORT FOR THE PERIOD  
ENDED 31 DECEMBER 2011**

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**CORPORATE INFORMATION**  
**ABN 38 078 257 799**

**DIRECTORS**

Ken Scott-Mackenzie	Chairman
Greg Martin	Managing Director
Ian Burvill	Non-Executive Director
S.C. Shin	Non-Executive Director

**COMPANY SECRETARY**

Chris Foley

**REGISTERED OFFICE**

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**WEBSITE**

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**SHARE REGISTRY**

Link Market Services  
Ground Floor  
178 St Georges Terrace  
PERTH WA 6000

**HOME STOCK EXCHANGE**

Australian Stock Exchange Ltd  
Level 8 Exchange Plaza  
2 The Esplanade  
PERTH WA 6000  
ASX Code: MMX

**AUDITORS**

Ernst and Young  
11 Mounts Bay Road  
PERTH WA 6000

**SOLICITORS**

Freehills	Corrs Chambers Westgarth
QV.1 Building	Woodside Plaza
250 St George's Terrace	240 St George's Terrace
PERTH WA 6000	PERTH WA 6000

**BANKERS**

Commonwealth Bank of Australia

## **DIRECTORS' REPORT**

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The Directors of Murchison Metals Ltd submit the financial report for the half year ended 31 December 2011.

### **DIRECTORS**

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

Ken Scott-Mackenzie  
Greg Martin  
Ian Burvill (Appointed 1 March 2012)  
S.C. Shin (Appointed 1 March 2012)  
James McClements (Ceased 29 February 2012)  
Sun Moon Woo (Ceased 1 March 2012)  
Rodney Baxter (Ceased 29 February 2012)  
Samantha Tough (Ceased 29 February 2012)  
Peter Wasow (Ceased 29 February 2012)  
Paul Kopejtko (Ceased 26 October 2011)

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

## **REVIEW AND RESULTS OF OPERATIONS**

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### **Profit/(Loss) for the period after income tax**

<b>Consolidated</b>		
	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss from continuing operations	(14,863)	(6,054)
Profit/(loss) from discontinuing operations	(35,815)	9,376
<b>Total profit/(loss) for the period</b>	<b>(50,678)</b>	<b>3,322</b>

No dividends have been paid or declared by the Company during the period (Dec 2010: \$Nil).

## **CORPORATE**

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Murchison Metals Ltd ("Murchison") is an Australian ASX listed company. Prior to 20 February 2012, Murchison was a 50% shareholder in Crosslands Resources Ltd ("Crosslands"), the owner of the Jack Hills iron ore project located in the mid-west region of Western Australia and Murchison also had a 50% economic interest in Oakajee Port and Rail ("OPR"), which was established to construct new port and rail infrastructure to provide logistics services to miners (including Crosslands) and other potential customers in the mid-west region of WA. The remaining 50% of Crosslands and OPR was held by Mitsubishi Development Pty Ltd ("Mitsubishi").

On 24 November 2011, Murchison agreed to divest its interests in both Crosslands and OPR to Mitsubishi for \$325.0 million<sup>1</sup>. The Transaction was approved by Shareholders on 13 February 2012 and Murchison ceased to hold any interest in Crosslands and OPR on 20 February 2012.

Further details of the activities of Crosslands and OPR during the half year ended 31 December 2011 appear below.

Separate to its investments in Crosslands and OPR, Murchison owns the Rocklea iron ore project located in the Pilbara.

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<sup>1</sup> All dollar values are expressed in Australian dollars, unless stated otherwise.

As at 31 December 2011, Murchison had cash, cash equivalents and undrawn loan facilities totalling \$39.6 million. Cash outflow for the half year period included amounts paid to Crosslands and OPR of \$21.3 million to finance feasibility studies, exploration and administration costs.

The primary focus of Murchison's activities during the half year ended 31 December 2011 was progressing a strategic review, including the evaluation of options to meet the Company's funding requirements and advancing Crosslands' Jack Hills Expansion Project ("JHEP") and the Oakajee infrastructure project.

### **Mitsubishi Transaction**

On 24 November 2011, Murchison announced it had reached agreement to sell all of its interests in OPR and Crosslands to Mitsubishi for cash consideration of \$325.0 million (the "Transaction").

Murchison's Directors were unanimous in recommending the Transaction to Shareholders, in the absence of a superior proposal emerging, due to the significant benefits it provides for Shareholders. The Independent Expert, KPMG Corporate Finance (Aust) Pty Ltd, also concluded that the Transaction was, in the absence of a superior offer, in the best interests of Murchison Shareholders.

The Transaction was subject to satisfaction of a number of conditions precedent, including approval by Murchison Shareholders, settlement of the Chameleon litigation, approval by the Foreign Investment Review Board ("FIRB"), and the novation of key agreements (including the Oakajee State Development Agreement with the WA Government).

An agreement to settle the outstanding litigation commenced by Chameleon Mining NL for a total of \$25 million was reached on 23 December 2011. Chameleon was paid an initial sum of \$5 million prior to the end of the period with the remainder paid on completion of the Mitsubishi Transaction on 20 February 2012.

On 28 December 2011, Murchison announced that FIRB had effectively approved the Transaction by issuing a letter of no objection. A General Meeting of Murchison Shareholders approved the Transaction on 13 February 2012 and completion occurred on 20 February 2012. The Transaction enabled Murchison to realise certain cash value for its assets at a time when the Company was facing significant risks associated with the development of the Jack Hills Expansion Project and the Oakajee infrastructure project. Murchison used part of the proceeds to repay all amounts outstanding under the US\$100 million debt facility provided by Resource Capital Fund V L.P., which was due for repayment in April 2012. At 31 December 2011, Murchison had drawn a total of US\$57 million against the facility, leaving remaining availability of US\$38 million. The Facility limit was reduced to US\$95 million on 24 November 2011. Subsequent to period end, Murchison repaid the balance of the Facility and fees owing totalling \$61.4 million.

On completion of the Transaction, and after the Company had met all its obligations, including debt repayments, transaction costs, employee entitlements, corporate costs and provision for contingent liabilities and closure costs Murchison's net available funds was \$223.0 million.

The Board's current intention following completion is to consider efficient mechanisms of distributing the Company's cash assets to Shareholders against the merits of potential investment opportunities in the natural resources sector.

### **Annual General Meeting**

The Annual General Meeting of Shareholders for the year ended 30 June 2011 was held on 24 November 2011. All resolutions put to Shareholders were approved, including the re-election of Non-Executive Chairman Ken Scott-Mackenzie, and Non-Executive Directors, Peter Wasow, Samantha Tough and Sun Moon Woo.

On 1 March 2011 Murchison announced that as a consequence of having completed the Mitsubishi Transaction, the Board of the Company has been restructured. Mr James McClements, Mr S.M. Woo, Mr Rod Baxter, Mr Peter Wasow and Ms Samantha Tough have stepped down as Non-Executive Directors and Mr Ian Burvill and Mr S.C Shin have been appointed. In addition, the management structure has been reduced to a small team to manage the dual track process currently underway.

## **EXPLORATION**

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### **Rocklea Project (Murchison 100% interest)**

Murchison's Rocklea Project is located in the Pilbara region between the towns of Tom Price and Paraburdoo and is situated near existing and planned rail infrastructure. Murchison is undertaking a review of the Rocklea Project, and its other remaining exploration assets, in order to assess the most effective way to maximise their value for Shareholders. The carrying value of the asset is held at historical cost.

### **Crosslands Resources Ltd (Murchison 50% interest)**

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

Stage 1 operations commenced in November 2006 utilising contract mining, crushing and screening under a five-year mine plan. Ore is transported by contract road haulage to ore storage and transfer facilities at the Port of Geraldton, ahead of shipment to customers. The Jack Hills Expansion Project (JHEP) is targeting a substantial expansion of annual production capacity aimed at producing premium quality magnetite and hematite iron concentrates. Crosslands intends to utilise new port and rail infrastructure which Oakajee Port and Rail (OPR) plans to develop in the mid-west region of Western Australia that will enable ore from the mine to be transported by rail for shipment from the new Oakajee port.

#### **STAGE 1 OPERATIONS**

On 30 November 2011, Crosslands announced that Stage 1 activities would cease in accordance with the five year mine plan and the project would be placed on care and maintenance. Excavation in the Stage 1 pit concluded on 10 January 2012. Haulage and shipping concluded in late February. At the cessation of mining, approximately 7.4 million tonnes of DSO lump and fines had been mined during the five year life of the Stage 1 operation. At the end of December 2011, a total of 7.3 million tonnes of DSO products had been exported from the Port at Geraldton over the life of the project.

#### **JACK HILLS EXPANSION PROJECT**

During the half year ended 31 December 2011, Crosslands continued to progress its revision of the JHEP feasibility study which was delivered at the end of the June Quarter 2011. The study has undergone extensive independent and internal review and Crosslands is continuing additional study work as part of the feasibility study revision.

In January 2012, the WA Minister for the Environment granted approval for the JHEP under Part IV of the Environmental Protection Act 1986. The Ministerial Statement included a \$2.12 million environmental offsets package of land purchases, research and support for regional conservation initiatives. The JHEP obtained a favourable federal environmental assessment in April 2011, when the Commonwealth Department of Sustainability, Environment, Water, Population and Communities determined that the JHEP was not a "controlled action" and would not require further approval under the Environment Protection and Biodiversity Conservation Act 1999 ("EPBC Act").

Murchison ceased to hold any interest in Crosslands or the JHEP on 20 February 2012.

### **OAKAJEE PORT AND RAIL (MURCHISON 50% ECONOMIC INTEREST)**

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In March 2009, OPR signed a State Development Agreement ("SDA") with the Western Australian Government ("the State") granting OPR the exclusive right to negotiate implementation agreements for the Oakajee port and associated northern rail infrastructure.

During the half year ended 31 December 2011, OPR focused on progressing legal and approvals matters for the Oakajee project.

On 28 December 2011, the WA Government announced that the existing SDA would continue beyond 31 December 2011, subject to several amendments. OPR's exclusive right to negotiate implementation agreements for the project lapsed at the end of December 2011. However, the State and OPR remain obliged to use reasonable endeavours to finalise a number of project agreements, to be executed when the parties are satisfied the project has reached an appropriate stage of development.

Murchison ceased to hold any interest in OPR on 20 February 2012.

**SUBSEQUENT EVENTS**

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Refer to Note 22 for details of other matters or circumstances, which have arisen since the end of the reporting period for the half year ended 31 December 2011 that significantly affect or may significantly affect the operations of the Company, the results of those operations or state of affairs of the Company in future financial years.

**AUDITOR'S INDEPENDENCE DECLARATION**

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The auditor's independence declaration is included on page 6 and forms part of this report.

**ROUNDING OFF OF AMOUNTS**

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

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

On behalf of the Directors



Greg Martin  
Managing Director  
Perth, 6 March 2012





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

In relation to our review of the financial report of Murchison Metals Limited for the half-year ended 31 December 2011, 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.

A handwritten signature in black ink that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Gavin Buckingham'.

Gavin Buckingham  
Partner  
Perth  
6 March 2012

GB:MM:MURCHISON:020

Liability limited by a scheme approved  
under Professional Standards Legislation

**MURCHISON METALS LTD**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2011**

		<b>CONSOLIDATED</b>	
		<b>31 DEC 2011</b>	<b>30 JUNE 2011</b>
	<b>NOTES</b>	<b>\$'000</b>	<b>\$'000</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	2,190	12,400
Receivables	9	30	1,162
Prepayments		160	306
Other financial assets		219	1,099
		2,599	14,967
Non current assets classified as held for sale	10	247,208	-
<b>TOTAL CURRENT ASSETS</b>		<b>249,807</b>	<b>14,967</b>
<b>NON CURRENT ASSETS</b>			
Exploration and evaluation expenditure	13	12,120	68,861
Property, plant and equipment		624	837
Investments accounted for using the equity method	10b(ii)	-	171,043
Available-for-sale financial assets	14	2,000	2,000
<b>TOTAL NON CURRENT ASSETS</b>		<b>14,744</b>	<b>242,741</b>
<b>TOTAL ASSETS</b>		<b>264,551</b>	<b>257,708</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	1,682	5,933
Interest bearing borrowings	11a(i)	-	23,792
Provisions	16	2,696	2,316
		4,378	32,041
Liabilities directly associated with non current assets held for sale	11	79,697	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>84,075</b>	<b>32,041</b>
<b>TOTAL LIABILITIES</b>		<b>84,075</b>	<b>32,041</b>
<b>NET ASSETS</b>		<b>180,476</b>	<b>225,667</b>
<b>EQUITY</b>			
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>			
Contributed equity	17	245,240	243,003
Reserves	18	23,874	20,624
Accumulated losses		(88,638)	(37,960)
<b>TOTAL EQUITY</b>		<b>180,476</b>	<b>225,667</b>

The accompanying notes form part of these financial statements

**MURCHISON METALS LTD**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

		<b>CONSOLIDATED HALF YEAR ENDED</b>	
	<b>NOTES</b>	<b>31 DEC 2011 \$'000</b>	<b>31 DEC 2010 \$'000</b>
<b>CONTINUING OPERATIONS</b>			
Revenue	4	195	1,502
Other Revenue	5	3	2
<b>REVENUE</b>		<b>198</b>	<b>1,504</b>
Depreciation expense		(120)	(136)
Employee and Director expenses	6	(9,335)	(1,595)
Hired services expenses	6	(2,631)	(2,625)
Administration expenses	6	(2,509)	(1,687)
Impairment write-down expense		-	(1,281)
Travel expenses		(453)	(210)
Finance costs		-	(1)
Other expenses		(13)	(23)
<b>PROFIT/(LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAX</b>		<b>(14,863)</b>	<b>(6,054)</b>
Income tax expense		-	-
<b>PROFIT/(LOSS) FROM CONTINUING OPERATIONS AFTER INCOME TAX</b>		<b>(14,863)</b>	<b>(6,054)</b>
<b>DISCONTINUING OPERATIONS</b>			
Hired services expenses		(1,979)	-
Litigation settlement	11b(i)	(25,000)	-
Finance costs	11a(ii)	(8,032)	-
Share of loss from jointly controlled assets	10a(i)	(1,115)	(896)
Share of profit from a jointly controlled entity	10b(ii)	311	10,272
<b>PROFIT/(LOSS) FROM DISCONTINUING OPERATIONS AFTER INCOME TAX</b>		<b>(35,815)</b>	<b>9,376</b>
<b>PROFIT/(LOSS) FOR THE PERIOD AFTER INCOME TAX</b>		<b>(50,678)</b>	<b>3,322</b>
Other comprehensive income/(loss) for the period		-	-
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX</b>		<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>		<b>(50,678)</b>	<b>3,322</b>
<b>PROFIT/(LOSS) FOR THE PERIOD IS ATTRIBUTABLE TO:</b>			
Owners of the parent		(50,678)	3,322
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD IS ATTRIBUTABLE TO:</b>			
Owners of the parent		(50,678)	3,322
Earnings/(loss) per share for profits/(loss) attributed to the ordinary equity holders of the parent			
- basic (cents per share)		(11.45)	0.76
- diluted (cents per share)		(11.45)	0.75
Earnings/(loss) per share for profits/(loss) attributed to the ordinary equity holders of the parent from continuing operations			
- basic (cents per share)		(3.36)	(1.39)
- diluted (cents per share)		(3.36)	(1.39)

The accompanying notes form part of these financial statements

**MURCHISON METALS LTD**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

<b>CONSOLIDATED</b>	<b>FULLY PAID ORDINARY SHARES</b>	<b>EQUITY BENEFITS RESERVE</b>	<b>(ACCUMULATED LOSSES /RETAINED) EARNINGS</b>	<b>TOTAL EQUITY</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>BALANCE AT 1 JULY 2011</b>	<b>243,003</b>	<b>20,624</b>	<b>(37,960)</b>	<b>225,667</b>
Other comprehensive income for the period	-	-	-	-
Loss for the period	-	-	(50,678)	(50,678)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>(50,678)</b>	<b>(50,678)</b>
Transactions with owners in their capacity as owners:				
Issue of shares	2,237	-	-	2,237
Share based payments	-	3,250	-	3,250
<b>BALANCE AT 31 DECEMBER 2011</b>	<b>245,240</b>	<b>23,874</b>	<b>(88,638)</b>	<b>180,476</b>
<b>BALANCE AT 1 JULY 2010</b>	<b>242,252</b>	<b>19,307</b>	<b>(21,406)</b>	<b>240,153</b>
Other comprehensive income for the period	-	-	-	-
Profit for the period	-	-	3,322	3,322
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>3,322</b>	<b>3,322</b>
Transactions with owners in their capacity as owners:				
Issue of shares	751	-	-	751
Share based payments	-	(644)	-	(644)
<b>BALANCE AT 31 DECEMBER 2010</b>	<b>243,003</b>	<b>18,663</b>	<b>(18,084)</b>	<b>243,582</b>

The accompanying notes form part of these financial statements

**MURCHISON METALS LTD**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

	<b>CONSOLIDATED HALF YEAR ENDED</b>	
	<b>31 DEC 2011</b>	<b>31 DEC 2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers and employees	(13,535)	(6,106)
Interest received	198	1,682
Payment for settlement of litigation	(5,000)	-
GST (paid)/received	(1,029)	(238)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(19,366)</b>	<b>(4,662)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of plant and equipment	(88)	(4)
Exploration and evaluation expenditure	(21)	(108)
Exploration and evaluation expenditure classified as non current asset held for sale	(8,237)	(15,835)
Increase in investment in jointly controlled entity classified as non current asset held for sale	(13,100)	(18,850)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(21,446)</b>	<b>(34,797)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of loan to jointly controlled entity	-	(2,608)
Interest bearing borrowings	30,601	-
<b>NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES</b>	<b>30,601</b>	<b>(2,608)</b>
Net decreases in cash and cash equivalents	(10,211)	(42,067)
Net foreign exchange difference	1	1
Cash and cash equivalents at the beginning of the period	12,400	73,410
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>2,190</b>	<b>31,344</b>

The accompanying notes form part of these financial statements

## **1. CORPORATE INFORMATION**

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The financial report of Murchison Metals Ltd for the half year ended 31 December 2011 was authorised for issue in accordance with a resolution of the Directors on 6 March 2012.

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

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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### **Basis of preparation**

This general purpose financial report for the half year ended 31 December 2011 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. It is recommended that the half year financial report be read in conjunction with the Annual Report for the year ended 30 June 2011 and considered together with any public announcements made by Murchison Metals Ltd during the half year ended 31 December 2011 in accordance with the continuous disclosure obligations of the ASX listing rules.

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

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

### **Significant accounting policies**

There have been no significant changes in accounting policies during the period, the accounting policies and methods of computation are the same as those adopted in the Annual Financial Report of the Company for the year ended 30 June 2011.

From 1 July 2011, the Group has adopted the mandatory Standards and Interpretations for annual periods beginning on or after 1 July 2011. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Group.

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

### **Accounting policy for non current assets held for sale and discontinued operations**

Non current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. The Directors must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the statement of comprehensive income, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the statement of comprehensive income. Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

### 3. SEGMENT INFORMATION

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

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

### 4. REVENUE

	<b>CONSOLIDATED HALF YEAR ENDED</b>	
	<b>31 DEC 2011 \$'000</b>	<b>31 DEC 2010 \$'000</b>
Interest revenue	195	1,502

### 5. OTHER REVENUE

	<b>CONSOLIDATED HALF YEAR ENDED</b>	
	<b>31 DEC 2011 \$'000</b>	<b>31 DEC 2010 \$'000</b>
Other revenue	3	2

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

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

	<b>CONSOLIDATED HALF YEAR ENDED</b>	
	<b>31 DEC 2011 \$'000</b>	<b>31 DEC 2010 \$'000</b>
<b>Employee and director expenses</b>		
Salaries and wages <sup>2</sup>	2,692	1,369
Defined contribution superannuation expense	275	176
Directors' fees (Executive and Non-Executive) <sup>3</sup>	1,330	656
Share-based payment expense charge/(reversal)	2,699	(644)
Short term incentive plan expense	2,037	-
Other expenses	302	38
	<b>9,335</b>	<b>1,595</b>
<b>Hired Services expenses</b>		
Air charter	36	9
Cartage and freight	5	4
Consultants	2,577	2,590
Equipment hire	-	5
Other expenses	13	17
	<b>2,631</b>	<b>2,625</b>
<b>Administration expenses</b>		
Accounting and audit fees	324	106
Bank charges	3	4
Compliance and secretarial	140	157
Insurance	119	67
Legal expenses	1,388	797
Office rental	245	253
Other expenses	290	303
	<b>2,509</b>	<b>1,687</b>

<sup>2</sup> Includes \$600,000 ex gratia payment to T Matthews paid in July 2011 as disclosed in the remuneration report for the year ended 30 June 2011.

<sup>3</sup> Includes \$547,198 termination payment paid to P Kopejtko in September 2011 as disclosed in the remuneration report for the year ended 30 June 2011.

## 7. DIVIDENDS

No dividends were paid or proposed during the period (2010: \$Nil).

## 8. CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	31 DEC 2011	30 JUN 2011
	\$'000	\$'000
For the purpose of the half year statement of cash flows, cash and cash equivalents are comprised of the following:		
Cash at bank and in hand	2,190	4,772
Short term deposit	-	7,628
	<b>2,190</b>	<b>12,400</b>

## 9. RECEIVABLES

	CONSOLIDATED	
	31 DEC 2011	30 JUN 2011
	\$'000	\$'000
Interest receivable	10	32
Amounts receivable from Australian Taxation Authorities	10	147
Sundry debtors	-	681
Related party receivables	10	302
	<b>30</b>	<b>1,162</b>

## 10. NON CURRENT ASSETS RECLASSIFIED AS HELD FOR SALE

On 24 November 2011, Murchison Metals Ltd entered into a Share and Asset Purchase Agreement (SAPA) with Mitsubishi Development Pty Ltd for the sale of the Company's:

- 25% direct interest in the Oakajee Port and Rail unincorporated joint ventures;
- 50% direct interest in Crosslands Resources Ltd through which Murchison indirectly holds an additional 25% interest in the OPR joint ventures; and
- 50% interest in Oakajee Port and Rail Pty Ltd.

Murchison reclassified its interests in Crosslands and the OPR as held for sale as a result of the Company entering into the SAPA during the period. The following liabilities have been reclassified as liabilities directly associated with non current assets held for sale:

- Interest-bearing loan held primarily by Murchison to fund its share of project expenditure
- Provision for settlement of the Chameleon litigation
- Trade and other payables directly associated with the sale transaction

		CONSOLIDATED	
		31 DEC 2011	30 JUN 2011
		\$'000	\$'000
OPR jointly controlled operations reclassified as non current assets held for sale	10a(ii)	62,754	-
Equity accounted investments reclassified as non current assets held for sale	10b(i)	184,454	-
<b>Total non current assets reclassified as held for sale</b>		<b>247,208</b>	<b>-</b>



**10A. OPR JOINTLY CONTROLLED OPERATIONS RECLASSIFIED AS NON CURRENT ASSET HELD FOR SALE AND AS DISCONTINUING OPERATIONS**

Murchison's 25% direct interests in the Oakajee Port and Oakajee Rail unincorporated joint ventures are classified as non current assets held for sale as a consequence of Murchison entering into the SAPA. The aggregate financial performance and financial position of Murchison's 25% interest in the OPR unincorporated joint ventures are shown below:

	<b>CONSOLIDATED</b>	
	<b>31 DEC 2011</b>	<b>31 DEC 2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>10a(i) OPR Financial Performance (25% direct interest)</b>		
Revenue	33	36
Administrative expenses	(246)	(232)
Depreciation and amortisation expenses	(35)	(33)
Employee and Director expenses	(687)	(571)
Hire services expenses	(177)	(95)
Travel Expenses	(1)	-
Other expenses	(2)	(1)
<b>Loss before tax from OPR discontinued operations</b>	<b>(1,115)</b>	<b>(896)</b>
Income tax benefit	-	-
<b>Loss for the year from OPR discontinued operations after tax (i)</b>	<b>(1,115)</b>	<b>(896)</b>

- (i) This figure represents MMX's 25% direct interest in OPR Port and Rail unincorporated joint venture loss for the period. MMX's additional 25% indirect interest is reflected through MMX's 50% interest in Crosslands, which is shown as a non current asset held for sale at Note 10b.

	<b>CONSOLIDATED</b>	
	<b>31 DEC 2011</b>	<b>30 JUN 2011</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>10a(ii) OPR Financial Position (25% direct interest)</b>		
<b>Assets</b>		
Receivables	686	-
Exploration Expenditure	61,915	-
Property plant and equipment	153	-
<b>OPR non current assets held for sale</b>	<b>62,754</b>	<b>-</b>
<b>Liabilities</b>		
Trade and other creditors	338	-
<b>Liabilities directly associated with OPR non current assets held for sale</b>	<b>338</b>	<b>-</b>

**10B. EQUITY ACCOUNTED INVESTMENTS RECLASSIFIED AS NON CURRENT ASSETS HELD FOR SALE**

**10b(i) Investments accounted for using the equity method reclassified as non current assets held for sale**

Murchison holds an ownership interest in the following jointly controlled entities that are classified as held for sale:

<b>Name of Entity</b>	<b>Country of incorporation</b>	<b>Principal activity</b>	<b>OWNERSHIP INTEREST</b>	
			<b>31 DEC 2011</b>	<b>30 JUN 2011</b>
			<b>%</b>	<b>%</b>
Crosslands Resources Ltd	Australia	Mining	50	50
Oakajee Port & Rail Pty Ltd <sup>4</sup>	Australia	Construction	50	50

<sup>4</sup> The Group holds a 25% interest in Oakajee Port & Rail Pty Ltd through MMX Rail Holdings Pty Ltd and an additional 25% indirect interest through Murchison's 50% interest in Crosslands Resources Ltd.

**10b(i) Investments accounted for using the equity method reclassified as non current assets held for sale (continued)**

The carrying value of Murchison's interest in jointly controlled entities that are classified as held for sale are shown below:

		<b>CONSOLIDATED</b>	
		<b>31 DEC 2011</b>	<b>30 JUN 2011</b>
		<b>\$'000</b>	<b>\$'000</b>
Non current assets held for sale	10b(ii)	184,454	-

**10b(ii) Reconciliation of movement in investments accounted for using the equity method reclassified as non current asset held for sale**

		<b>CONSOLIDATED</b>	
		<b>31 DEC 2011</b>	<b>30 JUN 2011</b>
		<b>\$'000</b>	<b>\$'000</b>
Balance at the beginning of the period		171,043	125,960
Investments during the period		13,100	43,801
Share of profit for the period		311	1,282
Reclassification to non current asset held for sale		(184,454)	-
<b>Balance at the end of the period</b>		<b>-</b>	<b>171,043</b>

**11. LIABILITIES DIRECTLY ASSOCIATED WITH NON CURRENT ASSETS HELD FOR SALE**

---

		<b>CONSOLIDATED</b>	
		<b>31 DEC 2011</b>	<b>30 JUN 2011</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Liabilities directly associated with non current assets reclassified as held for sale</b>			
Share of OPR Liabilities	10a(ii)	338	-
Interest bearing borrowings	11a	57,380	-
Trade and other payables		1,979	-
Provisions	11b	20,000	-
<b>Total liabilities directly associated with non current assets reclassified as held for sale</b>		<b>79,697</b>	<b>-</b>

**11A. INTEREST BEARING BORROWINGS RECLASSIFIED AS LIABILITIES DIRECTLY ASSOCIATED WITH NON CURRENT ASSETS HELD FOR SALE**

---

		<b>CONSOLIDATED</b>	
		<b>31 DEC 2011</b>	<b>30 JUN 2011</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Loan – at amortised cost</b>			
Loan from Resource Capital Fund V LP	11a(i)	57,380	-

**11a(i) Reconciliation of movement in interest bearing borrowings reclassified as liability directly associated with non current assets held for sale**

		CONSOLIDATED	
		31 DEC 2011	30 JUN 2011
		\$'000	\$'000
Balance at the beginning of the period		23,792	-
Drawdowns, fees and foreign exchange revaluation		33,588	23,792
Reclassification to liabilities directly associated with non current asset held for sale	11a	(57,380)	-
<b>Balance at the end of the period</b>		<b>-</b>	<b>23,792</b>

**11a(ii) Finance costs relating to interest bearing borrowings**

		CONSOLIDATED	
		31 DEC 2011	31 DEC 2010
		\$'000	\$'000
Interest and fees (non-cash)		5,308	-
Withholding tax		251	-
Unrealised foreign exchange losses		2,473	-
		<b>8,032</b>	<b>-</b>

**11B PROVISIONS RECLASSIFIED LIABILITIES DIRECTLY ASSOCIATED WITH NON CURRENT ASSETS HELD FOR SALE**

		CONSOLIDATED	
		31 DEC 2011	30 JUN 2011
		\$'000	\$'000
Litigation settlement - Chameleon matter	11b(i)	20,000	-

**11b(i) Reconciliation of movement in provision reclassified as liability directly associated with non current assets held for sale**

		CONSOLIDATED	
		31 DEC 2011	30 JUN 2011
		\$'000	\$'000
Balance at the beginning of the period		546	546
Reversal of amounts previously provided		(546)	-
Increase in provision		25,000	-
Amounts paid prior to period end		(5,000)	-
Reclassification to liabilities directly associated with non current asset held for sale	11b	(20,000)	-
<b>Balance at the end of the period</b>		<b>-</b>	<b>546</b>

- (i) On 24 November 2011, Murchison signed a Share Asset and Purchase Agreement (SAPA) with Mitsubishi Development Pty Ltd for the sale of Murchison's interest in CRL and OPR for consideration of \$325 million. A condition precedent to the agreement was the settlement of the Chameleon litigation. On 23 December 2011, Murchison executed a settlement agreement with Chameleon for an irrevocable upfront payment of \$5 million payable within 5 business days of execution and \$20 million conditional on completion under the SAPA.

Murchison made the upfront payment of \$5 million to Chameleon on 23 December 2011. Murchison has recognised a provision for \$20 million being the remaining amount payable under the terms of the Settlement Agreement. This payment was made subsequent to period end on 20 February 2012. No remaining liabilities exist.

**12. EARNINGS PER SHARE FROM DISCONTINUING OPERATIONS**

		<b>31 DEC 2011</b>	<b>31 DEC 2010</b>
Profit/(loss) attributed to the ordinary equity holders of the parent from discontinuing operations after tax (\$'000)		(35,815)	9,376
No. of shares on issue	17(ii)	442,437,524	435,884,268
No. of dilutive options on issue		6,049,000	8,065,000
Earnings/(loss) per share for profits/(loss) attributed to the ordinary equity holders of the parent from discontinuing operations			
- basic (cents per share)		(8.09)	2.15
- diluted (cents per share)		(8.09)	2.14

**13. EXPLORATION AND EVALUATION EXPENDITURE**

	<b>31 DEC 2011 \$'000</b>	<b>30 JUN 2011 \$'000</b>
Exploration and evaluation expenditure in respect of areas of interest		
Balance at the beginning of the period	68,861	45,667
Additions	5,174	24,465
Impairment write-down – Duck Hills and other minor tenements	-	(1,271)
Reclassification to assets held for sale (i)	(61,915)	-
Balance at the end of the period	<b>12,120</b>	<b>68,861</b>

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

- (i) Relates to Murchison's 25% direct interest in the exploration expenditure for the OPR unincorporated joint ventures that are classified as held for sale. Refer to Note 10(a) for further details.

**14. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

	<b>CONSOLIDATED</b>	
	<b>31 DEC 2011 \$'000</b>	<b>30 JUN 2011 \$'000</b>
<b>Non current</b>		
Shares – Unlisted	2,000	2,000
	<b>2,000</b>	<b>2,000</b>

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

**15. TRADE AND OTHER PAYABLES**

	<b>CONSOLIDATED</b>	
	<b>31 DEC 2011 \$'000</b>	<b>30 JUN 2011 \$'000</b>
Trade payables	1,216	5,556
Other payables	461	372
Related party payable	5	5
	<b>1,682</b>	<b>5,933</b>

## **16. PROVISIONS**

	<b>CONSOLIDATED</b>	
	<b>31 DEC 2011</b>	<b>30 JUN 2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Provision for employee entitlements	2,446	270
Provision for legal settlements (i)	250	2,046
	<b>2,696</b>	<b>2,316</b>

- (i) In November 2010, Equitable Investments Ltd (EIL) commenced proceedings against Murchison in the NSW Supreme Court (Proceedings) asserting that it is entitled to the issue of 3.9 million shares and 1.9 million options in Murchison. The Proceedings relate to an agreement made in November 2003 for the sale and purchase of EIL's shares in ATL Exploration Ltd. It appears from documents available to Murchison that, at the relevant time, EIL was an entity associated with Phillip Grimaldi and Landon Roberts who, at that time, were also directors of Murchison. Subsequent to period end, the Company settled the matter for \$250,000. No further liabilities remain in relation to this matter.

## **17. ISSUED CAPITAL**

	<b>31 DEC 2011</b>	<b>30 JUN 2011</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(i) Ordinary shares</b>		
Issued and fully paid	245,240	243,003

	<b>31 DEC 2011</b>	
	<b>NUMBER OF</b>	<b>\$'000</b>
	<b>SHARES</b>	
<b>(ii) Movement in ordinary shares on issue</b>		
Beginning of the period	435,884,268	243,003
Shares issued	6,553,256	2,237
End of the period	<b>442,437,524</b>	<b>245,240</b>

## **18. RESERVES**

	<b>CONSOLIDATED</b>	
	<b>31 DEC 2011</b>	<b>30 JUN 2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Share based payment reserve	23,874	20,624
<b>Share Based Payment Reserve</b>		
Balance at the beginning of the period	20,624	19,307
Share based payment expense - Directors and Employees	2,699	(632)
Share base payment expense - Resource Capital Fund V L.P.	551	1,949
Balance at the end of the period	<b>23,874</b>	<b>20,624</b>

This reserve records the value of equity benefits provided to employees and Directors as remuneration and options issued in respect of interest bearing loans and borrowings.

## **19. INTEREST IN JOINTLY CONTROLLED OPERATIONS AND ASSETS**

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

NAME OF OPERATION	PRINCIPAL ACTIVITY	OUTPUT INTEREST	
		31 DEC 2011	30 JUN 2011
Oakajee Port	Infrastructure	50% <sup>5</sup>	50%
Oakajee Rail	Infrastructure	50% <sup>5</sup>	50%
Tarraj	Mineral Exploration	10%	10%
Duck Hill	Mineral Exploration	50%	50%
Turtle	Mineral Exploration	50%	50%
Halls 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 for the period ended 31 December 2011 (30 June 2011: \$Nil) and there are no significant assets or liabilities to be disclosed for the period ended 31 December 2011 (30 June 2011: \$Nil).

### **Infrastructure joint ventures**

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

### **Joint venture net assets**

The consolidated entity's share of significant assets and liabilities in jointly controlled operations are detailed in Note 10.

## **20. RELATED PARTY TRANSACTIONS**

As disclosed in Murchison's Financial Report for the Year Ended 30 June 2011, Murchison secured a US\$100 million loan from Resource Capital Fund V L.P. in April 2011 which is a related party of Murchison for the purposes of AASB 124 *Related Party Disclosures* by virtue of James McClements being a Director of Murchison and also a Partner of other entities within the Resource Capital Fund group.

During the period, Murchison continued to draw down on the Facility and issued shares and options to RCF in satisfaction of fees payable under the Facility. All transactions with RCF during the period were on commercial terms on an arms-length basis.

Mr McClements abstained from any Board discussions on the Facility and was not involved in the negotiation process in his capacity as a Partner of Resource Capital Fund or as a Non-Executive Director of Murchison. Resource Capital Fund is not considered a related party for the purposes of the Corporations Act 2001(Cth). The Facility was repaid and closed subsequent to period end on 21 February 2012. Refer to Note 22 for further details.

## **21. CONTINGENT LIABILITIES**

The matters for which contingent liabilities were disclosed in the Company's financial report for the year ended 30 June 2011 have been settled. Refer to Note 11b(i) for a discussion of the Chameleon matter and Note 16 for a discussion of the Equitable Investments Ltd matter. There are no other contingent liabilities as at the date of signing the half year financial report.

<sup>5</sup> Classified as non current asset held for sale. Refer to Note 10 for further details.

## **22. SUBSEQUENT EVENTS**

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On 24 November 2011, Murchison Metals Ltd entered into a Share and Asset Purchase Agreement (SAPA) with Mitsubishi Development Pty Ltd for the sale of Murchison's 25% direct interest in the Oakajee Port and Rail unincorporated joint ventures, Murchison's 50% direct interest in Crosslands Resources Ltd through which Murchison indirectly holds an additional 25% interest in the OPR joint ventures and Murchison's 50% interest in Oakajee Port and Rail Pty Ltd. The material conditions precedent to the SAPA were:

- (a) Settlement of the litigation with Chameleon Mining NL (Chameleon);
- (b) Obtaining Foreign Investment Review Board (FIRB) approval; and
- (c) Obtaining Shareholder approval for the Transaction

Prior to period end, a settlement agreement was executed with Chameleon for \$25 million. \$5 million was paid to Chameleon on 23 December 2011 with the remaining \$20 million paid on 20 February 2012.

FIRB approval for the transaction was obtained on 28 December 2011. The remaining material condition precedent, Shareholder approval for the Transaction, was obtained on 13 February 2012 at a General Meeting.

The Transaction completed on 20 February 2012 with Murchison receiving proceeds of \$305.7 million after settlement of the Chameleon claim. The RCF Facility was extinguished on 21 February 2012 with the repayment of the drawn balance and accrued fees of \$61.4 million. Murchison's net available funds after transaction costs, employee entitlements, corporate costs and provision for contingent liabilities and closure costs was \$223.0 million.

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

In the opinion of the Directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position as at 31 December 2011 and the performance for the half year ended on that date of the consolidated entity; and
  - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Greg Martin  
Managing Director  
Perth, 6 March 2012





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To the members of Murchison Metals Limited

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Murchison Metals Limited, which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

## Directors' Responsibility for the Half-Year Financial Report

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

## Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Murchison Metals Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

## Independence

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



### Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink that reads "Ernst &amp; Young".

Ernst & Young

A handwritten signature in black ink that reads "Gavin Buckingham".

Gavin Buckingham  
Partner  
Perth  
6 March 2012