

ASX ANNOUNCEMENT

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20 February 2012

COMPLETION OF MITSUBISHI TRANSACTION

Murchison Metals Ltd (**Murchison**) is pleased to advise that completion of the Mitsubishi Transaction occurred today, 20 February 2012.

Murchison has disposed of its interests in Crosslands Resources Ltd (**Crosslands**) and the Oakajee port and rail infrastructure projects to Mitsubishi Development Pty Ltd for \$325 million in cash.

After payment of the sum of \$20 million to Chameleon Mining NL in full and final settlement of the litigation commenced against Murchison and Crosslands, repayment of the sum of \$61.4 million to RCF to extinguish the RCF debt facility, payment of other commitments including employee entitlements and a provision for contingent liabilities, Murchison's available cash post completion will be approximately \$223 million. The available cash post completion is higher than the \$217 million previously expected, as a result of

- completion occurring earlier than the originally assumed date of 31 March 2012;
- reduced corporate expenditure; and
- lower utilisation of the RCF facility and a stronger Australian dollar, reducing the AUD amount of the RCF repayment.

As previously advised, Murchison's Board intends to consider efficient mechanisms of distributing the majority of its cash assets to shareholders against the alternative of investment opportunities in the natural resources sector which have the potential to enhance shareholder value.

In line with previous announcements, the Murchison management team has now been downsized and restructured to consist of a small number of key personnel required to operate the Company, along with a commensurate reduction in operating expenses.

The composition of the Murchison Board will also be restructured to better reflect the new requirements of the Company, with changes to the Board expected to be announced around the end of the month.

Murchison Metals Managing Director, Mr Greg Martin, said that completion of the Mitsubishi Transaction marked the end of an era for Murchison.

"Murchison had a visionary proposal for the mid-west region, which ultimately proved beyond its capacity given market conditions. That vision is now left to others to realise," said Mr Martin.

"Fortunately, we have been able to secure a cash value for our mid-west assets which recognises the value built up in those assets over a number of years as noted in the Independent Experts Report that was prepared for the transaction. Ultimately, this outcome is in the best interests of the Company given the significant risks associated with the very large capital costs required to develop these projects, particularly for a company of Murchison's size, and raising ongoing working capital.

"As detailed to shareholders we will now commence a dual track process, seeking a ruling from the ATO and finalising other administrative matters in relation to a cash return, whilst we also evaluate the merits of any investment opportunities in the natural resources sector. The majority of the available cash will be placed on deposit with investment grade counterparties whilst these processes are undertaken. A decision as to which of these options is ultimately pursued will be made by shareholders in due course."

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