

ASX ANNOUNCEMENT

ASX Code: MMX

23 January 2009

ACTIVITIES REPORT FOR THE QUARTER ENDED 31 DECEMBER 2008

HIGHLIGHTS

Corporate

- Cash and liquid investments at quarter end of \$162 million
- Posco increases shareholding to 12.26%
- Rod Baxter appointed as Non-Executive Director

Exploration

- Rocklea initial drilling program completed, JORC resource to be announced soon

Crosslands Resources Ltd (Murchison 50% Interest)

- Regular shipments maintained through the quarter despite very difficult market conditions
- Mining activity was lower in line with plans to reduce stockpiles
- Surge stockpile capacity increase implemented at Cuddingwarra
- Mine expansion Study Engineer appointed

Oakajee Port And Rail (Murchison 50% Interest)

- WA State Government announces proposed funding of \$339m and seeks matching Federal funding
- Development Agreement expected to be executed February 2009

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 in the December quarter appear below.

In addition to its investments in Crosslands and OPR, Murchison is actively exploring growth opportunities in iron ore, coal and manganese in accordance with its approved corporate strategy.

CORPORATE

As at 31 December 2008 the Company was debt free and had cash and liquid investments of \$162 million. While equity and commodity markets have been severely impacted by the global credit crisis, Murchison believes it is well placed to weather the storm and take advantage of opportunities. Production and shipments from the Stage 1 Jack Hills project continued during the December quarter and studies for the Stage 2 mine expansion and port and rail infrastructure projects were progressed. However, Murchison is conscious of the changing outlook for iron ore demand and pricing and will carefully monitor developments in the sector in 2009.

During the quarter Korean steel giant Posco, the Company's second biggest shareholder and a customer of its iron ore business, increased its stake in the Company from 9.7% to 12.26%.

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

Subsequent to quarter end, Murchison announced the appointment of Mr Rod Baxter as a Non-Executive Director. Mr Baxter was most recently Managing Director of Consolidated Minerals. 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.

A general meeting of shareholders of the Company will be held at 10am on Wednesday 28 January 2009 at The Celtic Club, 48 Ord Street, West Perth. The meeting has been convened to allow shareholders to consider the adoption of a new Constitution.

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 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.

At a directions hearing held in the Federal Court on 27 November 2008 Mr Justice Jacobsen agreed to Murchison's request that the matter be set down for trial and listed the matter for a two week hearing tentatively commencing on 30 March 2009.

A further directions hearing is scheduled for 5 February 2009.

Having reviewed Chameleon's evidence and based on work undertaken since the claim was received, Murchison maintains its previously announced view that there is no sustainable, factual basis for the Chameleon claim as it constitutes a claim for an interest in the Jack Hills or Weld Range tenements and/or Murchison's shares in Crosslands.

EXPLORATION

Rocklea Project

In accordance with the Company's growth strategy, in the first half of 2008 the Company acquired the Rocklea Project, located in the heart of the world class Pilbara Iron Ore Province. The Rocklea Project is considered to be highly prospective for channel iron deposit style mineralisation. During the December quarter, 277 holes for 9864 m of RC drilling were successfully completed to test the mineralisation potential of the tenements. Approximately 70% of the assays have been received with encouraging results. Current activities are focused on collating and modelling this data, considering development options for the project and planning follow up drilling targets and metallurgical test work. When all of the assays have been received, full results will be released to the market.

In addition, the Company has applied for a number of strategically located mining tenements in the vicinity of the Rocklea Project.

CROSSLANDS RESOURCES LTD (MURCHISON 50% INTEREST)

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

Stage 1 involves a five year mine plan using 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. A feasibility study for Stage 2 of the Jack Hills Project is well advanced.

STAGE 1 OPERATIONS

Mining

Ore mined for the December quarter was 331,443 tonnes (98,763 bcm), compared to September quarter of 495,507 (129,583 bcm) tonnes. The total volume of ore and waste mined for the quarter was reduced compared to the previous quarter in order to lower ore stocks at Jack Hills. Contract mining has been reduced from a three panel arrangement to a two panel arrangement to accommodate this.

The strip ratio was higher than planned at 4.6:1 due to additional work on the western wall cutback. Some re-design work was also completed on the north wall due to an area of unstable ground. A wider berm has now been included to ensure safety and stability above the main ramp. The higher strip ratio is expected to impact this period only.

A total of 372,560 tonnes were crushed during the quarter. The quantity of ore crushed was lower compared to the previous quarter in line with a program to reduce stockpiles and more closely match mining activity to haulage constraints. The crushing plant achieved consistent throughputs and availability. Throughput was 506tph with an availability of 85%. The percentage of lump ore produced is 61.6%.

Sampling of lump ore was maintained at previous quarters' increased levels to ensure product quality was consistently maintained and to provide further evidence that there is satisfactory control over product specification.

Production Summary

A comparative summary of operations performance for the quarter and previous 3 quarters is presented below.

Production Summary		Mar 08 Qtr	June 08 Qtr	Sep 08 Qtr	Dec 08 Qtr	Project to Date
Volume Waste	BCM	457,188	552,313	570,869	458,198	4,067,911
Volume Ore	BCM	110,336	141,046	129,583	98,763	877,116
Ore Mined	Tonnes	411,608	456,556	495,507	331,443	3,147,563
Ore Crushed	Tonnes	372,989	524,919	461,228	372,560	3,163,831
Ore Hauled to Port	Tonnes	314,076	362,421	333,669	370,627	2,433,069
Ore Shipped - lump	Tonnes	147,470	304,499	176,194	405,084	1,866,060
Ore Shipped - fines	Tonnes	170,696	13,769	176,553	-	538,066
Grade - lump	%Fe	64.2%	64.4%	65.4%	64.7%	64.7%
Grade - fines	%Fe	61.8%	62.1%	62.2%	0.0%	61.9%

Shipping

Shipping for the quarter consisted of seven vessels with a total of 405,084 wet metric tonnes of lump exported. This was an increase in shipped volume of 15% compared to the September quarter and despite the difficult market conditions is the second highest quarter of shipments since the commencement of operations at Jack Hills.

Crosslands' application to increase the Cuddingwarra stockpile from 60,000 tonnes to 120,000 tonnes was approved during the quarter. This increase gives sufficient surge capacity to allow for potential rain events that could interrupt haulage from the Jack Hills mine site to Cuddingwarra. This additional capacity ensured continued haulage to the port facilities in late November when the mine road closed for nearly 14 days due to heavy rains and flooding, a 1-in-90 year event.

RCR Engineering was contracted to carry out all of Crosslands' Geraldton port operations. Increased manning levels and preventative maintenance under the RCR contract should ensure improved port operations.

The first two of six new specialised bottom dump triple trailer units arrived during December 2008. The additional trailer fleet is being acquired to facilitate an increase in the annual production rate to 1.8 million tonnes per annum.

Marketing and Sales

As has been widely reported, the international iron ore market deteriorated sharply in October 2008 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 were forced on most Australian producers and spot prices for iron ore fell rapidly and sharply.

Despite these pressures, Crosslands maintained regular shipments throughout the December quarter. This continuity reflected the excellent relationships established with customers over the initial years of operation at Jack Hills and the high quality of Jack Hills' ore. With Chinese stockpiles currently reducing and spot prices showing some improvement, Crosslands continues to book forward sales, although market volatility remains a risk.

Crosslands continued its market development work in connection with the Stage 2 expansion project during the quarter.

STAGE 2 - EXPLORATION

Reserve Definition

Analysis of drilling, mapping and assay data is currently being undertaken with the intention of updating the geological model. A revised resource estimate will be released in the near future.

Geology

In-fill and resource definition drilling at Jack Hills continued during the quarter. The diamond rig continues to obtain samples for mineralogical, metallurgical, quality and structural control across the area targeting depth and strike extensions of known mineralisation. The RC rigs targeting resource definition, ore extension drilling and beneficiation zone delineation across the project area were suspended during the quarter due to delays in the granting of environmental and heritage clearances for the drilling program. RC drilling is scheduled to re-commence in the March quarter, with an increased drilling fleet as part of an accelerated drilling program.

During the December quarter, RC resource definition drilling at Jack Hills advanced 2,101m prior to RC drilling suspension. Diamond drilling advanced a total of 1,242m during the quarter.

Exploration is on schedule to commence at Crosslands' Weld Range North and the Weld Range West project areas in the March quarter. During the quarter aeromag surveys and geological mapping was conducted at Noonie Hills and Stewart Bore Project areas.

STAGE 2 - MINE EXPANSION PROJECT

The study work for the Stage 2 Mine Expansion Project progressed during the quarter with a number of milestones being achieved. Primary among these was the completion of the Conceptual Study into options for beneficiation of lower grade non-DSO material into saleable products.

Ongoing metallurgical test work has been focussed on near DSO and low magnetite materials. The results from this work will feed into and assist the completion of the next stage of the Project and follows on from the completion of the Conceptual Study.

Additional activities included production of a bulk concentrate sample for Stage 2 marketing purposes and the initiation of water bore investigation work to establish the availability of water for the expanded mine. This work will be completed during the first quarter of 2009.

GRD Minproc Limited was awarded the role of PFS Engineer.

OAKAJEE PORT & RAIL (MURCHISON 50% ECONOMIC INTEREST)

On 27 October 2008, the State Government announced that it proposes to contribute toward the construction cost of certain aspects of the port infrastructure. This announcement coincided with a submission by the State Government to the Commonwealth Government's Building Australia Fund for funding support for the Oakajee project. A response is expected in the first quarter of 2009. The exact amount and nature of any Government funding is still to be determined. OPR welcomes the support of the State Government for the Oakajee project.

In late November 2008, the State Government extended the date for completing the Development Agreement until 28 February 2009. OPR now expects to have the Development Agreement executed by 28 February 2009 formalising OPR's status as the sole developer of the Oakajee port and associated rail infrastructure for the mid west region.

Rail

Key activities during the quarter included:

- The preparation of a submission to Government outlining OPR's proposed railway together with costs, methods for land access, environmental and social impacts. Completion of the submission has been delayed at the request of Government, as part of the revised Development Agreement (DA) schedule.
- Planning for geotechnical and hydrogeological site investigations along the route has commenced, including testing and assessing potentially affected areas. This will provide inputs for heritage clearance studies and ground disturbance approvals.
- Estimates for capital, operating expenditure and indicative tariffs have been calculated for a range of railway options.
- Alternative methods for land access and subsequent land acquisition for the railway have been considered and a preferred method has been agreed with Government.
- Value engineering studies have commenced.
- Technical inputs have been made to the Rail Referral Document required for environmental approvals.

Logistics Chain Simulation

Key activities during the quarter included:

- Port modelling for the delay and demurrage impacts of varying wave heights and wind speed on port operations.
- Continued development of railway modelling for refinements to the OPR's preferred rail route and to define the number and location of passing loops.

Environmental

Work continued on the Environmental Impact Assessment (EIA), with Environmental Management Plans now being developed for both the port and rail projects. The key developments were:

- Port and Rail referral documentation was completed to draft format.
- Spring fauna and flora environmental studies were completed on rail alignments in the pastoral and coastal regions. Construction and operation management plans are now being developed utilising the information gathered in these surveys.
- The Marine Baseline studies continued with further water quality, algal monitoring and marine mammal, seagrass and beach cast wrack surveys completed during the quarter.
- A report was submitted to the EPA Services Unit outlining studies and work relating to compliance and utilisation of the existing environmental approval for the port development.

Indigenous Affairs

Indigenous monitors were present during the recent drilling program at the Oakajee 'Site D' in November 2008. Extensive work is ongoing with a view to finalizing relevant heritage protocols with all native title groups associated with the project. Draft protocols have been developed and meetings scheduled for the end of January 2009, to achieve acceptance of these protocols from the relevant groups. Work on negotiation protocols and Indigenous development agreements will commence once the heritage protocols have been completed.

Government

In the quarter OPR engaged with representatives of the EPA Services Unit to progress all environmental approvals associated with the rail and port projects. All discussions have been positive and all necessary environmental documentation, surveys and approvals are on schedule.

OPR met with the Department for Planning and Infrastructure and the Department of Industry and Resources to provide updates on the project, to discuss new policy settings and changes to project management and facilitation with the election of the new Western Australian Government. As of 1 January 2009 the Oakajee port and rail projects will be brought under the Premier's portfolio and will be facilitated by the new Department of State Development.

OPR also met with Western Power to discuss the proposed development of a 132KV powerline from Geraldton to Kalbarri and how this powerline may be utilized at Oakajee and intersect with OPR's proposed port and rail infrastructure.

Community and External Affairs

The focus of the December quarter has been on government relations at the State and Federal levels. A comprehensive program has been implemented to ensure all stakeholder groups are fully informed on the project. This has included meetings, briefings and correspondence with Ministers, advisors, bureaucrats and Members of Parliament.

A round of community engagement to explain the status of the port and rail project was conducted in Geraldton in October with local government representatives from Geraldton-Greenough and Chapman Valley, and the Mid-West Chamber of Commerce and Industry.

Presentations have been made to the Maritimes Structures Conference, WA Export Infrastructure conference, Australian Iron Ore conference and Public Relations Institute of Australia national conference.

For further information, please contact:

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Murchison Metals Ltd

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Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Murchison Metals Limited

ABN

38 078 257 799

Quarter ended ("current quarter")

31 December 2008

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(2,165)	(12,141)
(b) development	-	-
(c) production	-	-
(d) administration	(2,898)	(6,540)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1,703	2,286
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – GST Received	841	963
Net Operating Cash Flows	(2,519)	(15,432)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(118)	(170)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	135,684
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other Amount owed by related party	(405)	(594)
Net investing cash flows	(523)	134,920
1.13 Total operating and investing cash flows (carried forward)	(3,042)	119,488

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(3,042)	119,488
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	92	98
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other : Share issue costs	-	-
	Net financing cash flows	92	98
	Net increase (decrease) in cash held	(2,950)	119,586
1.20	Cash at beginning of quarter/year to date	164,599	42,063
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	161,649	161,649

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

Current quarter
 \$A'000

1.23	Aggregate amount of payments to the parties included in item 1.2	500
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions Payments for services received by the company from the directors.	

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	10,000	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	3,213
4.2 Development	-
Total	3,213

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	6,587	164,538
5.2 Deposits at call	155,062	61
5.3 Bank overdraft		
5.4 Other (Security Deposits lodged)		
Total: cash at end of quarter (item 1.22)	161,649	164,599

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Nil		
6.2	Interests in mining tenements acquired or increased	E69/2576	0%	100%
		E47/2044	0%	100%
		E47/2045	0%	100%

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 *Ordinary securities	412,792,268	412,792,268		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	612,500	612,500		
7.5 *Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	3,751,000		<i>Exercise price</i> 20c	<i>Expiry date</i> Nov 09
	3,750,000		50c	Dec 09
	4,500,000		100c	Dec 09
	6,000,000		125c	Dec 09
	696,000		5c	Nov 09
	100,000		519c	Nov 10
	250,000		574c	Jun 10
	250,000		125c	Nov 09
	100,000		270c	Jun 11
	100,000		396c	Jun 11
	1,014,000		234c	Aug 11
7.8 Issued during quarter				
7.9 Exercised during quarter	612,500	612,500		
7.10 Expired during quarter	6,000,000	6,000,000	100c	Dec 08
7.11 Debentures <i>(totals only)</i>				

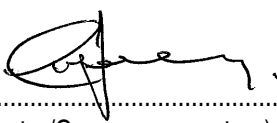
+ See chapter 19 for defined terms.

7.12	Unsecured notes (totals only)		
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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:


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(Director/Company secretary)

Date: 23 January 2009

Print name:

Chris Foley

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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