

ASX ANNOUNCEMENT

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DIALOGUE WITH CHINESE GROUPS ON DEVELOPMENT OF OAKAJEE

Murchison Metals Limited ("Murchison") refers to a media report in today's edition of *The West Australian* under the headline 'Barnett's push for China role gets boost' (see attached) referring to developments between Oakajee Port & Rail ("OPR") and a number of major Chinese groups.

OPR is jointly owned by Murchison and Mitsubishi Development Pty Ltd and has been selected by the West Australian Government as the developer of port and rail infrastructure to serve the burgeoning mid-west iron ore industry.

Representatives of OPR are currently in China, and have attended joint meetings with WA Premier Colin Barnett and a number of Chinese groups interested in participating directly in the development of the infrastructure for the mid-west.

As a result of these meetings between OPR, Mr Barnett and the Chinese groups, a number of initiatives have been jointly developed that OPR intends to pursue, including:

- A proposal whereby China Communication Construction Company (CCCC) would provide design assistance to OPR
- Discussions with China Railway Construction Corporation (CRCC) in relation to potential strategic co-operation for the rail component of the Oakajee project
- A Trade and Investment Mission to WA, jointly hosted by the WA State Government and OPR, in September 2009 for Chinese businesses interested in becoming involved in the Oakajee project.

OPR has reported that the discussions with the Chinese groups have been very positive, with high levels of interest in co-operation in the development of the mid-west region.

Discussions with the Chinese groups are continuing and any material developments will be reported to the market.

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Barnett's push for China role gets boost

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BEIJING

Premier Colin Barnett's dream of heavier Chinese involvement in the crucial Oakajee port and rail project and new gas developments off the North-West coast inched forward at talks in Beijing yesterday.

The Oakajee partners announced three initiatives to expand China's direct participation in the project, which Mr Barnett welcomed as a green light to Chinese investors.

Oakajee Port and Rail — a joint venture between Murchison Metals and the Japanese Mitsubishi group — said it had engaged China Communication Construction Company as its port design consultant.

It also told project participants at a meeting in Beijing that a high-level Chinese trade delegation would visit the project from September 21 to 28.

And the third leg of the expansion involves what was described as a "strategic alliance" between OPR and China Rail Construction Company.

"If this succeeds it will be the first major development in Australia to involve our two major trading partners, China and Japan," Mr Barnett said.

"Today was a significant step forward. While there has been some hesitancy in China about the Oakajee project, the sense I get is that interest is renewed and hopefully that can come to a good conclusion."

Mr Barnett said he had raised in the talks the possibility of Sinosteel making a bigger investment and having a more direct role in the development of the Mid-West region.

The Premier favours Sinosteel

increasing its stake in Murchison, which has been effectively stymied by the Foreign Investment Review Board, even though it owns developing miner MidWest Corporation.

"It is essential for the Oakajee port and rail project that it become a genuine Australia-China-Japan project. If that can be put into place all the other parts will fall into line," he said.

"It is critical this week that the links to China are secured. I was encouraged today to hear of understandings being reached with Chinese corporations about the design of the port and the construction of the railway.

"This is starting to bring China in, not only as the owner of an iron ore deposit, but as the participant in the whole development. That's what I would like to see."

Mr Barnett said he would support Sinosteel increasing its shareholding in Murchison, even as far as a takeover or merger, if that was what the companies wanted.

"I would be prepared to take that up with the Federal Government, in particular with Treasurer Wayne Swan, with respect to the FIRB," he said. "I did a similar thing with the Gindalbie project.

Later in the afternoon, Mr Barnett invited China National Petroleum Corporation to be involved in new gas developments in WA.

"China promises to be the growth market for LNG," he said. "China is emerging as a major customer for the Gorgon project. I hope that will flow on for China to be foundation customer and investor for a Browse Basin project. There is a great opportunity today for China to do with LNG today what Japan did back in the 1980s."

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