

ASX ANNOUNCEMENT

ASX Code: MMX

29 October 2010

ACTIVITIES REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2010

HIGHLIGHTS

Murchison

- Cash and liquid investments at quarter end of \$57.5 million
- \$21.6 million after tax net loss for the year ended 30 June 2010
- Federal Court upholds Murchison position on ownership of Jack Hills Iron Ore Project
- Commencement of financing activities for the mine and infrastructure projects

Crosslands Resources Ltd (Murchison 50% Interest)

- Jack Hills mineral resource increased to 3.22 billion tonnes including 139 Mt of DSO
- 477,144 tonnes shipped for the quarter
- Public Environmental Review reports for Jack Hills Expansion Project lodged with Environmental Protection Authority
- Crosslands awarded Golden Gecko Award for environmental excellence

Oakajee Port and Rail (Murchison 50% Interest)

- Memoranda of Understanding signed with foundation customers and due diligence commenced
- Period for submission on Public Environmental Review reports completed
- State Government due diligence commenced

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 September quarter appear below.

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

CORPORATE

As at 30 September 2010, Murchison was debt free and had cash and liquid investments of \$57.5 million, a decrease of \$15.9 million from the previous quarter. Interest earned on investments for the quarter amounted to \$1.0 million. The cash outflow for the quarter includes amounts paid to Crosslands and OPR of \$13.6 million to finance feasibility studies and exploration costs.

During the quarter, Murchison announced a \$21.5 million net loss after tax for the year ended 30 June 2010 compared to a net loss after tax of \$20.3 million for the half year ended 31 December 2009. The final three months of the financial year saw a significant improvement in operating cash flow from Crosslands stage 1 operations in line with iron ore price increases following the switch to quarterly index based pricing although this improvement was partially offset by a strong Australian dollar during the six month period.

Banking and Finance

As part of the joint venture between Murchison and Mitsubishi, Mitsubishi is responsible for managing the arrangement of finance for Crosslands' Jack Hills Expansion Project (JHEP) and for OPR's port and rail infrastructure projects. During the quarter, Murchison and Mitsubishi commenced early engagement with potential lenders focusing on the Oakajee port and rail projects.

Draft term sheets detailing proposed financial structures have been prepared and were discussed with a core group of banks. The term sheets will provide the foundation for the ongoing development of financing arrangements for the mine and infrastructure projects.

During the quarter, Murchison appointed Rothschild Australia Ltd (Rothschild) to advise it in regard to financial arrangements for the JHEP and OPR infrastructure. Rothschild is one of the largest global mining advisory groups with extensive experience across all facets of financing. Rothschild's expertise and its relationships with key stakeholders will add significant strength and capability to the financing effort.

Chameleon Litigation

Subsequent to quarter end, on 20 October Justice Jacobson handed down his decision in the Federal Court action brought by Chameleon Mining against Murchison, Crosslands and others. Chameleon commenced legal proceedings in 2007 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.

Justice Jacobsen dismissed Chameleon's claim that it was entitled to any interest in either the Jack Hills or Weld Range tenements owned by Crosslands or Murchison's shares in Crosslands.

The critical findings by the Court as regards to Murchison and Crosslands were:

1. There is no constructive trust over the Jack Hills iron ore project or Murchison's shareholding in Crosslands.
2. Murchison is liable to account for a portion of the income it received as a consequence of the investment of \$277,840 in Crosslands from 24 July 2004 to the present time. (Murchison notes that the project operated at a loss over this time).

As an alternative, Chameleon is entitled, at its election, to equitable compensation of \$277,840 from Murchison with interest at commercial rates on a compounding basis. (Murchison has calculated this sum at approximately \$407,000 based on an interest rate of 5.86%).

3. Crosslands is liable to account for the benefit received by it from the use of \$152,750 on the same basis as Murchison. (Murchison notes that the project operated at a loss over this time).

As an alternative, Chameleon is entitled, at its election, to equitable compensation of \$152,750 from Crosslands with interest at commercial rates on a compounding basis. (Murchison has calculated this sum at approximately \$227,000 based on an interest rate of 5.86%).

4. Murchison is not liable to account for 10 million shares in Murchison received by another defendant in the proceedings.

In respect to the findings that Murchison is liable to account to Chameleon for the profits it obtained as a consequence of investing the Chameleon funds in Crosslands, the Court said:

"The profit which Murchison obtained is not to be approached upon the basis that it is a percentage of Murchison's shareholding in [Crosslands]. The shareholding is not the relevant profit. Rather it is the "investment" of Chameleon's funds in [Crosslands], which funds ultimately formed part of a much larger pool of working capital comprised of debt and equity in the Project. It was in effect an investment of capital in an income stream to be produced by the working of the Iron Jack Project. Accordingly, the benefit is the amount of the income stream produced by the "investment" of Chameleon's funds in the carrying on of the Project.

The authorities to which I referred earlier show that the form of an order for an accounting depends on all the circumstances, and the assessment of the profit may be difficult. What seems to me to be appropriate in the present case is to order Murchison to account for the income it received as a consequence of the investment of \$277,840 in [Crosslands] from 28 July 2004 to the present time. The exercise will be a complex one. What will be required, in effect, will be an accounting of all of the funds, whether debt or equity, which Murchison (or its subsidiaries) invested in the Iron Jack Project from 28 July 2004 and a calculation of the net profits derived by Murchison (or the relevant subsidiary) from the venture.

Chameleon will be entitled to a portion of the income referable to the use of its funds of \$277,840 during the period to which I have referred".

In Murchison's view, the proposition which has been put forward by Chameleon, to the effect that Murchison must pay an amount "referable to a 24% interest in the Project less an allowance..." is untenable. Further, it is clear from the decision that there is no entitlement to any future income or profits from the Jack Hills project.

The parties will return to Court on 4 November for argument as to the orders which ought to be made as a consequence of the reasons for decision of Jacobson J.

Annual General Meeting

The Annual General Meeting of Shareholders for the year ended 30 June 2010 is scheduled for 17 November 2010. The Notice of Meeting and Annual Report for the 2010 financial year can be viewed on the Company's website:

www.mml.net.au.

EXPLORATION

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 considering a number of strategic alternatives for the development of the project.

CROSSLANDS RESOURCES LTD (MURCHISON 50% INTEREST)

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

Stage 1 operations utilise 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.

The Jack Hills Expansion Project is targeting a substantial expansion of annual production capacity. Crosslands intends to utilise new port and rail infrastructure which Oakajee Port and Rail plans to develop in the mid-west region of Western Australia that will enable ore from the Jack Hills mine to be transported by rail for shipment from the new Oakajee port. To date \$134.3 million has been expended by Crosslands on the JHEP mine exploration and mine feasibility activities.

STAGE 1 OPERATIONS

Mining operations at the Jack Hills iron ore project commenced in November 2006 with the first shipment to customers in February 2007. Since then Crosslands has shipped more than 5 million tonnes of high quality iron ore to customers, predominantly in China, Korea and Japan. There are currently approximately 385 employees of Crosslands or its contractors engaged in activities associated with Stage 1 operations.

Production Summary

A comparative summary of operations statistics for the quarter is presented in Figure 1 below:

Production Summary		Dec 09 Qtr	Mar 10 Qtr	Jun 10 Qtr	Sep 10 Qtr	Project to Date
Volume Waste	BCM	428,003	306,228	201,963	307,911	6,726,198
Volume Ore	BCM	97,256	95,695	88,143	79,242	1,602,142
Ore Mined	Tonnes	411,389	412,463	380,294	337,139	6,036,573
Ore Crushed	Tonnes	464,812	408,503	396,961	444,077	6,144,082
Ore Hauled to Port	Tonnes	441,343	428,968	437,035	429,335	5,378,210
Ore Shipped – lump	Tonnes	364,401	321,084	297,512	295,524	3,806,676
Ore Shipped – fines	Tonnes	134,927	92,865	119,043	181,620	1,539,254
Grade – lump	%Fe	65.1%	64.5%	62.6%	61.8%	64.5%
Grade - fines	%Fe	63.6%	62.8%	61.9%	61.7%	62.4%

Figure 1

Mining

Ore mined for the September quarter was 337,139 tonnes or 79,242 bcm. The total mined volume for the quarter was 387,153 bcm. Contract mining continued on a two panel arrangement for the duration of the quarter.

The strip ratio was 3.89, an increase from the strip ratio for the June quarter of 2.29. The increase was primarily due to the higher waste requirements associated with mining through the current cutback development.

A total of 444,077 tonnes were crushed compared to 396,961 tonnes in the June quarter. The crushing plant availability improved during the quarter as a result of upgrades to the crushing plant. The lump proportion of crushed product achieved forecast at 64.1%. The average operating cash costs for the September quarter was AUD83.4/tonne.

Haulage

Crosslands hauled 429,335 tonnes of ore to Geraldton port during the September quarter.

Shipping

Shipping for the quarter consisted of eight vessels totalling 477,144 tonnes of which 295,524 tonnes were DSO lump and 181,620 tonnes were DSO fines.

Marketing and Sales

Crosslands' shipments from its Stage 1 DSO operation proceeded smoothly during the September quarter. Following the industry trend, new pricing agreements were established across Crosslands' Asian customer base and generated improved margins. The average prices for lump and fines achieved by Crosslands' during the September quarter were AUD150.0/tonne and AUD124.9/tonne respectively.

Health and Safety

The key activities for the September quarter included the following:

- The formation of a Crosslands Safety Working Group chaired by the CEO to drive safety improvements across the business. This initiative is intended to heighten employee and contractor participation in safety-based programs designed to mitigate risk and prevent injury and loss;
- Completion of the Department of Mines and Petroleum's annual High Impact Frequency Audit. Corrective actions were identified and are being progressed depending on priority; and
- Additional equipment and training was provided to the emergency response teams on site commensurate with the remote and isolated location of the Jack Hills operation.

Environment

Crosslands' excellence and leadership in environmental management was recognised during the quarter when it was awarded the prestigious Golden Gecko award for research conducted on local spider populations at Jack Hills.

JACK HILLS EXPANSION PROJECT

Geology

During the quarter, Crosslands reported a new Mineral Resource estimate as a result of ongoing Bankable Feasibility Study work completed for the JHEP. Additional infill drilling integrated in the new resource estimate provides further confidence uplift to the 3.22 billion tonne resource, previously 3.01 billion tonnes. The new resource estimate is significant in that it includes:

- A global resource increase of 220 million tonnes;
- An initial resource estimate at the emerging high grade satellite Brindal deposit, located 3km south of the main Jack Hills deposit. The location of the Bridal Deposit within the Jack Hills Project can be seen in Figure 2, below;
- Newly identified detrital deposits uncovered through drilling on the plains to the north of the Jack Hills deposit; and
- Potential for expansion of the resource in the future, with numerous untested exploration targets identified.

The total global in situ mineral resource for Measured, Indicated and Inferred resources is now estimated to be 3.22 billion tonnes @ 32.3% Fe (26.6% DTR¹). This includes an increase in the DSO component to 139 million tonnes at an average grade of 56.6% Fe.

The improved Mineral Resource incorporates data from the second phase of a major \$30 million exploration program which commenced in April 2009 across the Jack Hills project.

¹ Refer to Murchison ASX Announcement 23 September 2010 for full details of the Jack Hills Mineral Resource. Jack Hills tones are dry metric tonnes. The main Jack Hills Mineral Resource estimate is comprised of 902Mt of Measured at 32.3%Fe and 23.9%DTR, indicated of 1256Mt at 32.2%Fe and 28.1%DTR and inferred of 1060Mt at 32.3%Fe and 27.0%DTR. The Brindal Inferred Mineral Resource estimate is 11.1Mt at 46.5%Fe and 2.8%DTR.

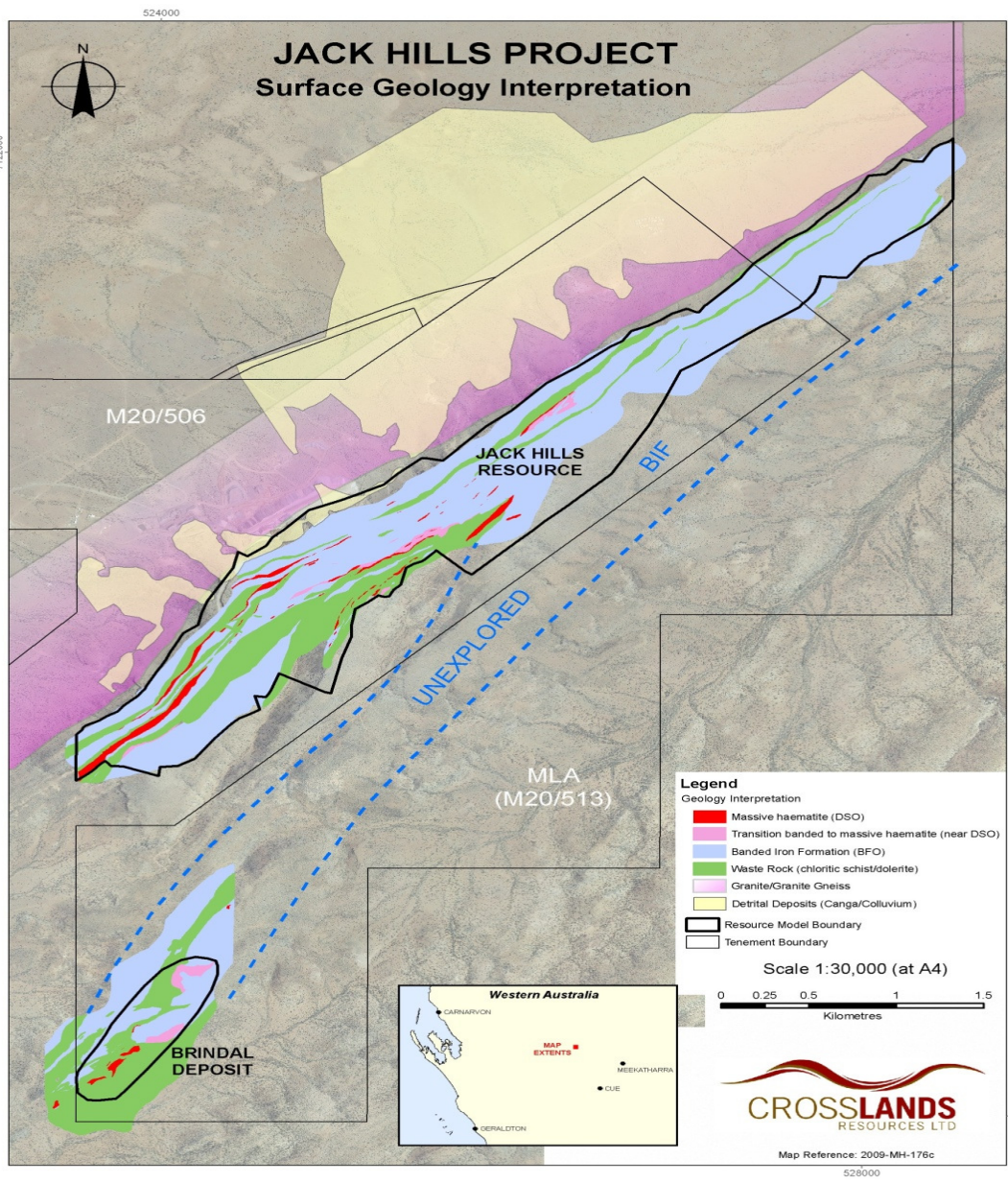
Other highlights and geology activities for the September quarter included:

- Positive results from ongoing resource and exploration drilling activity with a further \$15 million budgeted for exploration programs in FY2010/11. The current phase of drilling is focused on detailed infill drilling of the established resources for mine planning purposes;
- Exploration drilling is focused on new high grade Massive Iron Mineralisation (MIM) targets across the Jack Hills tenements and Detrital Iron Deposit (DID) targets located within the mine infrastructure footprint. A further update is expected in early 2011;
- Resource definition RC and diamond drilling advanced 6,693 metres and 1,450 metres respectively for a total of 31 drill holes. Geotechnical and hydrogeology drilling completed 69 and 2,195 metres respectively; and
- Beneficiation operations are being designed to recover both magnetite and hematite fractions to produce two saleable concentrate products. Based on pilot scale laboratory testwork at the reported Banded Iron Formation BFO resource iron grade (30.7% Fe) and DTR (26.5 wt%), the predicted combined magnetite and hematite Fe yield is 70 - 74%.

The Jack Hills resource has a number of competitive advantages. Foremost amongst these is a saleable concentrate grade at a coarse grind size and a low strip ratio. Other competitive advantages of the deposit and proposed processing operations include:

- Proven processing technologies;
- Separate hematite and magnetite products, at different grind sizes, to allow penetration into both the sinter and pellet feed markets;
- Lower grinding power requirements; and
- Highly attractive chemistry with very low phosphorous and alumina expected in both products.

Figure 2: Map of Jack Hills Project Highlighting Jack Hills Deposit (Mt Mathew to NE Ridge), Brindal Deposit, Detrital Deposits and potential exploration areas.



Feasibility Study

The key feasibility study activities for the September quarter included the following:

- Continued progress on the Bankable Feasibility Study (BFS) for the JHEP with almost \$20 million expended on the BFS for the quarter;
- Release of Crosslands' Public Environmental Review (PER) for the JHEP for public comment;
- The JHEP mining strategy was advanced during the period on the basis of recent metallurgical testwork results. The mining strategy seeks to maximise the return from a planned operation that would entail selective mining of high grade Direct Shipping Ore (DSO) and bulk mining of Beneficiated Feed Ore (BFO) for processing into high grade concentrates. Mine optimisation studies are proceeding on the basis of this mining strategy;
- Completion of beneficiation testwork based on geological domains and jig testwork on diluted DSO containing Banded Iron Formation (BIF) and waste materials yielded positive results. Gravity testwork is underway to support the proposed hematite concentrate circuit. Concentrate and tailings screening, thickening and filtration testwork continues;
- A geotechnical investigation of the proposed integrated waste landform site was conducted with a number of options under consideration based on cost, technical, environmental, health and safety risks;
- Further water exploration with the focus on a number of potential borefields located in the Murchison Palaeochannel aquifers to the north and east of Jack Hills and in the Byro sub-basin within the Carnarvon basin to the west. Monitoring and test production bores have been constructed in three target areas with land access and heritage approvals progressing in a fourth target area;
- Completion of a number of heritage surveys and commencement of additional surveys along the route of the planned gas pipeline corridor from the Dampier to Bunbury gas pipeline to Jack Hills;
- Review of the location of the processing plant and other Jack Hills infrastructure with a new site plan to be developed following a change in the location for the planned railway loop for the JHEP. The revised layout provides significant capital cost savings for the project; and
- Discussions with companies interested in the provision of major services infrastructure.

Crosslands is currently finalising a detailed review of the project schedule for the JHEP and is working with OPR to finalise a consolidated project schedule. The revised and consolidated project schedules will be announced shortly.

Marketing

The key milestones and marketing activities for the September quarter included the following:

- Continued success in market development for the JHEP with an initial cargo of product from Stage 1 operations shipped to a new customer in Korea;
- Crosslands signed additional Letters of Intent (LOI) with several potential customers. Crosslands has now signed LOI's for more than 55 Mtpa of planned magnetite and hematite concentrate products. This total does not include potential sales of DSO and is in addition to existing offtake contracts for production from Stage 1 operations;
- Site visits from existing and prospective customers; and
- A review of product strategies, customer sample development and laboratory selection for future test work.

Government

Crosslands continues to engage positively with the State Government and other stakeholders. The key activities for the quarter included the following:

- High level briefings and project updates were provided for the Ministers for Mines and Petroleum, Environment and Indigenous Affairs. The Department of State Development continues to provide assistance with Government approvals and issues resolution; and
- At the Federal level, Crosslands was involved in ongoing discussions with the Government over the planned Mineral Resources Rent Tax, with further negotiations likely before the end of 2010.

Community and External Affairs

Crosslands continues to develop positive and strong relationships with local communities in the Mid West region. Presentations were made to the Mid West Economic Forum and the Geraldton Iron Ore Alliance Careers Expo while direct sponsorship was provided to a range of local events and organisations through the @ Heart Community Support Program.

OAKAJEE PORT & RAIL (MURCHISON 50% ECONOMIC INTEREST)

In March 2009, OPR signed a State Development Agreement with the Western Australian Government granting OPR the exclusive right to develop the Oakajee port and associated northern rail infrastructure. To date \$173.6 million has been expended on feasibility studies for the project. OPR employs either directly or through its contractors approximately 350 people on activities associated with the port and rail infrastructure projects.

In the September quarter:

- OPR signed Memoranda of Understanding (MOUs) for the provision of supply chain services with the selected foundation customers, Sinosteel Midwest, Karara Mining and Crosslands Resources. The MOUs represent a significant milestone in the development of detailed supply chain agreements that will underpin the development of the project;
- OPR commenced phase 1 due diligence studies on each of the selected foundation customers, to clarify the timing, product volume and financial capacity. The customers have subsequently commenced preliminary due diligence on OPR in the December quarter;
- The environmental impact assessment process for the Oakajee terrestrial port and Oakajee rail developments was progressed with the public advertisement of Public Environmental Review studies.
- Implementation Agreements for the port and rail projects have been substantially progressed with the State;
- Multiple heritage surveys including for port and rail geotechnical and hydrological drilling programs were completed. This has enabled the engineering teams to commence detailed investigations in key project areas;
- The State Government commenced due diligence on OPR in relation to the technical and commercial aspects of the project;
- OPR continued to focus on operational readiness, with the delivery of an Operations Process Manual; and
- Further studies were undertaken, with the assistance of IBM, to identify the information technology (IT) requirements for the implementation and operational phases of the project including the development of conceptual IT architecture and production of a detailed budget to support the revised estimate.

In addition, preparatory works to enable progression to the construction phase have been undertaken, including commencing the EPCM selection process.

Port Marine

The focus of activities in this area has been to further advance understanding of the marine impacts. This has included 3D modeling work to finalise understanding of long period wave conditions at Oakajee, undertaking a coastal process (littoral drift) study, redesign of the marine structures and development of a multi-purpose temporary berth for barge loading and other construction use, as well as materials offloading.

Other areas progressed include the finalisation of engineering to relocate the quarry haul road north of the Oakajee River (to provide a route which has no conflict with the rail alignment and provide for long term use for maintenance and government requirements) as well as commencement of preparation of tender documents for the breakwater and dredging works.

Port Landside

During the quarter engineering to facilitate completion of the revised estimate has been completed. This work included the final northern access road, power requirements, buildings, water supply for construction, process and potable water, as well as the materials handling facility including the stockyard design.

The design has been supported by data acquired from a variety of test programs, field investigations and modeling including a detailed geotechnical testing program which was completed in August, testing of a variety of materials to obtain information on the material characteristics (including behavior at varying moisture levels, flow characteristics, wear characteristics, compaction behavior and bulk density), final integration of more accurate topographical data and substantial progress in computational fluid dynamic modeling of dust emissions and visibility effects.

OPR has attended briefings with the Geraldton Port Authority (GPA) and Landcorp on the Geraldton Port Master Plan process covering the overall medium and long term port development. GPA and Landcorp have indicated that the OPR design does not conflict with the Master Plan.

Rail Engineering & Design

During the quarter various aspects of engineering for the project estimate were progressed. In addition a number of meetings were held with a diverse range of stakeholders including Government departments, Shires, landholders and a range of potential constructors and rail suppliers in both Perth and China.

Key components on the "below rail" earthworks, track and roads included joint optimisation of the earthworks and drainage to reduce quantities, initial meetings with Shires regarding the design of level crossings and associated roads, revised specifications for wagons and track (rail and sleepers) for 37t axle loads and liaison with some foundation customers regarding rail spurs and mine loops and loading arrangements.

The key "above rail" works include negotiations with CSIRO on a communication system that will be compatible with the Square Kilometre Array project. In addition development commenced on OPR's concepts for the realignment of roads affected by a rail and railway bridge crossings in advance of negotiations with Main Roads WA (MRWA)/Department of Transport (DoT) and the Public Transit Authority (PTA).

Geotechnical site investigations continued with a significant program of works underway at quarter end. A refined construction water strategy is in place, resulting in airborne geophysical survey of three large paleochannels in the pastoral area and drilling at selected sites. Drilling in the agricultural area and camp sites is also planned, subject to access.

Native Title & Heritage

During the quarter, OPR completed multiple heritage surveys over the project area. Particular efforts were focused on clearing areas required for geotechnical and hydrological programs. These clearances are now complete and OPR has commenced clearances for the port area with initial works focused on archeological surveys. Planning for the full rail construction clearance surveys covering the 580kms of rail line was commenced with initial focus on transportation and accommodation requirements.

OPR continued to develop strong working relationships with the indigenous communities as evidenced by the large number of surveys completed. Informal native title briefings with the claim groups continued despite the large heritage survey workload and it is expected that these informal briefings will continue until the bulk of heritage work is completed in order to reduce resourcing demands on the claim groups.

Environment

This quarter OPR has continued working closely with the Environmental Protection Authority (EPA) with respect to advancing the Public Environmental Reviews (PER) for both the Oakajee terrestrial port and Oakajee rail developments. At the end of the public review period the EPA had received a combined total of 26 public submissions on both PERs 22 of which were from Government agencies. OPR will respond to the submissions in the December quarter following which the EPA will make its recommendation to the Minister.

OPR continued to progress Environmental Management Plans (EMPs) required under Ministerial Statement 469 for the commencement of construction.

OPR and DSD have been working collaboratively with the Federal Department of Sustainability, Environment, Water, Population and Communities (DSWPC, previously DEWHA) with respect to managing matters of national environmental significance (protected under the EPBC Act) that may be impacted by the Oakajee marine port. DSD and OPR will formally refer this element of the project under the EPBC Act in the fourth quarter of 2010. It is expected that matters of national environmental significance will not be significantly impacted by either the construction or operation of the port marine facility.

Community & External Affairs

OPR continues its efforts to build and maintain strong relationships with Local, State and Commonwealth Government, community and interest groups to support the development of the Oakajee Port and Rail project.

The public comment period of OPR's environmental management requirements concluded during August with only 26 submissions across the port and rail projects, indicating the effectiveness of OPR's efforts to communicate with stakeholders to address environmental issues.

As in previous quarters, project briefings continued with key organisations and key stakeholders, including State and Federal Members of Parliament and a number of industry and community organisations

For further information, please contact:

Trevor Matthews

Managing Director

Murchison Metals Ltd

Telephone: (08) 9492 2600

Competent Persons' Statement

The information in this announcement that relates to Exploration Results and geological and mineralogical interpretations of the Mineral Resource estimate of the Jack Hills Project is based on information compiled by Mr Roland Bartsch. Mr Bartsch is a full time employee of Crosslands Resources Ltd and is a Member of the Australasian Institute of Mining & Metallurgy.

The information in this announcement that relates to Mineral Resources of the Jack Hills Project is based on information compiled by Mr Bruce Sommerville in his capacity as an employee of SRK Consulting. Mr Sommerville is a Member of the Australasian Institute of Mining & Metallurgy.

Mr Bartsch and Mr Sommerville have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as competent persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Mr Bartsch and Mr Sommerville consent to the inclusion in the announcement of the matters based on their information in the form and context in which it appears.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

Murchison Metals Limited

ABN

38 078 257 799

Quarter ended ("current quarter")

30 September 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(7,708)	(7,708)
(b) development	-	-
(c) production	-	-
(d) administration	(2,780)	(2,780)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1,023	1,023
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(9,465)	(9,465)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	(5,450)	(5,450)
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(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	(1,035)	(1,035)
Net investing cash flows	(6,485)	(6,485)
1.13 Total operating and investing cash flows (carried forward)	(15,950)	(15,950)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(15,950)	(15,950)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
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 (provide details if material)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(15,950)	(15,950)
1.20	Cash at beginning of quarter/year to date	73,410	73,410
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	57,460	57,460

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	325
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

Nil

- 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

Nil

+ 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	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	13,211
4.2 Development	-
4.3 Production	-
4.4 Administration	3,400
Total	16,611

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	1,342	1,802
5.2 Deposits at call	56,118	71,608
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	57,460	73,410

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	E47/1954 E47/2116	Registered Applicant Registered Applicant	100% 100%	0% 0%
6.2	Interests in mining tenements acquired or increased				

+ 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	435,384,268	435,384,268		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
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>			<i>Exercise price</i>	<i>Expiry date</i>
	100,000		519c	Nov 10
	100,000		396c	Jun 11
	100,000		270c	Jun 11
	968,000		234c	Aug 11
	47,000		94c	Aug 11
	21,000		81c	Oct 11
	4,500,000		200c	Nov 11
	1,562,000		156c	Jun 12
	100,000		68c	Jun 12
	4,500,000		200c	Nov 12
7.8 Issued during quarter	0	0		
7.9 Exercised during quarter	0	0		
7.10 Expired during quarter	0	0		
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: Date: 29 October 2010

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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