

ASX ANNOUNCEMENT

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OAKAJEE PORT AND RAIL DELIVERS DRAFT BFS

Murchison Metals Limited ("Murchison") is pleased to announce that Oakajee Port & Rail ("OPR") has completed and delivered to the Western Australian Government a draft Bankable Feasibility Study (BFS) for the mid-west Oakajee port and rail infrastructure project (the Oakajee Project).

OPR is 50% owned by each of Murchison and Mitsubishi Development Pty Ltd.

The study, compiled with assistance from Worley Parsons in its role as Project Management Study Contractor, found that the Oakajee Project is both technically and operationally feasible, paving the way for commercial feasibility to be completed later this year.

The draft BFS will allow OPR to engage more fully with the State and potential foundation customers in order to finalise the initial configuration of the supply chain in the second half of this year.

The draft BFS will also be used to advance discussions with potential financiers and to assist in determining early long lead procurement strategies.

The Oakajee Project comprises a standard gauge, heavy haul 546km rail line extending from the Jack Hills Project through to the Oakajee port site, with rail spurs for foundation customers to connect to the line.

The rail line will connect miners to a 45 million tonnes per annum (mtpa) port facility at Oakajee where two cape-sized berths will be constructed as part of the initial configuration.

OPR recently announced that the planned initial capacity at Oakajee Port has increased to 45mtpa as a result of higher than expected demand from potential customers. There is potential for further expansion beyond 45mtpa to meet additional demand from potential foundation and expansion customers.

As a result of the planned initial capacity increasing by almost 30%, OPR has revised the capital cost estimate for the full port and rail project to \$4.37 billion, including a contingency of \$403 million. The estimate is reported by OPR to have an accuracy range of +/- 15%.

The WA and Federal Governments have committed \$678 million towards the cost of the project.

Capital Item	A\$ million
Above Rail (including Rolling Stock)	\$ 422
Below Rail	\$1,805
Port PUI Facility (Private User)	\$1,178
Contingency	\$ 343
<u>TOTAL OPR COSTS (Excluding Govt Contribution)</u>	<u>\$3,748</u>
Port CUI (proposed finance by Govt Contribution)	\$ 565
Contingency	\$ 60
<u>TOTAL CUI Costs (Common User)</u>	<u>\$ 625</u>
<u>TOTAL PROJECT COSTS</u>	<u>\$4,373</u>

Capital cost estimates are in 2010 dollars and are inclusive of, amongst other things, allowances, EPCM estimates and indirect costs. Land acquisition and owner costs, which include engineering and design costs up to financial close, are outside the capital cost estimate and are subject to further review.

Operating and capital costs will be further defined over the coming months as leasing opportunities are considered and as OPR works with its foundation customers to finalise the supply chain agreements.

Murchison Executive Chairman Paul Kopejtka said the draft BFS milestone confirmed the Company's belief that the port and rail infrastructure was the key to commercialising the untapped mineral riches of the mid-west region.

"We have now confirmed the operational and technical feasibility of this hugely significant project, supported by higher than expected tonnage nominations from the miners who plan to use OPR's facilities," said Mr Kopejtka.

"OPR will play a pivotal role in allowing mid-west miners such as Sinosteel Midwest Corporation, Crosslands Resources and Gindalbie's Karara joint venture to unlock the value of their world class mineral deposits.

"We look forward to OPR, the Government and the miners completing their arrangements in the months ahead and the project moving towards first exports in early 2014."

A copy of the OPR media release is attached.

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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.

In addition to its investments in Crosslands, OPR and its Rocklea iron ore project (100% Murchison) located in the Pilbara, Murchison is actively exploring growth opportunities in iron ore, coal and manganese in accordance with its approved corporate strategy.

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OPR Delivers Feasibility Report to State Government

Oakajee Port and Rail (OPR) has delivered a draft Bankable Feasibility Study (BFS) to the Government of Western Australia, which demonstrates strong technical feasibility for the development of the Oakajee port and rail project.

Draft Implementation Agreements for the port and rail have also been delivered to the State. Both parties have substantially progressed the terms of these agreements and will continue to work together to progress outstanding matters, targeting finalisation toward the end of the year.

OPR Chief Executive John Langoulant said the draft BFS reflected detailed engineering and technical studies, and commercial analysis undertaken over the past three years and would allow the State Government to undertake due diligence to support its funding commitment.

“OPR has undertaken an extensive process of planning, research, investigation and design studies and has found that the project is technically and operationally feasible,” he said.

In March 2009 the State appointed OPR to create an integrated open access multi-user deepwater port and an integrated rail network.

The rail network will connect the port with mines in the mid-west, and will be capable of integrating with other rail infrastructure in the State, as it becomes feasible.

The planned initial capacity of the port is 45 million tonnes per annum including two Cape Class berths, and will be capable of expansion as demand for capacity increases.

“The positive findings of the studies, coupled with strong interest from regional miners in utilising the new port and rail supply chain, strengthen the business case and our confidence in the technical feasibility of this complex infrastructure task,” Mr Langoulant said.

“The current major areas of activity include further engineering studies and progressing our approvals program together with negotiation of supply chain agreements with our potential foundation customers – Karara Mining, Sinosteel Midwest Corporation and Crosslands Resources – which we expect to complete later this year.

“By clarifying the tonnage, timing and technical requirements of foundation customers, we will then be in a better position to assess the commercial feasibility of the project targeted for completion by the end of the year.”



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MEDIASTATEMENT

Mr Langoulant said OPR's approach to engagement with miners and the State Government reflected interdependencies and the process of bringing together both the miners' and OPR's feasibility studies.

"OPR's business model aims to promote a close alignment of the supply chain business with commercial interests of mines," he said.

"We remain appreciative of the Premier's support of the nationally significant Oakajee project and we look forward to working with the State Government towards our next milestones, including execution of Implementation Agreements and ultimately the commissioning of the new facilities in early 2014."

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