

ASX ANNOUNCEMENT

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PROJECT UPDATE - JACK HILLS EXPANSION PROJECT

Murchison Metals ("Murchison") is pleased to provide an update on the Jack Hills Expansion Project ("JHEP").

The Jack Hills iron ore project is owned and operated by Crosslands Resources Ltd ("Crosslands"), which is owned jointly by Murchison and Mitsubishi Development Pty Ltd.

Crosslands continues to progress the Bankable Feasibility Study (BFS) for the JHEP, with almost \$20 million expended in the September quarter. Recent work on the BFS has seen significant advancement in many key project areas including the following:

- Ongoing exploration at Jack Hills continue to provide further confidence in the Jack Hills resource, with exploration activities resulting in an increase in the Mineral Resource estimate to 3.22 billion tonnes at 32.3% Fe and 26.6% DTRⁱ, including an increase in the DSO component of the Mineral Resource estimate to 139 Mt at 56.6% Fe;
- Importantly, the new resource estimate is now being used to underpin mine planning development as part of the BFS. Crosslands is pursuing a mining strategy that will see it focus on multiple product streams, and as such there is a high level of interaction between the mining, marketing and metallurgical disciplines;
- The processing flowsheet for the production of the planned magnetite and hematite products is being progressed, with further positive beneficiation testwork, based on geological domains, recently completed and now being incorporated. Additional gravity testwork is underway to support the proposed hematite concentrate circuit and is expected to be completed in November;
- Crosslands' marketing team continues to develop and refine the customer strategy being pursued, and has now secured more than 55mtpa in non-binding letters of intent. Crosslands is now reviewing its potential customer mix with a view to identifying the core customer group for offtake discussions;
- Following a change to the location of the planned railway loop for the JHEP, Crosslands is reviewing the location of the processing plant, waste dump strategy and other Jack Hills infrastructure with a new site plan to be developed. The revised layout is expected to provide significant capital cost savings for the project. The revised site layout planning process will also take into account the Detrital Iron Deposits recently discovered and included in the recent resource update;
- Discussions have commenced with companies interested in the provision of major infrastructure, including the power station, accommodation camp, gas and water pipelines. In addition, discussions are underway with major gas suppliers under a two stage strategy for securing the start up and long term gas requirements of the project;

- The period for public comment on the Public Environmental Review (PER) for the JHEP will close shortly following which Crosslands will begin assessing and responding to submissions; and
- Heritage surveys have now been completed for the proposed accommodation camp and airfield. Heritage surveys are also underway along the route of the planned gas pipeline corridor from the Dampier to Bunbury gas pipeline to Jack Hills.

Crosslands, Murchison and Mitsubishi are currently carrying out a detailed review of the project schedules for the JHEP and expect to announce a revised schedule in the near future.

Murchison looks forward to providing further project updates on the JHEP in the coming months.

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 report of the matters based on their information in the form and context in which it appears.

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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 and OPR, Murchison owns the Rocklea iron ore project located in the Pilbara region of Western Australia.

ⁱ Refer to ASX Announcement 23 September 2010 for full details of the Jack Hills Mineral Resource. Jack Hills tonnes 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.