

ASX ANNOUNCEMENT

ASX Code: MMX

27 January 2011

ACTIVITIES REPORT FOR THE QUARTER ENDED 31 DECEMBER 2010

HIGHLIGHTS

Murchison

- Cash and liquid investments at quarter end of \$31.3 million
- \$US100 million finance facility secured with Resource Capital Funds
- Federal Court upholds Murchison's position on ownership of Jack Hills Iron Ore Project
- Review of project schedules for Oakajee infrastructure development and Jack Hills Expansion Project (JHEP) completed

Crosslands Resources Ltd (Murchison 50% Interest)

- 368,041 tonnes shipped for the quarter
- Significant progress achieved on the JHEP Bankable Feasibility Study
- Mine optimisation studies and flowsheet review underway to determine optimum production profile. Crosslands is studying a production rate of up to 35 million tonnes per annum, comprising a mix of direct shipping material (DSO) and beneficiated iron products
- Environmental and water extraction approval processes progressed
- Terms sheets received from major gas suppliers

Oakajee Port and Rail (Murchison 50% Interest)

- Technical engineering study for port and rail project completed
- Draft Supply Chain Agreement (SCA) and draft Operating Protocol finalised and provided to Foundation Customers
- Heritage-related ethnographic and archaeological surveys complete over full port area and priority rail areas

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 owns the Rocklea iron ore project located in the Pilbara.

CORPORATE

As at 31 December 2010, Murchison had cash and liquid investments of \$31.3 million. Interest earned on investments for the quarter amounted to \$0.7 million. The cash outflow for the quarter includes amounts paid to Crosslands and OPR of \$21.1 million to finance feasibility studies and exploration costs, including completion of the technical engineering study for the infrastructure project, ongoing production and flowsheet optimisation for the Jack Hills Expansion Project, and resource definition and extension drilling.

In November, Resource Capital Funds agreed to provide a US\$100 million Bridge Finance Facility. More details relating to the finance facility are provided in the Banking and Finance section of this report.

A major focus of activity during the quarter was completion of a detailed review of the project schedules for both the Oakajee infrastructure project and JHEP, undertaken in light of the significant increase in the size of the Jack Hills mineral resource and OPR's ongoing program to complete key agreements with the State Government and Foundation Customers. As reported by Murchison to the ASX on 23 September 2010, global in-situ Measured, Indicated and Inferred resources at the Jack Hills project are now estimated at 3.22 billion tonnes grading 32.3% Fe¹.

As a result of that review, on 4 November 2010 Murchison and Mitsubishi announced revised schedules for both the Oakajee infrastructure project and JHEP. According to the revised schedules, completion of bankable feasibility studies for both projects is now targeted in the second quarter of 2011. Project go-ahead is targeted for early 2012, with first shipments through the Oakajee port anticipated in late 2014/early 2015. As a consequence of these changes of schedule, Murchison and Mitsubishi have requested an extension of certain project deadlines agreed with the WA Government under the State Development Agreement. Murchison is confident the extension will be obtained in the near future.

Coincident with the announcement of the revised project schedules, Mitsubishi stated: "Mitsubishi's involvement and commitment to these projects remains entirely unchanged. This is clearly reflected in our continuing substantial investment in feasibility studies for the JHEP, Oakajee port development and associated heavy haul rail network. Through our joint ventures (Crosslands and OPR), we continue to make every possible effort to drive forward the feasibility studies of these projects."

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.

To date, more than \$370 million has been expended by Murchison and Mitsubishi on the world-class Oakajee and Jack Hills projects. The Government of Western Australia and the Federal Government have also committed a total of \$678 million towards construction of common user infrastructure of the new Port.

More details on both projects are contained in the Crosslands and OPR sections of this report.

Subsequent to the end of the quarter, on 24 January 2011 Deutsche Bank AG advised the ASX that it had increased its holding in Murchison to 31,745,742 shares, representing approximately 7.3% of Murchison's total issued capital. Murchison is closely monitoring the nature of this investment.

Banking and Finance

In November Murchison announced it had signed a terms sheet for a US\$100 million Bridge Finance Facility with a fund managed by Denver-based Resource Capital Funds (RCF). RCF manages resources-focused private equity funds, one of which is a major long term shareholder in Murchison.

The Facility will provide Murchison with the ability to draw, at Murchison's election, up to US\$100 million to fund its share of expenditure to progress the feasibility studies for the JHEP and Oakajee projects. The Facility may also be used for development activities for the projects and for working capital for Murchison.

The Facility is for a term of 12 months from first draw down with a 10% coupon rate. Under the Facility Murchison will pay an establishment fee to be satisfied by the issue of 4.2 million options that have an exercise price equal to 120% of the volume weighted average market price of Murchison shares over the 30 trading days prior to Murchison's acceptance of the facility. The term of the options is three years from the date of issue. Commitment fees and interest payments can be satisfied, at the Company's election, by the issue of shares or by the payment of cash. The Company must pay a break fee equal to 2% of the total commitment of the Facility if it elects not to proceed with the Facility.

In accordance with the joint venture arrangements between Mitsubishi and Murchison, Mitsubishi is responsible for managing the arranging of limited recourse project finance required to fund development of both the JHEP and infrastructure projects. This financing process is progressing, with Mitsubishi and Murchison working concurrently on finance strategy, documentation and bank engagement.

Draft term sheets detailing proposed financial structures were further developed after the lender briefing sessions held in the prior quarter. The term sheets will provide the foundation for the ongoing development of financing arrangements for the mine and infrastructure projects and are being used for the development of financing documentation which continued during the quarter.

Planning for engagement with Export Credit Agencies (ECAs) occurred during the quarter. ECAs are expected to be a key source of funding for both the mine and infrastructure projects.

It is planned to complete the financing process, incorporating both debt and equity, in the period following completion of the feasibility studies and prior to a final investment decision.

The deferred payment that Mitsubishi is contracted to make to Crosslands in consideration for Mitsubishi's 50% interest in the Jack Hills project is also required to be paid prior to a final investment decision.

Chameleon Litigation

On 20 October 2010, Justice Jacobson handed down his decision in the Federal Court action brought by Chameleon Mining against Murchison, Crosslands and others, and dismissed Chameleon's claim that it was entitled to an interest in either the Jack Hills iron ore project and/or Murchison's shares in Crosslands. Chameleon commenced legal proceedings in 2007, claiming an interest in Jack Hills and/or Murchison's shares in Crosslands, arising out of a series of transactions that occurred in 2004. On 20 December 2010, Justice Jacobson made orders to the effect that:

1. There is no constructive trust over the Jack Hills iron ore project or Murchison's shares in Crosslands.

2. Murchison is liable to pay Chameleon a portion of the profit it received as a consequence of the investment of \$277,840 in Crosslands from 24 July 2004 to the present time. Murchison notes that it has not been paid any dividends as a consequence of its investment in Crosslands. As an alternative, Chameleon is entitled, at its election, to equitable compensation of \$277,840 from Murchison plus interest at commercial rates on a compounding basis.
3. Crosslands is liable to pay Chameleon the profit obtained by it from the use of \$152,750 on the same basis as Murchison. Murchison notes that the project operated at a loss over the relevant period. As an alternative, Chameleon is entitled, at its election, to equitable compensation of \$152,750 from Crosslands plus interest at commercial rates on a compounding basis.
4. Murchison is not liable to pay Chameleon for 10 million shares in Murchison received by another defendant in the proceedings or for the profits from the sale of those shares..

The Court has fixed 7 April 2011 as the date by which Chameleon must make the election as to its remedy, as referred to above.

Chameleon has advised the Court that it intends to appeal the Court's decision. The Court has fixed 1 February 2011 as the date by which an appeal must be lodged and 4 February 2011 as the date for hearing any application for a stay of the judgment pending the outcome of the appeal. Murchison will seek to have Chameleon's foreshadowed appeal dealt with as expeditiously as possible.

By agreement, the issue of costs as between Murchison/Crosslands and Chameleon was deferred. However, as a result of the orders made by the Court, and subject to the appeal which has now been foreshadowed by Chameleon, Murchison expects that Chameleon will ultimately be ordered to pay Murchison's/Crosslands' costs of the proceedings.

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 JHEP is targeting a substantial expansion of annual production capacity aimed at producing premium quality magnetite and hematite iron concentrates. Crosslands intends to utilise new port and rail infrastructure which OPR 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 more than \$155 million has been expended by Crosslands on the JHEP mine exploration and mine feasibility activities.

STAGE 1 OPERATIONS

Production Summary

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

Production Summary		Mar 10 Qtr	Jun 10 Qtr	Sep 10 Qtr	Dec 10 Qtr	Project to Date
Volume Waste	BCM	306,228	201,963	307,911	714,453	7,440,651
Volume Ore	BCM	95,695	88,143	79,242	57,644	1,659,786
Ore Mined	Tonnes	412,463	380,294	337,139	254,232	6,290,805
Ore Crushed	Tonnes	408,503	396,961	444,077	288,605	6,432,687
Ore Hauled to Port	Tonnes	428,968	437,035	429,335	396,636	5,774,847
Ore Shipped – lump	Tonnes	321,084	297,512	295,524	120,479	3,927,155
Ore Shipped – fines	Tonnes	92,865	119,043	181,620	247,562	1,786,816
Grade – lump	%Fe	64.5%	62.6%	61.8%	62.4%	64.5%
Grade - fines	%Fe	62.8%	61.9%	61.7%	61.1%	62.2%

Figure 1

Mining

Ore mined for the December quarter was 254,232 tonnes or 57,644 bcm. The total mined volume for the quarter was 772,097 bcm. Contract mining operations ramped up, utilising two excavators for the duration of the quarter.

The strip ratio was 12.39, a significant increase from the strip ratio for the September quarter of 3.89. The increase was primarily due to the commencement of a planned cutback on the western wall of the pit to provide access to ore for continued operations

A total of 288,605 tonnes were crushed compared to 444,077 tonnes in the September quarter reflecting reduced movement of ore due to the commencement of the planned cutback. The lump proportion of crushed product was in line with forecast at 68.8%.

The average total operating cash cost, including haulage, shipping and royalties for the December quarter was \$110/tonne², compared to \$84/tonne in the previous quarter, reflecting the commencement of the planned cutback and higher levels of waste movement.

Haulage

Crosslands hauled 396,636 tonnes of ore to Geraldton port during the December quarter. Two additional haulage contractors have been engaged to augment resources on both the Jack Hills to Cue and Cue to Geraldton operations. Haulage operations were impacted by a road closure between Cue and Jack Hills on 17 December following a seasonal flooding event. The road was re-opened in early January 2011. Shipments were maintained utilising ore stockpiles kept at Cue for this purpose.

Shipping

Shipping for the quarter consisted of 6 vessels totalling 368,041 tonnes of which 120,479 tonnes were DSO lump and 247,562 tonnes were DSO fines. Some shipping delays were incurred due to road closures from flooding events during December.

Marketing and Sales

December quarter sales were to a mix of Asian customers with interest in both the DSO lump and fines presently available from Crosslands' Stage 1 operations and future concentrate supply from the JHEP. The average realised

² All figures are expressed in Australian dollars unless stated otherwise

price per tonne of ore shipped by Crosslands during the quarter was \$138/tonne, resulting in a strong average cash margin of \$28/tonne of ore sold, offsetting the impact of reduced shipments and higher production costs related to the commencement of the planned cutback. The average prices for lump and fines achieved by Crosslands during the quarter were \$144/tonne and \$126/tonne respectively, compared to \$150/tonne for lump and \$125/tonne for fines in the September quarter. The quarterly index price reflected weaker spot prices in the preceding quarter and the stronger Australian dollar during the December period.

Health and Safety

A number of new training programs were introduced during the quarter by the recently formed Safety Working Group chaired by the CEO.

JACK HILLS EXPANSION PROJECT

Geology

Exploration activities during the December quarter included a continuation of infill and extension resource drilling at the satellite Brindal deposit and the commencement of geological mapping in the Brindal Silver Spur Gap where several smaller DSO ore bodies were identified for future drill testing.

Drilling around the main deposit at Jack Hills continued along with geotechnical drilling for the proposed integrated waste landform (IWL). Geotechnical investigations of the proposed plant and airstrip sites were also completed.

Resource definition diamond and RC drilling advanced 209 metres and 7,263 metres respectively for a total of 48 drill holes. Geotechnical and sterilisation drilling completed 735 metres and 1170 metres respectively.

A detailed audit of the BFS resource model was completed during the quarter with the final report due in the first quarter of 2011. As reported to the ASX on 23 September 2010, global in-situ Measured, Indicated and Inferred resources at the Jack Hills project are now estimated at 3.22 billion tonnes grading 32.3% Fe³.

Feasibility Study

Crosslands continued to progress its Bankable Feasibility Study for the JHEP with a further \$17.5 million expended during the December quarter. A review of the project schedule was announced with completion of the BFS targeted for the second quarter of 2011. The revised schedule will enable the results of additional work to be incorporated in the BFS. Technical and engineering work during the quarter included:

- Mine optimisation studies to maximise the return from selective mining of high grade DSO and bulk mining of beneficiated feed materials for processing into high grade (>65% Fe) concentrates;
- Metallurgical testwork to maximise hematite recovery to concentrate. A number of flowsheets allowing production of separate hematite and magnetite concentrates as well as a single product are currently under review. Crosslands is studying a production rate of up to 35 million tonnes per annum, comprising a mix of direct shipping material (DSO) and beneficiated products, depending on the final flowsheet design;

³ Refer to Murchison 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.

- Material from the existing open cut was extracted during December to provide feed for the pilot jig program which is on track for completion during the current quarter;
- The geotechnical engineering report for the Brindal project was completed and is currently undergoing external review;
- Consultants completed initial mine simulations to determine optimum blending options. Further work is required to include in-pit blending options. Blast optimisation studies are on track for completion in the current quarter;
- Revised supplier quotes were received in December to enable final definition of mining costs, and finalise mine optimisation and equipment selection;
- Review of the location of the processing plant and other Jack Hills infrastructure with a new site plan being developed following a change in the location for the planned railway loop. The revised layout is expected to provide significant cost savings for the Project;
- BFS write-up completed for plant buildings, airport, water treatment and wastewater treatment plants;
- Ongoing water exploration programs in four target areas;
- Evaluation of options in respect of the proposed IWL site based on cost, technical, environmental, health and safety risks. Two conceptual designs have been identified for the IWL comprising cellular and steepened beach storage concepts. Both concepts are undergoing further development and cost benefit analysis.

Other feasibility study activities for the December quarter included:

- Crosslands' response to public comments on the Public Environmental Review for the JHEP was submitted to the Office of the Environmental Protection Authority, marking another key milestone in the Environmental Impact Assessment process. The EPA is currently consulting with stakeholders and is expected to report to the Environment Minister during the second quarter of 2011.
- Formal assessment of the JHEP's water requirements is also well advanced following the submission of 5C extraction license applications with the Department of Water. The formal public consultation phase has commenced and further test drilling is underway to better define potential borefields in the target aquifers to the west and north of Jack Hills.
- Completion of a number of heritage surveys including significant progress along the proposed route of the planned gas pipeline from the Dampier to Bunbury gas pipeline to Jack Hills. This corridor will also include a planned water supply pipeline. More than 180kms of the proposed 220km route has now been surveyed;
- Terms sheets were received from major gas suppliers and are under evaluation;
- Due diligence commenced with regard to establishment of a Supply Chain Agreement with OPR.

Marketing

Crosslands received a number of steel company visitors both in Perth and at its operating sites during the December quarter. In addition, meetings were held with existing and prospective customers in China, Japan and Korea to provide updates on progress to date with the feasibility study to confirm key technical and commercial steps to be undertaken in the coming months.

Government

Crosslands continued to engage positively with the State and Federal governments. Key activities for the quarter included:

- Updating the Premier and senior State Government Ministers on the JHEP's revised schedule;
- High level briefings for the Department of Water and the Department of State Development, which continues to provide assistance with Government approvals and issues resolution; and
- The completion of a detailed submission to the Federal Government in response to the Australian Communication and Media Authority's proposed band plan for the Mid West Radio Quiet Zone and Square Kilometre Array radio-astronomy project.

Community and External Affairs

Crosslands continues to develop positive and strong relationships with local communities in the Mid West region. Regular presentations were provided to stakeholder groups in Geraldton and Cue and a Landholder Roadshow was conducted through the Murchison. Discussions have also been held with Edith Cowan University and the Geraldton Universities Centre regarding long term partnership opportunities.

Crosslands was also the major sponsor of the annual Global Illumination Breakfast for the National Breast Cancer Research Foundation.

OAKAJEE PORT & RAIL (MURCHISON 50% ECONOMIC INTEREST)

In March 2009 OPR signed a State Development Agreement ("SDA") with the Western Australian Government ("the State") granting OPR the exclusive right to develop the Oakajee port and associated northern rail infrastructure. At 31 December 2010, \$200 million had been spent on feasibility studies for the project.

Major activities during the quarter included:

- In November 2010, Murchison and Mitsubishi provided a revised project schedule to the State Government and proposed an extension to the date for execution of detailed Implementation Agreements for the Oakajee project. Discussions with the State regarding the proposed extension are ongoing. Murchison is confident of reaching agreement with the State in the near future.
- The technical engineering study for the port and rail project was completed in November and forms a critical part of the Bankable Feasibility Study ("BFS") for the infrastructure development.
- A draft Supply Chain Agreement was provided to the Foundation Customers in December. The SCA represents the commencement of the formal negotiation process and is a key milestone in preparing the BFS.
- A draft Operating Protocol was finalised and provided to the Foundation Customers as part of the draft SCA. The draft Operating Protocol details the planning processes and operating principles that will govern users of the infrastructure.
- Initial due diligence processes were completed by OPR and the Foundation Customers, with further due diligence activities planned in early 2011 to enable consideration of updated information.
- Heritage-related ethnographic and archaeological surveys are now complete over the full port area and priority rail areas.

Project Activities

The major focus and achievement for the quarter was the completion of the comprehensive technical study to finalise engineering and design parameters for the port and rail infrastructure. The study is being reviewed by the Joint Venture Participants and undergoing further optimisation pending input from the Foundation Customers. This forms a critical part of the BFS, which is targeted for completion in the June Quarter 2011.

Port Marine

The 3D model testing of the breakwater commenced, following the completion of 2D testing in November 2010. The testing has resulted in some small design improvements to the breakwater structure. Testing will continue in 2011.

Other significant works during the period included obtaining Request for Quotation returns for the marine structures, and further design and costing for a temporary materials offloading facility.

Port Landside

In addition to finalisation of the detailed technical engineering study, work progressed on an alternative stockyard design to potentially further optimise the project economics. Assessment of this option will be completed in the first quarter of 2011.

Additional studies will also be undertaken during the first quarter of 2011 to further optimise and refine the design of the materials handling facility.

Rail Engineering & Design

Key components on the "below rail" earthworks, track and roads included ongoing optimisation of earthworks and drainage design. Initial meetings were held with Main Roads WA (MRWA) regarding the design of level crossings and associated roads, and liaison with Foundation Customers regarding rail spurs and mine loops and loading arrangements.

Onsite works and geotechnical investigation continued along the proposed rail alignment. A refined construction water strategy is in place, with ground magnetic surveys of three large paleochannels planned in the pastoral area and construction water drilling along the alignment also underway.

The key "above rail" works included completing a report on the GSM-R radio and fibre optic "backbone" railway communications system for approval by ACMA. Meetings were conducted with potential suppliers of the signals and communications systems. Development continued on OPR's concepts for road realignments of Chapman Valley and Morrell Roads and a proposed bridge crossing. Review meetings and negotiations were conducted with MRWA/Department of Transport and the Public Transit Authority during the period.

In addition, a number of meetings were held with Government departments, Shires, landholders and a range of potential constructors and rail suppliers in both Perth and the Geraldton Region. All landholders have now discussed the alignment impacts on their properties and the outcomes of these meetings have generally been incorporated into the design or developed for further negotiation.

Native Title & Heritage

The quarter saw considerable activity on Native Title and Heritage with efforts focused on obtaining the necessary clearances, including for ongoing geotechnical and hydrogeological drilling programs, to enable feasibility studies to continue and construction works to commence.

Ethnographic and archaeological studies were completed for the full port area construction footprint, as well as priority rail areas, the Wokatharra Gap and the Weld Range.

Continuing discussions were held with Native Title groups during the quarter with a focus on building positive relationships as part of progressing heritage works.

Environment

OPR has continued to work closely with the State Environmental Protection Authority ("EPA") progressing the Public Environmental Reviews ("PER") for both the Oakajee terrestrial port and Oakajee rail developments. Following the Public Review Period for the PERs which closed in August 2010, OPR has responded to public and government submissions and is awaiting the EPA's final report. State environmental approvals are anticipated by mid 2011.

At the Federal level, OPR and the WA Department of State Development (DSD) formally referred the Oakajee marine port to the Department of Sustainability, Environment, Water, Population and Communities ("SEWPaC", previously DEWHA) in November 2010. OPR submitted its Environment Protection and Biodiversity Conservation Act referral to the SEWPaC for the terrestrial port component of the Project in December 2010. It is expected that Federal environmental approvals for both the port marine and port terrestrial developments will be obtained by mid 2011.

Government

During the quarter, OPR continued to engage with the DSD and other key State agencies and representatives to progress development of agreements and key approvals for the project. This included the continuing negotiation of the Port and Rail Implementation Agreements and the negotiation of the Port Common User Infrastructure funding and procurement arrangements. Both the State and OPR are using best endeavours to finalise the numerous agreements in the June Quarter 2011.

During the quarter, the State further advanced its due diligence on OPR in relation to the technical and commercial aspects of the project.

Customer and Operational Development

During the quarter, OPR continued to make good progress with the selected Foundation Customers, Sinosteel Midwest (Weld Range project), Karara Mining (Karara project) and Crosslands Resources (Jack Hills project) toward the execution of SCAs required to underpin the project.

In November, OPR completed the phase 1 due diligence to define the timing, mineral resource status and high level financial capacity of the Foundation Customer mine projects. The Foundation Customers also completed a phase 1 due diligence on OPR during the quarter to define timing, design and cost of the port and rail projects.

In December, OPR issued the Foundation Customers with the draft SCA. The draft SCA presents a detailed framework under which port and rail access will be made available to Foundation Customers, including the operating protocols, capacity management and tariff pricing provisions.

Included in the draft SCA was the draft Operating Protocol, which details the planning processes and operating principles that will govern the users of the infrastructure, along with the defining performance metrics and targets spanning the supply chain.

During the March quarter, OPR is scheduled to continue the detailed operational and commercial dialogue with Foundation Customers and continues to work toward the execution of SCAs by mid 2011. This is expected to include further due diligence activities to enable consideration of the updated construction cost estimate and progress made by the Foundation Customers.

Community and External Affairs

OPR continued to engage with all key stakeholders, including local, State and Commonwealth governments, not-for-profit and interest groups and the general mid-west community.

The OPR annual reputation research survey in was completed which confirmed the overwhelming view of the Oakajee Port and Rail project as very important for the future of the region, with 87% of respondents supporting OPR's activities (up from 84% in 2009 survey). The survey of mid-west communities was undertaken by Patterson Market Research.

For further information, please contact:

Trevor Matthews

Managing Director

Murchison Metals Ltd

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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")

31 December 2010

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 & evaluation	(7,658)	(15,883)
(b) development	-	-
(c) production	-	-
(d) administration	(3,124)	(6,403)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	676	1,682
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	(10,106)	(20,604)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	(13,400)	(18,850)
(c) other fixed assets	(2)	(4)
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	-	-
Net investing cash flows	(13,402)	(18,854)
1.13 Total operating and investing cash flows (carried forward)	(23,508)	(39,458)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(23,508)	(39,458)
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 (loans from controlled entities)	(2,608)	(2,608)
	Net financing cash flows	(2,608)	(2,608)
	Net increase (decrease) in cash held	(26,116)	(42,066)
1.20	Cash at beginning of quarter/year to date	57,460	73,410
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	31,344	31,344

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	332
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	5,800
4.2 Development	-
4.3 Production	-
4.4 Administration	2,500
Total	8,300

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	1,607	1,342
5.2 Deposits at call	29,737	56,118
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	31,344	57,460

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		
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	435,884,268	435,884,268		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	500,000	500,000		
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		396c	Jun 11
	100,000		270c	Jun 11
	968,000		234c	Aug 11
	47,000		94c	Aug 11
	21,000		81c	Oct 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: 27 January 2011

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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+ See chapter 19 for defined terms.