ASX ANNOUNCEMENT **ASX Code: MMX**

21 September 2011

MURCHISON METALS 2011 FULL YEAR RESULTS AND MARKET UPDATE

Financial Results

Murchison Metals Limited ("Murchison") is pleased to present its Financial Report for the year ended 30 June 2011.

Murchison recorded an overall net loss after tax of $16.6 million for the 2011 financial year (FY10: loss of $21.6m), reflecting the Company's continued focus on feasibility studies for the Oakajee Port & Rail ("OPR") infrastructure project and Jack Hills Expansion Project ("JHEP"). Cash and cash equivalents at 30 June 2011 stood at $12.4 million, in addition to $70.1 million of funds available for drawdown under the US$100 million bridging finance facility secured with Resource Capital Fund ("RCF") in March 2011. Murchison is in discussions to refinance the facility which expires in April 2012.

Murchison has a 50% interest in Crosslands Resources ("Crosslands"), which delivered a net profit after tax of $2.6 million (Murchison share: $1.3 million), compared to a net loss after tax of $8.6 million (Murchison share: $4.3 million) in 2010, on the back of increased sales revenue from the Stage 1 mine at Jack Hills.

Stage 1 mine operating cash flow increased by $21.3 million to $33.6 million for the 2011 financial year, reflecting a 38% increase in sales revenue to $228 million on the back of stronger iron ore prices. Crosslands achieved an average price of $143 per tonne of ore sold from the Stage 1 mine at Jack Hills in 2011 (FY10: $94/t).

The increase in prices offset a 10% reduction in sales volumes during the year resulting from adverse weather conditions in the March Quarter 2011, which limited the transport of iron ore to port during this period. Total volumes sold for the year amounted to 1.57 million tonnes (FY10: 1.75 Mt).

The primary focus of activity during the year was on feasibility studies for OPR's infrastructure project and the JHEP. Murchison invested $70.2 million in the projects during the year, comprising $26.4 million for OPR and $43.8 million for Crosslands. The figure for Crosslands includes Murchison's share of Crosslands' pro-rata contribution to OPR.

Oakajee Port & Rail

As previously announced, Murchison considers securing supply chain agreements with OPR's targeted Foundation Customers vital to the development of both OPR and the JHEP. To date agreement on supply chain agreements has not been achieved. Murchison and its partner, Mitsubishi, are evaluating a number of options, ranging from revised tariff models to a broader based restructure of OPR, in an attempt to reach a balanced commercial outcome with OPR's targeted Foundation Customers.

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In view of the need to resolve these commercial issues, and given the advanced state of planning, evaluation and design of both projects, expenditure and short term work programs for OPR and Crosslands are being scaled back whilst a commercial solution is being sought. Crosslands continues to work on a revision of the JHEP feasibility study, as announced previously.

Strategic Review

Murchison announced the details of OPR's and Crosslands' respective feasibility studies on 4 July 2011. At the same time, the Company also announced that it is conducting a Strategic Review to assist Murchison to meet its funding obligations or otherwise unlock value for its shareholders.

The Strategic Review is ongoing and Murchison is currently engaged in confidential and incomplete discussions with a number of parties. There can be no assurances that a transaction will emerge which is either capable of being recommended to shareholders or otherwise enacted by the Company. Murchison will update the market as appropriate.

For further information, please contact:

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Managing Director	*Manager External Relations*	*Managing Director*
Murchison Metals Ltd	**Murchison Metals Ltd**	**FTI Consulting**
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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.

Murchison Metals Ltd
and its Controlled Entities
ABN 38 078 257 799

Financial Report
for the year ended
30 June 2011

MURCHISON METALS LTD
AND ITS CONTROLLED ENTITIES
ABN 38 078 257 799

DIRECTORY

DIRECTORS

Ken Scott-Mackenzie	Chairman
Gregory Martin	Managing Director
James McClements	Non-Executive Director
Rodney Baxter	Non-Executive Director
Sun Moon Woo	Non-Executive Director
Peter Wasow	Non-Executive Director
Samantha Tough	Non-Executive Director
Paul Kopejtka	Non-Executive Director

CHIEF OPERATING OFFICER
Trevor Matthews

COMPANY SECRETARY
Chris Foley

REGISTERED OFFICE
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HOME STOCK EXCHANGE
Australian Stock Exchange Ltd
Level 8 Exchange Plaza
2 The Esplanade
PERTH WA 6000

ASX Code: MMX

AUDITORS
Ernst and Young
11 Mounts Bay Road
PERTH WA 6000

SOLICITORS
Freehills
QV.1 Building
250 St George's Terrace
PERTH WA 6000

Corrs Chambers Westgarth
Woodside Plaza
240 St George's Terrace
PERTH WA 6000

BANKERS
Commonwealth Bank of Australia

MURCHISON METALS LTD
AND ITS CONTROLLED ENTITIES
ABN 38 078 257 799

FINANCIAL REPORT

CONTENTS

DIRECTORS' REPORT

The Directors present their report on Murchison Metals Ltd ("the Company") for the financial year ended 30 June 2011.

DIRECTORS

The names of Directors of the Company in office during the financial year and until the date of this report are as follows:

James McClements	
Rodney Baxter	
Sun Moon Woo	
Paul Kopejtka	
Trevor Matthews	(Ceased 11 May 2011)
Peter Wasow	(Appointed 12 May 2011)
Gregory Martin	(Appointed 12 May 2011)
Samantha Tough	(Appointed 12 May 2011)
Ken Scott-Mackenzie	(Appointed 12 May 2011)

Unless otherwise stated, Directors have been in office since the start of the financial year to the date of this report.

COMPANY SECRETARY

The following person held the position of Company Secretary during the financial year:

Chris Foley

PRINCIPAL ACTIVITIES

The principal activities of the Company were mineral exploration and evaluation activities together with project development.

During the financial year the Company undertook the following activities:

- Participated in the management of Crosslands Resources Ltd which is undertaking:
  - exploration and mining operations at the Jack Hills iron ore project; and
  - a feasibility study for the expansion of the Jack Hills project.
- Participated in the management of Oakajee Port and Rail Pty Ltd which is undertaking a feasibility study for the construction of new port and rail infrastructure in the mid-west region of WA.

CHANGES IN STATE OF AFFAIRS

There was no significant change in the state of affairs of the Consolidated Entity during the financial year.

OPERATING RESULT

The loss after providing for income tax amounted to the following:

Consolidated

30 June 2011	30 June 2010
$'000	**$'000**
(16,554)	(21,597)

No dividends have been paid or declared by the Company during the year (2010: Nil).

REVIEW OF OPERATIONS

Murchison Metals Ltd ("Murchison") is an Australian ASX listed company. Murchison is included in the S&P/ASX 200 Index. Murchison aims to create shareholder wealth through mining and exporting high quality iron ore to world markets.

Murchison is a 50% shareholder in Crosslands Resources Ltd ("Crosslands"), 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 logistic 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 undertaken during the year ended 30 June 2011 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 June 2011, Murchison had cash, cash equivalents and undrawn loan facilities totalling $82.5 million. Cash outflow for the year included amounts paid to Crosslands and OPR of $70.2 million to finance feasibility studies, exploration and administration costs.

In March 2011, Murchison executed an agreement with Resource Capital Fund V LP ("RCF") to secure a US$100 million bridging facility to provide working capital. At 30 June 2011, Murchison had drawn a total of US$24.75 million against the facility, which has a term of 12 months from first drawdown.

In May 2011, Murchison appointed four experienced independent Non-Executive Directors and Mr Trevor Matthews resigned as Managing Director to become Murchison's Chief Executive Officer.

Subsequent to the end of the period, on 4 July 2011, the Board and Management was further restructured. Mr Gregory Martin, who was appointed a Non-Executive Director in May 2011, was appointed Managing Director, while Mr Paul Kopejtka stepped down from the position of Executive Chairman to become a Non-Executive Director. Mr Ken Scott-Mackenzie, who was also appointed a Non-Executive Director in May 2011, was appointed Non-Executive Chairman and Mr Matthews assumed the role of Chief Operating Officer.

Chameleon Litigation

On 29 November 2007, Chameleon commenced legal proceedings against Murchison, Crosslands and several other parties. Chameleon is 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.

On 20 October 2010, the Court 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. In addition, the Court made orders to the effect that:

1. 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 20 October 2010. 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.
2. 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.

On 4 February 2011, Chameleon was granted leave to appeal against Justice Jacobson's decision and Murchison and Crosslands were granted leave to cross appeal in respect of certain findings and orders. The Federal Court hearing of the appeals concluded on 17 August 2011. The Court reserved its decision.

EXPLORATION

Rocklea Project (Murchison 100% interest)

Murchison owns the Rocklea Iron Ore project located in the Pilbara iron ore province between the towns of Tom Price and Paraburdoo, situated near existing and planned rail infrastructure.

The Mineral Resource for Rocklea is currently estimated as 89Mt @ 53.2% Fe and 60% CaFe[1]:

A scoping study has been completed on the project which indicates that an economic development at Rocklea is possible, provided that access to infrastructure can be negotiated[2].

Murchison is considering a number of strategic alternatives with respect to 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 Mine Expansion Project (JHEP) is targeting a substantial expansion of annual production capacity. OPR plans to develop new port and rail infrastructure in the mid-west region of Western Australia that will enable ore from Crosslands' Jack Hills mine to be transported by rail for shipment from the new Oakajee port.

STAGE 1 OPERATIONS

Ore mined for the year ended 30 June 2011 totalled 0.89mt, compared to 1.72mt in the previous year. A total of 1.57mt of ore was shipped to customers in the year ending 30 June 2011, compared to 1.75mt in the previous year. In March 2011, Crosslands exported its six millionth tonne of ore from Jack Hills since exports commenced in February 2007. Earnings before interest, tax, depreciation and amortisation for the year were $19,144,000

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1 Refer to ASX announcement 30 September 2009 for further details of the Rocklea Mineral Resource. Rocklea tonnes are wet metric tonnes. The Mineral Resource is comprised of 15Mt of Indicated at 53.2% Fe and 74Mt of Inferred at 53.2% Fe.

2 Refer to ASX announcement 12 February 2010 for further details of the Rocklea Scoping Study.

(30 June 2010: $4,450,000). The average cash operating cost per tonne shipped was $111.70 (30 June 2010: $82.90).

JACK HILLS EXPANSION PROJECT

During in the year ended 30 June 2011, Crosslands continued to progress its feasibility study for the JHEP.

Highlights for the year included:

- Delivery of the feasibility study for the JHEP to Murchison and Mitsubishi on 30 June 2011;
- An increase in the global Jack Hills Mineral Resource estimate to 3.23 billion tonnes grading 32.3% Fe and 26.9% DTR[3];
- Confirmation of the JHEP as a potential long-life producer of high quality iron ore and concentrates with projected output of 701mt (dry) of concentrates and 13.5mt (wet) of DSO over a mine life of 39 years; and
- Favourable environmental assessments were secured from both federal and state environmental agencies.

OAKAJEE PORT & RAIL (MURCHISON 50% ECONOMIC INTEREST)

In March 2010, OPR executed a State Development Agreement (SDA) with the Government of Western Australia pursuant to which OPR was granted exclusive rights to develop a new deepwater port at Oakajee, north of Geraldton and the associated northern rail infrastructure.

During the year ended 30 June 2011, OPR was principally focused on progressing feasibility studies for the port and rail projects. Major milestones included:

- Delivery of an updated feasibility study to Murchison and Mitsubishi on 30 June 2011;
- Securing an extension of the SDA Sunset Date for the conclusion of Implementation Agreements for the infrastructure project from the WA Government until 31 December 2011; and
- Favourable environmental assessments from federal and state authorities with respect to the port and rail developments.

FINANCIAL POSITION

The net assets of the Group have decreased from $240,153,000 at 30 June 2010 to $225,667,000 at 30 June 2011. This decrease is due to the increase in interest bearing loans and borrowings in addition to a decrease in cash and cash equivalents, which was offset to an extent by the increase in investments accounted for using the equity method.

Cash and cash equivalents decreased by $61,010,000 to $12,400,000 in the current year (2010: $73,410,000). The undrawn loan facility at 30 June 2011 was US$75,250,000. Cash outflows for the year consisted of corporate expenditure and the cash calls paid to the joint ventures.

Property, plant and equipment has decreased to $837,000 in the current year compared to the prior year of $1,140,000.

Exploration and evaluation expenditure for the current year was $68,861,000, compared to the prior year of $45,667,000. Additions to exploration and evaluation expenditure for the year related to the feasibility study costs for the OPR Port and Rail unincorporated joint ventures in which the Group holds a 25% direct interest and exploration activities at the Rocklea tenements.

Investments accounted for using the equity method amounted to $171,043,000 and represents the Group's 50% interest in Crosslands Resources Ltd (Crosslands). In addition to the Jack Hills project, Crosslands also holds a

[3] Refer to ASX announcement dated 4 July 2011 for full details of the Mineral Resource. Cut-off grades are: MIM-DSO = 50% Fe, MIM-JIG = 0%-50% Fe, DID-BFO = 22% Fe, BIF-BFO 22% Fe. Tonnes are dry metric tonnes. DID tonnes (118mt @ 32.6% Fe, 3.6% DTR) may not be available for future economic extraction due to position of integrated waste landform. The Mineral Resource is comprised 906 Mt Measured at 32.4% Fe 24.6% DTR, 1267 Mt Indicated at 32.2% Fe 28.1% DTR, and 1061 Mt Inferred at 32.3% Fe 27.4% DTR.

50% direct interest in the Oakajee Port and Rail unincorporated joint ventures (OPR JVs). As a result of Crosslands direct 50% interest in the OPR JVs, Murchison holds an additional 25% indirect interest in the OPR JVs which results in Murchison holding a 50% economic interest in the OPR JVs.

Trade and other payables decreased by $2,886,000 to $5,933,000 in the current year (2010: $8,819,000).

Contributed equity increased by $751,000 to $243,003,000 in the current year (2010: $242,252,000).

SUBSEQUENT EVENTS

As at the date of this report, no other matters or circumstances of which Directors are aware, other than those referred to in the financial statements or notes thereto, have arisen since the end of the financial year which significantly affect, or may significantly affect the operations, results or state of affairs of the Consolidated Entity in subsequent financial periods.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 26 and forms part of this report.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Company is undertaking a Strategic Review of the Projects to improve the Company's financial performance and financial position and thereby shareholder value. The following strategies and developments are intended to continue in the near future:

(i) Continue participation in the management of Crosslands Resources Ltd, specifically with regards to:
   - Exploration and mining at the Jack Hills iron ore project; and
   - Work on the feasibility study for the expansion of the Jack Hills iron ore project;

(ii) Continue participation in the management of Oakajee Port and Rail Pty Ltd which is managing the feasibility study for the construction of the new port and rail infrastructure in the mid-west region of WA;

(iii) Cessation of Stage 1 mining by December 2011 and shipping by March 2012 in accordance with the five year Stage 1 mine plan; and

(iv) Continue to evaluate the Company's Rocklea iron ore project including the potential for divestment.

These strategies and developments are expected to assist in the achievement of the Company's long-term goals and development of new business opportunities.

ENVIRONMENT REGULATIONS

The Group is subject to significant environmental regulations in respect of its operations and evaluation and development activities. The Group aims to ensure the appropriate standard of environmental care is achieved and in doing so, that it is aware of and is in compliance with all environmental legislation.

The Directors of the Group reviewed the Group's projects during the year and are not aware of any breach of environmental legislation for the financial year under review.

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

The names and particulars of the Directors of the Company during the financial year are:

James McClements	Non-Executive Director
Qualifications:	B. Econ (Hons)
Experience:	Mr McClements has more than 25 years experience in the resources industry and investment banking and he is a co-founder of Resource Capital Fund a mining-focused private equity firm based in Denver, Colorado and Perth, Australia. Mr McClements has experience in the resources industry, particularly in the field of resource financing and investing in junior mining companies globally. Mr McClements was Senior Vice President and Director of NM Rothschild & Sons (Denver), responsible for the North American Resources banking. Prior to this, Mr McClements worked with Rothschild Australia Limited, specialising in the financing of mining companies.
Interest in Shares and Options at the date of this report:	Nil
Directorships held in other listed entities in the past three years:	Rey Resources Ltd (Appointed 29 August 2007) Bannerman Resources Ltd (Retired 27 May 2011)
Rodney Baxter	Non-Executive Director
Qualifications:	PhD, MBA
Experience:	Mr Baxter has over 20 years experience in the resource sector. He was the Managing Director of Consolidated Minerals where he presided over its strategic transformation and sale. Prior to Consolidated Minerals, Mr Baxter enjoyed a near 10 year career at Anglo American and Anglo Platinum in various executive and business development roles. He is currently the Managing Director of Calibre Global Pty Ltd.
Interest in Shares and Options at the date of this report:	200,000 Ordinary Fully Paid Shares
Directorships held in other listed entities in the past three years:	None

INFORMATION ON DIRECTORS AND COMPANY SECRETARY (CONTINUED)

Sun Moon Woo	Non-Executive Director
Qualifications:	Masters of Mining Engineering
Experience:	Mr Woo joined POSCO in 1983 and has worked in the Raw Material Purchasing Division and Investment Division for 25 years. He has extensive experience in the natural resources industry and has managed POSCO investments in iron ore and coal projects globally including Australia and Brazil. Mr Woo is currently Managing Director of POSCO Australia Pty Ltd which is a 100% subsidiary of POSCO.
Interest in Shares and Options at the date of this report:	Nil
Directorships held in other listed entities in the past three years:	Cockatoo Coal Ltd (Appointed: 25 September 2007) Jupiter Mines Ltd (Appointed: 21 September 2009)
Paul Kopejtka	Non-Executive Director (Executive Chairman for period 1 July 2010 to 3 July 2011)
Qualifications:	B Eng (Chemical)
Experience:	Mr Kopejtka has over 20 years experience in the mining industry as an engineer and consultant in the areas of green and brown fields project evaluation and feasibility study management, plant design and engineering and commissioning. This experience extends to both the Australian and overseas mining industry. Throughout the 1990s Mr Kopejtka held tenure as a technical consultant with the Minproc and Bateman engineering groups before branching out in a similar capacity working with a number of major publicly listed companies.
Interest in Shares and Options at the date of this report:	22,280,000 Ordinary Fully Paid Shares 2,250,000 Unlisted Options
Directorships held in other listed entities in the past three years:	Indo Mines Ltd (Appointed: 25 May 2010)

INFORMATION ON DIRECTORS AND COMPANY SECRETARY (CONTINUED)

Peter Wasow	Non-Executive Director (Appointed 12 May 2011)
Qualifications:	B.Comm, Grad Dip Mgmt, FCPA
Experience:	Mr Wasow spent nine years as Executive Vice President and Chief Financial Officer of major Australian oil and gas producer Santos Ltd before stepping down in December 2010. Prior to joining Santos, Mr Wasow held a number of senior executive positions with BHP Co Ltd over a period of 23 years, including two years as Vice President Finance prior to the group's $57 billion merger with Billiton Plc in 2001. As a member of BHP's Management Committee, Mr Wasow also played a key role in the group's shareholder recovery phase in the late 1990s.
Interest in Shares and Options at the date of this report:	Nil
Directorships held in other listed entities in the past three years:	Alumina Ltd (Appointed: 26 August 2011)
Samantha Tough	Non-Executive Director (Appointed 12 May 2011)
Qualifications:	BJuris, LLB, GAICD
Experience:	Ms Tough is a professional Non-Executive Director with two decades of corporate experience, primarily in the WA natural resources sector. Ms Tough spent five years as a senior executive with leading Australian energy group Woodside Energy Ltd, including four years as General Manager of the North West Shelf project, Australia's largest operating resources development. After leaving Woodside in 2005, Ms Tough was Director of Strategy at ASX-listed oil producer Hardman Resources prior to its takeover by UK-based Tullow Oil Plc. Ms Tough has also held numerous senior advisory roles, including Senior Vice President, Strategic Counsel Natural Resources for Commonwealth Bank of Australia. Ms Tough is currently Chairman of ASX-listed explorer Southern Cross Goldfields Ltd, Chairman of structural engineering group Structerre Pty Ltd and Chairman of RemCo Ltd, the retail market operator of the retail gas market in Western Australia.
Interest in Shares and Options at the date of this report:	Nil
Directorships held in other listed entities in the past three years:	Enerji Ltd (Appointed 23 February 2010, Resigned 15 July 2010) Southern Cross Goldfields Ltd (Appointed 24 July 2007)

INFORMATION ON DIRECTORS AND COMPANY SECRETARY (CONTINUED)

Ken Scott-Mackenzie	Non-Executive Director (Appointed 12 May 2011)
Qualifications:	B.E. (Mining), Dip Law
Experience:	Currently the Chairman of major ASX-listed mining and civil contractor Macmahon Holdings Ltd and a Non-Executive Director of construction materials producer Adelaide Brighton Ltd, Mr Scott-Mackenzie has 36 years experience in the engineering, mining and construction sectors in Australia and overseas. A qualified mining engineer and lawyer, Mr Scott-Mackenzie spent 12 years as a senior executive of major Australian infrastructure developer Abigroup, including two years as CEO after its takeover by German group Bilfinger Berger AG. Before retiring in 2009, Mr Scott-Mackenzie was for four years the inaugural CEO of Bilfinger Berger Australia Pty Ltd, which was established to consolidate all of Bilfinger's Australian businesses, Abigroup, Baulderstone and Bilfinger Berger Services. Prior to joining Abigroup, he spent 12 years in various roles with South African mining and construction group Murray & Roberts.
Interest in Shares and Options at the date of this report:	Nil
Directorships held in other listed entities in the past three years:	Macmahon Holdings Ltd (Appointed 12 May 2009) Adelaide Brighton Ltd (Appointed 26 July 2010)
Gregory Martin	Managing Director (Non-Executive Director for period 12 May 2011 to 3 July 2011; appointed as Managing Director on 4 July 2011)
Qualifications:	B.Ec, LLB., FAIM, MAICD
Experience:	Mr Martin has 30 years experience in the energy, utility and infrastructure sectors. Mr Martin is currently Chairman of Grant Samuel Infrastructure Partners and a Non-Executive Director of major Australian oil and gas producer Santos Ltd as well as the Australian Energy Market Operator. Mr Martin spent 25 years with The Australian Gas Light Company Ltd ("AGL"), one of Australia's oldest and biggest publicly listed downstream energy companies, including five years as Chief Executive Officer and Managing Director between 2001 and 2006. After leaving AGL, Mr Martin spent two and a half years as CEO of the infrastructure division of ASX-listed Challenger Financial Services Group, during which time Challenger-backed consortiums led several major international infrastructure acquisitions.
Interest in Shares and Options at the date of this report:	Nil
Directorships held in other listed entities in the past three years:	Santos Ltd (Appointed 29 October 2009) Energy Developments Ltd (Appointed 16 May 2006) Jackgreen Ltd (Appointed 6 July 2009, Resigned 16 December 2010) Everest Financial Group (Appointed 14 August 2009, Resigned 18 July 2011)

INFORMATION ON DIRECTORS AND COMPANY SECRETARY (CONTINUED)

Trevor Matthews	Chief Operating Officer (Managing Director from 1 July 2010 to 11 May 2011; Chief Executive Officer from 12 May 2011 to 3 July 2011)
Qualifications:	B Comm, GradDip (App Fin & Inv), CPA, FFin
Experience:	Mr Matthews has worked in the resources industry for over 25 years and held executive positions with North Limited, WMC Resources Limited and other listed entities in both operational and corporate roles. Mr Matthews has significant experience in corporate governance, project development and finance.
Interest in Shares and Options at the date of this report:	170,000 Ordinary Fully Paid Shares 2,250,000 Unlisted Options
Directorships held in other listed entities in the past three years:	Kalgoorlie-Boulder Resources Ltd (Appointed: 14 January 2005; Resigned: 23 December 2008)

Chris Foley	Company Secretary (Alternate Director for Trevor Matthews for period 1 July 2010 - 11 May 2011)
Qualifications:	BJuris, LLB
Experience:	Mr Foley holds a Bachelor of Jurisprudence and Bachelor of Laws from the University of Western Australia and a Graduate Diploma in Applied Corporate Governance. He has over 20 years experience in the resources sector in private practice and various corporate roles.
Interest in Shares and Options at the date of this report:	100,000 Ordinary Fully Paid Shares 504,000 Unlisted Options
Directorships held in other listed entities in the past three years:	None

REMUNERATION REPORT (AUDITED)

This Remuneration Report outlines the Director and Executive remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report, Key Management Personnel of the Group are defined as those persons having authority and responsibility for, directly or indirectly, planning, directing and controlling the activities of the Company and the Group, including any Director (whether executive or otherwise) of the Company and the Group and includes the five executives in the Company and the Group receiving the highest remuneration "Executives".

KEY MANAGEMENT PERSONNEL (INCLUDING THE FIVE HIGHEST PAID EXECUTIVES OF THE COMPANY AND THE GROUP)

Directors

Ken Scott-Mackenzie	Non-Executive Chairman
Gregory Martin	Managing Director (Non-Executive Director from 12 May 2011 to 30 June 2011)
James McClements	Non-Executive Director
Rodney Baxter	Non-Executive Director
Sun Moon Woo	Non-Executive Director
Peter Wasow	Non-Executive Director
Samantha Tough	Non-Executive Director
Paul Kopejtka	Non-Executive Director (Executive Chairman from 1 July 2010 to 3 July 2011)

Executives

Trevor Matthews	Chief Operating Officer (Managing Director from 1 July 2010 to 11 May 2011; Chief Executive Officer from 12 May 2011 to 3 July 2011; appointed as Chief Operating Officer on 4 July 2011)
John Westdorp	Chief Financial Officer
Chris Foley	Company Secretary/Legal Counsel
Luca Rocchi	General Manager – Crosslands Joint Venture
Jamie Wright	General Manager – Corporate Development

There were no changes of the Directors or Executives after the reporting date and before the date the financial report was authorised for issue other than stated above.

Remuneration Committee

The Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing remuneration arrangements for Directors and Executives.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of Executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from attracting and retaining a high quality, high performing team of Directors and Executives.

Remuneration Philosophy

The performance of the Company depends upon the quality of its Directors, Executives and staff. To meet the significant challenges of financing and developing the projects, the Company must attract, motivate and retain highly skilled Directors, Executives and staff.

REMUNERATION REPORT (AUDITED) (CONTINUED)

To this end, the Company applies the following principles in its remuneration framework:

- Motivate Directors and Executives to pursue the long term growth and success of the Company within an appropriate control framework; and
- Align the interest of key leadership with long-term interests of the Company's shareholders through the use of appropriate incentive structures.

Remuneration Structure

In accordance with best practice corporate governance, the structure of remuneration paid to Non-Executive Directors and Executive remuneration is separate and distinct.

Non-Executive Directors' Remuneration

Objective

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, for a cost that is acceptable to shareholders.

Structure

The Company's constitution and the ASX listing rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a General Meeting of shareholders of the Company. At the Annual General Meeting (AGM) of the Company held on 21 November 2008 shareholders approved aggregate remuneration payable to Non-Executive Directors of $500,000 per year. As a consequence of the appointment of four new Directors on 12 May 2011, Murchison intends to seek shareholder approval to increase aggregate remuneration for Non-Executive Directors at the AGM on 24 November 2011. The payment of fees to Non-Executive Directors in excess of the current $500,000 limit is subject to shareholders approving an increase in the limit of aggregate remuneration payable to Non-Executive Directors at the AGM on 24 November 2011.

The aggregate amount of remuneration and the fee structure is reviewed annually. The Board considers advice from external consultants as well as the fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process.

The Company has entered into contracts with the Non-Executive Directors (other than Mr Kopejtka). As at the date of this report, each Non-Executive Director receives a base fee of $130,000 per annum plus 9% superannuation with the exception of the Non-Executive Chairman who receives $390,000 per annum plus superannuation and Mr Woo who receives $43,000 per annum plus 9% superannuation. An additional $20,000 plus 9% superannuation per annum is payable to the Chair of each Board committee and $10,000 plus 9% superannuation per annum for each committee member with the exception of the Non-Executive Chairman and the Managing Director. The increase in the base fees for Messrs McClements, Baxter and Woo was approved by the Board subsequent to 30 June 2011; Mr Woo opted to remain on his existing fee base of $43,000 per annum plus 9% superannuation. Prior to 30 June 2011, Messrs McClements, Baxter and Woo received a base fee of $43,000 per annum plus superannuation at 9% per annum. Mr Martin was a Non-Executive Director prior to 30 June 2011 and was therefore eligible to receive committee fees. Mr Martin was appointed to the position of Managing Director on 4 July 2011 and no longer receives the base fee payable to Non-Executive Directors or committee fees. Further details in relation to Mr Martin's current remuneration structure are provided under the Employment Contracts section.

The remuneration of Non-Executive Directors for the year ended 30 June 2011 is detailed in Table 1 in this report.

The Board has no intention to provide long term incentives to Non-Executive Directors in the form of options. There were no options issued to Non-Executive Directors during the year ended 30 June 2011.

Executive Remuneration

Objective

The Group aims to reward Executive Directors and Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group so as to:

- Reward Executive Directors and Executives for individual performance. Where appropriate, targets referenced to appropriate milestones form the basis of incentive payments;
- Align the interests of the Executive Directors and Executive with those of shareholders;
- Ensure total remuneration is competitive by market standards; and
- Attract and retain well qualified and experienced Executive Directors and Executives, particularly during the key phases of project evaluation, financing and development.

There were no formal short term incentive plans in place in the current or prior year.

Structure

In determining the level and make up of Executive remuneration, the Remuneration Committee obtains independent advice and benchmarking reports from external consultants. These consultants are engaged by and provide advice directly to the Remuneration Committee.

The remuneration structure consists of the following key elements:

- Fixed remuneration (base salary, superannuation and non-monetary benefits);
- Variable remuneration - long term incentives; and
- Variable remuneration - short term incentives. Payments of short term incentives were suspended during the year ended 30 June 2011 due to prevailing market conditions.

The Company promotes a performance culture and accordingly sets annual performance objectives for Executive Directors, Executives and staff.

The proportion of fixed remuneration and variable remuneration for each Executive is set out in Table 1.

Fixed remuneration

Objective

Fixed remuneration is reviewed annually by the Remuneration Committee. The process consists of a review of Company and individual performance, relevant comparative remuneration in the market and internally and where appropriate, external advice on policies and practices. As noted above, the Remuneration Committee has access to external advice independent of management.

Structure

Executives receive their fixed (primary) remuneration in the form of a salary and superannuation payment every month. The fixed remuneration component of Executives is detailed in Table 1.

Variable remuneration – long term incentives

Objective and structure

Executive Directors

The objective in providing long term incentives is to reward Executive Directors in a manner that aligns remuneration with the creation of shareholder value. Long term incentives may be provided to Executive Directors in the form of share options. Share options vest upon the achievement of performance targets. Performance targets relate to achieving key milestones in relation to the projects. Executive Directors are able to exercise the share options after vesting until the set expiry date.

There were no options issued to Executive Directors during the year ended 30 June 2011. Refer to Table 2.

Executives

The objective in providing long term incentives is to reward Executives in a manner that aligns remuneration with the creation of shareholder wealth and ensures continuity of the experienced Executive team is maintained during the critical phases of project development and financing. Long term incentives have been provided to Executives in the form of share options under an Employee Incentive Plan (EIP). Under the plan, the share options vest over periods of up to 2.5 years subject to meeting continuity of employment provisions and subject to the Board's discretion. Executives are able to exercise the share options after vesting until a set expiry date. Zero exercise price options were issued to Executives during the year ended 30 June 2011 in accordance with the terms of the EIP approved by Shareholders at the Annual General Meeting on 17 November 2010.

Refer to Table 2 for details of options granted during the year.

The Company has not used performance hurdles in assessing and granting share options to Executives under the EIP as the EIP has been utilised as a key retention mechanism.

In the event of the resignation, termination with cause or by consent of the employment of an option holder, the options granted and unvested lapse immediately, unless the Directors, in their absolute discretion, determine otherwise. In the event of redundancy or termination without cause of an option holder, the unvested options vest immediately.

A share trading policy was in place for the duration of the financial year ended 30 June 2011. Subsequent to year end, the Company amended the share trading policy prohibiting Directors and Executives from entering into a margin loan or similar arrangement in relation to the Company's securities.

Refer to Table 3 below for details relating to options granted and the value of options granted, exercised and lapsed during the year.

Variable remuneration – short term incentives

Executive Bonuses

There were no formal short term incentive plans in place in the current or prior year. No bonuses were paid to Executives during the year ended 30 June 2011 in respect of the year ended 30 June 2010 due to prevailing market conditions. Refer to Table 1 in this report.

Subsequent to year end, the Board approved an ex-gratia payment of $600,000 to T Matthews and the issue of 690,000 zero exercise price options. The cash payment was made in July 2011. The options are yet to be issued.

Group Performance

The table below shows the performance of the Group (as measured by the Group's EPS) for the past five years (including the current year).

Year		2007	2008	2009	2010	2011
EPS (cents/share)	$	(0.14)	14.30	0.18	(5.06)	(3.78)
Share price	$	5.83	2.95	1.68	2.01	0.77

Table 1: Remuneration of Key Management Personnel and the five highest paid Executives of the Company and the Group

	Short-term			Post-employment		Share-based payments		
	Salary and fees	Cash Bonus	Other [3]	Super-annuation	Other	Options	Total	Performance related
2011	$	$	$	$	$	$	$	%
Directors								
Paul Kopejtka [4, 6]	490,000	-	51,101	44,100	-	53,177	638,378	-
Rodney Baxter	43,000	-	5,465	3,870	-	-	52,335	-
James McClements	43,000	-	5,465	3,870	-	-	52,335	-
Sun Moon Woo	43,000	-	5,465	3,870	-	-	52,335	-
Peter Wasow [2]	20,274	-	1,490	1,825	-	-	23,589	-
Gregory Martin [2]	21,096	-	1,490	1,899	-	-	24,485	-
Samantha Tough [2]	21,096	-	1,490	1,899	-	-	24,485	-
Ken Scott-Mackenzie [2]	20,274	-	1,490	1,825	-	-	23,589	-
Executives								
Trevor Matthews [1,4,5,7]	533,000	-	61,387	47,970	-	(1,489,805)	(847,448)	-
John Westdorp	330,000	-	39,605	29,700	-	243,153	642,458	-
Chris Foley	308,500	-	38,267	26,768	-	224,736	598,271	-
Jamie Wright	245,000	-	31,015	22,050	-	115,244	413,309	-
Luca Rocchi	261,350	-	191,432	26,380	-	165,337	644,499	-
	2,379,590	-	435,162	216,026	-	(688,158)	2,342,620	-

1 T Matthews ceased being a Director as at 11 May 2011 and was appointed to the position of Chief Executive Officer until 30 June 2011. Effective from 4 July 2011, T Matthews was appointed to the position of Chief Operating Officer.

2 Appointed 12 May 2011.

3 Other short term benefits include employee entitlements accrued during the year, insurance premiums paid on behalf of Key Management Personnel and other fringe benefits.

4 Share based payments includes reversal of prior year expense associated with 2,250,000 options which were cancelled due to non-fulfilment of vesting conditions.

5 Share based payments includes a reversal of prior year expense associated with 2,250,000 options which were deemed to have a nil probability of vesting.

6 P Kopejtka ceased to be the Executive Chairman on 3 July 2011 and assumed the position of Non-Executive Director on 4 July 2011.

7 Other short term benefits includes an amount of $5,904 being the commercial interest amount that would have been charged on a short term salary advance of $302,500 (7.2%). The advance was repaid subsequent to year end. Further disclosure is provided in relation to Key Management Personnel transactions.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Table 1: Remuneration of Key Management Personnel and the five highest paid Executives of the Company and the Group (Continued)

	Short-term			Post-employment		Share-based payments		
	Salary and fees	Cash Bonus	Other[1]	Super-annuation	Other	Options	Total	Performance related
2010	$	$	$	$	$	$	$	%
Directors								
Paul Kopejtka	460,000	-	57,617	41,400	-	1,489,805	2,048,822	72.7
Trevor Matthews	500,000	-	61,082	45,000	-	1,489,805	2,095,887	71.1
Rodney Baxter	43,000	-	-	3,870	-	219,000	265,870	-
James McClements	43,000	-	-	3,870	-	-	46,870	-
Sun Moon Woo	43,000	-	-	3,870	-	-	46,870	-
Executives								
John Westdorp	300,000	-	45,630	27,000	-	322,204	694,834	-
Chris Foley	280,000	-	42,936	25,200	-	305,638	653,774	-
Sean Gregory	220,000	-	37,430	19,800	-	236,283	513,513	-
Jamie Wright	180,000	-	33,733	16,200	-	149,521	379,454	-
Luca Rocchi	245,000	-	40,434	25,050	-	182,353	492,837	-
	2,314,000	-	318,862	211,260	-	4,394,609	7,238,731	-

1 Other short term benefits include employee entitlements accrued during the year, insurance premiums paid on behalf of Key Management Personnel and other fringe benefits.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Table 2: Compensation options: Granted and vested during the year (Consolidated)

	Granted 2011		Granted prior years		Terms and conditions for each Grant					Vested during year	
	No.	Grant Date	No.	Grant Date	Fair Value per option at grant date $ (Note 30)	Exercise price per option $ (Note 30)	Expiry Date	First Exercise Date	Last Exercise Date	No.	%
2011 Executives											
Chris Foley	140,000	24 Dec 10	-	-	1.24	-	24 Dec 13	01 Jan 12	24 Dec 13	-	-
	-	-	364,000	25 Jun 09	0.87	1.56	26 Jun 12	30 Jun 10	26 Jun 12	182,000	50
Luca Rocchi	124,000	24 Dec 10	-	-	1.24	-	24 Dec 13	01 Jan 12	24 Dec 13	-	-
	-	-	245,000	25 Jun 09	0.87	1.56	26 Jun 12	30 Jun 10	26 Jun 12	122,500	50
	-	-	47,000	25 Jun 09	0.97	0.94	22 Aug 11	01 Jul 01	22 Aug 11	23,500	50
John Westdorp	155,000	24 Dec 10	-	-	1.24	-	24 Dec 13	01 Jan 12	24 Dec 13	-	-
	-	-	390,000	25 Jun 09	0.87	1.56	26 Jun 12	30 Jun 10	26 Jun 12	195,000	50
Jamie Wright	124,000	24 Dec 10	-	-	1.24	-	24 Dec 13	01 Jan 12	24 Dec 13	-	-
	-	-	100,000	29 Jun 09	1.16	0.68	30 Jun 12	01 Jul 09	30 Jun 12	50,000	50
	-	-	130,000	25 Jun 09	0.87	1.56	26 Jun 12	30 Jun 10	26 Jun 12	65,000	50
Total	543,000		1,276,000							638,000	

REMUNERATION REPORT (AUDITED) (CONTINUED)

Table 3: Options granted as part of remuneration[1]

	Value of options granted during the year $	Value of options exercised during the year $	Value of options lapsed during the year $	Remuneration consisting of options for the year %
2011				
Directors				
Paul Kopejtka	-	-	(903,000)	-
Executives				
Trevor Matthews	-	-	(1,489,805)	-
Chris Foley	173,600	-	-	38
John Westdorp	192,200	-	-	38
Jamie Wright	153,760	-	-	28
Luca Rocchi	153,760	-	-	34
	673,320	-	(2,392,805)	

[1] For details on the valuation of the options, including models and assumptions used, please refer to Note 30.

There were no modifications to the terms and conditions of the options granted as remuneration since their grant date. Other than as mentioned above, there were no other forfeitures during the period.

Shares issued on exercise of compensation options (Consolidated)

There were no shares issued on exercise of compensation options during the year. No other shares were issued to Key Management Personnel on the exercise of compensation options. Each option converts into one ordinary share of Murchison Metals Ltd.

Other transactions with Key Management Personnel

Murchison provided a short term salary advance to T Matthews of $302,500 in March 2011. The amount in full has been repaid subsequent to year end. No interest was payable on the salary advance. The benefit received by Mr Matthews as at 30 June 2011 was $5,904, being the commercial interest amount that would have been charged on the salary advance (7.2%); this amount has been included in Table 1 under other short-term benefits paid (2010: Nil).

Other related party transactions

Murchison secured a US$100 million loan from Resource Capital Fund V LP which is a related party of Murchison for the purposes of AASB 124 *Related Party Disclosures* by virtue of James McClements being a director of Murchison and also a Partner of other entities within the Resource Capital Fund group.

The Facility was provided on commercial terms on an arms-length basis. Mr McClements abstained from any Board discussions on the Facility and was not involved in the negotiation process in his capacity as a Partner of Resource Capital Fund or as a Non-Executive Director of Murchison. Resource Capital Fund is not considered a related party for the purposes of the Corporations Act 2001(Cth).

Other related party transactions

There were no other related party transactions other than noted above.

Employment Contracts

The Group has contracts for services with Key Management Personnel or their related entities. During the financial year ended 30 June 2011, the Company had contracts of employment with the Executive Chairman (Paul Kopejtka), Managing Director (Trevor Matthews) and Executives. The Company intends to modify the contract with Mr Kopejtka who became a Non-Executive Director of the Group on 4 July 2011; the Company intends for the contract to be based on the same terms that exist for other Non-Executive Directors as disclosed under Non-Executive Directors' remuneration. The contract for Mr Matthews was not modified during or subsequent to year end. Details of the contracts in place during the year and subsequent to year end are provided below.

Key terms of these contracts are as follows:

Executive Directors

Executive Chairman

Mr Kopejtka held the position of Executive Chairman for the year ended 30 June 2011. Mr Kopejtka was terminated from the position of Executive Chairman effective from 3 July 2011 and assumed the position of Non-Executive Director effective from 4 July 2011.

The key terms of Mr Kopejtka's contract while employed as Executive Chairman were as follows:

- Fixed remuneration of $490,000 plus 9% superannuation per annum;
- The employee may resign by giving three months written notice. On termination, the employee is entitled to that portion of remuneration that is fixed, up to the date of the termination. Unless otherwise decided by the Board, any unvested options at the date of termination are forfeited;
- The Company may terminate the contract by providing not less than 7 days and not more than 3 months notice. If the Company terminates the contract (without cause), the Company shall pay the employee an amount equivalent to 12 months salary and superannuation. Any unvested options vest automatically and may be exercised for a period of 30 days, unless otherwise approved by the Board; and
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the employee is only entitled to that portion of remuneration that is fixed, up to the date of the termination. Unvested options lapse automatically.

The termination of Mr Kopejtka subsequent to year end resulted in the Company being contractually obligated to make a termination payment of 12 months salary plus accrued entitlements as required by the terms of Mr Kopejtka's employment contract. The termination also resulted in automatic vesting of 2,250,000 options which had an exercise price of $2.00 and a 30 day exercise period from the date of termination. The value of the options was taken into account in determining Mr Kopejtka's termination benefits for the purpose of the termination cap provisions under the Corporations Act 2001 (Cth). These options have since lapsed without being exercised. The total of the termination benefits payable in cash to Mr Kopejtka is an amount of $547,198.

Managing Director

Mr Matthews held the position of Managing Director for the period 1 July 2010 to 11 May 2011. On 12 May 2011, Mr Matthews was appointed to the position of Chief Executive Officer and held the position until the end of the financial year. Effective from 4 July 2011, Mr Matthews was appointed to the position of Chief Operating Officer.

The key terms of Mr Matthews' contract of employment are:

- Fixed remuneration of $533,000 plus 9% superannuation per annum;

- The Company may terminate the contract by providing not less than 7 days and not more than 3 months notice. If the Company terminates the contract (without cause), the Company shall pay the employee an amount equivalent to 12 months salary and superannuation; and
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the employee is entitled to that portion of remuneration that is fixed, up to the date of the termination.

Subsequent to year end, Greg Martin assumed the role of Managing Director. The key terms of Mr Martin's contract of employee are:

- $5,000 per day;
- The employee is entitled to receive incentives, conditional upon satisfaction of the performance conditions applicable to the relevant incentive, namely:
  - a payment of $225,000 on the delivery of revision 1 of the feasibility study by Crosslands Resources Ltd in relation to the JHEP (which does not include steel mill offtake agreements);
  - a payment of $1,350,000 for a Project Go-Ahead (PGA) Incentive Payment upon a positive PGA decision being made (as that term is defined in the Crosslands Shareholders Agreement) or the Board otherwise making a formal investment decision to proceed with the development of the JHEP in its current configuration or in any other configuration determined by the Board;
- The employee may resign from his position by giving three months written notice. On termination, the employee is entitled to that portion of remuneration that is fixed, up to the date of the termination;
- The Company may terminate the contract by providing not less than 7 days and not more than 3 months notice. If the Company terminates the contract (without cause) within 12 months of the Commencement Date and prior to the employee becoming entitled to the PGA Incentive Payment, the Company shall pay the employee an early termination payment of $500,000. If the termination occurs more than 12 months after the Commencement Date and prior to the employee being entitled to the PGA Incentive Payment, the Company shall pay the employee an amount equivalent to 12 months salary, superannuation and accrued benefits; and
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. In that event, the employee is only entitled to that portion of remuneration that is fixed up to the date of termination.

Executives

All Executives have rolling employment contracts with the Company. The Company may terminate the Executive's employment agreement by providing not less than 7 days and not more than 3 months written notice. If the Company terminates the contract (without cause), the Company shall pay the Executive an amount equivalent to 12 months salary and superannuation and any share options that have not yet vested will vest immediately. The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the Executive is only entitled to that portion of remuneration that is fixed up to the date of termination.

End of the Remuneration Report.

MEETINGS OF DIRECTORS

Attendance by Directors at the Board meetings held during the year was as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
James McClements	12	11
Rod Baxter	12	9
Sun Moon Woo	12	6
Trevor Matthews	10	10
Greg Martin	2	2
Ken Scott-Mackenzie	2	2
Peter Wasow	2	1
Samantha Tough	2	2
Paul Kopejtka	12	12

Prior to the appointment of new Directors on 12 May 2011, the Company had the following Board Committees:

- Audit and Risk Committee;
- Remuneration Committee;
- Nomination Committee; and
- Strategy Committee.

Membership of the Committees was as follows:

Audit and Risk	Remuneration	Nomination	Strategy
Rod Baxter (Chair) James McClements Sun Moon Woo	James McClements (Chair) Rod Baxter	Rod Baxter (Chair) James McClements	Paul Kopejtka (Chair) Rod Baxter Trevor Matthews James McClements

Attendance by the Directors at committee meetings held during the period 1 July 2010 to 11 May 2011 was as follows:

	Audit And Risk		Remuneration		Nomination		Strategy	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
James McClements	2	1	1	1	2	2	3	2
Rod Baxter	2	2	1	1	2	2	3	3
Sun Moon Woo	2	-	-	-	-	-	-	-
Trevor Matthews	-	-	-	-	-	-	3	3
Paul Kopejtka	-	-	-	-	-	-	3	3

MEETINGS OF DIRECTORS (CONTINUED)

Following the appointment of new Directors on 12 May 2011, the Board Committees were reconstituted as follows:

- Audit and Risk Committee;
- Remuneration and Nomination Committee;
- Finance and Strategy Committee; and
- Health, Safety and Technical Committee.

Membership of the Committees is as follows:

Audit and Risk	Remuneration and Nomination	Finance and Strategy	Health, Safety and Technical
Rod Baxter (Chair) Peter Wasow James McClements	Samantha Tough (Chair)[1] James McClements Ken Scott-Mackenzie Greg Martin [2]	Peter Wasow (Chair) James McClements Greg Martin	Ken Scott-Mackenzie (Chair) Rod Baxter Greg Martin

[1] Appointed subsequent to year end

[2] Appointed 12 May 2011 and ceased being a member of the Committee on 3 July 2011

Attendance at meetings of the Committees held during the period 12 May 2011 to 30 June 2011 was as follows.

	Remuneration and Nomination	
	Number eligible to attend	Number attended
Greg Martin	1	1
Ken Scott-Mackenzie	1	1

No meetings were held for the Audit and Risk, Finance and Strategy and Health, Safety and Technical Committee during the period.

INDEMNIFYING OFFICERS

Except to the extent permitted by law, the Company has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or any related body corporate against a liability incurred as an officer or auditor.

During the financial year, the Company paid premiums to insure the Directors of the Company (Murchison Metals Ltd), the Company Secretary and all Executive Officers of the Company and of any related body corporate against a liability incurred as such a Director, Company Secretary or Executive Officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

OPTIONS

At the date of this report, the unissued ordinary shares of Murchison Metals Ltd under option are as follows:

Date of Expiry	Exercise Price $	Class of Shares	Number under Option
15-Oct-11	0.81	Ordinary	21,000
26-Jun-12	1.56	Ordinary	1,554,200
30-Jun-12	0.68	Ordinary	100,000
18-Nov-12	2.00	Ordinary	4,500,000
24-Dec-13	-	Ordinary	667,000
31-Dec-13	1.26	Ordinary	125,000
31-Dec-13	-	Ordinary	45,000
29-Mar-14	1.73	Ordinary	4,200,000
12-Jun-14	1.16	Ordinary	752,291
12-Jun-14	1.04	Ordinary	196,152
12-Jun-14	1.08	Ordinary	180,155
12-Jun-14	0.67	Ordinary	5,765
31-Dec-14	-	Ordinary	60,000
12-Sep-16	-	Ordinary	4,587,000
Total			**16,993,563**

There were no shares issued during the financial year as a result of exercise of options.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

NON-AUDIT SERVICES

There were no non-audit services provided by the Company's auditors Ernst & Young during the year.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 26 of the financial report and forms part of this Directors' Report.

ROUNDING OFF OF AMOUNTS

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors

G. Martin

Mr Gregory Martin
Managing Director
Perth, 21 September 2011

Competent Persons' Statement

The information in this report that relates to the Mineral Resource estimate of the Rocklea Project is based on information compiled by Mr Sean Gregory, who is a member of The Australasian Institute of Mining and Metallurgy and a full time employee of Murchison Metals Limited.

The information in this report that relates to Exploration Results and geological and mineralogical interpretations of the Mineral Resource estimate of the Jack Hills and Brindal Deposits 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 report that relates to estimation of the Mineral Resources of the Jack Hills Deposit is based on information compiled by Mr Danny Kentwell in his capacity as an employee of SRK Consulting. Mr Kentwell is a Member of the Australasian Institute of Mining & Metallurgy.

Messrs Gregory, Bartsch and Kentwell 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. Messrs Gregory, Bartsch and Kentwell 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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Auditor's Independence Declaration to the Directors of Murchison Metals Limited

In relation to our audit of the financial report of Murchison Metals Limited for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Gavin Buckingham

G Buckingham
Partner
Perth
21 September 2011

GB:MB:MURCHISON:001

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated 2011 $'000	Consolidated 2010 $'000
Continuing operations			
Revenue	2	2,067	4,198
Revenue		**2,067**	**4,198**
Other income	3	1,432	-
Administration expenses	4	(5,311)	(8,180)
Depreciation and amortisation expense		(257)	(238)
Employee and Director expenses	4	(4,565)	(8,331)
Finance costs		(1,674)	-
Hired services expenses	4	(5,551)	(2,026)
Other expenses	4	(9)	(21)
Impairment write-down expense	10	(1,271)	-
Travel expenses		(557)	(612)
Share of expenses from jointly controlled assets	14	(2,140)	(2,095)
Share of profit / (loss) from a jointly controlled entity	12	1,282	(4,292)
Loss from continuing operations before income tax		**(16,554)**	**(21,597)**
Income tax expense	5	-	-
Loss from continuing operations after income tax		**(16,554)**	**(21,597)**
Other comprehensive income for the year		**-**	**-**
Income tax on items of other comprehensive income	5	-	-
Other comprehensive income for the year, net of tax		**-**	**-**
Total comprehensive loss for the year		**(16,554)**	**(21,597)**
Loss for the year is attributed to:			
Owners of the parent		(16,554)	(21,597)
Total comprehensive loss for the year is attributable to:			
Owners of the parent		**(16,554)**	**(21,597)**

	2011	2010
Loss per share attributable to ordinary equity holders from continuing operations		
– basic (cents per share)	(3.80)	(5.06)
– diluted (cents per share)	(3.80)	(5.06)

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

	Note	Consolidated 2011 $'000	Consolidated 2010 $'000
Current Assets			
Cash and cash equivalents	25(c)	12,400	73,410
Trade and other receivables	9	1,162	782
Prepayments		306	214
Other Financial Assets		1,099	-
Total Current Assets		14,967	74,406
Non Current Assets			
Exploration and evaluation expenditure	10	68,861	45,667
Property, plant and equipment	11	837	1,140
Investments accounted for using the equity method	12	171,043	125,960
Available-for-sale financial assets	13	2,000	2,000
Total Non Current Assets		242,741	174,767
Total Assets		**257,708**	**249,173**
Current Liabilities			
Trade and other payables	15	5,933	8,819
Provisions	16	2,316	201
Interest bearing loans and borrowings	17	23,792	-
Total Current Liabilities		32,041	9,020
Total Liabilities		**32,041**	**9,020**
Net Assets		**225,667**	**240,153**
Equity			
Contributed equity	18	243,003	242,252
Reserves	19	20,624	19,307
Accumulated losses	20	(37,960)	(21,406)
Total Equity		**225,667**	**240,153**

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

	Fully paid ordinary shares	Equity Benefits Reserve	Accumulated Losses	Total Equity
Consolidated	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 July 2010	**242,252**	**19,307**	**(21,406)**	**240,153**
Other comprehensive income for the year	-	-	-	-
Loss for the year	-	-	(16,554)	(16,554)
Total comprehensive loss for the year	**-**	**-**	**(16,554)**	**(16,554)**
Transactions with owners in their capacity as owners:				
Issue of shares	751	-	-	751
Share based payments	-	1,317	-	1,317
Balance at 30 June 2011	**243,003**	**20,624**	**(37,960)**	**225,667**
Balance at 1 July 2009	**221,579**	**14,777**	**191**	**236,547**
Other comprehensive income for the year	-	-	-	-
Loss for the year	-	-	(21,597)	(21,597)
Total comprehensive loss for the year	**-**	**-**	**(21,597)**	**(21,597)**
Transactions with owners in their capacity as owners:				
Issue of shares	20,673	-	-	20,673
Share based payments	-	4,530	-	4,530
Balance at 30 June 2010	**242,252**	**19,307**	**(21,406)**	**240,153**

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
30 JUNE 2011

	Note	Consolidated 2011 $'000	Consolidated 2010 $'000
Cash Flows From Operating Activities			
Payments to suppliers and employees		(14,413)	(13,074)
Interest received		2,164	4,181
Finance costs		1	-
GST (paid) / received		(452)	236
Net cash used in operating activities	25(a)	**(12,700)**	**(8,657)**
Cash Flows From Investing Activities			
Purchase of plant and equipment		(95)	(945)
Additions to exploration and evaluation		(26,465)	(16,341)
Repayment of loan to jointly controlled entity		123	-
Proceeds on sale of plant and equipment		100	-
Proceeds on sale of tenements and related assets		1,000	-
Increase in investment in joint venture		(43,800)	(41,399)
Net cash used in investing activities		**(69,137)**	**(58,685)**
Cash Flows From Financing Activities			
Proceeds from issue of shares		-	15,213
Interest bearing loans		23,435	-
Repayment of loan to jointly controlled entity		(2,608)	-
Net cash provided by financing activities		**20,827**	**15,213**
Net decrease in cash and cash equivalents		(61,010)	(52,129)
Cash and cash equivalents at the beginning of the year		73,410	125,539
Cash and cash equivalents at the end of the year	25(c)	**12,400**	**73,410**

The accompanying notes form part of these financial statements

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis.

The financial report presents the consolidated financial statements of the Group.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/0100.

The financial report of the Group for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the Directors on 20 September 2011.

Going Concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Consolidated Entity generated a net loss after income tax of $16,554,000 for the year ended 30 June 2011 (2010: net loss after income tax of $21,597,000) and a net cash outflow of $61,010,000 (2010: net cash outflow of $52,129,000). As at 30 June 2011, the Consolidated Entity had cash and cash equivalents of $12,400,000 (2010: $73,410,000), undrawn available facilities of US$75,250,000 (2010: nil) and net assets of $225,667,000 (2010: $240,153,000). As at the date of signing this report, the Group has cash, cash equivalents and undrawn loan facilities of $57,000,000.

The ability of the Group to continue its project evaluation and development activities is dependent on the Group raising additional funding when required including the extension or refinancing of the RCF US$100m Bridging Facility (the Facility) to a repayment date no earlier than 12 months from the date of signing the financial statements. The Facility is currently due and payable in April 2012. Murchison is currently exploring options to refinance the Facility.

In addition, Murchison is also considering the potential for other corporate transactions as part of a broader strategic review. Murchison envisages that, if executed, a corporate transaction will provide sufficient cashflows to enable Murchison to continue operating on a going concern basis.

On this basis, it is the opinion of the Board of Directors that the Consolidated Entity will be able to continue as a going concern and therefore, the basis of preparation is appropriate.

Should the Group not achieve the matters set out above, the Group may not be able to continue as a going concern or may have to dispose of assets other than in the normal course of business. No adjustments related to the recoverability and classification of recorded assets or liabilities related to the above have been made in the financial report.

Statement of compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in changes to the Group's accounting policies.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2010:

- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project. The subject of amendments to the standards are set out below:
  - AASB 5 - Disclosures in relation to non-current assets (or disposal groups) classified as held for sale or discontinued operations
  - AASB 8 - Disclosure of information about segment assets
  - AASB 101 - Current/non-current classification of convertible instruments
  - AASB 107 - Classification of expenditures that does not give rise to an asset
  - AASB 117 - Classification of leases of land
  - AASB 118 - Determining whether an entity is acting as a principle or an agent
  - AASB 136 - Clarifying the unit of account for goodwill impairment test is not larger than an operating segment before aggregation
  - AASB 139 - Treating loan prepayment penalties as closely related embedded derivatives, and revising the scope exemption for forward contracts to enter into a business combination contract
- AASB 2009-8 Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions (AASB 2)
- AASB 2009-10 Amendments to Australian Accounting Standards - Classification of Rights Issues (AASB 132)
- AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139)
  - Limits the scope of the measurement choices of non-controlling interest to instruments that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interest are measured at fair value
  - Requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), in a consistent manner i.e. allocate between consideration and post combination expenses
  - Clarifies that contingent consideration from a business combination that occurred before the effective date of AASB 3 Revised is not restated. Clarifies that the revised accounting for loss of significant influence or joint control (from the issue of IFRS 3 Revised) is only applicable prospectively
- Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments. This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The interpretation states that equity instruments issued as payment of a debt should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below.

The amendments incorporate the requirements previously included in Interpretation 8 *Scope of AASB 2* and Interpretation 11 *AASB 2 - Group and Treasury Share Transactions.* It did not have an impact on the financial position or performance of the Group.

Annual Improvements Project

In May 2009 and June 2010, the AASB issued an omnibus of amendments to its Standards as part of the Annual Improvements Project, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions and application dates for each amendment. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group:

- AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in AASB 5. The disclosure requirements of other Accounting Standards only apply if specifically required for such non-current assets or discontinued operations. This amendment had no impact on the Group
- AASB 8 *Operating Segments*: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. The Group has identified one operating segment which is mineral and exploration activities in Australia. The amendment did not result in any changes to the Group's disclosures
- AASB 107 *Statement of Cash Flows*: States that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities
- AASB Interpretation 17 *Distribution of Non-cash Assets to Owners*: This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on either the financial position or performance of the Group

Other amendments resulting from the Annual Improvements Project to the following Standards did not have any impact on the accounting policies, financial position or performance of the Group:

- AASB 2 *Share-based Payment*
- AASB 101 *Presentation of Financial Statements*
- AASB 117 *Leases*
- AASB 134 *Interim Financial Reporting*
- AASB 138 *Intangible Assets*
- AASB 139 *Financial Instruments: Recognition and Measurement*
- AASB Interpretation 9 *Reassessment of Embedded Derivatives*
- AASB Interpretation 16 *Hedges of a Net Investment in a Foreign Operation*

The following Australian Accounting Standards that are relevant to the Group have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2011:

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below. (a) Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria. (b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. (c) Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.	1 January 2013	The impact of the standard on the Group has not yet been assessed	1 July 2013

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 (AASB 1, 3, 4, 5, 7, 101, 102,108, 112, 118, 121, 127, 128,131, 132, 136, 139, 1023 &1038 and Interpretations 10 & 12)	These amendments arise from the issuance of AASB 9 Financial Instruments that sets out requirements for the classification and measurement of financial assets. The requirements in AASB 9 form part of the first phase of the International Accounting Standards Board's project to replace IAS 39 Financial Instruments: Recognition and Measurement. This Standard shall be applied when AASB 9 is applied.	1 January 2013	The impact of the standard on the Group has not yet been assessed	1 July 2013
AASB 124 (Revised)	Related Party Disclosures (December 2009)	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: (a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other (b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other (c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.	1 January 2011	The impact of the standard on the Group has not yet been assessed	1 July 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2009-12	Amendments to Australian Accounting Standards (AASBs 5, 8, 108, 110, 112,119, 133, 137, 139, 1023 &1031 and Interpretations 2, 4, 16, 1039 & 1052)	This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. In particular, it amends AASB 8 *Operating Segments* to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.	1 January 2011	The impact of the standard on the Group has not yet been assessed	1 July 2011
AASB 2009-14	Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	These amendments arise from the issuance of Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14). The requirements of IFRIC 14 meant that some entities that were subject to minimum funding requirements could not treat any surplus in a defined benefit pension plan as an economic benefit. The amendment requires entities to treat the benefit of such an early payment as a pension asset. Subsequently, the remaining surplus in the plan, if any, is subject to the same analysis as if no prepayment had been made.	1 January 2011	The impact of the standard on the Group has not yet been assessed	1 July 2011
AASB 1054	Australian Additional Disclosures	This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB. This standard relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas: (a) Compliance with Australian Accounting Standards (b) The statutory basis or reporting framework for financial statements (c) Whether the financial statements are general purpose or special purpose (d) Audit fees (e) Imputation credits	1 July 2011	The impact of the standard on the Group has not yet been assessed	1 July 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13)	This standard emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. It clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. This standard provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions. It clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.	1 January 2011	The impact of the standard on the Group has not yet been assessed	1 July 2011
AASB 2010-5	Amendments to Australian Accounting Standards (AASB 1, 3, 4, 5, 101, 107,112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042)	This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB. These amendments have no major impact on the requirements of the amended pronouncements.	1 January 2011	The impact of the standard on the Group has not yet been assessed	1 July 2011
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets (AASB 1 & AASB 7)	The amendments increase the disclosure requirements for transactions involving transfers of financial assets. The amendments require enhancements to the existing disclosures in IFRS 7 where an asset is transferred but is not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale.	1 July 2011	The impact of the standard on the Group has not yet been assessed	1 July 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139,1023, & 1038 and interpretations 2, 5, 10, 12, 19 & 127)	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: – The change attributable to changes in credit risk are presented in other comprehensive income (OCI) – The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	1 January 2013	The impact of the standard on the Group has not yet been assessed	1 July 2013
AASB 2010-8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets(AASB 112)	These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate *SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets* into AASB 112.	1 January 2012	The impact of the standard on the Group has not yet been assessed	1 July 2012
AASB 2011-1	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project (AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132, AASB 134, Interpretation 2, Interpretation 112,Interpretation 113)	This Standard amends many Australian Accounting Standards, removing the disclosures which have been relocated to AASB 1054.	1 July 2011	The impact of the standard on the Group has not yet been assessed	1 July 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AABS 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and Interpretation 112 Consolidation-Special Purpose Entities. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This is likely to lead to more entities being consolidated into the group.	1 January 2013	The impact of the standard on the Group has not yet been assessed	1 July 2013
AASB 11	Joint Arrangements	AASB 11 replaces AASB 131 *Interests in Joint Ventures* and Interpretation 113 *Jointly-controlled Entities- Non-monetary Contributions by Ventures.* AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition AASB 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets are accounted for using the equity method. This may result in a change in the accounting treatment for the joint arrangements held by the group.	1 January 2013	The impact of the standard on the Group has not yet been assessed	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	The impact of the standard on the Group has not yet been assessed	1 July 2013

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2011-7	Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards	Consequential amendments to AASB 127 Separate Financial Statements and AASB 128 Investments in Associates as a result of the adoption of AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements and AASB 12 Disclosure of Interests in Other Entities.	1 January 2013	The impact of the standard on the Group has not yet been assessed	1 July 2013
AASB 13	Fair Value Measurement	AASB 13 establishes a single source of guidance under Australian Accounting Standards for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under Australian Accounting Standards when fair value is required or permitted by Australian Accounting Standards. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.	1 January 2013	The impact of the standard on the Group has not yet been assessed	1 July 2013
AASB 2011-9	Amendments to Australian Accounting Standards - *Presentation of Items of Other Comprehensive Income* (AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049)	The main change resulting from the amendments relates to the Statement of Comprehensive Income and the requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not remove the option to present profit or loss and other comprehensive income in two statements. The amendments do not change the option to present items of OCI either before tax or net of tax. However, if the items are presented before tax then the tax related to each of the two groups of OCI items (those that might be reclassified to profit or loss and those that will not be reclassified) must be shown separately.	1 July 2012	The impact of the standard on the Group has not yet been assessed	1 July 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2011-8	Amendments to Australian Accounting Standards arising from the Fair Value Measurement Standard	Consequential amendments to existing Australian Accounting Standards as a result of the adoption of AASB 13 Fair Value Measurement.	1 January 2013	The impact of the standard on the Group has not yet been assessed	1 July 2013
AASB 119 (Revised)	Employee Benefits	The main amendments to the standard relating to defined benefit plans are as follows : • Elimination of the option to defer the recognition of actuarial gains and losses (the 'corridor method'); • Remeasurements (essentially actuarial gains and losses) to be presented in other comprehensive income; • Past service cost will be expensed when the plan amendments occur regardless of whether or not they are vested; and • Enhanced disclosures for Tier 1 entities. The distinction between short-term and other long-term employee benefits under the revised standard is now based on expected timing of settlement rather than employee entitlement. The revised standard also requires termination benefits (outside of a wider restructuring) to be recognised only when the offer becomes legally binding and cannot be withdrawn.	1 January 2013	The impact of the standard on the Group has not yet been assessed	1 July 2013

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2011 and the comparative information presented in these financial statements for the year ended 30 June 2010.

a) Basis of consolidation

The consolidated financial statements comprise the financial statements of Murchison Metals Ltd and its subsidiaries as at 30 June each year (the Group).

Subsidiaries are all those entities including special purpose entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity. The results of subsidiaries disposed of during the year are included in the Consolidated Statement of Comprehensive Income up to the effective date of disposal, as appropriate.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Entity, using consistent accounting policies. In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The acquisition of subsidiaries prior to 1 July 2009 are accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

Subsequent to 1 July 2009, the acquisition of subsidiaries are accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

b) Foreign currency translation

The functional and presentation currency of the Company and its subsidiaries is Australian Dollars.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the Statement of Financial Position date.

All exchange differences in the consolidated financial report are taken to profit or loss.

c) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowing in current liabilities on the Statement of Financial Position.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Investments and other financial assets

Investments and financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments or available-for-sale financial assets, as appropriate. The classification depends on the purpose for which the investments were acquired or originated. When financial assets are recognised initially they are measured at fair value plus, in the case of investments, at fair value through profit or loss plus directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and when allowed and appropriate, re-evaluates this designation at each financial year-end.

Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as either financial assets at fair value through profit or loss, loans and receivables, or held to maturity investments. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised directly in equity, until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost, using the effective interest method less impairment. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after the reporting date, which are classified as non-current.

e) Joint ventures

Jointly controlled entities

Interests in jointly controlled entities in which the Group is a venturer (and so has joint control) are accounted for under the equity method in the consolidated financial statements.

Jointly controlled assets

Interests in jointly controlled assets in which the Group is a venturer and has joint control are included in the financial statements by recognising the Group's share of jointly controlled assets, the share of liabilities incurred and the Group's share of expenses incurred by or in respect of each joint venture.

f) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation is calculated on a straight line basis over the estimated useful life of the assets as follows:

Buildings	5 to 10 years
Plant and equipment	5 to 15 years
IT equipment	3 years
Motor vehicles	4 years
Furniture and Fittings	5 years

The assets' residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, at each financial year end.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

g) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. Lease incentives are recognised in the Statement of Comprehensive Income as an integral part of the total lease expense.

h) Impairment of non-financial assets other than goodwill

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

j) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Murchison Metals Limited does not currently hold qualifying assets but, if it did, the borrowing costs directly associated with this asset would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

k) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of the provision to be reimbursed for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the Statement of Financial Position date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave due to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

l) Share based payment transactions

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the Statement of Comprehensive Income is the product of:

(i) the grant date fair value of the award;

(ii) the current best estimates of the awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and

(iii) the expired portion of the vesting period.

The charge to the Statement of Comprehensive Income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Equity-settled awards granted by the Group to employees of subsidiaries are recognised in the Parent's separate financial statements as an additional investment in the subsidiary with a corresponding credit to equity. These amounts are eliminated on consolidation. As a result, the expense recognised by the Group in relation to equity-settled awards only represents the expense associated with grants to employees of the Parent. The expense recognised by the Group is the total expense associated with all such awards.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If a non-vesting condition is within the control of the Group, Company or employee, the failure to satisfy the condition is treated as a cancellation. If a non-vesting condition within the control of neither the Group, Company or employee is not satisfied during the vesting period, any expense for the award not previously recognised is recognised over the remaining vesting period unless the award is forfeited.

If the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled it is treated as if it had vested on the date of cancellation and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see Note 8).

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the Parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the Parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the year that would result from the dilution of potential ordinary shares.

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

n) Pensions and other post employment expenditure

Contributions to defined contribution superannuation plans are expensed when the obligation is incurred.

o) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

p) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably.

Interest revenue

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

q) Income tax and other taxes

Current and deferred income taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred income tax liabilities are provided on all temporary differences at the reporting date between the tax bases of the assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associated or interests in joint ventures and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward or unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit not taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to an extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit and loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation

Murchison Metals Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2004.

The current and deferred tax amounts for the Tax Consolidated Group are allocated among the entities in the Group using a stand-alone taxpayer approach whereby each entity in the Tax Consolidated Group measures its current and deferred tax as if it continued to be a separately taxable entity in its own right. Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts of the assets and liabilities in the Company's Statement of Financial Position and their tax values applying under tax consolidation.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition to its own current and deferred tax amounts, Murchison also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the Tax Consolidated Group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details of the tax funding agreements are disclosed in Note 5.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivable and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financial activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the GST recoverable from, or payable to, the taxation authority.

r) Exploration and evaluation expenditure

Expenditure on exploration and evaluation is accounted for in accordance with the ‘area of interest’ method. Exploration and evaluation expenditure is capitalised provided the rights to tenure of the area of interest is current and either:

- the exploration and evaluation activities are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or relating to, the area of interest are continuing.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, then any capitalised exploration and evaluation expenditure is reclassified as capitalised mine development. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

Impairment

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimate recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Any impairment losses are recognised in the Statement of Comprehensive Income.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s) Mine development expenditure

Mine development expenditure represents the costs incurred in preparing mines for production and includes stripping and waste removal costs incurred before production commences. These costs are capitalised to the extent they are expected to be recouped through successful exploitation of the related mining leases. Once production commences, these costs are amortised using the units-of-production method based on the estimated economically recoverable reserves to which they relate or are written off if the mine property is abandoned.

Impairment

The carrying value of capitalised mine development expenditure is assessed for impairment whenever the facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

The recoverable amount of capitalised mine development expenditure is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Any impairment losses are recognised in profit or loss.

t) Provisions for decommissioning and restoration costs

The Group is required to decommission and rehabilitate mines and processing sites at the end of their producing lives to a condition acceptable to the relevant authorities.

The expected cost of any approved decommissioning or rehabilitation programme, discounted to its net present value, is provided when the related environmental disturbance occurs. The cost is capitalised when it gives rise to future benefits, whether the rehabilitation activity is expected to occur over the life of the operation or at the time of closure. The capitalised cost is amortised over the life of the operation and the increase in the net present value of the provision for the expected cost is included in financial expenses. Expected decommissioning and rehabilitation costs are based on the discounted value of the estimated future cost of detailed plans prepared for each site. Where there is a change in the expected decommissioning and restoration costs, the value of the provision and any related asset are adjusted and the effect is recognised in profit or loss on a prospective basis over the remaining life of the operation.

u) Operating segments

The Group is mining and processing iron ore in Western Australia. Each area of operation has been aggregated and therefore the operations of the Group present one operating segment under AASB 8 *Operating Segments*.

The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of the financial report.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

v) Significant accounting judgements, estimates and assumptions

In applying the Group's accounting policies management continually evaluates judgements, estimates and assumptions based on experiences and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

i. Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effects on the amounts recognised in the financial statements:

Recoverability of potential deferred income tax assets

The Group recognises deferred income tax assets in respect of tax losses to the extent that it is probable that the future utilisation of these losses is considered probable. Assessing the future utilisation of these losses requires the Group to make significant estimates related to expectations of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, this could result in significant changes to the deferred income tax assets recognised, which would in turn impact future financial results.

Determination of mineral resources and ore reserves

The determination of reserves impacts on the accounting for asset carrying values, depreciation and amortisation rates, deferred stripping costs (if applicable) and provisions for decommissioning and restoration. Murchison Metals Ltd estimates its mineral resources and ore reserves in accordance with the *Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2004* ('JORC'). The information on mineral resources was prepared by and under the supervision of Competent Persons as defined by the JORC code. The amounts presented are based on the mineral resources determined under the JORC code.

There are numerous uncertainties inherent in estimating mineral resources and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated.

ii. Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting periods are:

Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decide to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

Impairment of capitalised mine development expenditure of a jointly controlled entity

The future recoverability of capitalised mine development expenditure is dependent on a number of factors, including the level of proved, probable and inferred mineral resources, future technological changes that could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised mine development expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

Property, plant and equipment is reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of 'value in use' (being the net present value of expected future cash flows of the relevant cash generating unit) and 'fair value less costs to sell'.

In determining value in use, future cash flows are based on:

- estimates of the quantities of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- future production levels;
- future commodity prices; and
- future cash costs of production and capital expenditure.

Variations to the expected future cash flows and the timing thereof could result in significant changes to any impairment losses recognised, if any, which could in turn impact future financial results.

Provisions for decommissioning and restoration costs of a jointly controlled entity

Decommissioning and restoration costs are a normal consequence of mining and the majority of this expenditure is incurred at the end of a mine's life. In determining an appropriate level of provision consideration is given to the expected future costs to be incurred, the timing of these expected future costs (largely dependent on the life of the mine) and the estimated future level of inflation.

The ultimate cost of decommissioning and restoration is uncertain and costs can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other mine sites. The expected timing of expenditure can also change, for example, in response to changes in reserves or to production rates.

Changes to any of the estimates could result in significant changes to the level of provisioning required, which would in turn impact future financial results.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a binomial model with the assumptions detailed in Note 30. The accounting estimates and assumptions relating to equity-settled share based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

NOTE 2: REVENUE

	Consolidated	
	2011	**2010**
	$'000	**$'000**
Continuing operations		
Interest – Banks	1,990	4,149
Share of revenue from jointly controlled assets	77	49
	2,067	4,198

NOTE 3: OTHER INCOME

	Consolidated	
	2011	**2010**
	$'000	**$'000**
Profit on sale of tenements and related assets	946	-
Other income	123	-
Net gain on foreign exchange (realised and unrealised)	363	-
	1,432	-

NOTE 4: LOSS FOR THE YEAR

Loss for the year has been arrived at after (crediting)/charging the following gains and losses:

	Consolidated	
	2011	**2010**
	$'000	**$'000**
Administration Expense		
Accounting and audit fees	221	322
Bank Charges	6	7
Compliance and secretarial	252	322
Insurance	192	121
Legal expenses	3,345	6,264
Loss on disposal of property plant and equipment	-	129
Office rental	500	482
Other general administration expenses	629	431
Printing and stationery	166	102
	5,311	8,180
Employee and Director expenses		
Salaries and wages	2,589	1,999
Defined contribution superannuation expense	383	321
Executive Directors' salaries and Non-Executive Directors' fees	1,794	1,280
Share based payment expenses	(631)	4,530
Payroll tax	192	(22)
Recruitment	91	36
Other	147	187
	4,565	8,331
Hired services expenses		
Air charter	9	22
Cartage and freight	5	1
Consultants	5,494	1,970
Equipment hire	10	10
Other	33	23
	5,551	2,026
Other Expenses		
Net loss on foreign exchange	-	10
Other	9	11
	9	21

NOTE 5: INCOME TAX

Income tax expense

The major components of income tax (benefit) / expense are:

	Consolidated	
	2011	2010
	$'000	$'000
Current income tax		
Current income tax benefit	(4,722)	(3,640)
Adjustments in respect of current income tax of previous years	-	4
Deferred income tax		
Relating to the origination and reversal of temporary differences	(34)	(529)
Derecognition of temporary differences previously booked	-	-
Deferred tax assets not brought to account	4,756	4,165
Income tax expense / (benefit) reported in the income statement	-	-
Attributable to:		
Continuing operations	-	-
	-	-
Amounts charged or credited directly to equity		
Deferred income tax related to items charged or credited directly to equity		
Revaluation reserve	-	-
Income tax expense / (benefit) reported directly in equity	-	-

NOTE 5: INCOME TAX (CONTINUED)

Reconciliation between aggregate tax expense recognised in the Statement of Comprehensive Income and tax expense calculated per the statutory income tax rate

The product of accounting loss before income tax multiplied by the applicable income tax rate is reconciled to the income tax benefit as follows:

	Consolidated	
	2011	2010
	$'000	$'000
Accounting loss from continuing operations	(16,554)	(21,597)
Total accounting profit/ (loss) before income tax	(16,554)	(21,597)
Tax benefit at the statutory income tax rate (30%) (2010: 30%)	(4,966)	(6,479)
Share based payments	(189)	1,359
Non-deductible legal expenditure	395	946
Under/(over) provision for income tax return	-	4
Non-deductible expenditure	4	5
Tax losses not recognised	4,756	4,165
Aggregate income tax expense / (benefit)	-	-

NOTE 5: INCOME TAX (CONTINUED)

	Consolidated			
	Statement of Financial Position		Statement of Comprehensive Income	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
Deferred income tax liabilities				
Unrealised foreign exchange gain	(70)	-	(70)	-
Exploration	(3,627)	(3,631)	3	113
Gross deferred income tax liabilities	(3,697)	(3,631)		
Deferred income tax assets				
Provisions	696	60	635	24
Accruals	220	944	(724)	917
Share raising costs	-	-	-	(1,383)
OPR bid costs	-	-	-	(39)
Impairment write-down on exploration tenement	375	-	375	-
Unrealised foreign exchange loss	-	41	(41)	2
Other business related costs	747	893	(145)	893
Tangible Fixed Assets	4	3	1	2
Tax losses recognised	1,655	1,690	-	-
Gross deferred income tax assets	3,697	3,631		
Net deferred income tax asset	-	-		
Deferred income tax charge			34	529

Potential tax on disposal of Crosslands

In the event that the Group disposes of its remaining interest in Crosslands, the potential tax that may arise upon the disposal is $12,455,000 (being 30% of $41,519,000).

The Directors of the Group have chosen not to book a deferred tax liability in relation to this amount on the basis that it is not planning to dispose of its interest in Crosslands.

Tax Losses

The Group has revenue losses for which no deferred tax asset is recognised on the Statement of Financial Position of $77,253,000 (2010: $61,398,000) which are available for offset against future taxable income subject to continuing to meet relevant statutory tests.

NOTE 5: INCOME TAX (CONTINUED)

Tax consolidation

Murchison Metals Ltd and its 100% owned Australian resident subsidiaries have formed a Tax Consolidated Group with effect from 11 November 2004. Murchison Metals Ltd is the Head Entity of the Tax Consolidated Group. Members of the Group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on a pro rata basis. The agreement provides for the allocation of income tax liabilities between the entities should the Head Entity default on its tax payment obligations. At the balance date, the possibility of default is remote.

Tax effect accounting by members of the Tax Consolidated Group

The current and deferred tax amounts for the Tax Consolidated Group are allocated among the entities in the Group using a stand-alone taxpayer approach whereby each entity in the Tax Consolidated Group measures its current and deferred taxes as if it continued to be a separately taxable entity in its own right. Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts of the assets and liabilities in the Company's Statement of Financial Position and their tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses assumed by the Head Entity from the subsidiaries in the Tax Consolidated Group are recognised in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution to or distribution from the subsidiary. Distributions firstly reduce the carrying amount of the investment in the subsidiary and are then recognised as revenue.

The Company recognises deferred tax assets arising from unused tax losses or the Tax Consolidated Group to the extent that it is probable that future taxable profits of the Tax Consolidated Group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses assumed from subsidiaries are recognised by the Head Entity only.

The members of the Tax Consolidated Group have entered into a tax funding arrangement which sets out the funding obligations of members of the Tax Consolidated Group in respect of tax amounts. The tax funding arrangements require payments to/from the Head Entity equal to the current tax liability / (asset) assumed by the Head Entity and any tax-loss deferred tax asset assumed by the Head Entity.

NOTE 6: KEY MANAGEMENT PERSONNEL

(a) Compensation of Key Management Personnel

The aggregate compensation of the Key Management Personnel of the Consolidated Entity is set out below:

	Consolidated 2011	Consolidated 2010
	$'000	$'000
Short term employee benefits and fees	2,814,752	2,632,862
Post-employment benefits	216,026	211,260
Share-based payments	(688,158)	4,394,609
Total compensation	2,342,620	7,238,731

(b) Option holdings of Key Management Personnel

	Balance at beginning of year	Granted as remuneration	Options exercised	Net change other	Balance at end of year	Vested as at the end of the year: Total	Vested as at the end of the year: Exercisable	Vested as at the end of the year: Not exercisable
	No.	No.	No.	No.	No.	No.	No.	No.
30 June 2011								
Directors								
Rodney Baxter	-	-	-	-	-	-	-	-
James McClements [1]	100,000	-	-	(100,000)	-	-	-	-
Sun Moon Woo	-	-	-	-	-	-	-	-
Peter Wasow[3]	-	-	-	-	-	-	-	-
Paul Kopejtka[2]	4,500,000	-	-	(2,250,000)	2,250,000	-	-	-
Gregory Martin[3]	-	-	-	-	-	-	-	-
Samantha Tough[3]	-	-	-	-	-	-	-	-
Ken Scott- Mackenzie[3]	-	-	-	-	-	-	-	-
Executives								
Trevor Matthews [2, 4]	4,500,000	-	-	(2,250,000)	2,250,000	-	-	-
John Westdorp	690,000	155,000	-	-	845,000	690,000	690,000	-
Chris Foley	664,000	140,000	-	-	804,000	664,000	664,000	-
Jamie Wright	230,000	124,000	-	-	354,000	230,000	230,000	-
Luca Rocchi	292,000	124,000	-	-	416,000	292,000	292,000	-

1 Net change relates to options which lapsed during the year.

2 Net change relates to 2,250,000 options per individual which were cancelled due to non-fulfilment of vesting conditions.

3 Appointed 12 May 2011.

4 T Matthews ceased to be a Director on the 11 May 2011 and assumed the position of Chief Executive Officer from 12 May 2011 to 3 July 2011. T Matthews assumed the position of Chief Operating Officer from 4 July 2011.

NOTE 6: KEY MANAGEMENT PERSONNEL (CONTINUED)

						Vested as at the end of the year		
	Balance at beginning of year	Granted as remuneration	Options exercised	Net change other	Balance at end of year	Total	Exercisable	Not exercisable
	No.	No.	No.	No.	No.	No.	No.	No.
30 June 2010								
Directors								
Paul Kopejtka	2,000,000	4,500,000	(2,000,000)	-	4,500,000	-	-	-
Trevor Matthews	2,000,000	4,500,000	(2,000,000)	-	4,500,000	-	-	-
Rodney Baxter	-	200,000	(200,000)	-	-	-	-	-
James McClements	100,000	-	-	-	100,000	100,000	100,000	-
Sun Moon Woo	-	-	-	-	-	-	-	-
Executives								
John Westdorp	690,000	-	-	-	690,000	495,000	495,000	-
Chris Foley [1]	964,000	-	(50,000)	(250,000)	664,000	482,000	482,000	-
Sean Gregory	706,000	-	-	-	706,000	563,000	563,000	-
Jamie Wright	230,000	-	-	-	230,000	115,000	115,000	-
Luca Rocchi	292,000	-	-	-	292,000	146,000	146,000	-

[1] Net change relates to options which lapsed during the year.

No other Key Management Personnel held options during the year ended 30 June 2011 or 30 June 2010.

NOTE 6: KEY MANAGEMENT PERSONNEL (CONTINUED)

(c) Share holdings of Key Management Personnel

Shares held in Murchison Metals Limited (number)

	Balance at beginning of year	Granted as Remuneration	On Exercise of Options	(Sale) / Purchase of shares	Net change other	Balance at end of year
	No.	No.	No.	No.	No.	No.
2011						
Directors						
Rodney Baxter	200,000	-	-	-	-	200,000
James McClements	-	-	-	-	-	-
Sun Moon Woo	-	-	-	-	-	-
Paul Kopejtka	22,280,000	-	-	-	-	22,280,000
Peter Wasow [1]	-	-	-	-	-	-
Gregory Martin[1]	-	-	-	-	-	-
Samantha Tough[1]	-	-	-	-	-	-
Ken Scott- Mackenzie[1]	-	-	-	-	-	-
Executives						
John Westdorp	67,500	-	-	205,000	-	272,500
Chris Foley	100,000	-	-	-	-	100,000
Trevor Matthews[2]	1,500,000	-	-	(1,330,000)	-	170,000
Jamie Wright	-	-	-	66,400	-	66,400
Luca Rocchi	-	-	-	-	-	-

1 Appointed 12 May 2011.

2 T Matthews ceased to be a Director on the 11 May 2011 and was appointed to the position of Chief Executive Officer from 12 May 2011 to 3 July 2011. T Matthews assumed the position of Chief Operating Officer from 4 July 2011.

NOTE 6: KEY MANAGEMENT PERSONNEL (CONTINUED)

	Balance at beginning of year No.	Granted as Remuneration No.	On Exercise of Options No.	(Sale) / Purchase of shares No.	Net change other No.	Balance at end of year No.
2010						
Directors						
Paul Kopejtka	20,780,000	-	2,000,000	(500,000)	-	22,280,000
Trevor Matthews	1,200,000	-	2,000,000	(1,700,000)	-	1,500,000
Rodney Baxter	-	-	200,000	-	-	200,000
James McClements	-	-	-	-	-	-
Sun Moon Woo	-	-	-	-	-	-
Executives						
John Westdorp	67,500	-	-	-	-	67,500
Chris Foley	50,000	-	50,000	-	-	100,000
Sean Gregory	-	-	-	-	-	-
Jamie Wright	-	-	-	-	-	-
Luca Rocchi	-	-	-	-	-	-

No other Key Management Personnel held shares during the year ended 30 June 2011 or 30 June 2010.

All equity transactions with Key Management Personnel other than those arising from the grant or exercise of remuneration shares / options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

(d) Transactions and balances with Key Management Personnel

Murchison provided a short term salary advance to T Matthews of $302,500 during the financial year. The amount in full has been repaid subsequent to year end. No interest was payable on the salary advance. The benefit received by Mr Matthews as at 30 June 2011 was $5,904, being the commercial interest amount that would have been charged on the salary advance (7.2%); this amount has been included in Table 1 of the Remuneration Report under other short-term benefits paid (2010: Nil).

(e) Other transactions and balances with Key Management Personnel

There are no other transactions or balances with Key Management Personnel that have not been disclosed above.

(f) Other related party transactions

Murchison secured a US$100 million loan from Resource Capital Fund V LP which is a related party of Murchison for the purposes of AASB 124 *Related Party Disclosures* by virtue of James McClements being a director of Murchison and also a Partner of other entities within the Resource Capital Fund group.

The Facility was provided on commercial terms on an arms-length basis. Mr McClements abstained from any Board discussions on the Facility and was not involved in the negotiation process in his capacity as a Partner of Resource Capital Fund or as a Non-Executive Director of Murchison. Resource Capital Fund is not considered a related party for the purposes of the Corporations Act 2001(Cth).

NOTE 7: AUDITOR'S REMUNERATION

	Consolidated	
	2011	2010
The auditor of Murchison Metals Ltd is Ernst & Young.	$	$
Amounts received or due and receivable by Ernst & Young (Australia) for:		
Audit or review of the financial report of the entity and any other entity in the Group	145,917	175,615

No non-audit services were provided by the auditor for the year ended 30 June 2011 (2010: Nil).

NOTE 8: EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net loss attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the loss and share data used in the basic and diluted earnings per share computations:

(a) Earnings used in calculating earnings per share

	Consolidated	
	2011	2010
	$'000	$'000
For basic and diluted earnings per share:		
Net loss from continuing operations attributable to ordinary equity holders of the parent	(16,554)	(21,597)

(b) Weighted average number of shares

	2011	2010
	No.	No.
	'000	'000
Weighted average number of ordinary shares for basic loss per share	435,739	427,187
Effect of dilution:		
Share options	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	435,739	427,187

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between reporting date and the date of completion of these financial statements.

NOTE 8: EARNINGS PER SHARE (CONTINUED)

(c) Information on the classification of securities

(i) Options

Options granted to employees (including Key Management Personnel) as described in Note 30 are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent they are dilutive. These shares have not been included in the determination of basic earnings per share.

The following ordinary shares could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are antidilutive for the period presented. Consequently, the diluted earnings per share is the same as basic earnings per share.

	2011 No.	2010 No.
Share options not included in diluted earnings per share calculation	12,532,200	11,998,000

NOTE 9: TRADE AND OTHER RECEIVABLES

	Consolidated	
	2011 $'000	2010 $'000
Current		
Interest receivable	32	310
Amounts receivable from Australian Taxation Authorities	147	100
Sundry debtors	681	367
Other receivables	302	5
	1,162	782

(a) Ageing

Balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these balances will be received when due.

(b) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer receivables to special purpose entities.

All amounts are receivable in Australian Dollars and are not considered past due or impaired.

NOTE 10: EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	2011	**2010**
	$'000	**$'000**
Exploration and evaluation expenditure in respect of areas of interest:		
Balance at the beginning of the year	45,667	29,326
Additions	24,465	16,341
Impairment write-down - Duck Hill and other minor tenements (i)	(1,271)	-
Balance at the end of the year (ii)	68,861	45,667

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas.

(i) The impairment write-down primarily relates to Murchison's 50% interest in the Duck Hill Nickel Laterite project located 35km from Murrin Murrin. Murchison no longer considers exploration of the Duck Hill tenement to be part of its long-term business objectives and therefore has no further plans to incur further significant exploration expenditure in exploring the tenement. Accordingly, Murchison considers it appropriate to write-off the capitalised exploration expenditure for the Duck Hill tenement in accordance with AASB *136 Impairment of Assets*. The written-down value of the Duck Hill tenement is Nil.

(ii) Includes an amount of $56,769,000 (30 June 2010: $32,313,000) relating to Murchison's share of joint venture assets. Refer to Note 28.

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

Consolidated	Plant & Equipment	Buildings	IT equipment	Capital work in progress	Furniture and Fittings	Mobile equipment	Total
2011	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cost							
As at 1 July 2010	48	784	361	72	254	17	1,536
Additions	-	-	91	27	4	-	122
Disposals	(25)	(94)	(1)	-	-	(5)	(125)
Transfer	1	-	76	(97)	20	-	-
As at 30 June 2011	24	690	527	2	278	12	1,533
Accumulated Depreciation							
As at 1 July 2010	14	116	193	-	70	3	396
Current year depreciation	6	146	125	-	51	2	330
Eliminated on disposal of assets	(5)	(23)	(1)	-	-	(1)	(30)
As at 30 June 2011	15	239	317	-	121	4	696
Net Carrying Value							
As at 1 July 2010	34	668	168	72	184	14	1,140
As at 30 June 2011	9	451	210	2	157	8	837
2010	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cost							
As at 1 July 2009	48	219	268	26	195	5	761
Additions	-	689	95	46	103	12	945
Disposals	-	(124)	(2)	-	(44)	-	(170)
Transfer	-	-	-	-	-	-	-
As at 30 June 2010	48	784	361	72	254	17	1,536
Accumulated Depreciation							
As at 1 July 2009	8	27	85	-	42	-	162
Current year depreciation	6	117	108	-	39	3	273
Eliminated on disposal of assets	-	(28)	-	-	(11)	-	(39)
As at 30 June 2010	14	116	193	-	70	3	396
Net Carrying Value							
As at 1 July 2009	40	192	183	26	153	5	599
As at 30 June 2010	34	668	168	72	184	14	1,140

NOTE 11: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Property, plant and equipment pledged as security for liabilities

No assets for the Group were pledged as securities for non-current liabilities in the current year (2010: Nil).

NOTE 12: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated	
	2011	**2010**
	$'000	**$'000**
Investments in jointly controlled entities	171,043	125,960
Reconciliation of movement in investments accounted for using the equity method		
Balance at 1 July	125,960	88,853
Investments during the year	43,801	41,399
Share of profit / (loss) for the year	1,282	(4,292)
Balance at 30 June	171,043	125,960

Name of entity	Country of incorporation	Principal activity	Ownership interest (%) 2011	2010
Crosslands Resources Limited	Australia	Mining	50	50
Oakajee Port and Rail Pty Ltd	Australia	Construction	50[1]	50[1]

[1] The Group holds a 25% direct interest in Oakajee Port and Rail Pty Ltd through MMX Port Holdings Pty Ltd and an additional 25% indirect interest through Murchison's 50% interest in Crosslands Resources Ltd.

(a) Jointly controlled entities' contingent liabilities and capital commitments

The Group's share of the capital commitments and other expenditure commitments of the jointly controlled entities are disclosed in Note 22.

NOTE 12: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Jointly controlled entities' financial information

Summarised financial information in respect of the Group's jointly controlled entities is set out below:

	Consolidated	
	2011	2010
	$'000	$'000
Financial position:		
Cash and cash equivalents	7,532	22,851
Trade and other receivables	45,374	26,466
Other financial assets	5,025	25
Inventory	12,726	27,957
Current assets	70,657	77,299
Exploration and evaluation expenditure	305,208	175,104
Property, plant and equipment	31,788	47,022
Non-current assets	336,996	222,126
Total assets	407,653	299,425
Trade and other payables	60,926	39,433
Other current liabilities	3,338	6,289
Provisions	3,197	2,380
Interest bearing loans and borrowings	-	-
Current liabilities	67,461	48,102
Intercompany payables	2,912	3,915
Deferred tax liability	-	-
Non-current liabilities	2,912	3,915
Total liabilities	70,373	52,017
Net assets	337,280	247,408
Group's share of jointly controlled entity's net assets	168,640	123,704

The difference between the Group's Share of Jointly Controlled Entity's Net Assets as shown in the Financial Position table above and Investments Accounted for Using the Equity Method as shown in the Statement of Financial Position is due to share options issued by Murchison to Crosslands employees prior to the deemed disposal of 50% of Crosslands to Mitsubishi on 27 September 2007.

NOTE 12: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Jointly controlled entities' financial information (continued)

	Consolidated 2011 $'000	Consolidated 2010 $'000
Financial performance:		
Revenue	228,265	165,299
Other income	571	363
Total revenue	228,836	165,662
Changes in inventory	(15,231)	4,695
Administration expenses	(5,588)	(3,079)
Employee expenses	(10,704)	(8,940)
Hired services expenses		
– accommodation, catering and air charter	(4,524)	(3,172)
– cartage, freight and transport	(70,209)	(75,127)
– consultants	(1,760)	(2,227)
– equipment hire	(3,194)	(445)
– general	(256)	(300)
– mining	(33,445)	(32,916)
– port charges	(8,289)	(9,014)
– other	(10,355)	(7,766)
Royalties[1]	(29,827)	(14,257)
Finance costs	-	(281)
Depreciation and amortisation expense	(16,480)	(16,450)
Other expenses	(12,435)	(4,641)
Share of joint venture expenses	(3,979)	(4,022)
Total expenses	(226,276)	(177,942)
Income tax	4	3,696
Profit / (Loss) attributable to members of parent entity	2,564	(8,584)
Group's share of jointly controlled entity's profit/(loss)	1,282	(4,292)

Cost of sales

Cost of goods sold for the period amounted to $171,865,000 (2010: $149,190,000).

Royalties

[1] Includes royalty dispute settlement of $10 million (Note 23).

NOTE 13: AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Consolidated	
	2011	2010
	$'000	$'000
Non-Current		
Shares – unlisted (i)	2,000	2,000

Available-for-sale investments consist of investments in ordinary shares and therefore have no fixed maturity date or coupon rate.

(i) Unlisted shares

Unlisted shares are carried at cost as their fair value cannot be measured reliably. The Directors are satisfied that the carrying value of the shares are recoverable.

NOTE 14: SHARE OF EXPENSES FROM JOINTLY CONTROLLED ASSETS

The following expenses relate to Murchison's 25% interest in OPR Port and OPR Rail unincorporated joint ventures through MMX Port Holdings Pty Ltd and MMX Rail Holdings Pty Ltd:

	Consolidated	
	2011	2010
	$'000	$'000
Administration expenses	(423)	(259)
Depreciation and amortisation expense	(73)	(35)
Employee and Director expenses	(1,273)	(1,390)
Hired services expenses	(364)	(326)
Other expenses	(6)	(13)
Travel expenses	(1)	(72)
Group's share of expenses from jointly controlled assets	(2,140)	(2,095)

NOTE 15: TRADE AND OTHER PAYABLES

	Consolidated	
	2011	2010
Current	$'000	$'000
Trade payables (i)	5,556	6,027
Other payables (ii)	372	181
Related party payable (iii)	5	2,611
	5,933	8,819

(i) Trade payables are non-interest bearing and are normally settled on 30 day terms.
(ii) Other payables are non-trade payables, are non-interest bearing and have an average term of 3 months.
(iii) Related party payables' terms and conditions are detailed in Note 27(e).

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

NOTE 16: PROVISIONS

	Consolidated	
	2011	2010
	$'000	$'000
Provision for annual leave	270	201
Provision for legal settlements (i)	2,046	-
	2,316	201

(i) Included in Provision for legal settlements is a provision for settlement of a dispute with VTech Investments Limited (VTech). Subsequent to year end, Murchison agreed to pay an amount of $1,500,000 to VTech to settle a dispute in relation to commission on sales of iron ore from the Jack Hills project to Chinese customers pursuant to agreements made in 2005.

Refer to Note 23 for a discussion on the Chameleon matter for which a provision of $546,000 is included in the Provision for legal settlements.

(a) Movement in Provision for Annual Leave

	Consolidated	
	2011	2010
	$'000	$'000
Annual leave		
Balance at 1 July	201	120
Arising during the year	331	275
Utilised	(262)	(194)
Balance at 30 June	270	201

(b) Employee Numbers

	Consolidated	
	2011	2010
	$'000	$'000
Average number of employees	18	17

(c) Superannuation

The Company contributes to employees' superannuation plans in accordance with the requirements of Occupational Superannuation Legislation. Contributions by the Company represent a defined percentage of each employee's salary.

	Consolidated	
	2011	2010
	$'000	$'000
Superannuation contributions for the year	383	284

NOTE 17: INTEREST BEARING LOANS & BORROWINGS

On the 16 March 2011, Murchison entered into a bridging facility agreement with Resource Capital Fund V (RCF) for US$100 million (Facility Agreement). The loan is repayable 12 months from the first drawn date. The first draw down under the Facility was made on 11 April 2011, accordingly the loan is repayable on 10 April 2012. Interest is payable at a fixed coupon rate of 10% per annum.

The Facility Agreement is supported by a combination of security positions. These include a charge over Murchison Metals present and future assets and shares in its assets, deeds of charge over the holding companies within the group and a mining mortgage over the Company's tenements.

Under the terms of the agreement, the Company paid a facility establishment fee comprised of 4,200,000 options with an exercise price of $1.73, expiring 29 March 2014 (Note 30). A commitment fee of 2% of the undrawn balance is payable quarterly in arrears. Murchison has the ability to elect to settle interest obligations and the commitment fees by way of issue of share capital. In addition, a utilisation fee of one quarter of a share option per annum per dollar drawn on the facility applies quarterly in arrears.

As at 30 June 2011, Murchison had drawn down US$24.75 million. The loan balance has been revalued to A$ based on the A$/US$ exchange rate at 30 June 2011. Included in the loan balance are accrued interest payable, utilisation and commitment fees.

	Consolidated	
	2011	2010
	$'000	$'000
Loan – at amortised cost		
Loan from Resource Capital Fund V	23,792	-

NOTE 18: CONTRIBUTED EQUITY

	Consolidated	
	2011	2010
	$'000	$'000
Ordinary shares		
Issued and fully paid	243,003	242,252

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(a) Movements in ordinary shares on issue: Fully paid ordinary shares

	2011		2010	
	No.	$	No.	$
	'000	'000	'000	'000
Balance at beginning of financial year	435,384	242,252	413,017	221,579
Issued during year	500	751	22,367	20,673
Balance at end of financial year	435,884	243,003	435,384	242,252

NOTE 19: RESERVES

	Consolidated	
	2011	**2010**
	$'000	**$'000**
Share based payment reserve	20,624	19,307
	20,624	19,307
Share Based Payment Reserve		
Balance at the beginning of the financial year	19,307	14,777
Share based payments	1,317	4,530
Balance at the end of the financial year	20,624	19,307

The Nature of the Reserve is used to record the value of equity benefits provided to employees and Directors as remuneration and also includes options issued in respect of interest bearing loans and borrowings. Further information in relation to the nature of share options issued during the year is provided below:

Share options granted under the employee incentive plan

In accordance with the provisions of the employee incentive plan, as at 30 June 2011, Executives and senior employees (including former employees) have options over 12,532,200 ordinary shares (of which 5,442,000 are unvested) (2010: 11,998,000 of which 9,865,000 were unvested), in aggregate with various expiry dates. Share options granted under the employee incentive plan carry no rights to dividends and no voting rights. Further details of the employee incentive plan are contained in Note 30.

Share options granted in respect of interest bearing loans and borrowings

On 29 March 2011, Murchison granted 4,200,000 share options to Resource Capital Fund V under the terms of the Facility Agreement. The options had a fair value of $0.464 and vested immediately. The options expire on 29 March 2014. The options were issued in satisfaction of the establishment fees payable under the Facility Agreement.

NOTE 20: ACCUMULATED LOSSES

	Consolidated	
	2011	**2010**
	$'000	**$'000**
Retained (accumulated loss)/earnings at the beginning of the financial year	(21,406)	191
Net loss attributable to the members of the company	(16,554)	(21,597)
Accumulated loss at the end of the financial year	(37,960)	(21,406)

NOTE 21: PARENT ENTITY

Summarised financial information in respect of the Parent Entity is set out below:

	Parent	
	2011	2010
	$'000	$'000
Financial Performance		
Loss for the year	(14,522)	(15,259)
Other comprehensive income	-	-
Total comprehensive loss	(14,522)	(15,259)
Financial Position		
Assets		
Current Assets	14,294	74,038
Non-Current Assets	213,220	143,274
Total Assets	227,514	217,312
Liabilities		
Current Liabilities	69,010	46,354
Total Liabilities	69,010	46,354
Net Assets	158,504	170,958
Equity		
Contributed equity	243,003	242,252
Accumulated losses	(105,123)	(90,601)
Reserves		
Equity benefits reserve	20,624	19,307
Total Equity	158,504	170,958

(a) Guarantees

No guarantees were entered into by the Parent in relation to the debts of its subsidiaries in respect of the year ended 30 June 2011 (2010: Nil).

NOTE 21: PARENT ENTITY (CONTINUED)

(b) Subsidiaries of Murchison Metals Ltd

	Country of Incorporation	Percentage Owned (%)	
		2011	2010
ATL Exploration Pty Ltd	Australia	100	100
MMX Investments Pty Ltd	Australia	100	100
Jack Hills Holdings Pty Ltd	Australia	100	100
MMX Port Holdings Pty Ltd	Australia	100	100
MMX Rail Holdings Pty Ltd	Australia	100	100
Weld Range Holdings Pty Ltd	Australia	100	100

(c) Commitments

Refer to Note 22 for commitments in respect of the Parent Entity.

NOTE 22: COMMITMENTS

(a) Capital expenditure commitments

	Consolidated		Parent	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Plant and Equipment				
Continuing operations:				
Within one year	88	3	88	3
After one year but no longer than five years	-	-	-	-
Longer than five years	-	-	-	-
	88	3	88	3
Joint venture:				
Within one year				
– exploration	20	-		
– corporate	5	27		
– mining	43	12		
– port	103	7		
– JHEP	4	-		
– transport	-	-		
After one year but no longer than five years	5	-		
Longer than five years	-	-		
	180	46		

NOTE 22: COMMITMENTS (CONTINUED)

(b) Capital expenditure commitments (continued)

	Consolidated	
	2011	2010
	$'000	$'000
Infrastructure		
Joint venture:		
Within one year		
– exploration	-	-
– corporate	12	4
– mining	-	5
– road	48	-
– port	3	-
After one year but no longer than five years	-	-
Longer than five years	-	-
	63	9

(c) Operating commitments

Operating commitments relate to the company offices, office equipment and vehicle rentals. These leases have an average life of three years:

	Consolidated		Parent	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Continuing operations:				
Within one year	425	274	425	274
After one year but no longer than five years	753	833	753	833
Longer than five years	-	-	-	-
	1,178	1,107	1,178	1,107
Joint venture:				
Within one year	423	379		
After one year but no longer than five years	1,145	81		
Longer than five years	-	-		
	1,568	460		

NOTE 22: COMMITMENTS (CONTINUED)

(d) Tenement commitments

Commitments for the tenements contracted for at the reporting date not recognised as liabilities:

	Consolidated		Parent	
	2011	2010	2011	2010
Continuing operations:	$'000	$'000	$'000	$'000
Within one year	196	181	196	181
After one year but no longer than five years	122	149	122	149
Longer than five years	11	12	11	12
	329	342	329	342

	Consolidated	
	2011 $'000	2010 $'000
Joint venture:		
Within one year	610	218
After one year but no longer than five years	2,480	478
Longer than five years	6,441	947
	9,531	1,643

(e) Other expenditure commitments

Mining operations

Commitments for the mining operations contractors and the haulage contractors under long-term contracts in existence at the reporting date but not recognised as liabilities payable:

	Consolidated	
	2011	2010
	$'000	$'000
Joint venture:		
Within one year	702	994
After one year but no longer than five years	-	1
Longer than five years	-	-
	702	995
Port Operations		
Joint venture:		
Within one year	163	196
After one year but no longer than five years	-	743
Longer than five years	-	-
	163	939

NOTE 22: COMMITMENTS (CONTINUED)

	Consolidated	
	2011	2010
	$'000	$'000
Exploration commitments		
Joint venture:		
Within one year	29	8
After one year but no longer than five years	-	-
Longer than five years	-	-
	29	8
Other commitments		
Joint venture:		
Within one year	30	-
After one year but no longer than five years	43	-
Longer than five years	-	-
	73	-

Remuneration

Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities payable:

Joint venture:		
Within one year	288	-
After one year but no longer than five years	-	-
Longer than five years	-	-
	288	-

NOTE 23: CONTINGENT LIABILITIES

Contingent liabilities at balance date include:

Chameleon Mining NL

On 29 November 2007, Chameleon Mining NL ("Chameleon") commenced legal proceedings in the Federal Court against Crosslands Resources Ltd ("Crosslands") and other respondents. Chameleon is 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.

On 20 October 2010, the Court 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. 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 20 October 2010. Murchison notes that it

NOTE 23: CONTINGENT LIABILITIES (CONTINUED)

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.

Justice Jacobson's decision made it clear that there is no claim to any future income or profits from the Jack Hills project.

On 4 February 2011, Chameleon was granted leave to appeal against Justice Jacobson's decision and Murchison and Crosslands were granted leave to cross appeal in respect of certain findings and orders. The Federal Court hearing of the appeals concluded on 17 August 2011. The Court reserved its decision.

Murchison has made a provision for $546,000 (Note 16) being equitable compensation of $277,840 plus interest at commercial rates on a compounding basis from 24 July 2004 to 20 October 2010. No other provisions have been made.

Equitable Investments

In November 2010, Equitable Investments Ltd ("EIL") commenced proceedings against Murchison in the NSW Supreme Court (Proceedings) asserting that it is entitled to the issue of 3.9 million shares and 1.9 million options in Murchison. The Proceedings relate to an agreement made in November 2003 for the sale and purchase of EIL's shares in ATL Exploration Ltd ("ATL").

By its defence (and a cross-claim), Murchison alleges that the ATL transaction was a breach of duty by the directors of Murchison at the time of the transaction in 2003. Murchison considers it has good prospects of defending the Proceedings and of succeeding in its recovery cross-claim. No provision has been made in the financial statements as Murchison is unable to determine if it is probable that an outflow of economic resources will occur.

Royalty Dispute

In April 2011, Crosslands reached agreement with the vendors of the Jack Hills tenements to settle a dispute over the calculation of a royalty which formed part of the purchase consideration for the tenements. According to the terms of the agreement, Crosslands agreed to pay the vendors $10 million (Murchison share $5 million) in cash for accrued outstanding royalties, interest and legal costs and the parties agreed that for the future, the royalty should be paid at the rate of 2.2% on revenue from beneficiated ores and 2.7% for DSO lump and fines.

NOTE 24: SEGMENT REPORTING

The Group has identified one operating segment which is mineral exploration and evaluation activities in Australia, based on the internal reports that are reviewed and used by the Managing Director and his management team in assessing performance and in determining the allocation of resources.

The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of the financial statements.

NOTE 25: CASH FLOW INFORMATION

(a) Reconciliation of net loss after tax to net cash flow from operations

	Consolidated	
	2011	**2010**
	$'000	**$'000**
Loss from ordinary activities	(16,554)	(21,597)
Non-cash flows in loss from ordinary activities:		
Depreciation	257	238
(Gain)/Loss on disposal of assets	(946)	130
Share based payments	1,317	4,530
Share issues for settlement of litigation	755	-
Unrealised foreign exchange (gain)/loss	(361)	9
Financing cost	1,104	-
Impairment write down	1,271	-
Share of loss from jointly controlled entities and assets	782	4,292
Changes in assets and liabilities:		
(Increase)/Decrease in trade and other receivables and prepayments	(1,935)	686
(Decrease)/Increase in trade and other creditors	(505)	2,974
Increase in provisions	2,115	81
Net cash flow used in operations	(12,700)	(8,657)

(b) Non-cash financing and investing activities

	Consolidated	
	2011	**2010**
	$'000	**$'000**
Settlement of Litigation	755	5,460
Borrowings expense	1,104	-
	1,859	5,460

NOTE 25: CASH FLOW INFORMATION (CONTINUED)

(c) Reconciliation of Cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	Consolidated	
	2011	2010
	$'000	$'000
Cash at bank and in hand	4,772	1,801
Short term deposits	7,628	71,609
	12,400	73,410

(d) Reconciliation of Cash

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods, depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is $12,400,000 (2010: $73,410,000).

(e) Financing facilities available

At reporting date, the following financing facilities had been negotiated and were available:

	Consolidated	
	2011	2010
	$'000	$'000
Total Facilities		
– Bank	750	750
– Private Equity Fund[1]	93,119	-
	93,869	750
Total Facilities used at reporting date		
– Bank	369	369
– Private Equity Fund[1]	23,047	-
	23,416	369
Total Facilities unused at reporting date		
– Bank	381	381
– Private Equity Fund[1]	70,072	-
	70,453	381

[1] Includes US$100 million loan facility which has been translated to A$ at month end rate of A$/US$ 1.0739, including the total facilities, total used and total unused. Refer to Note 17 for key terms of the facility.

NOTE 26: EVENTS SUBSEQUENT TO REPORTING DATE

As at the date of this report, no other matters or circumstances of which Directors are aware, other than those referred to in the financial statements or notes thereto, have arisen since the end of the financial year which significantly affect, or may significantly affect the operations, results or state of affairs of the Consolidated Entity in subsequent financial periods.

NOTE 27: RELATED PARTY TRANSACTIONS

(a) Equity interest in related parties

Equity interest in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 21 to the financial statements.

Interest in joint ventures

Details of interests in joint ventures are disclosed in Note 28 to the financial statements.

(b) Key Management Personnel compensation

Details of Key Management Personnel compensation are disclosed in Note 6 to the financial statements.

(c) Key Management Personnel equity holdings

Details of Key Management Personnel equity holdings are disclosed in Note 6 to the financial statements.

(d) Other transactions with Key Management Personnel (and their related entities)

Fees were paid to Director related entities in respect of their services. These amounts have been included in their compensation as disclosed in the Directors' report.

Murchison provided a short term salary advance to T Matthews of $302,500 during the financial year. The amount in full has been repaid subsequent to year end. No interest was payable on the salary advance. The benefit received by Mr Matthews as at 30 June 2011 was $5,904, being the commercial interest amount that would have been charged on the salary advance (7.2%). This amount has been included in Table 1 of the Remuneration Report under other short-term benefits paid(2010: Nil).

As stated in Note 17, on 16 March 2011 Murchison secured a US$100 million loan from Resource Capital Fund V LP which is a related party of Murchison for the purposes of AASB 124 *Related Party Disclosures* by virtue of James McClements being a director of Murchison and also a Partner of other entities within the Resource Capital Fund group.

The Facility was provided on commercial terms on an arms-length basis. Mr McClements abstained from any Board discussions on the Facility and was not involved in the negotiation process in his capacity as a Partner of Resource Capital Fund or as a Non-Executive Director of Murchison. Resource Capital Fund is not considered a related party for the purposes of the Corporations Act 2001(Cth).

NOTE 27: RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Loans to and from related parties

Murchison Metals Ltd recognised the following payable to Crosslands Resources Ltd.

	2011	2010
	$'000	$'000
Payable to joint venture		
Crosslands Resources Ltd	-	2,611

This loan is repayable on demand, does not attract interest and is unsecured. Murchison has repaid the loan in full during the current financial year.

NOTE 28: INTEREST IN JOINTLY CONTROLLED OPERATIONS AND ASSETS

The Consolidated Entity had the following interests in jointly controlled assets:

		Output Interest %	
Name of Operation	**Principal Activity**	**2011**	**2010**
Oakajee Port	Infrastructure	50[1]	50[1]
Oakajee Rail	Infrastructure	50[1]	50[1]
Tarraji	Mineral Exploration	10	10
Duck Hill	Mineral Exploration	50	50
Turtle	Mineral Exploration	50	65
Halls Creek	Mineral Exploration	10	10
Christmas Creek	Mineral Exploration	-	10

[1] The Group holds a 25% direct interest in Oakajee Port and Rail unincorporated joint ventures through MMX Port Holdings Pty Ltd and MMX Rail Holdings Pty Ltd respectively and an additional 25% indirect interest through Murchison's 50% interest in Crosslands Resources Ltd. The ownership structure results in Murchison holding a 50% economic interest in both OPR unincorporated joint ventures.

Mineral exploration joint ventures

These joint ventures are of the type where initially one party contributes tenements with the other party earning a specified percentage by funding exploration activities; thereafter, the parties often share exploration and development costs and output in proportion to their ownership of joint venture assets. There has been no activity in these tenements in the last financial year (2010: Nil) and there are no significant assets or liabilities to be disclosed for the year ended 30 June 2011 (2010: Nil).

Infrastructure joint ventures

The joint ventures are not separate legal entities. They are contractual arrangements between participants for the sharing of costs and outputs and do not in themselves generate revenue and profit.

NOTE 28: INTEREST IN JOINTLY CONTROLLED OPERATIONS AND ASSETS (CONTINUED)

Joint venture net assets

The Consolidated Entity's share of assets and liabilities in jointly controlled operations is detailed below. The amounts are included in the consolidated financial statements in their respective categories:

	Consolidated	
	2011	**2010**
	$'000	**$'000**
Non-current assets		
Exploration and Evaluation Expenditure	56,769	32,313

Capital commitments and contingent liabilities

Capital commitments and contingent liabilities arising from the Group's interest in the joint ventures are disclosed in Note 22.

NOTE 29: FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's principal financial instruments during the current year comprised of receivables, payables, available-for-sale investments, interest bearing loans and borrowings and cash and cash equivalents.

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate, foreign exchange and commodity prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, liquidity risk is monitored through development of future rolling cash flow forecasts.

Primary responsibility for identification and control of financial risks rests with the Board of Directors. The Board reviews and approves policies for managing each of the risks identified below.

a) Capital risk management

The Company and Group manage its capital to ensure it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Company and Group's overall strategy has changed since the prior year. The Company is currently undertaking a strategic review of the business to identify strategies to best realise the potential of the projects and maximise shareholder value. The capital structure of the Company and Group consists of equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in the Statement of Changes in Equity.

b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instruments are disclosed in Note 1 to the financial statements.

NOTE 29: FINANCIAL INSTRUMENTS (CONTINUED)

c) Categories of financial instruments

	Consolidated	
	2011	**2010**
	$'000	**$'000**
Financial assets		
Receivables and prepayments	1,468	995
Available-for-sale financial assets	2,000	2,000
Other financial assets	1,099	-
Cash and cash equivalents	12,400	73,410
	16,967	76,405
Financial Liabilities		
Trade and other payables	5,933	8,819
Interest bearing loans and borrowings	23,792	-
	29,725	8,819

d) Interest rate risk management

The Group is subject to interest rate risk exposure through its cash and cash equivalents. The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions and a mix of fixed and variable interest rates.

At Statement of Financial Position date, the Group had the following financial assets exposed to variable interest rate risk:

	Consolidated	
	2011	**2010**
	$'000	**$'000**
Financial assets		
Cash and cash equivalents	12,400	73,410
Net Exposure	12,400	73,410

Interest rate sensitivity

The sensitivity analyses below have been determined based on exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to Key Management Personnel and represents management's assessment of the possible change in interest rates. The Group's current interest bearing borrowing from Resource Capital Fund V has a fixed coupon rate of 10%, no interest rate sensitivity is applicable on this loan.

NOTE 29: FINANCIAL INSTRUMENTS (CONTINUED)

At the reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, post tax profit would have been affected as follows:

	Impact on Post Tax Profit Higher / (Lower) Consolidated	
	2011	**2010**
	$'000	**$'000**
+0.5% (50 basis points) (PY +0.5%)	62	367
-0.5% (50 basis points) (PY -0.5%)	(62)	(367)

The sensitivity is lower in 2011, compared to 2010 due to the decrease in the cash and cash equivalents balance.

e) Credit risk

Credit risk is managed on a Group basis. Credit risk predominantly arises from cash, cash equivalents and deposits with banks and financial institutions. Management mitigates some credit risk by using a number of different counterparties. The Group's maximum exposures to credit risk at balance date in relation to each class of recognised financial assets, other than derivatives, is the carrying amount of those assets as indicated in the Statement of Financial Position.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

	Consolidated	
	2011	**2010**
	$'000	**$'000**
Cash at Bank and Short Term Deposits		
Counterparties with external credit ratings	12,400	72,410
A1+	-	1,000
A1	12,400	73,410

f) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who built an appropriate framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

The following table details the Company and the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

NOTE 29: FINANCIAL INSTRUMENTS (CONTINUED)

f) Liquidity risk (continued)

	Consolidated 2011 $'000	Consolidated 2010 $'000
Less than one month	5,846	6,208
Later than one month and not later than three months	82	-
Later than three months and not later than one year	23,797	2,611
Later than one year and not later than five years	-	-
	29,725	8,819

Maturity analysis of financial assets and liabilities based on management's expectations:

Consolidated	Weighted Average Effective Interest Rate	Less than one month	Later than one month and not later than three months	Later than three months and not later than one year	Later than one year and not later than five years	Total
2011	%	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial Assets						
Non-interest bearing	-	1,468	-	1,099	2,000	4,567
Variable interest rate	5.5	6,787	5,613	-	-	12,400
		8,255	5,613	1,099	2,000	16,967
Financial Liabilities						
Non-interest bearing	-	(5,846)	(82)	(5)	-	(5,933)
Fixed interest rate	10.0	-	-	(23,792)	-	(23,792)
		(5,846)	(82)	(23,797)	-	(29,725)
Net maturity		**2,409**	**5,531**	**(22,698)**	**2,000**	**(12,758)**
2010	%	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial Assets						
Non-interest bearing	-	995	-	-	2,000	2,995
Variable interest rate	5.5	32,332	41,078	-	-	73,410
		33,327	41,078	-	2,000	76,405
Financial Liabilities						
Non-interest bearing	-	(6,208)	-	(2,611)	-	(8,819)
		(6,208)	-	(2,611)	-	(8,819)
Net maturity		**27,119**	**41,078**	**(2,611)**	**2,000**	**67,586**

The risks implied from the values shown in the table above, reflects a balanced view of cash inflows and outflows.

NOTE 29: FINANCIAL INSTRUMENTS (CONTINUED)

g) Net fair values

The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

NOTE 30: SHARE BASED PAYMENTS

a) Recognised share based payment expenses

The amount recognised for employee services received during the year and options issued to Resource Capital Fund V in respect of the US$100 million Facility Agreement are shown in the table below:

	Consolidated	
	2011	**2010**
	$'000	**$'000**
Expense arising from equity-settled share-based payment transactions in respect of:		
Directors and Employees	(632)	4,530
Resource Capital Fund V	1,949	-
Total share-based payment during the year	(1,317)	4,530

b) Type of share based payment plans – Directors and Employees

Directors

The objective in providing long term incentives is to reward Executive Directors in office at 30 June 2011 in a manner that aligns remuneration with the creation of shareholder value. Long term incentives may be provided to Executive Directors in the form of share options. Share options vest upon the achievement of performance targets. Executive Directors are able to exercise the share options after vesting until the set expiry date. There were no options issued to Executive Directors during the year ended 30 June 2011.

Executives

The objective in providing long term incentives is to reward Executives in a manner that aligns remuneration with the creation of shareholder wealth and ensures that continuity of the experienced Executive team is maintained during the critical phases of project development and financing. Long term incentives have been provided to Executives in the form of options under an Employee Incentive Plan. Under the plan, the options vest over periods of up to 2.5 years subject to meeting continuity of employment provisions, and subject to the Board's discretion. Executives are able to exercise the options after vesting until a set expiry date.

The Company does not use performance hurdles in assessing and granting options to Executives under the Employee Incentive Plan as the options are used as a retention mechanism.

NOTE 30: SHARE BASED PAYMENTS (CONTINUED)

In the event of the resignation or termination of employment of an option holder, the options granted and unvested lapse immediately, unless the Directors, in their absolute discretion, determine otherwise. In the event of redundancy of an option holder, the options granted and unvested vest immediately.

Employees

The objective of the long term incentives is to reward employees in a manner that aligns remuneration with the creation of shareholder wealth. Long term incentives to employees are delivered in the form of options under the Employee Incentive Plan. The options vest over periods of up to 2 years subject to continuity of employment of 12 months, and subject to the Board's discretion. Employees are able to exercise the options after vesting until the set expiry date.

In the event of the resignation, redundancy or termination of employment of an option holder, the options granted lapse immediately, unless the Board, at their absolute discretion, determine otherwise.

c) Type of share based payment plans – Resource Capital Fund V

Resource Capital Fund V was issued 4,200,000 Facility establishment options on 29 March 2011 under the terms of the Bridging Facility Loan Agreement entered into on 16 March 2011. The options have a fair value of $0.464 per option and an exercise price of $1.73. The options expire on 29 March 2014. There are no vesting restrictions in respect of the options. The options vested immediately upon issue. The options are exercisable into one fully paid ordinary share per option exercised. Upon exercise, the options will rank equally with existing fully paid ordinary shares.

d) Summaries of options granted under Executive and employee share option plans and options issued in relation to interest bearing loans and borrowings

	2011 No.	2011 WAEP	2010 No.	2010 WAEP
Outstanding at the beginning of the year	11,998,000	2.00	20,413,400	1.10
Granted during the year	5,142,000	1.44	9,200,000	1.98
Exercised during the year	-	-	(17,155,500)	0.87
Forfeited during the year [1]	(4,507,800)	1.99	(185,900)	1.73
Expired during the year	(100,000)	5.19	(274,000)	5.24
Outstanding at the end of the year	12,532,200	1.75	11,998,000	2.00

[1] Includes 4,500,000 options which were cancelled during the year due to non-fulfilment of vesting conditions.

NOTE 30: SHARE BASED PAYMENTS (CONTINUED)

The following share based payment arrangements were in existence during the current and comparative reporting periods:

Option Series	Expiry date	Exercise Price	Class of shares	Number under option
Series 1	30-Nov-10	5.19	Ordinary	100,000
Series 2	30-Jun-11	2.70	Ordinary	100,000
Series 3	30-Jun-11	3.96	Ordinary	100,000
Series 4	22-Aug-11	2.34	Ordinary	1,014,000
Series 5	22-Aug-11	0.94	Ordinary	47,000
Series 6	23-Sep-11	1.27	Ordinary	17,000
Series 7	15-Oct-11	0.81	Ordinary	21,000
Series 8[1]	18-Nov-11	2.00	Ordinary	4,500,000
Series 9	17-Feb-12	0.61	Ordinary	2,000
Series 10	26-Jun-12	1.56	Ordinary	1,691,400
Series 11	30-Jun-12	0.68	Ordinary	100,000
Series 12	18-Nov-12	1.25	Ordinary	200,000
Series 13	18-Nov-12	2.00	Ordinary	4,500,000
Series 14	24-Dec-13	-	Ordinary	667,000
Series 15	31-Dec-13	1.26	Ordinary	125,000
Series 16	31-Dec-13	-	Ordinary	90,000
Series 17	29-Mar-14	1.73	Ordinary	4,200,000
Series 18	31-Dec-14	-	Ordinary	60,000

[1] Cancelled at 31 December 2010 due to non-fulfilment of vesting conditions.

Vesting conditions

In accordance with the terms of the share based payment arrangements for Series 1 to 7, Series 9 to 11, Series 14 to 16 and Series 18, options vest upon employees serving a minimum retention period of between 6 months and 2.5 years.

In accordance with the terms of the share based payment arrangement for Series 12 which relate to options issued to Non-Executive Director Rod Baxter during the prior financial year as disclosed in Note 6 (b), the options have no vesting restrictions. The options were exercised during the financial year ended 30 June 2010.

In accordance with the terms of the share based payment arrangements for Series 8 and 13 which relate to grants to Trevor Matthews and Paul Kopejtka as disclosed in Note 6(b), options vest upon achievement of performance conditions which are linked to milestones for the Group including approval of positive bankable feasibility studies in respect of Stage 2 of the Jack Hills iron ore project and the Oakajee Port and Rail infrastructure project by no later than 31 December 2010 and the achievement of financial close in respect of Stage 2 of the Jack Hills iron ore project and the Oakajee Port and Rail infrastructure project by 31 December 2011. Series 8 milestones were not achieved by the target date of 31 December 2010 and accordingly, were cancelled during the financial year ended 30 June 2011. Series 13 milestones are not due to be met until 31 December 2011. However, in accordance with AASB 2 *Share Based Payments,* the option expense for the current and prior years has been reversed for Trevor Matthews as it is not probable at the reporting date that the vesting conditions will be met due to a number of commercial matters that remain to be resolved prior to the Board making a decision in respect of project go ahead for the project. The Series 13 options held by Mr Matthews will not be cancelled until it has been confirmed by the Board that the vesting conditions have not been satisfied by 31 December 2011.

NOTE 30: SHARE BASED PAYMENTS (CONTINUED)

The Series 13 options held by Paul Kopejtka automatically vested subsequent to year end on 3 July 2011 due to Mr Kopejtka being terminated from the position of Executive Chairman and assuming the position of Non-Executive Director. The options were not exercised and expired on 2 August 2011 being 30 days from the date of Mr Kopejtka's termination.

Series 17 options were issued to Resource Capital Fund V on 29 March 2011 in satisfaction of the establishment fee payable under the terms of the Bridging Facility Agreement entered into on 16 March 2011. Refer to Note 17 for a discussion of the Facility terms and conditions.

Weighted average fair value

The weighted average fair value of options granted during the year was $0.60 (2010: $0.82).

e) Option pricing model

The fair value of the equity-settled share options granted to employees or suppliers is estimated as at the date of grant using a binomial model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for the years ended 30 June 2011 and 30 June 2010:

	2011	2010
Risk-free interest rate (%)	5.01 – 5.65	4.47
Expected volatility (%)	80.00	80.00
Expected life of the option (years)	2.91 - 3.63	2.00 - 3.00
Option exercise price ($)	0.00 - 1.73	1.25 - 2.00
Weighted average share price at grant date ($)	1.07 - 1.46	1.76

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

f) Exercised during the financial year

There were no options granted under the Executive and Employee Incentive Plans that were exercised during the financial year.

g) Weighted average remaining contractual life

The weighted average remaining contractual life for the options outstanding as at 30 June 2011 is 1.8 years (2010: 1.5 years).

h) Range of exercise prices

The range of exercise prices for options outstanding at the end of the year was $0.00 – $3.96 (2010: $0.68 - $5.19).

NOTE 31: COMPANY DETAILS

Murchison Metals Ltd is a public company listed on the Australian Stock Exchange, incorporated and operating in Australia.

Registered office and principal place of business:

Level 1

5 Ord Street

WEST PERTH WA 6005

DIRECTORS DECLARATION

In accordance with a resolution of the Directors of Murchison Metals Ltd, I state that:

In the opinion of the Directors:

a) The attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Consolidated Entity;

b) The attached financial statements are in compliance with the International Financial Reporting Standards, as stated in Note 1 to the financial statements; and

c) Subject to matters discussed in Note 1, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2011.

On behalf of the Board

G. Martin

Mr Gregory Martin

Managing Director

Perth, 21 September 2011

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Perth WA 6000 Australia
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Independent auditor's report to the members of Murchison Metals Limited

Report on the financial report

We have audited the accompanying financial report of Murchison Metals Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

a. the financial report of Murchison Metals Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the remuneration report

We have audited the Remuneration Report included in pages 12 to 21 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Murchison Metals Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualifying our audit opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 1 to the financial report, there is significant uncertainty whether the consolidated entity will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they become due and payable and realise its assets and extinguish its liabilities in the normal course of operations and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Ernst & Young

Ernst & Young

Gavin Buckingham

G Buckingham
Partner
Perth
21 September 2011

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 16 September 2011.

1. DISTRIBUTION OF EQUITY SECURITIES

(i) Ordinary share capital

437,354,555 fully paid ordinary shares are held by 11,377 individual shareholders.

All issued ordinary shares carry one vote per share and carry the rights to dividends.

(ii) Options

16,993,563 options are held by 17 individual option holders.

Options do not carry a right to vote.

The number of shareholders, by size of holding, in each class is as follows:

Holdings Ranges	Fully paid Ordinary Shares	Options
1 - 1,000	275	-
1,001 - 5,000	2,368	-
5,001 - 10,000	1,796	2
10,001 - 100,000	4,253	4
100,001 - and over	2,685	11
	11,377	17

Holdings less than a marketable parcel: 1,817.

2. SUBSTANTIAL SHAREHOLDERS

TWENTY LARGEST HOLDERS OF QUOTED EQUITY SECURITIES

Ordinary Shareholders	Fully Paid No.	%
POSCO Australia Pty Ltd	60,567,000	13.85%
J P Morgan Nominees Australia Limited	41,115,185	9.40%
National Nominees Limited	28,499,894	6.52%
HSBC Custody Nominees (Australia) Limited	25,466,471	5.82%
Colbern Fiduciary Nominees Pty Ltd	25,114,408	5.74%
UBS Wealth Management Australia Nominees Pty Ltd	13,930,966	3.19%
Resource Capital Fund 111 L P	12,450,000	2.85%
Citicorp Nominees Pty Limited	9,455,593	2.16%
Mr Paul John Kopejtka & Mrs Karen Louise Kopejtka	7,240,000	1.66%
HSBC Custody Nominees (Australia) Limited-GSCO ECA	6,438,595	1.47%
Resource Capital Fund III L P	6,000,000	1.37%
HSBC Custody Nominees (Australia) Limited - A/C 2	5,059,359	1.16%
Bazhou City Hengji Strip Steel Co Ltd	4,965,000	1.14%
JP Morgan Nominees Australia Limited	4,622,343	1.06%
Hebei Qianjin Steel Group (Australia) Pty Ltd	4,192,857	0.96%
Warbont Nominees Pty Ltd	2,529,911	0.58%
Queensland Investment Corporation	2,173,524	0.50%
Mr Paul John Kopejtka	2,005,563	0.46%
Dr Charles Frater	2,000,000	0.46%
UBS Wealth Management Australia Nominees Pty Ltd	1,494,437	0.34%
	265,321,106	60.66%

3. INTEREST IN MINING TENEMENTS

Tenement	Project	Percentage interest
E04/1418	Tarraji	10%
E31/733	Duck Hill	50%
E46/903	Christie Crossing	100%
E47/952	Rocklea	100%
E47/1153	Rocklea	100% of iron ore rights
P47/1429	Rocklea	100%
E47/2366	Yandicoogina	100%
E69/2576	Earaheedy	100%
E69/2606	Earaheedy	100%
M04/399	Turtle	50%
M80/90	Halls Creek	10%
E08/2146	Paulsens	100%

CORPORATE GOVERNANCE

ASX Listing Rule 4.10.3 requires ASX listed companies to report on the extent to which they have followed the Principles of Good Corporate Governance and Best Practice Recommendations ("ASX Principles") released by the ASX Corporate Governance Council. The ASX Principles require the Board to carefully consider the development and adoption of appropriate corporate governance policies and practices founded on the ASX Principles.

The Company conducted an annual review of its Corporate Governance Policy, Board Charter, Audit and Risk Committee Charter and Remuneration Committee Charter. Details of the Company's compliance with the ASX Principles are set out below. A checklist, cross referencing the ASX Principles to the relevant section of this statement and the remuneration report, is provided on pages 107 to 110 of this report.

1. BOARD OF DIRECTORS

a) Board Composition

Under the Constitution, the Board shall comprise not less than three and not more than ten Directors. The Board currently comprises the Managing Director, four independent non-executive directors and three non-executive directors who are not regarded as independent .

The Board has an expansive range of relevant industry experience, financial and other skills and expertise to meet its objectives.

To ensure it has the right mix of management skills and technical expertise to meet the challenges of its business, the Board regularly reviews its composition. A review of the Board during the financial year ended 30 June 2011 resulted in the appointment of four new non-executive directors on 12 May 2011.

Details of the skills, experience and expertise of each Director in office as at the date of the Annual Report are set out in the Directors Report.

b) Board Responsibilities

The roles and responsibilities of the Board are formalised in a Board Charter. The Board Charter distinguishes between the matters that are reserved for the Board and its committees, and those that the Board has delegated to management. The Board is ultimately responsible to shareholders for the strategy and performance of the Company. It is the role of the Board to govern the Company rather than manage it.

The principal functions and responsibilities of the Board include the following:

- guiding the development of an appropriate culture and values for the Company through the establishment and review of Codes of Conduct and rules and procedures to enforce ethical behaviour;
- overseeing the development and implementation of appropriate strategies including:
  - (i) Working with the senior management team to ensure that an appropriate strategic direction and array of goals are in place;
  - (ii) Ensuring that an appropriate set of internal controls are implemented and reviewed regularly;
  - (iii) Overseeing planning activities including the development and approval of strategic plans, annual plans, annual corporate budgets and long-term budgets including operating budgets, capital expenditure budgets and cash flow budgets;
- ensuring corporate accountability to the shareholders primarily through adopting an effective shareholder communications strategy;
- ensuring robust and effective risk management, compliance and control systems (including legal compliance) are in place and operating effectively; and
- overseeing the Company's senior management and personnel including the terms of the appointment of any executive directors and ensuring appropriate succession plans are in place.

The Board Charter also contains a statement of the functions delegated to the Managing Director and the Company Secretary.

The Board Charter is available in the Corporate Governance section on the Company's website.

c) Director Independence

The independence of a Director is assessed by determining whether the Director is independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

The test of whether a relationship or business is material is based on the nature of the relationship or business and on the circumstances and activities of the Director. Materiality is considered from the perspective of Murchison, the persons or organisations with which the Director has an affiliation and from the perspective of the Director. Materiality thresholds are considered by the Board from time to time. The Board considers that:

- a material customer is a customer of Murchison which accounts for more than 5% of Murchison's consolidated gross revenue;
- a supplier is material if Murchison accounts for more than 5% of the supplier's consolidated gross revenue;
- a substantial shareholder of Murchison is a shareholder who holds greater than 5% of the voting capital of Murchison; and
- service on the Board for a period exceeding 10 years is a period which could, or could reasonably be perceived to materially interfere with a Director's ability to act in the best interests of the Company.

In the event that one of more of these thresholds is exceeded, the Board considers whether or not, in their view, the relevant circumstances materially impacts on the independent judgement of a Director.

Based on the criteria above, the Board considers that Mr Baxter, Mr Wasow, Mr Scott-Mackenzie and Ms Tough qualify as independent Directors.

d) Directors' Retirement and Re-election

The Constitution of the Company provides that:

- no Director except the Managing Director may hold office for a period in excess of 3 years, or beyond the third Annual General Meeting following the Director's election, whichever is the longer, without submitting himself or herself for re-election;
- at every Annual General Meeting one-third of the previously elected Directors, and if their number is not a multiple of three, then the number nearest to but not exceeding one third, must retire from office and are eligible for re-election; and
- a retiring Director is eligible for re-election without needing to give any prior notice of an intention to submit for re-election and holds office as a Director until the end of the meeting at which the Director retires.

e) Board Succession Planning

The Board reviews annually the size and composition of the Board and the mix of existing and desired competencies across members at least annually. The Board may engage an independent recruitment firm to undertake a search for suitable candidates.

f) Nominations and Appointment of New Directors

Recommendations for nomination of new Directors are made and considered by the Board as a whole after consideration of recommendations from the Remuneration and Nomination Committee. The Board considers Director appointments having regard to the skill base of current Directors, the requirements of the Board and the Company and the candidate's commercial experience, skills and other qualities. External consultants may be used from time to time to identify a wide base of potential Directors. Prior to the appointment of the new Directors, Murchison had a Nomination Committee. Upon appointment of the new Directors, the Committee was reconstituted as the Remuneration and Nomination Committee.

g) Board Performance Evaluation

The Board may conduct a performance evaluation of itself that:

(a) compares the performance of the Board with the requirements of its Charter;

(b) effects any improvements to the Board Charter and corporate governance principles and procedures deemed necessary or desirable; and

(c) includes a process for review of the performance of individual Directors and a review of the performance of the Chairman by the other members of the Board.

The general management and oversight of this process of performance evaluation, together with development of appropriate Board member performance assessment measures, is the responsibility of the Chairman. Primarily the evaluation will be carried out through consultation by the Chairman with individual Directors. The Nomination Committee of the Company considered the performance of the Board and Directors in determining to recommend the appointment of additional non-executive directors which occurred on 12 May 2011.

The Company has a formal performance appraisal system for all Executive employees.

h) Access to Professional Advice

Directors may, in carrying out their duties, seek external professional advice. Directors are required to inform the Chairman about the nature of the advice sought and the estimated cost of the advice. All Directors have the individual authority to commit the Company to up to $5,000 per annum in professional advice. If the cost of the advice is likely to exceed $5,000 the Director shall seek authority from the Chairman prior to obtaining the advice.

i) Conflicts of Interest

The Company has adopted Codes of Conduct for Directors and employees that deal with conflicts of interest.

Directors are required to disclose any actual or potential conflict or material personal interests that may or might be reasonably be thought to exist between the interests of the Director and the interests of the Company.

Directors are required to declare any conflict of interest when appointed or when a conflict subsequently arises. If a Director is unable or unwilling to remove a conflict of interest that Director must not be present when the matter is discussed or voted on by the Board.

The Code of Conduct for employees provides that:

- employees should not engage in activities or hold or trade assets that involve or could appear to involve a conflict between their personal interests and the interests of the Company;
- employees should not hold Directorships in publicly listed companies without the prior approval of the Company;
- employees should not hold positions in, or have relationships with, outside organisations that have business dealings with Murchison in the employee could influence these transactions; and
- employees must advise their manager of situations that could involve an actual or perceived conflict of interest.

j) Terms of Appointment, Induction Training and Continuing Education

Non-Executive Directors are provided with a Letter of Appointment setting out the key terms and conditions of the appointment, including duties, rights and responsibilities, the time commitment envisaged and the Board's expectations regarding their involvement with committee work.

The Chairman and/or Managing Director, with assistance from the Company Secretary, will provide an induction for new Directors appointed to the Board. All Directors are expected to maintain the skills required to discharge their obligations to the Company. Directors are encouraged to undertake continuing professional education and where this involves industry seminars and approved education courses, this is paid for by the Company, where appropriate.

k) Board Meetings

The Board meets formally to conduct appropriate business. The Board currently meets monthly and at other times as considered necessary.

The Chairman sets the agenda for each meeting in conjunction with the Managing Director and Company Secretary. Any Director may request additional matters be added to the agenda. Members of senior management attend meetings of the Board by invitation. Non-Executive Directors may meet as required without the Managing Director or management being present. Board papers are circulated in advance of the meetings in either electronic or hard copy form. Directors are entitled to request additional information where they consider the information is necessary to support informed decision-making.

The Board uses circulating resolutions in writing signed by all Directors to deal with matters requiring decisions between meetings.

l) Directors and Senior Management Remuneration

The Board, on advice from the Remuneration and Nomination Committee, determines the fees and salaries for all Directors and senior management. Remuneration for the Managing Director includes a Salary and other entitlements. Attendance at and participation in Board and Committee Meetings are considered among the duties of the Managing Director.

The actual remuneration paid to all Directors and the top five highest-paid Executives is detailed in the Directors' Report.

2. BOARD COMMITTEES

a) Board Committees and Membership

The Board currently has four standing committees to assist in the discharge of its responsibilities. These are the:

- Audit and Risk Committee;
- Remuneration and Nomination Committee;
- Finance and Strategy Committee; and
- Health, Safety, Technical, Environmental Committee.

All Board committee charters are reviewed periodically.

At the date of this report the membership of each Board committee comprises the following Non-Executive Directors:

Audit and Risk Committee	Remuneration and Nomination Committee	Finance and Strategy Committee
Mr Rodney Baxter (Chair) Mr Peter Wasow Mr James McClements	Ms Samantha Tough (Chair) Mr Ken Scott-Mackenzie Mr James McClements	Mr Peter Wasow (Chair) Mr James McClements Mr Gregory Martin

Health, Safety, Technical, Environmental Committee
Mr Ken Scott-Mackenzie (Chair) Mr Rodney Baxter Mr Gregory Martin

Committee members are chosen for the skills, experience and other qualities they bring to the committees. Executive Directors and Executives may attend Board committee meetings by invitation.

All papers considered by the standing committees are available on request to Directors who are not on that committee.

Following each committee meeting, generally at the next Board meeting, the Board is given a verbal update by the Chair of each committee. Minutes of committee meetings are made available to all Directors.

The Company Secretary or another Executive acts as secretary for each of the committees.

Other committees can be convened to address major transactions or other matters calling for special attention.

b) Audit and Risk Committee

The role of the Audit and Risk Committee is to assist the Board to meets its oversight responsibilities in relation to the Company's financial reporting, internal control structure, financial and operation risk management procedures and the internal and external audit function. In doing so, it is the Committee's responsibility to maintain free and open communication between the Committee and the external auditors and the management of Murchison.

The Audit and Risk Committee comprises a majority of independent directors.

The external auditors, the Non-Executive Chairman, the Managing Director, the Chief Operating Officer and the Chief Financial Officer attend committee meetings by invitation. The Committee meets at least twice a year.

Murchison's independent external auditor is Ernst and Young. Ernst and Young were appointed by shareholders at the 2005 Annual General Meeting in accordance with the Corporations Act.

The Board is satisfied that the policies of the Auditors with regards to audit rotation, ensures auditors independence.

c) Remuneration and Nomination Committee

The role of the Remuneration and Nomination Committee is to assist the Board by reviewing and making appropriate recommendations to the Board on:

- remuneration for the Managing Director and Executives; and
- employee incentive and equity based plans.

The Remuneration and Nomination Committee comprises three Non-Executive Directors.

The Committee's responsibilities include:

- review of the Company's *Remuneration Policy* and framework;
- review and determine remuneration and incentives for the Managing Directors and Executives;
- review short term incentives strategy, performance targets and bonus payments;
- review and make recommendations concerning long-term incentive compensation plans, including the use of share options and other equity-based plans;
- ensure that incentive plans are designed around appropriate and realistic performance targets that measure relative performance and provide rewards when they are achieved;
- continually review and if necessary improve any existing benefit programs established for employees;
- review performance assessment processes for Executives;
- regularly review the size and composition of the Board;
- establish procedures for the selection and appointment of new directors to the Board including identifying the skills required and represented on the Board and engaging a third party to conduct a search for candidates; and
- regularly review the succession plans in place for membership of the Board and Executives.

The Committee has authority, as it deems necessary or appropriate, to obtain advice from external consultants or specialists in relation to remuneration related matters.

The Managing Director and Executives may attend Committee meetings by invitation although no individual can be involved in deciding their own remuneration. The Committee meets at least once a year.

d) Finance and Strategy Committee

The role of the Finance and Strategy Committee of the Company is to consider and make recommendations to the Board with respect to:

- matters of strategic significance to the future direction of the Company including, without limitation, potential corporate transactions and asset level transactions;
- the Company's funding requirements including specific funding proposals;
- monitoring borrowings from financiers and compliance with borrowing covenants; and
- reviewing and making recommendations to the Board on the strategic direction, objectives and effectiveness of the Company's financial risk management policies.

e) Health, Safety, Technical, Environmental Committee

The role of the Health, Safety and Technical Committee of the Company is to:

- periodically review the appropriateness of the Company's Health and Safety and Environmental Policies having regard to changing circumstances;
- monitor the effectiveness of the Company's Health and Safety and Environmental Policies and Management Systems for the purpose of monitoring the effectiveness of those systems;
- monitor and review all aspects of the health and safety and environmental risks which are relevant to the Company's operations and operations in which the Company has an interest;
- review major initiatives and development and long term strategies in health and safety and environmental areas;
- monitor and review the development of the Company's Sustainability Management Framework and any associated public reporting; and
- monitor the Company's management of Community and Indigenous Affairs.

3. CONTROLLING AND MANAGING RISK

a) Approach to Risk Management

The Audit and Risk Committee is responsible for overseeing the implementation of the Company's Risk Management Policy by Executives. The Audit and Risk Committee ultimately reports to the Board.

The Company has a defined set of processes to effectively manage risk in the business. They include processes to:

- identify risks relevant to the business to determine what can happen, when and how;
- assess identified risks to determine their potential severity and impact on the business;
- evaluate risks;
- treatment plans for risks deemed unacceptable to the business;
- communicate risk management activities and processes to employees; and
- monitor and review risks, risk mitigation strategies and actions as well as the risk management processes and system.

The Executive Management Team is responsible for the development and implementation of policies, processes and procedures to identify risks and mitigation strategies in Murchison's activities. A management reporting system is in place to ensure risks and risk issues are reported on a regular basis and are escalated where necessary. Risks with levels higher than that acceptable to the business are mitigated through the development of appropriate risk treatment actions and plans.

All risks and risk treatment plans are recorded on the Company's risk register. Responsibility for implementing risk treatment plans is allocated to specific individuals.

The Executive Management Team attends monthly risk meetings to review the risk register, risk rankings and to identify any new risks that may have arisen. The outcomes of these meetings are noted in monthly management reports and are communicated to the Audit and Risk Committee and the Board on a regular basis.

b) Managing Director and Chief Financial Officer Assurance on Corporate Reporting

The Board receives monthly reports about the financial condition and operational results of Murchison and its controlled entities.

The Managing Director and Chief Financial Officer provide, at the end of each six monthly period, a formal statement to the Board confirming that the Company's financial reports present a true and fair view, in all material respects and the Group's financial condition and operational results have been prepared in accordance with the relevant accounting standards.

The statement also confirms the integrity of the Company's financial statements and notes to the financial statements, is founded on a sound system of risk management and internal compliance and control which implements the policies approved by the Board, and that Murchison's risk management and internal compliance and control systems, to the extent they relate to financial reporting, are operating efficiently and effectively in all material respects.

4. PROMOTING ETHICAL AND RESPONSIBLE BEHAVIOUR

a) Health and Safety

The Company is committed to providing a safe and healthy working environment for all staff. It considers that safety is a collective responsibility and ensures that regular training in safe working methods is undertaken and encourages participation and involvement in the development of workplace safety programs. Individual employees and employees of contractors are required to practice safe working habits, to take all reasonable care to prevent injury to themselves and their colleagues and to report all hazards and accidents.

New staff and contractors (where appropriate) are required to undergo an induction program to familiarise themselves with policies, procedures and work practices prior to commencing work. All staff are covered against injury under the various Workers Compensation Acts.

b) Codes of Conduct

The Company has adopted Codes of Conduct for Directors and Employees.

Directors must ensure they perform their duties in accordance with legal requirements and agreed ethical standards. These include the requirement to:

- act honestly, in good faith and in the best interests of the Company;
- use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office;
- act with a level of skill expected from Directors and key Executives of a publicly listed company;
- use the powers of office for a proper purpose, in the best interests of the Company as a whole;
- not take improper advantage of the position of Director or use the position for personal gain or to compete with the Company; and
- not take advantage of Company property or use such property for personal gain or to compete with the Company.

A copy of the Directors Code of Conduct is available in the Corporate Governance section of the Company's website.

The Company also has a Code of Conduct for employees to ensure its employees (and consultants and contractors) observe high standards of honesty, integrity and ethical behaviour in dealing with other employees, shareholders, contractors and other third parties. The code requires employees to:

- not discriminate against any staff member or potential employee;
- carry out their duties lawfully at all times;
- use the Company's assets responsibly;

- respect the confidentiality of the Company's business dealings; and
- take responsibility for their own actions and for the consequences surrounding their own actions.

The Code of Conduct for employees is available to employees on the Company's intranet.

c) Share Trading

Murchison's Share Trading Policy is binding on all Directors and Executives. The objectives of the policy are to:

i. minimise the risk of Directors and Executives of the Company contravening the laws against insider trading;
ii. ensure the Company is able to meets its reporting obligations under the ASX Listing Rules; and
iii. increase transparency with respect to trading in securities of the Company by Directors and Executives.

The policy provides a brief summary of the law on insider trading and what constitutes "price sensitive information". The policy also prescribes "blackout periods" when Directors and Executives should not, in the absence of exceptional circumstances, trade in the Company's securities. Subsequent to year end, the Company amended the share trading policy prohibiting Directors and Executives from entering into a margin loan or similar arrangement in relation to the Company's securities.

A copy of the Company's Share Trading Policy is available in the Corporate Governance section of Murchison's website.

5. CONTINUOUS DISCLOSURE

Murchison is committed to maintaining a level of disclosure that meets the highest standards and provides all investors with timely and equal access to information.

Murchison's Continuous Disclosure Policy reinforces Murchison's commitment to ASX continuous disclosure requirements and outlines management's accountabilities and the processes to be followed for ensuring compliance. The policy also describes Murchison's guiding principles for market communications.

A copy of the Continuous Disclosure Policy is available in the Corporate Governance section of Murchison's website.

6. SHAREHOLDER COMMUNICATIONS AND PARTICIPATION

Murchison is committed (subject to commercial and confidentiality constraints) to maintaining direct, open and timely communications with all shareholders and encouraging their participation at general meetings. Similarly, prospective new investors are entitled to be able to make informed investment decisions when considering the purchase of shares in Murchison.

A wide range of communication approaches are employed including direct communications with shareholders and presentations to shareholders at the Company's Annual General Meeting. Publication of all relevant company information, including the Company's Annual Report is in the Investor Information section of Murchison's website at www.mml.net.au. Shareholders are also given the opportunity to receive information in print or electronic format.

Murchison's Shareholder Communication Policy provides that the Company will communicate effectively with its shareholders and give shareholders ready access to balanced and understandable information about Murchison. It does this by:

- ensuring that financial reports are prepared in accordance with applicable laws;
- ensuring the disclosure of full and timely information about Murchison's activities in accordance with the general and continuous disclosure principles of the ASX Listing Rules and the Corporations Act 2001. This includes reporting quarterly, half yearly and annually on the activities and prospects of the Company;
- the Non-Executive Chairman and Managing Director reporting to shareholders at the Company's Annual General Meeting;
- placing all ASX announcements (including quarterly reports and financial reports) on Murchison's website as soon as practicable following release; and

- ensuring that reports, notices of meeting and other shareholder communications are prepared in a clear and concise manner.

A copy of the Shareholder Communication Policy is available in the Corporate Governance section of Murchison's website.

CORPORATE GOVERNANCE REVIEW
30 JUNE 2011

Unless otherwise noted, references to "sections" in the table below are references to sections of the Corporate Governance Report:

Principle	Details	Comments
1.	**Lay solid foundations for management and oversight**	
	Companies should establish and disclose the respective roles and responsibilities of board and management.	
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Comply - refer section 1b
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Comply - refer Remuneration Report in Directors Report
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	Comply - the information is provided in sections 1a and 1b and the Remuneration Report
Principle	**Details**	**Comments**
2.	**Structure the Board to add value**	
	Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.	
2.1	A majority of the board should be independent directors.	The Board structure does not comply (although a majority of Non-Executive Directors are independent). The Board is satisfied there is an appropriate mix of skills and experience in the current Board and the composition of the Board is adequate to enable it to discharge its responsibilities and duties.
2.2	The chair should be an independent director.	Comply -refer section 1a.
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Comply - the Company has a separate Non-Executive Chair and Managing Director
2.4	The board should establish a nomination committee.	The Company complies with this principle. Refer to section 1f and 2c.
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Comply - refer sections 1f and 2c
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	Comply - refer to Directors' Report

Principle	Details	Comments
3.	**Promote ethical and responsible decision making**	
	Companies should actively promote ethical and responsible decision-making.	
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Comply - refer section 4b
3.2	Companies should establish a policy concerning trading in company securities by Directors, Executives and employees, and disclose the policy or a summary of that policy.	Comply - refer section 4c
3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Comply - refer sections 4b and 4c
Principle	**Details**	**Comments**
4.	**Safeguard integrity in financial reporting**	
	Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.	
4.1	The board should establish an audit committee.	Comply - refer sections 2a and 2b
4.2	The audit committee should be structured so that it: • consists only of non-executive directors • consists of a majority of independent directors • is chaired by an independent chair, who is not the chair of the board • has at least three members.	Comply - refer sections 2a and 2b
4.3	The audit committee should have a formal charter.	Comply - refer section 2a
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Comply - refer Directors Report

Principle	Details	Comments
5.	**Make timely and balance disclosure**	
	Companies should promote timely and balanced disclosure of all material matters concerning the company.	
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those polices or a summary of those policies.	Comply - refer section 5
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Comply - refer section 5
Principle	**Details**	**Comments**
6.	**Respect the rights of shareholders**	
	Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.	
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclosure their policy or a summary of that policy.	Comply - refer section 6
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	Comply - refer section 6
Principle	**Details**	**Comments**
7.	**Recognise and manage risk**	
	Companies should establish a sound system of risk and oversight and management and internal control.	
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Comply -refer sections 2b, 3a and 3b
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Comply - refer section 3a
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Comply - refer section 3b

7.	**Recognise and manage risk (continued)**	
	Companies should establish a sound system of risk and oversight and management and internal control.	
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Comply - refer sections 3a and 3b
Principle	**Details**	**Comments**
8.	**Remunerate fairly and responsibly**	
	Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.	
8.1	The board should establish a remuneration committee.	Comply - refer section 2c
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and executives.	Comply - refer Remuneration Report
8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Comply - refer Remuneration Report