

27 April 2011

ACTIVITIES REPORT FOR THE QUARTER ENDED 31 MARCH 2011

**HIGHLIGHTS**

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**Murchison**

- Cash, liquid investments and undrawn loan facilities of \$116 million at quarter end
- US\$100 million finance facility executed with Resource Capital Funds
- Net profit of \$3.3 million reported for six months ended 31 December 2010
- Extension of time under Oakajee State Development Agreement finalised and executed
- Debt funding presentations made to key Export Credit Agencies in Japan, South Korea and China

**Crosslands Resources Ltd (Murchison 50% Interest)**

- 299,778 tonnes shipped in rain-affected quarter
- Jack Hills Expansion Project Bankable Feasibility Study tracking to schedule
- Preferred flowsheet design selected incorporating two module concentrator configuration
- Foundation production case confirmed at +20mtpa concentrates (in addition to DSO)
- Scope for expansion to +30mtpa concentrates (plus DSO) via addition of a third concentrate production module
- Final plant site layout determined, including revised rail loop location and preferred design concept for the Integrated Waste Landform
- Favourable assessment for the JHEP under Commonwealth Environment Protection and Biodiversity Conservation Act – no further federal assessment required
- Drilling confirms additional Massive Iron Mineralisation/DSO targets at Brindal satellite deposit

**Oakajee Port and Rail (Murchison 50% Interest)**

- Deadline for completion of Implementation Agreements with the WA Government extended to 31 December 2011
- Environmental Protection Authority recommends approval of Oakajee terrestrial port and rail development projects
- Oakajee Bankable Feasibility Study tracking to schedule
- Negotiations with Foundation Customers regarding Supply Chain Agreements continued
- Comprehensive cost and schedule optimisation review commenced for the port and rail infrastructure

## ABOUT MURCHISON

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Murchison Metals Limited ("Murchison") is an Australian ASX listed company. Murchison is included in the S&P/ASX 200 Index.

Murchison is a 50% shareholder in Crosslands Resources Ltd ("Crosslands") which is the owner of the Jack Hills iron ore project located in the mid-west region of Western Australia. The remaining 50% of Crosslands is held by Mitsubishi Development Pty Ltd ("Mitsubishi"), a subsidiary of Mitsubishi Corporation, Japan's largest general trading company.

Murchison also has a 50% economic interest in an independent infrastructure business, Oakajee Port and Rail ("OPR"). OPR was established to construct new port and rail infrastructure to provide logistics services to miners (including Crosslands) and other potential customers in the mid-west region of WA. The remaining 50% economic interest in OPR is held by Mitsubishi.

Further details of the activities of Crosslands and OPR in the March quarter appear below.

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

## CORPORATE

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As at 31 March 2011, Murchison had cash and liquid investments of \$16 million, in addition to US\$100 million in undrawn funding available under the Bridging Finance Facility provided by Denver-based Resource Capital Funds ("RCF"). RCF manages resources-focused private equity funds, one of which is a major long term shareholder in Murchison. The RCF facility was formally executed on 16 March 2011.

Interest earned on investments for the quarter amounted to \$0.9 million. The cash outflow for the quarter includes amounts paid to Crosslands and OPR of \$12.1 million to finance feasibility studies and exploration costs, including optimisation of the technical engineering study for the OPR infrastructure project, ongoing production and flowsheet optimisation for the Jack Hills Expansion Project ("JHEP"), and resource definition and extension drilling. To date, more than \$380 million has been expended by Murchison and Mitsubishi on the world-class Oakajee and Jack Hills projects.

On 16 March 2011, Murchison reported an interim net profit of \$3.3 million for the half year ended 31 December 2011. This represented a significant improvement on the \$20.3 million net loss reported for the corresponding period of 2009, and reflected higher iron ore prices and continuing strong operating cashflows from the Jack Hills Stage 1 iron ore mine.

Progressing the Bankable Feasibility Studies ("BFS") for both the Oakajee infrastructure project and JHEP remained the key focus of activity during the March quarter. According to the revised schedules announced on 4 November 2010, completion of BFSs for both projects will occur in the June Quarter 2011, with first exports through the Oakajee port anticipated by early 2015.

On 2 March 2011, the WA Government agreed to grant an extension of time under the Oakajee State Development Agreement ("SDA") to complete detailed Implementation Agreements with the State for the Oakajee infrastructure project. The revised SDA was formally executed on 5 April 2011 and extended the deadline for completion of the Implementation Agreements from 31 March 2011 to 31 December 2011. The extension provides significant certainty to the development schedule for the project.

More details on both the Oakajee and Jack Hills projects are provided in the Crosslands and OPR sections of this report.

## **Banking and Finance**

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

Development of financing documentation, including further refinement of draft term sheets detailing proposed financial structures, continued during the quarter. The term sheets will provide the foundation for the ongoing development of financing arrangements for the mine and infrastructure projects.

Formal engagement with prospective debt providers also stepped up during the quarter, with Mitsubishi leading a debt road show in Asia during March. This road show primarily targeted major Export Credit Agencies ("ECAs") in Japan, South Korea and China. Preliminary feedback from the ECA road show was positive.

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

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

## **Chameleon Litigation**

Following the favourable Federal Court ruling handed down in October 2010 in the litigation commenced by Chameleon Mining against Murchison, Crosslands and others, Chameleon was granted leave to appeal the Court's decision on 4 February 2011. Murchison and Crosslands were also granted leave to cross appeal in respect of certain findings and orders. The Court also made an order sought by Murchison that the hearing of the appeals be expedited. The Appeal has been listed for hearing commencing on 8 August 2011. By agreement, the issue of costs as between Murchison/Crosslands and Chameleon was deferred. However, as a result of the orders made by the Court, and subject to the outcome of the Appeal, Murchison expects that Chameleon will ultimately be ordered to pay Murchison's/Crosslands' costs of the proceedings.

## **EXPLORATION**

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### **Rocklea Project (Murchison 100% interest)**

Murchison's Rocklea Project is located in the Pilbara region between the towns of Tom Price and Paraburdoo and is situated near existing and planned rail infrastructure.

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

### **CROSSLANDS RESOURCES LTD (MURCHISON 50% INTEREST)**

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

Stage 1 operations utilise contract mining, crushing and screening. Iron ore is transported to Geraldton by contract road haulage to ore storage and transfer facilities at the Port of Geraldton, ahead of shipment to customers.

The JHEP is targeting a substantial expansion of annual production capacity aimed at producing premium quality magnetite and hematite iron concentrates. Crosslands intends to utilise new port and rail infrastructure which OPR plans to develop in the mid-west region of Western Australia that will enable ore from the Jack Hills mine to be transported by rail for shipment from the new Oakajee port. To date more than \$165 million has been expended by Crosslands on the JHEP mine exploration and mine feasibility activities.

## STAGE 1 OPERATIONS

### Production Summary

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

Production Summary		Jun 10 Qtr	Sep 10 Qtr	Dec 10 Qtr	Mar 11 Qtr	Project to Date
Volume Waste	BCM	201,963	307,911	714,453	611,291	8,051,942
Volume Ore	BCM	88,143	79,242	57,644	6,676	1,666,462
Ore Mined	Tonnes	380,294	337,139	254,232	28,841	6,319,646
Ore Crushed	Tonnes	396,961	444,077	288,605	72,968	6,505,655
Ore Hauled to Port	Tonnes	437,035	429,335	396,636	270,615	6,045,462
Ore Shipped – lump	Tonnes	297,512	295,524	120,479	177,822	4,104,977
Ore Shipped – fines	Tonnes	119,043	181,620	247,562	121,956	1,908,772
Grade – lump	%Fe	62.6%	61.8%	62.4%	62.2%	64.4%
Grade - fines	%Fe	61.9%	61.7%	61.1%	62.1%	62.2%

Figure 1

Significant rainfall and flooding events at Jack Hills caused severe disruptions to mining, haulage and crushing operations during the March quarter. These weather-related disruptions, together with an ongoing focus on waste stripping related to the continuing cutback of the western pit wall, resulted in significantly reduced production and higher operating costs for the quarter. The average total operating cash cost, including haulage, shipping and royalties for the March Quarter was \$124/tonne<sup>1</sup>, compared to \$110/tonne in the previous quarter. These higher costs were offset by higher realised prices for both lump and fines due to renewed price and demand growth in Asia.

### Mining and Processing

Severe weather-related disruptions during the March quarter resulted in four weeks production being lost, primarily due to flooding which closed the access road to site and prevented deliveries of fuel, explosives and food for an extended period.

Production was also impacted by the focus on waste stripping in the T2 area using two excavators as part of the cutback of the western pit wall to provide access to ore for ongoing operations. Due to the lower ore tonnages extracted from the pit during this period, crushing activities were suspended for 12-weeks until mid April 2011. Shipments during this period were sourced from the crushed ore stockpiles.

Consequently, ore mined for the March quarter totalled only 28,841 tonnes or 6,676 bcm. The total mined volume for the quarter was 617,967 bcm, down from 772,097 bcm in the previous quarter due to fuel supply restrictions as a result of the access road flooding.

A total of 72,968 tonnes were crushed compared to 288,605 tonnes in the December quarter. The lump / fines crushed ratio for the quarter was 68:32.

Operations have since resumed to normal, with three excavator shifts per day operating by the end of March.

### Haulage

Crosslands hauled 270,615 tonnes of ore to Geraldton port during the March quarter, a significant reduction on the 396,636 tonnes hauled in the December quarter. This is primarily due to the temporary flooding-related closure of the haul road between Jack Hills and Cue. Ore was sourced primarily from the crushed ore stockpiles.

<sup>1</sup> All figures are expressed in Australian dollars unless stated otherwise

## Shipping

Shipping for the quarter consisted of five vessels totalling 299,778 tonnes of which 177,822 tonnes were DSO lump and 121,956 tonnes were DSO fines. This compares to 368,041 tonnes shipped in six vessels in the preceding quarter.

## Marketing and Sales

March quarter sales were to a mix of Asian customers with interest in both the DSO lump and fines presently available from Crosslands' Stage 1 operations and future concentrate supply from the JHEP. The average realised price per tonne of ore shipped by Crosslands during the quarter was \$152/tonne, a significant improvement over the \$138/tonne achieved in the preceding quarter, reflecting renewed demand and price growth in Asia. The average prices for lump and fines achieved by Crosslands during the quarter were \$164/tonne and \$141/tonne respectively, compared to \$144/tonne for lump and \$126/tonne for fines in the previous quarter. Consequently, Crosslands maintained an average cash margin of \$28/tonne, consistent with that achieved in the preceding quarter, despite the higher cash costs discussed earlier.

## JACK HILLS EXPANSION PROJECT

### Geology

Exploration activities during the March quarter included a continuation of infill and extension resource drilling at the satellite Brindal deposit. Recent drilling and mapping to the northeast of the Brindal Resource position has established two new Massive Iron Mineralisation ("MIM")/DSO targets for additional drilling.

1. Hole MHRC1568 intersected 16 metres @ 58% Fe from 112m to 128m downhole (approximately 100m vertical depth from surface). This hole is located some 700m to the north of the current Brindal resource drill holes and targeted a gravity anomaly. Additional drilling is required to assess the potential significance of the drill intersection (see Map 1 below and Tables 2 and 3);
2. Mapping a further 600 m along strike has highlighted a new MIM outcrop within the Brindal Gap area. Surface mapping has highlighted MIM (hematite) outcropping over a strike length of 135m. Further drilling has been planned to test the new target.

A metallurgical drilling program also commenced at the Jack Hills deposit during the quarter to provide mine blend and customer blend samples for ongoing testwork.

Resource definition RC drilling advanced 5097m for a total of 64 drill holes. Metallurgical and sterilisation drilling totalled 2171.1m and 68m respectively.

A detailed independent audit of the BFS resource model during the quarter confirmed Crosslands' confidence in the resource and the repeatability of technical work. As reported to the ASX on 23 September 2010, global in-situ Measured, Indicated and Inferred Mineral Resources at the Jack Hills project are estimated at 3.22 billion tonnes grading 32.3% Fe<sup>2</sup>.

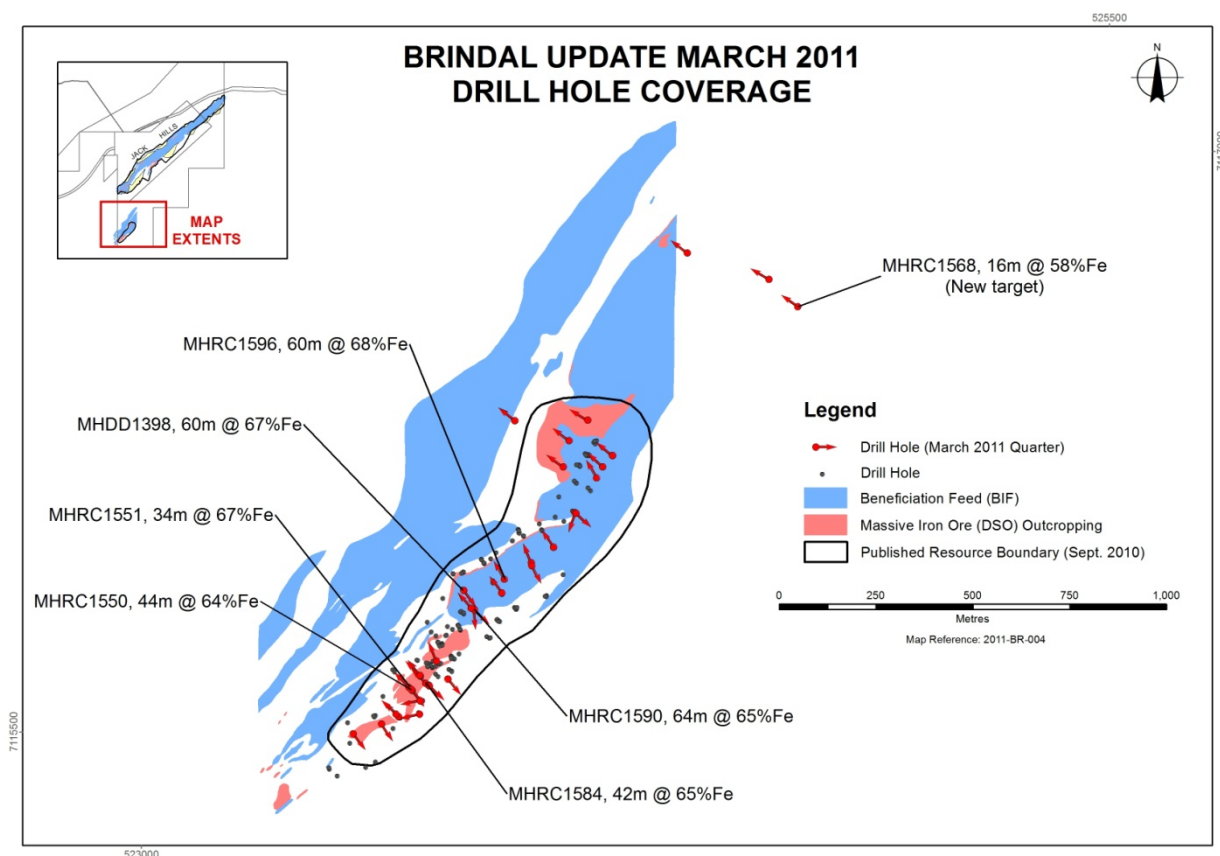
### Feasibility Study

Crosslands continued to progress its BFS for the JHEP with a further \$10 million expended during the March quarter. The BFS is on track for completion in the June Quarter 2011.

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<sup>2</sup> (Refer to Murchison ASX Announcement 23 September 2010 for full details of the Jack Hills Mineral Resource. Jack Hills tonnes are dry metric tonnes. The main Jack Hills Mineral Resource estimate is comprised of 902Mt of Measured at 32.3%Fe and 23.9%DTR, indicated of 1256Mt at 32.2%Fe and 28.1%DTR and inferred of 1060Mt at 32.3%Fe and 27.0%DTR. The Brindal Inferred Mineral Resource estimate is 11.1Mt at 46.5%Fe and 2.8%DTR.)

A significant milestone was achieved in March 2011 with the selection of a preferred flowsheet design that confirms the foundation production case for the JHEP. The flowsheet selection followed an extensive campaign of advanced metallurgical and process testwork to determine the optimum processing route, product mix and production profile.



Map 1

The selection process identified a two module concentrator configuration, each incorporating crushing, grinding, magnetic separation and gravity and flotation stages as the preferred processing route.

Each module will produce a premium grade magnetite pellet feed concentrate and a hematite sinter feed concentrate. JHEP concentrates will be premium quality products, with the magnetite pellet feed concentrate expected to average in excess of 68% Fe, and the hematite sinter feed concentrate expected to average in excess of 64% Fe.

DSO lump and fines will also be produced through a separate, dedicated plant. Domain variability flotation testwork is currently underway to validate fine hematite recovery outcomes in concentrate.

The two module flowsheet selected as the foundation BFS production case is expected to deliver an average annual production rate of +20 Mtpa of concentrates, in addition to DSO lump and fines production. Expansion to +30 Mtpa via the addition of a third module remains an option, subject to various factors including favourable market conditions.

Selection of the preferred flowsheet followed the development of a base-case mine schedule based on a 28 year mine life that seeks to normalise feed grades and deliver a consistent production level of sinter and pellet feed for marketing. Detailed mine planning is now underway. Work to date indicates an average life of mine waste:ore strip ratio of less than 1:1, and recovery of up to 75% of the contained iron in processed ore.

The naturally low alumina content of the Jack Hills resource will put JHEP products among the lowest alumina Fe products available on the global market.

Crosslands has already confirmed strong market demand for JHEP products, having secured Letters of Intent from top ranking steel mills in Japan, South Korea and China for the supply of over 55 mtpa of JHEP products.

Other significant BFS activity during the quarter included:

- Finalisation of the site layout incorporating the location of the processing plant, airfield, power station and other associated infrastructure. The final location of the rail loop was also determined following agreement with OPR. The site layout also incorporates the preferred design option for the Integrated Waste Landform ("IWL") based on a steepened beach concept. This revised site layout is expected to reduce operating costs by minimising waste haulage and double handling;
- Continuation of final design, engineering and cost estimation work towards the completion of the BFS;
- Negotiations with prospective gas suppliers to the JHEP. The base case for the BFS is premised on power for the mine being provided by an Independent Power Producer ("IPP") operating a gas-fired power station on site, fed via a gas lateral connected to the Dampier-Bunbury pipeline;
- Continuation of due diligence activities related to the establishment of a Supply Chain Agreement with OPR in 2011.

Significant regulatory licences and approvals progress was also achieved during the quarter, including:

- Crosslands referred the JHEP to the Commonwealth Department of Sustainability, Environment, Water, Population and Communities ("SEWPaC") for assessment under the Environment Protection and Biodiversity Conservation Act ("EPBC Act"). Subsequent to the end of the quarter, SEWPaC determined that the JHEP was not a controlled action and therefore does not require further assessment under the EPBC Act. State environmental approvals for the JHEP are anticipated in the September Quarter 2011;
- Discussions with the Department of Water and the Office of the Environmental Protection Authority ("EPA") are ongoing, with Crosslands anticipating it will have all necessary environmental and water extraction approvals necessary for financial closure in place in the September quarter;
- A gas pipeline licence application was lodged with the Department of Mines and Petroleum. The licence was granted on 4 April 2011;
- A review of the existing Mining Agreement with the Wajirri Yamatji people is ongoing with a number of meetings held during the March quarter. Negotiations are targeted for completion in the June Quarter 2011;
- A number of new heritage surveys were completed at Jack Hills and surrounding areas, despite limited access due to flooding caused by the adverse weather.

## Government

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

- Meetings with the State Minister for Planning; Culture and the Arts; Science and Innovation and the Commonwealth Minister for Broadband Communications and the Digital Economy in relation to the proposed band plan for the Mid West Radio Quiet Zone and Square Kilometre Array radio-astronomy project;
- Meetings with the Minister for the Environment; Water and the Office of the Environmental Protection Authority in relation to the Environmental Impact Assessment for the JHEP; and
- A project briefing for the Minister for Energy; Workforce Development and Indigenous Affairs.

Crosslands also continued to provide regular high-level briefings for senior officers from the Department of State Development.

## **Other**

Subsequent to the end of the quarter, 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 will pay the vendors \$10 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.

## **OAKAJEE PORT & RAIL (MURCHISON 50% ECONOMIC INTEREST)**

In March 2009 OPR signed a State Development Agreement ("SDA") with the Western Australian Government ("the State") granting OPR the exclusive right to develop the Oakajee port and associated northern rail infrastructure. At 31 March 2011, in excess of \$215 million had been spent on feasibility studies for the project. The WA Government and the Federal Government have also committed a total of \$678 million towards construction of Common User Infrastructure at the new port.

### **Project Activities**

During the quarter, work progressed toward completion of the BFS in the June Quarter 2011, although some geotechnical and hydrogeological drilling was delayed by the significant rains in the mid-west. A comprehensive cost and schedule optimisation review was also commenced with respect to the port and rail infrastructure.

### **Port Marine**

The 3D model testing of the breakwater continued at HR Wallingford (UK) focussing on the stability of the structure at different stages of construction and under the influence of different magnitude storm events. Also, as requested by the State, the cumulative effect of six successive 1 in 10 year storms was examined. Positive results from both sets of tests concluded the 3D testing. A modified design for the breakwater is also under consideration at the suggestion of the State.

In a separate testing basin at HR Wallingford, work commenced on wave agitation modelling to physically measure wave ingress into the port area for different wave regimes. This testing includes measurement of vessel mooring forces on vessels at berth. A peer review of all the wave analyses undertaken for the project is underway and is expected to be completed next month.

### **Port Landside**

Detailed planning continued in respect of the remaining works required to complete the BFS, with a significant focus on dust mitigation and a comprehensive materials handling testing program.

A comprehensive testing program was developed to address technical risks associated with materials handling. As part of this work, an engagement process has commenced with the customers to gain access to product samples to be used in the testing. Selection of the testing facilities is expected to occur early in the June Quarter 2011

### **Rail Engineering & Design**

A number of changes to the rail alignment have been considered in closing out issues with the Department of Mines and Petroleum, landholders and EPA. Further progress has been made with Foundation Customers in respect of the location of their processing facilities and hence the alignment of mine rail loops and spur lines. Several adjustments to the Nomination Corridor were required.



Design of the level crossings and associated road realignments have been undertaken and submitted to Main Roads WA for the department's approval. This also provides information for the next round of consultation with Shires regarding road closures as well as crossings.

A report on the joint work with CSIRO on the proposed rail communications solution has undergone several revisions to achieve agreement with the CSIRO. This is a prerequisite to seeking in-principle agreement for OPR to be granted suitable mobile communications frequencies by the Australian Communications and Media Authority.

### **Native Title & Heritage**

With the full port surveys being undertaken last quarter, a review of consultants' reports was undertaken following the ethnographic and archaeological surveys. Full clearance ethnographic and archaeological studies continued along the proposed rail alignment, working around the Chapman Valley and north of Mullewa areas. Ongoing survey results are being reported and will enable preparation and lodgement of the required section 18 applications.

Formal Native Title negotiations commenced during the quarter and are continuing.

### **Environment**

A number of significant milestones were achieved during the March quarter.

On 14 March 2011 the EPA released its report and recommendations to the Minister for the Environment (EPA Reports 1387 and 1388) covering the Oakajee port terrestrial and rail developments. The EPA recommended that both proposals be approved. At the close of the subsequent appeal period, the Office of the Appeals Convenor had not received any third party appeals. Two appeals were lodged by OPR which are primarily of an administrative nature and are not intended to amend key objectives of the environmental obligations proposed by the EPA. Final State Ministerial approvals for the port terrestrial and rail developments are expected in mid 2011.

At the Federal level OPR has continued to work collaboratively with SEWPaC with respect to managing matters of national environmental significance protected under the EPBC Act that have the potential to be impacted by the Oakajee Project.

Noting the proposed mitigation package for Carnaby's Black Cockatoo and the limited impacts to other matters of national environmental significance, SEWPaC determined that the port terrestrial development should be subject to a low level of assessment. This development will be subject to a "Preliminary Documentation Level of Assessment" with approvals expected in mid 2011.

With respect to the port marine EPBC Act referral, it is anticipated that this will also be subject to a low level of assessment, with approval expected in mid 2011. Commonwealth approval for the rail development is also expected in the second half of 2011.

### **Government**

During the quarter, the State agreed to grant an extension of time under the State Development Agreement ("SDA") to finalise detailed Implementation Agreements between OPR and the State for the Oakajee infrastructure project. As announced on 2 March 2011, the date specified in the SDA for completing the Implementation Agreements has been extended from 31 March 2011 to 31 December 2011. Negotiations with the State with respect to the Implementation Agreements are progressing with the intention of finalising key terms by mid 2011.

### **Customer and Operational Development**

During the quarter, OPR continued to engage with the selected Foundation Customers, Sinosteel Midwest (Weld Range project), Karara Mining (Karara project) and Crosslands Resources (Jack Hills project).

The SCAs contain a detailed framework under which port and rail access will be made available to Foundation Customers, including the operating protocols, capacity management and tariff pricing provisions.

In February, OPR facilitated a series of workshops with Foundation Customers, designed to assist development of the SCA. The workshops focused on the delivery and operation of the port and rail infrastructure as well as capacity management and commercial framework.

OPR will continue the detailed operational and commercial dialogue with Foundation Customers with the objective of finalising the SCAs by mid 2011. This is expected to include further due diligence activities by OPR and the Foundation Customers on their respective projects.

OPR continues to meet with other iron ore and mineral resource companies within the mid-west to discuss prospective access to the port and rail infrastructure.

**For further information, please contact:**

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***Competent Persons' Statement***

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

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

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

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

## Significant Intersections from Brindal Drill Hole results in the March 2011 Quarter

Hole ID	From	To	Width	Mag	Fe	SiO2	MgO	LOI1000	P
	(m)	(m)	(m)	%	%	%	%	%	%
MHDD1398	114.38	174.71	60	2.3	67.6	1.0	0.12	1.11	0.048
MHRC1542	0	12	12	1.6	63.0	5.7	0.03	1.99	0.019
MHRC1548	NSI								
MHRC1549	NSI								
MHRC1550	0	44	44	1.5	63.7	4.4	0.02	2.07	0.036
MHRC1551	0	34	34	1.5	66.8	2.3	0.02	0.77	0.009
MHRC1552	2	16	14	1.6	56.7	8.7	0.10	5.18	0.043
MHRC1553	NSI								
MHRC1554	NSI								
MHRC1558	4	28	24	1.5	55.8	16.0	0.05	1.87	0.019
MHRC1561	NSI								
MHRC1562	30	57	27	1.2	60.9	9.5	0.02	1.17	0.015
MHRC1564	30	46	16	1.4	59.5	6.8	0.02	2.85	0.025
MHRC1565	NSI								
MHRC1568	112	128	16	1.7	58.4	10.9	0.05	2.42	0.058
MHRC1570	NSI								
MHRC1573	NSI								
MHRC1575	0	32	32	1.2	55.9	10.4	0.04	4.56	0.028
MHRC1580	NSI								
MHRC1581	0	14	14	3.7	63.0	4.6	0.06	2.42	0.027
MHRC1582	6	16	10	2.5	60.6	5.1	0.05	3.90	0.054
MHRC1583	NSI								
MHRC1584	0	42	42	2.3	64.7	4.6	0.03	1.22	0.024

## Significant Intersections from Brindal Drill Hole results in the March 2011 Quarter

MHRC1585	0	22	22	1.6	62.8	4.6	0.07	2.79	0.034
MHRC1586	0	16	16	1.6	59.3	6.0	0.03	4.87	0.060
MHRC1587	0	28	28	2.4	64.1	3.4	0.04	2.41	0.089
MHRC1588	0	22	22	3.2	63.9	4.6	0.03	1.26	0.022
MHRC1589	NSI								
MHRC1590	38	102	64	1.5	64.6	3.5	0.03	1.60	0.032
MHRC1591	26	44	18	2.1	58.4	10.6	0.02	2.25	0.030
MHRC1592	62	78	16	1.3	57.3	10.8	0.03	3.45	0.069
	104	118	14	2.8	58.2	7.7	0.22	2.72	0.048
MHRC1593	NSI								
MHRC1594	NSI								
MHRC1595	66	92	26	2.2	67.0	2.2	0.03	0.70	0.023
MHRC1596	72	132	60	2.4	68.3	1.2	0.04	0.42	0.060
MHRC1597	54	76	22	1.3	64.0	4.1	0.01	1.27	0.022
	90	104	14	2.3	67.7	1.2	0.09	0.56	0.022
MHRC1598	70	80	10	1.4	58.7	13.7	0.02	0.69	0.009
* NSI - No Significant Intersections									

*Table 2*

## All Brindal Drill Hole Assays received in the March Quarter 2011

Hole ID	Drill Type	Easting	Northing	RL	EOH	Avg. Dip	Avg. Azi
MHDD1398	DD	523832	7115866	538	201	-53.5	144.2
MHRC1542	RC	523761	7115684	507	84	-49.7	337.4
MHRC1548	RC	523547	7115495	475	90	-48.2	143.8
MHRC1549	RC	523690	7115616	502	48	-48.4	316.7
MHRC1550	RC	523699	7115607	502	90	-50.2	143.2
MHRC1551	RC	523696	7115610	502	90	-74.9	141.3
MHRC1552	RC	523791	7115637	497	102	-49.4	140.8
MHRC1553	RC	523964	7116304	524	148	-56.0	309.0
MHRC1554	RC	524216	7116214	588	60	-74.8	309.8
MHRC1558	RC	524089	7116185	580	60	-50.8	305.7
MHRC1561	RC	524151	7116305	576	66	-56.6	301.7
MHRC1562	RC	524104	7116253	576	57	-49.2	307.0
MHRC1564	RC	524175	7116157	583	60	-64.6	330.2
MHRC1565	RC	524192	7116185	589	66	-83.8	311.7
MHRC1568	RC	524694	7116599	522	174	-48.5	304.6
MHRC1570	RC	524620	7116670	539	114	-48.4	301.0
MHRC1573	RC	524409	7116738	590	150	-49.0	307.6
MHRC1575	RC	523720	7115580	493	60	-50.7	260.6
MHRC1580	RC	523719	7115546	486	58	-50.8	257.0
MHRC1581	RC	523620	7115521	469	34	-50.8	147.5
MHRC1582	RC	523664	7115539	479	58	-90.0	315.0
MHRC1583	RC	523658	7115547	479	46	-52.3	313.1
MHRC1584	RC	523735	7115626	501	58	-50.8	315.0
MHRC1585	RC	523742	7115621	501	46	-84.2	135.0

### All Brindal Drill Hole Assays received in the March Quarter 2011

MHRC1586	RC	523744	7115619	501	34	-49.2	135.0
MHRC1587	RC	523721	7115644	508	28	-84.3	320.0
MHRC1588	RC	523719	7115646	508	52	-50.0	315.0
MHRC1589	RC	523858	7115817	521	58	-89.4	174.2
MHRC1590	RC	523860	7115816	521	118	-56.6	134.9
MHRC1591	RC	523853	7115820	521	70	-51.5	319.6
MHRC1592	RC	523930	7115859	523	154	-71.5	323.8
MHRC1593	RC	524064	7115976	535	118	-67.7	327.1
MHRC1594	RC	524006	7115938	533	94	-62.8	337.4
MHRC1595	RC	524007	7115930	533	118	-64.4	153.4
MHRC1596	RC	523937	7115896	533	132	-72.2	330.3
MHRC1597	RC	524120	7116067	557	118	-88.2	199.9
MHRC1598	RC	524122	7116065	557	94	-50.4	133.4

*Table 3*

# Appendix 5B

## Mining exploration entity quarterly report

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

Name of entity

Murchison Metals Limited

ABN

38 078 257 799

Quarter ended ("current quarter")

31 March 2011

### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (9 months) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(4,862)	(20,745)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(3,671)	(10,076)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	377	2,059
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other	-	-
	<b>Net Operating Cash Flows</b>	<b>(8,156)</b>	<b>(28,762)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	(7,150)	(26,000)
	(c) other fixed assets	(16)	(20)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other	-	-
	<b>Net investing cash flows</b>	<b>(7,166)</b>	<b>(26,020)</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(15,322)</b>	<b>(54,782)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(15,322)	(54,782)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (loans from controlled entities)	-	(2,608)
	<b>Net financing cash flows</b>	-	(2,608)
	<b>Net increase (decrease) in cash held</b>	(15,322)	(57,390)
1.20	Cash at beginning of quarter/year to date	31,342	73,410
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	16,020	16,020

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	586
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions  
 Payments for services received by the company from the directors.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

**Financing facilities available**

+ See chapter 19 for defined terms.



*Add notes as necessary for an understanding of the position.*

	Amount available \$'000	Amount used \$'000
3.1 Loan facilities	US\$100,000	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	8,800
4.2 Development	-
4.3 Production	-
4.4 Administration	3,500
<b>Total</b>	<b>12,300</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	2,745	1,607
5.2 Deposits at call	13,275	29,737
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>16,020</b>	<b>31,344</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	E46/876 E46/880	Registered Applicant Registered Applicant	100% 100%	0% 0%
6.2 Interests in mining tenements acquired or increased				

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	435,884,268	435,884,268		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
	100,000		396c	Jun 11
	100,000		270c	Jun 11
	968,000		234c	Aug 11
	47,000		94c	Aug 11
	21,000		81c	Oct 11
	1,562,000		156c	Jun 12
	100,000		68c	Jun 12
	4,500,000		200c	Nov 12
	757,000		0c	Dec 13
	125,000		126c	Dec 13
7.8 Issued during quarter	0	0		
7.9 Exercised during quarter	0	0		
7.10 Expired during quarter	0	0		
7.11 Debentures <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	Unsecured notes (totals only)		
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## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: ..... Date: 27 April 2011

Print name: Chris Foley

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 Accounting Standards ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.