

Our Ref: 00834358

28 March 2011

Mr N Ong  
ASX Compliance Pty Ltd  
Level 8, Exchange Plaza  
2 The Esplanade  
PERTH WA 6000

Dear Sir

I refer to your letter dated 23 March 2011 (**ASX Letter**).

Murchison Metals Ltd (**Murchison** and the **Company**) (ASX: MMX) confirms that it has at all times complied with its continuous disclosure obligations under the ASX Listing Rules, particularly in relation to the status of, and estimated capital costs associated with, the development of the integrated open access multi user deep water port and integrated rail network (**Oakajee Project**) of Oakajee Port & Rail (**OPR**), of which Murchison holds a 50% economic interest. Mitsubishi Development Pty Ltd (**MDP**) holds the remaining 50% economic interest in OPR, and together, Murchison and MDP are referred to in this letter as the OPR joint venture participants (**JVPs**).

The Company's announcement dated 22 March 2011 referred to in the ASX Letter (**Announcement**) was released in response to media speculation about the capital cost estimate for the Oakajee Project which Murchison believed had the capacity to create a false market.

The purpose of the Announcement was to clarify that the capital cost estimate referred to in the media was speculative, and that any attempt to reliably estimate the likely final capital cost of the Oakajee Project prior to completion of a bankable feasibility study (**BFS**) is premature and should not be relied on by shareholders.

In respect to the specific questions referred to in the ASX Letter, the Company responds as follows:

1. **When did the company become aware of the budget and engineering study completed for the Oakajee Port and Rail infrastructure project resulted in an indicative capital cost of \$5.24 billion, inclusive of all common user infrastructure?**

Murchison first became aware of the indicative capital cost estimate contained in the budget and engineering study (**Technical Study**) during an OPR management briefing of the JVPs on 19 November 2010. The Technical Study was subsequently provided to Murchison on 30 November 2010. The Technical Study comprises one of a number of work streams being conducted by OPR in parallel as part of the BFS.

It is important to note that:

- the Technical Study comprised part of the first version of the BFS issued to the JVPs (including Murchison) for the purpose of review and comment. The content of the Technical Study itself remains subject to further optimisation and refinement, and as such, has not yet been approved by the OPR management committee or the JVPs.

- the Technical Study was prepared for the management purposes of both OPR and the JVPs to assist in:
  - advancing certain key project parameters and requirements for the BFS;
  - further refinement of the contracting and procurement strategy to be applied in relation to the Oakajee Project;
  - early discussions between the JVPs and financiers in relation to indicative debt funding requirements for the development of the Oakajee Project;
  - evaluation by the JVPs of the approximate equity funding requirements of the Oakajee Project, and the potential sources of those funds; and
  - providing information relevant to commercial and technical discussions ongoing with potential foundation customers of the Oakajee Project.
- the Technical Study makes a number of assumptions with regards to OPR's customer base, capacity allocations, stockyard layout, product and customer mix, materials product handling characteristics and requirements, train sets required to move material and on the outcome of necessary approvals and authorisations which are necessary for the Oakajee Project design to be finalised. Until many of these matters are sufficiently advanced (in particular, matters such as capacity allocations, supply chain agreements and key Government agreements), the assumptions made in the Technical Study remain hypothetical in nature.
- negotiations with the Western Australian state government in relation to certain aspects of the development and operation of the Oakajee Project remain ongoing. These negotiations have the capacity to materially affect the final development and operating costs of the Oakajee Project.
- the draft cost estimate contained in the Technical Study was based on the assumptions referred to above. Changes to these assumptions may have a material impact (positive or negative) on the indicative cost estimate conclusions contained in the study.

Murchison announced the delivery of the Technical Study to the JVPs in its 31 December 2010 quarterly report released to ASX on 27 January 2011 (**December Quarterly Report**). Relevantly, the December Quarterly Report notes that:

- “the [Technical Study] is being reviewed by the Joint Venture Participants and is undergoing further optimisation pending input from the Foundation Customers”;
- “work progressed on an alternative stockyard design to potentially further optimise the project economics. Assessment of this option will be completed in the first quarter of 2011. Additional studies will also be undertaken during the first quarter of 2011 to further optimise and refine the design of the materials handling facility.”

The December Quarterly Report also notes the ongoing work associated with the breakwater, the rail and engineering design, environmental considerations and understanding its customer requirements all of which may impact upon the technical design, and hence estimated capital cost, of the Oakajee Project.

Murchison reiterated the ongoing work associated with optimising the design parameters of the Oakajee Project in its half-yearly report, released to ASX on 16 March 2011.

Accordingly, until the BFS for the Oakajee Project is complete, Murchison believes it is premature and unduly speculative for OPR (or Murchison) to provide an updated estimate of the indicative capital costs to develop the Oakajee Project.

**2. Does the Company consider the information contained in the announcement to be material to the Company pursuant to Listing Rule 3.1?**

No.

**3. If the answer to question 2 is "yes" and the Company became aware of the increase in capital cost of the Oakajee port and rail infrastructure project referred to in the Announcement prior to the time the Company released the Announcement, please advise the following:**

**3.1. Please advise why the Company did not make an announcement at an earlier time or request a trading halt earlier. Please comment specifically on the application of Listing Rule 3.1.**

Not applicable

**3.2. Please advise why the Company did not include information contained in the Announcement in the Company's Response.**

Not applicable

**4. If the answer to question 2 is "no" please advise the basis on which the Company does not consider the information contained in the announcement to be material.**

In the Announcement, it is made clear that any reference to capital estimates prior to completion of the BFS for the Oakajee Project is premature and entirely speculative. Further, the Announcement also clearly states that the indicative capital cost estimate provided in the Technical Study remains preliminary and subject to ongoing review, optimisation and value engineering to identify potential cost refinements and savings prior to final sign-off by the JVPs.

The reference in the Announcement to the Technical Study resulting in an indicative capital cost of \$5.239 billion was only disclosed in response to media speculation about the capital cost estimate for the Oakajee Project which Murchison believed had the capacity to create a false market. The indicative capital cost estimate disclosed in the Announcement was not, and was not intended to be, an updated capital cost estimate for the development of the Oakajee Project, as the technical design and economics of the project remains subject to further optimisation and refinement.

As noted in the response to question 1 above, the Technical Study itself was based on a number of assumptions. Until many of these matters are further advanced, these assumptions remain hypothetical in nature. Changes to these assumptions may have a material impact (positive or negative) on the indicative cost estimate conclusions contained in the report.

Accordingly, Murchison believes that the information in the Announcement relating to the indicative capital cost estimate of the Oakajee Project is not material, and that a reasonable person would not expect that information to have a material effect on the price or value of Murchison securities.

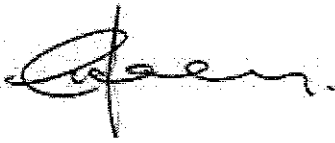
If the information in the Announcement was considered to be material (which Murchison believes is not the case), given the nature of the Technical Study outlined in response to question 2 above, Murchison believes that a reasonable person would not expect the information contained in the Announcement (in particular, in

regards to the indicative capital cost estimate of the Oakajee Project) to be disclosed. That information remained confidential at that time. Further, as outlined above, the Technical Study was prepared for the management purposes of OPR and the JVPs, and the information contained in that study (as it relates to the Oakajee Project as a whole) was insufficiently definite to warrant disclosure. In these circumstances, Murchison believes that a reasonable person would not consider such information should be disclosed.

**5. Please confirm that the Company is in compliance with Listing Rule 3.1.**

The Company confirms that it is compliance with Listing Rule 3.1.

Yours sincerely



C W Foley  
*Company Secretary*  
**Murchison Metals Ltd**



ASX Compliance Pty Limited  
ABN 26 087 780 489  
Level 8 Exchange Plaza  
2 The Esplanade  
PERTH WA 6000

GPO Box D187  
PERTH WA 6840

Telephone 61 8 9224 0000  
Facsimile 61 8 9221 2020  
[www.asx.com.au](http://www.asx.com.au)

23 March 2011

Mr Chris Foley  
Company Secretary  
Murchison Metals Limited

By Email: [cfoley@mml.net.au](mailto:cfoley@mml.net.au)

Dear Chris

**Murchison Metals Limited (the "Company")**

We refer to the following:

1. The Company's announcement released to ASX at 9:43 am AEDT on 22 March 2011 titled "*Media Speculation Regarding Capital Cost Estimates*" (the "Announcement").
2. The price query letter from ASX dated 2 February 2011 and the Company's response to the price query dated 2 February 2011 (the "Company's Response") and released to the market at 2:21 pm EDST on 2 February 2011.

We wish to draw your attention to the definition of "aware" in chapter 19 of the listing rules which states that:

"an entity becomes aware of information if a director or executive officer (in the case of a trust, director or executive officer of the responsible entity or management company) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as a director or executive officer of that entity".

Further we wish to draw your attention to listing rule 3.1 which requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in listing rule 3.1A.

Paragraph 18 of Guidance Note 8 states:

"Once a director or executive officer becomes aware of information, he or she must immediately consider whether that information should be given to ASX. An entity cannot delay giving information to ASX pending formal sign-off or adoption by the board, for example."

Please note that for disclosure not to be required under listing rule 3.1, all of the exceptions under listing rule 3.1A must apply:

"3.1A.1 A reasonable person would not expect the information to be disclosed.

- 3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential.
- 3.1A.3 One or more of the following applies.
- It would be a breach of a law to disclose the information.
  - The information concerns an incomplete proposal or negotiation.
  - The information comprises matters of supposition or is insufficiently definite to warrant disclosure.
  - The information is generated for the internal management purposes of the entity.
  - The information is a trade secret."

Finally, we would like to draw your attention to ASX's policy position on the concept of "confidentiality" which is detailed in paragraphs 34 to 40 of Guidance Note 8. In particular, paragraphs 34 and 35 of the Guidance Note state that:

"'Confidential' in this context has the sense of 'secret'..." and loss of confidentiality may be indicated by otherwise unexplained changes to the price of the entity's securities, or by reference to the information in the media or analysts reports".

Having regard to the Company's Response, the Announcement, the above definitions, listing rule 3.1 and Guidance Note 8 - Continuous Disclosure, we ask that you answer the following questions in a format suitable for release to the market in accordance with listing rule 18.7A.

1. When did the Company become aware of the budget and engineering study completed for the Oakajee Port & Rail infrastructure project resulted in an indicative capital cost of \$5.24 billion, inclusive of all Common User Infrastructure?
2. Does the Company consider the information contained in the Announcement to be material to the Company pursuant to listing rule 3.1?
3. If the answer to question 2 is "yes" and the Company became aware of the increase in capital cost of the Oakajee Port & Rail infrastructure project referred to in the Announcement prior to the time the Company released the Announcement, please advise the following:
  - 3.1. Please advise why the Company did not make an announcement at an earlier time or request a trading halt earlier. Please comment specifically on the application of listing rule 3.1.
  - 3.2. Please advise why the Company did not include information contained in the Announcement in the Company's Response?
4. If the answer to question 2 is "no", please advise the basis on which the Company does not consider the information contained in the Announcement to be material.
5. Please confirm that the Company is in compliance with listing rule 3.1.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

Please note the ASX reserves its right under listing rule 18.7A to release this letter and the Company's response to the market. Accordingly the Company's response should address each question separately and be in a format suitable for release to the market.

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately. Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than **5:00pm (WST) on Monday, 28 March 2011**.

Your response should be sent to ASX by facsimile on facsimile number (08) 9221 2020. It should not be sent to the Company Announcements Office.

If you have any queries regarding any of the above, please contact me on (08) 9224 0017.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Nicholas Ong', written in a cursive style.

Nicholas Ong  
Principal Adviser, Listings (Perth)