

ASX ANNOUNCEMENT

ASX Code: MMX

20 July 2012

ACTIVITIES REPORT FOR THE QUARTER ENDED 30 JUNE 2012**ABOUT MURCHISON**

Murchison Metals Limited ("Murchison") is an Australian ASX listed company.

On 24 November 2011, Murchison entered into a Share and Asset Purchase Agreement (SAPA) with Mitsubishi Development Pty Ltd ("Mitsubishi") by which Murchison agreed to sell its interests in Crosslands Resources Ltd ("Crosslands"), the owner of the Jack Hills iron ore project, and Oakajee Port and Rail ("OPR"), an independent infrastructure business established to construct new port and rail infrastructure in the mid-west region of WA.

Completion under the SAPA occurred on 20 February 2012. Mitsubishi paid a total of \$325 million for the purchase of the assets which was used to repay an amount of \$61.4 million owing to Resource Capital Funds and the balance required to finalise the settlement of litigation with Chameleon Mining Ltd (\$20 million).

Following the announcement of the Mitsubishi transaction in November 2011, Murchison commenced working on an application to the Australian Taxation Office (ATO) for a class ruling to enable it to distribute the net cash proceeds from the Mitsubishi transaction to shareholders as a return of capital (Distribution Process). In parallel with the Distribution Process, the Board considered numerous opportunities that were presented to, or identified by, the Company to invest the proceeds from the Mitsubishi transaction in the natural resources sector.

Under the terms of the SAPA neither Murchison nor its wholly owned subsidiaries, Jack Hills Holdings Pty Ltd, MMX Port Holdings Pty Ltd or MMX Rail Holdings Pty Ltd may be wound up during the period ending 12 months after completion under the SAPA without Mitsubishi's consent.

ACTIVITIES REPORT

As at 30 June 2012, the Company had cash assets of \$226.2 million with net cash outflows for the quarter totaling \$7 million including transaction fees paid to advisors in relation to the Mitsubishi transaction. The Company realised \$1.35 million from the sale of minor exploration interests during the quarter.

On 18 April 2012, Murchison announced that as none of the potential investment opportunities that were presented to, or identified by, the Company since the announcement of the Mitsubishi transaction were considered to represent a compelling opportunity with the potential to enhance shareholder value within an acceptable time frame, the Company would not proactively seek new investment opportunities and would focus on distribution of the Company's available cash.

On 27 June 2012 the Company received a final class ruling (consistent with a draft ruling received in May 2012) confirming that the proposed distribution of funds will be treated as a return of capital and not an unfranked dividend for Australian tax purposes.

The Company also advised that it had received claims from Premar Capital Ltd (PCL) for services PCL claims to have provided pursuant to the terms of a mandate letter executed in March 2005. PCL issued an invoice for an amount of \$6.8 million (including interest and GST) for commission on sales of iron ore from the Jack Hills mine and foreshadowed the issue of a further invoice in the vicinity of \$9.17 million in connection with the 2007 transaction between Murchison and Mitsubishi by which Mitsubishi acquired its initial interest in Crosslands and

OPR. PCL subsequently advised Murchison that it did not intend to pursue the \$9.17 million claim foreshadowed in relation to the 2007 Mitsubishi transaction. The Company is in negotiations with Premar regarding the claim for commissions on sales of iron ore from the Jack Hills mine.

Subsequent to the end of the quarter the Company announced that it has received a claim from O'Sullivan Partners (Advisory) Pty Ltd (OP) for fees OP claims are payable pursuant to a letter of engagement between OP and Murchison for the provision of advisory services.

OP provided advisory services to Murchison in connection with the strategic review undertaken by the Company prior to the sale of Murchison's interests in Crosslands and OPR to Mitsubishi in February 2012.

On 3 July 2012 OP's solicitors advised Murchison that the total amount of OP's claim is for \$5,077,162 (plus GST and interest) in addition to the amount of approximately \$1.96 million already paid.

Murchison is vigorously defending the claim.

On 2 July 2012 Murchison announced that subject to obtaining shareholder approval, Murchison will return an amount of approximately \$207 million to shareholders representing a return of 46 cents per share. A General Meeting to approve the proposed distribution will be held at 10:00 am (WST) on 16 August 2012. The Notice of General Meeting and Explanatory Memorandum have been despatched to shareholders and are available on the Company's website (www.mml.net.au).

On 10 July 2012 the Company announced that it had sold its Rocklea iron ore project to Dragon Energy Ltd for \$3.2 million in cash. The sale of the Rocklea project is conditional on obtaining consent to the assignment of a standard heritage agreement with completion required to take place five (5) business days after the condition is satisfied.

For further information, please contact:

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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, 17/12/10

Name of entity

Murchison Metals Limited

ABN

38 078 257 799

Quarter ended ("current quarter")

30 June 2012

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	-	(8,761)
(b) development	-	-
(c) production	-	-
(d) administration	(8,481)	(36,442)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	127	439
1.5 Interest and other costs of finance paid	-	(707)
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	(8,354)	(45,471)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	(19,300)
(c) other fixed assets	-	(88)
1.9 Proceeds from sale of: (a) prospects/exploration assets	-	74,128
(b) equity investments	-	231,566
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (proceeds on tenement disposal)	1,350	(3,840)
Net investing cash flows	1,350	282,466
1.13 Total operating and investing cash flows (carried forward)	(7,004)	236,995

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(7,004)	236,995
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	37,522
1.17	Repayment of borrowings	-	(60,725)
1.18	Dividends paid	-	-
1.19	Other	-	-
	Net financing cash flows	-	(23,203)
	Net increase (decrease) in cash held	(7,004)	213,792
1.20	Cash at beginning of quarter/year to date	233,196	12,400
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	226,192	226,192

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	286
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 Executive and Non-Executive 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

Add notes as necessary for an understanding of the position.

+ See chapter 19 for defined terms.

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

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	-
4.3 Production	-
4.4 Administration	(2,400)
Total cash outflows	(2,400)

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,500	523
5.2 Deposits at call	224,692	232,673
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	226,192	233,196

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	E69/2576	Registered Applicant	100%	0%
	E69/2606	Registered Applicant	100%	0%
	E47/2366	Registered Holder	100%	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	450,093,277	450,093,277		
7.4 Changes during quarter (a) Increases through issues: - upon exercise of options (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>	70,000 125,000 4,200,000 1,855,651 607,137 576,495 766,714 1,418,922 425,811 243,605 90,464		<i>Exercise price</i> 0c 126c 173c 116c 104c 108c 67c 66c 58c 27c 28c	<i>Expiry date</i> Dec 13 Dec 13 Mar 14 Jul 14 Jul 14 Jul 14 Jul 14 Oct 14 Oct 14 Jan 15 Jan 15
7.8 Issued during quarter				
7.9 Exercised during quarter				

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.10	Expired / Cancelled during quarter	1,554,200 100,000		156c 68c	Jun 12 Jun 12
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

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 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Date: 20 July 2012

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 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report.
- 5 Accounting Standards ASX will accept, for example, the use of International Financial Reporting 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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