

18 April 2012

ACTIVITIES REPORT FOR THE QUARTER ENDED 31 MARCH 2012**ABOUT MURCHISON**

Murchison Metals Limited ("Murchison") is an Australian ASX listed company. Prior to 20 February 2012, Murchison was 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. Murchison also had a 50% economic interest in an independent infrastructure business, Oakajee Port and Rail ("OPR"), which 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% of both Crosslands and OPR was held by Mitsubishi Development Pty Ltd ("Mitsubishi").

In addition, Murchison owns the Rocklea iron ore project located in the Pilbara region of Western Australia.

CORPORATE

Mitsubishi Transaction

On 24 November 2011, Murchison and Mitsubishi entered into a Share and Asset Purchase Agreement (SAPA) by which Murchison agreed to divest its interests in both Crosslands and OPR to Mitsubishi for cash consideration of \$325¹ million (the "Transaction").

The Transaction was subject to satisfaction of a number of conditions precedent, including approval by Murchison Shareholders, settlement of litigation commenced by Chameleon Mining Ltd against Murchison and Crosslands, approval by the Foreign Investment Review Board ("FIRB"), and the novation of key agreements (including the Oakajee State Development Agreement with the WA Government).

The final condition precedent was satisfied on 13 February 2012 when a General Meeting of Murchison shareholders approved the Transaction. Completion of the Transaction occurred on 20 February 2012. The proceeds received from Mitsubishi were used to repay the balance of the debt facility owing to Resource Capital Funds (\$61.4 m) and the balance required to finalise the settlement of the Chameleon litigation (\$20m).

On completion of the Transaction, and after the Company had met all its obligations, including debt repayments, transaction costs, employee entitlements, corporate costs and provision for contingent liabilities and closure costs Murchison's net available funds was \$223.0 million.

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 without Mitsubishi's consent. Mitsubishi may not make any claim under or in connection with the SAPA unless it has given Murchison notice of the claim and an estimate of the loss arising from the claim within the period of 12 months after Completion.

¹ All dollar values are expressed in Australian dollars, unless stated otherwise.

Distribution Process

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 has 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.

Following an extensive review, the Board has determined that none of the opportunities that have been considered to date represents a compelling opportunity with the potential to enhance shareholder value within an acceptable time horizon. The Board has therefore determined that it will not proactively seek new investment opportunities and will focus on advancing the Distribution Process. Murchison previously advised (on 1 February 2012) that it expected the Distribution Process to take up to 6 months from the completion of the Mitsubishi Transaction. The Company is not in a position to provide any further updates on timing until a response is received from the ATO in relation to the class ruling. Once a ruling is received, a final audit would be completed to determine the quantum of funds available for distribution (taking in to consideration funds that must be retained for the ongoing operation of the Company so as to satisfy its contractual obligations under the SAPA referenced above) and a shareholder meeting would be called to approve the distribution.

The Company is also continuing to seek offers for its remaining assets, which include the Rocklea iron ore project, a 3.2% share in the unlisted company Cashmere Iron and a number of exploration tenements.

Board Restructure

On 1 March 2012 Murchison announced that as a consequence of having completed the Mitsubishi Transaction, Mr James McClements, Mr S M Woo, Mr Rod Baxter, Mr Peter Wasow and Ms Samantha Tough had resigned as Non-Executive Directors. Mr Ian Burvill and Mr S C Shin were subsequently appointed as Non-Executive Directors.

As a consequence of the Board having determined to focus on the Distribution Process, Mr Burvill, who joined the Board primarily to assist with the assessment of investment opportunities, resigned as a Director on 17 April 2012.

Financial Report for the Half Year Ended 31 December 2011

During the quarter the Company reported a net loss for the Consolidated Entity for the period to 31 December 2011 of \$50.7m. The result includes \$35.8m for discontinuing operations associated with the sale of the Company's interests in Crosslands and the OPR including \$25m for settlement of the Chameleon litigation, \$8m in connection with the RCF debt facility and other transaction costs.

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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")

31 March 2012

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	(504)	(8,761)
(b) development	-	-
(c) production	-	-
(d) administration	(13,399)	(27,962)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	114	313
1.5 Interest and other costs of finance paid	(707)	(707)
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	(14,496)	(37,117)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	(6,200)	(19,300)
(c) other fixed assets	-	(88)
1.9 Proceeds from sale of: (a) prospects/exploration assets	74,128	74,128
(b) equity investments	231,566	231,566
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (litigation settlement and deposit on tenement disposal)	(190)	(5,190)
Net investing cash flows	299,304	281,116
1.13 Total operating and investing cash flows (carried forward)	284,808	243,999

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	284,808	243,999
	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	6,922	37,522
1.17	Repayment of borrowings	(60,725)	(60,725)
1.18	Dividends paid	-	-
1.19	Other	-	-
	Net financing cash flows	(53,803)	(23,203)
	Net increase (decrease) in cash held	231,005	220,796
1.20	Cash at beginning of quarter/year to date	2,191	12,400
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	233,196	233,196

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	2,153
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

Settlement of litigation with Chameleon Mining N.L.(Chameleon) on 20 February 2012. The matter was settled for \$25 million with \$5 million paid by Murchison Metals Ltd (Murchison) in December 2011. The remaining \$20 million payment was paid directly to Chameleon by Mitsubishi Development Pty Ltd (Mitsubishi) on 20 February 2012 in connection with the sale of Murchison's interest in Crosslands Resources Ltd (CRL), Oakajee Port and Rail Pty Ltd and the Oakajee Port and Rail unincorporated joint ventures (OPR) (refer to 2.2 below)

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

Murchison disposed of its interests in CRL and OPR to Mitsubishi on 20 February 2012. Total consideration received excluding GST was \$305.7 million (excluding \$20 million paid to Chameleon referred to in 2.1 above). Murchison no longer holds an interest in CRL or OPR.

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	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 (including remaining transaction fees payable to advisors)	8,440
Total	8,440

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	233,196	2,191
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	233,196	2,191

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	E46/903 M04/399	Registered Applicant Registered Applicant (subsidiary)	100% 50%	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 (description)				
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	7,655,753	7,655,753		
7.5 +Convertible debt securities (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options (description and conversion factor)	1,554,200 100,000 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> 156c 68c 0c 126c 173c 116c 104c 108c 67c 66c 58c 27c 28c	<i>Expiry date</i> Jun 12 Jun 12 Dec 13 Dec 13 Mar 14 Jul 14 Jul 14 Jul 14 Jul 14 Oct 14 Oct 14 Jan 15 Jan 15

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Appendix 5B
Mining exploration entity quarterly report

7.8	Issued during quarter	351,069		116c	Jul 14
		130,768		104c	Jul 14
		126,108		108c	Jul 14
		242,120		67c	Jul 14
		567,569		66c	Oct 14
		238,454		58c	Oct 14
		243,605		27c	Jan 15
		90,464		28c	Jan15
7.9	Exercised during quarter	642,000		0c	Dec 13
		60,000		0c	Dec 14
		4,587,000		0c	Sep 16
		690,000		0c	Sep 14
7.10	Expired / Cancelled during quarter				
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: 18 April 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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