



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

HALF YEAR REPORT FOR THE PERIOD
ENDED 31 DECEMBER 2012

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CORPORATE INFORMATION
ABN 38 078 257 799

DIRECTORS

Gabriel Radzyninski	Non-Executive Director
Paul Jensen	Independent Non-Executive Director
S.C. Shin	Non-Executive Director

COMPANY SECRETARY

Mark Licciardo
Mertons Corporate Services Pty Ltd
Level 6, 350 Collins Street
Melbourne VIC 3000

REGISTERED OFFICE

Level 11
139 Macquarie Street
SYDNEY NSW 2000
Tel: +61 2 8014 1188
Fax: +61 2 8084 9918
Email: info@mml.net.au

WEBSITE

www.mml.net.au

SHARE REGISTRY

Link Market Services
Ground Floor
178 St Georges Terrace
PERTH WA 6000

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

Corrs Chambers Westgarth
1 Farrer Place
SYDNEY NSW 2000

BANKERS

Commonwealth Bank of Australia

DIRECTORS' REPORT

The Directors of Murchison Metals Ltd submit the financial report for the half year ended 31 December 2012.

DIRECTORS

The names of the Directors of the Company during or since the end of the half year are:

Gabriel Radzyminski	(Appointed 29 November 2012)
Paul Jensen	(Appointed 29 November 2012)
S.C. Shin	
Ken Scott-Mackenzie	(Resigned 29 November 2012)
Greg Martin	(Resigned 29 November 2012)

Directors have been in office since the start of the financial period to the date of this report unless otherwise noted above.

REVIEW AND RESULTS OF OPERATIONS

Loss for the period after income tax

Consolidated		
	31 Dec 2012	31 Dec 2011
	\$'000	\$'000
Loss from continuing operations	(6,381)	(14,863)
Loss from discontinuing operations	-	(35,815)
Total profit/(loss) for the period	(6,381)	(50,678)

No dividends have been paid or declared by the Company during the period (Dec 2011: \$Nil).

CORPORATE

Murchison Metals Ltd ("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 and Murchison also had a 50% economic interest in Oakajee Port and Rail ("OPR") joint venture, 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 Crosslands and OPR was held by Mitsubishi Development Pty Ltd ("Mitsubishi"). Murchison sold its remaining 50% interests in Crosslands and OPR to Mitsubishi in February 2012 for \$325 million ("the Transaction"). On completion of the Transaction, and after the Company had met all its obligations, including debt repayments, transaction costs, employee entitlements, corporate costs and allowance for operating costs and closure costs, Murchison's net available funds were \$223.0 million.

Distribution of capital

On 16 August 2012, Shareholders approved a return of capital of 46 cents per share. The distribution occurred on 14 September 2012 with the Company returning \$207.2 million of capital to Shareholders. As at 30 September 2012, following the distribution to Shareholders, the Company had cash, cash equivalents and term deposits of \$26.9 million as reported in the Company's quarterly release for the quarter ended 30 September 2012.

Litigation

Following the distribution of capital on 14 September 2012, the Company incurred cash outflows to finalise several legal matters, which arose subsequent to completion of the Mitsubishi Transaction:

O'Sullivan Partners matter

In July 2012, the Company announced that it had received a claim from O'Sullivan Partners (Advisory) Pty Ltd (OP) for \$5,077,162 being fees that OP claimed were 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 in 2011, which resulted in the sale of Murchison's interests in Crosslands Resources Ltd and the Oakajee Port and Rail joint ventures to Mitsubishi Development Pty Ltd in February 2012.

The dispute was referred to a binding determination process for final resolution that was completed in October 2012. The expert ruled that OP was not entitled to any further fees for work done under the letter of engagement. The expert however ruled that OP was entitled under the letter to retainer fees and administrative charges totalling \$35,862 and to the further sum of \$1.75 million plus interest from 20 February 2012 plus GST, by way of a quantum meruit claim. The Company made a payment totalling \$2.055 million including interest and GST to OP in October 2012 (payment net of GST of \$1.911 million). The Company has no further liabilities in relation to this matter.

Premar matter

In May 2012, the Company announced that it had received a claim from Premar Capital Ltd (Premar) for services Premar claimed to have provided pursuant to the terms of a mandate letter executed in March 2005.

Premar had claimed an amount of \$6.8 million for commissions on sales of iron ore from the Jack Hills mine. Premar had also foreshadowed a claim for an amount of \$9.17 million in connection with the 2007 transaction between Murchison and Mitsubishi Development Pty Ltd but subsequently advised it would not proceed with this claim.

In November 2012, the Company announced that Murchison and Premar had executed a Deed of Settlement pursuant to which Murchison paid Premar \$1.76 million including GST in full and final satisfaction of all claims Premar or its related entities may have against Murchison (payment net of GST of \$1.6 million). The Company has no further liabilities in relation to this matter.

Annual General Meeting

The Annual General Meeting of Shareholders for the year ended 30 June 2012 was held on 29 November 2012. All resolutions put to Shareholders were approved.

On 29 November 2012, Messrs Ken Scott-Mackenzie and Greg Martin resigned as Directors following the completion of the Company's Annual General Meeting of Shareholders (AGM) for the year ended 30 June 2012. Mr S.C. Shin was re-elected at the AGM. Messrs Gabriel Radzynski and Paul Jensen were appointed to the Board immediately following completion of the AGM.

Financial Position

As at 31 December 2012, Murchison had cash and cash equivalents totalling \$22.2 million. Cash outflows for the half year period included a \$207.2 million capital distribution to Shareholders on 14 September 2012. The Company sold its 100% interest in the Rocklea project to Dragon Energy Ltd for \$3.2 million. Settlement occurred in August 2012. The Company no longer has an interest in the Rocklea project.

On 21 December 2012, the Company announced its decision to write-down the carrying value of its interest in public unlisted company Cashmere from its historical cost of \$2,000,000 to nil. The Company holds 10,000,000 shares in Cashmere Iron, which were acquired for 20 cents per share in 2008. The Company engaged an external advisor to work with management and potential strategic options were considered to realise the Company's holding in Cashmere Iron; however due to poor iron ore market conditions a value accretive strategy to realise value from the interest in the short term has not been identified.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

On 28 December 2012, the Company announced the outcome of a review of potential capital management options to allow the Company to efficiently return capital to Shareholders. The Company intends to put forward for Shareholder

approval an off-market equal access share buy-back. The Board anticipates the price at which shares will be bought back will be in the range of 4.0 cents to 4.2 cents per share.

The Board believes the proposed buy-back offers Shareholders a choice between exiting their investments in the Company and retaining their shares. Details of the proposed buy-back and information allowing Shareholders to consider their options will be contained in an explanatory memorandum (which will include an independent expert's report) that is being prepared for a general meeting of Shareholders that will be convened as soon as practicable.

SUBSEQUENT EVENTS

Refer to Note 22 for details of other matters or circumstances, which have arisen since the end of the reporting period for the half year ended 31 December 2012 that significantly affect or may significantly affect the operations of the Company, the results of those operations or state of affairs of the Company in future financial years.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 5 and forms part of this report.

ROUNDING OFF OF AMOUNTS

The half year 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 Directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors



Gabriel Radzynski
Non- Executive Director
Sydney, 25 February 2013



Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843
Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
www.ey.com/au

Auditor's Independence Declaration to the Directors of Murchison Metals Limited

In relation to our review of the financial report of Murchison Metals Limited for the half-year ended 31 December 2012, 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

Gavin Buckingham
Partner
Perth
25 February 2013

MURCHISON METALS LTD
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

		CONSOLIDATED	
		31 DEC 2012	30 JUNE 2012
	NOTES	\$'000	\$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	22,191	3,052
Term Deposits	8	-	223,140
Receivables	9	230	4,528
Prepayments		92	182
		22,513	230,902
Non current assets classified as held for sale			
Available for sale financial assets	10(a)	-	2,000
Exploration and evaluation expenditure	10(b)	-	3,279
Property, Plant and Equipment		-	233
		-	5,512
TOTAL CURRENT ASSETS		22,513	236,414
Non current assets			
Exploration and evaluation expenditure	10(b)	77	-
Property, Plant and Equipment		40	-
TOTAL NON-CURRENT ASSETS		117	-
TOTAL ASSETS		22,630	236,414
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	294	830
Provisions	16	700	483
TOTAL CURRENT LIABILITIES		994	1,313
TOTAL LIABILITIES		994	1,313
NET ASSETS		21,636	235,101
EQUITY			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Contributed equity	17	38,838	245,944
Reserves	18	24,834	24,812
Accumulated losses		(42,036)	(35,655)
TOTAL EQUITY		21,636	235,101

The accompanying notes form part of these financial statements

MURCHISON METALS LTD
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

		CONSOLIDATED HALF YEAR ENDED	
		31 DEC 2012	31 DEC 2011
	NOTES	\$'000	\$'000
CONTINUING OPERATIONS			
Revenue	4	2,620	195
Other Revenue	5	96	3
REVENUE		2,716	198
Depreciation expense		-	(120)
Employee and Director expenses	6	(2,109)	(9,335)
Hired services expenses	6	(746)	(2,631)
Administration expenses	6	(633)	(2,509)
Legal matters settlement expense	6	(3,511)	-
Impairment write-down expense	10(a)	(2,000)	-
Travel expenses		(58)	(453)
Finance costs		-	-
Other expenses		(40)	(13)
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAX		(6,381)	(14,863)
Income tax expense		-	-
LOSS FROM CONTINUING OPERATIONS AFTER INCOME TAX		(6,381)	(14,863)
DISCONTINUING OPERATIONS			
Hired services expenses		-	(1,979)
Litigation settlement		-	(25,000)
Finance costs		-	(8,032)
Share of loss from jointly controlled assets		-	(1,115)
Share of profit from a jointly controlled entity		-	311
LOSS FROM DISCONTINUING OPERATIONS AFTER INCOME TAX		-	(35,815)
LOSS FOR THE PERIOD AFTER INCOME TAX		(6,381)	(50,678)
Other comprehensive income/(loss) for the period		-	-
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(6,381)	(50,678)
LOSS FOR THE PERIOD IS ATTRIBUTABLE TO:			
Owners of the parent		(6,381)	(50,678)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD IS ATTRIBUTABLE TO:			
Owners of the parent		(6,381)	(50,678)
Loss per share for loss attributed to the ordinary equity holders of the parent			
- basic (cents per share)		(1.42)	(11.45)
- diluted (cents per share)		(1.42)	(11.45)
Loss per share for loss attributed to the ordinary equity holders of the parent from continuing operations			
- basic (cents per share)		(1.42)	(3.36)
- diluted (cents per share)		(1.42)	(3.36)
Loss per share for loss attributed to the ordinary equity holders of the parent from discontinuing operations			
- basic (cents per share)		-	(8.09)
- diluted (cents per share)		-	(8.09)

The accompanying notes form part of these financial statements

MURCHISON METALS LTD
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

CONSOLIDATED	FULLY PAID ORDINARY SHARES	EQUITY BENEFITS RESERVE	ACCUMULATED LOSSES	TOTAL EQUITY
	\$'000	\$'000	\$'000	\$'000
BALANCE AT 1 JULY 2012	245,944	24,812	(35,655)	235,101
Other comprehensive income for the period	-	-	-	-
Loss for the period	-	-	(6,381)	(6,381)
Total comprehensive loss for the period	-	-	(6,381)	(6,381)
Transactions with owners in their capacity as owners:				
Issue of shares	91	-	-	91
Return of capital to Shareholders	(207,197)	-	-	(207,197)
Share based payments	-	22	-	22
BALANCE AT 31 DECEMBER 2012	38,838	24,834	(42,036)	21,636
BALANCE AT 1 JULY 2011	243,003	20,624	(37,960)	225,667
Other comprehensive income for the period	-	-	-	-
Loss for the period	-	-	(50,678)	(50,678)
Total comprehensive loss for the period	-	-	(50,678)	(50,678)
Transactions with owners in their capacity as owners:				
Issue of shares	2,237	-	-	2,237
Share based payments	-	3,250	-	3,250
BALANCE AT 31 DECEMBER 2011	245,240	23,874	(88,638)	180,476

The accompanying notes form part of these financial statements

MURCHISON METALS LTD
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

	CONSOLIDATED HALF YEAR ENDED	
	31 DEC 2012	31 DEC 2011
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(3,966)	(13,535)
Interest received	6,956	198
Net payment for settlement of legal matters	(3,511)	(5,000)
GST received/(paid)	426	(1,029)
NET CASH USED IN OPERATING ACTIVITIES	(95)	(19,366)
CASH FLOWS FROM INVESTING ACTIVITIES		
Matured principal from term deposits	223,140	-
Disposal of Rocklea tenement	3,200	-
Purchase of plant and equipment	-	(88)
Additions to Exploration and evaluation expenditure	-	(21)
Additions to Exploration and evaluation expenditure classified as non current asset held for sale	-	(8,237)
Increase in investment in jointly controlled entity classified as non current asset held for sale	-	(13,100)
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES	226,340	(21,446)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	91	-
Return of capital to Shareholders	(207,197)	-
Repayment of Interest bearing borrowings	-	30,601
NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES	(207,106)	30,601
Net increase/(decrease) in cash and cash equivalents	19,139	(10,211)
Net foreign exchange difference	-	1
Cash and cash equivalents at the beginning of the period	3,052	12,400
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	22,191	2,190

The accompanying notes form part of these financial statements

1. CORPORATE INFORMATION

The financial report of Murchison Metals Ltd for the half year ended 31 December 2012 was authorised for issue in accordance with a resolution of the Directors on 25 February 2013.

The Company is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange. The address of the registered office is Level 11, 139 Macquarie Street, SYDNEY NSW 2000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

This general purpose financial report for the half year ended 31 December 2012 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. It is recommended that the half year financial report be read in conjunction with the Annual Report for the year ended 30 June 2012 and considered together with any public announcements made by Murchison Metals Ltd during the half year ended 31 December 2012 in accordance with the continuous disclosure obligations of the ASX listing rules.

The half year financial report has been prepared on a historical cost basis. The half year 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.

For the purposes of preparing the half year financial report, the half year has been treated as a discrete reporting period.

Significant accounting policies

There have been no significant changes in accounting policies during the period, the accounting policies and methods of computation are the same as those adopted in the Annual Financial Report of the Company for the year ended 30 June 2012.

From 1 July 2012, the Group has adopted the mandatory Standards and Interpretations for annual periods beginning on or after 1 July 2012. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Group.

The Group has not elected to early adopt any other new Standards or amendments that are issued but not yet effective.

3. SEGMENT INFORMATION

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 Board and the 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.

4. REVENUE

	CONSOLIDATED HALF YEAR ENDED	
	31 DEC 2012	31 DEC 2011
	\$'000	\$'000
Interest revenue	2,620	195

5. OTHER REVENUE

	CONSOLIDATED HALF YEAR ENDED	
	31 DEC 2012	31 DEC 2011
	\$'000	\$'000
Other revenue	96	3

6. LOSS FOR THE PERIOD

Loss from continuing operations for the period has been arrived at after charging the following losses:

	CONSOLIDATED HALF YEAR ENDED	
	31 DEC 2012	31 DEC 2011
	\$'000	\$'000
Employee and director expenses		
Salaries and wages	1,463	2,692
Defined contribution superannuation expense	45	275
Directors' fees (Executive and Non-Executive)	426	1,330
Share-based payment expense charge	22	2,699
Short term incentive plan expense	-	2,037
Other expenses	153	302
	<u>2,109</u>	<u>9,335</u>
Hired Services expenses		
Air charter	-	36
Cartage and freight	-	5
Consultants	729	2,577
Other expenses	17	13
	<u>746</u>	<u>2,631</u>
Administration expenses		
Accounting and audit fees	69	324
Bank charges	2	3
Compliance and secretarial	126	140
Insurance	70	119
Legal expenses	128	1,388
Office rental	-	245
Other expenses	238	290
	<u>633</u>	<u>2,509</u>
Legal matters settlement expense		
O'Sullivan Partners matter net expense	1,911	-
Premar matter net expense	1,600	-
	<u>3,511</u>	<u>-</u>

7. DIVIDENDS

No dividends were paid or proposed during the period (2011: \$Nil).

8. CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	31 DEC 2012	30 JUN 2012
	\$'000	\$'000
For the purpose of the half year statement of cash flows, cash and cash equivalents are comprised of the following:		
Cash at bank and in hand	1,925	1,551
Short term deposit	20,266	1,501
	<u>22,191</u>	<u>3,052</u>
The Company also had funds invested in term deposits as at period end:		
Term deposits (greater than 90 days)	-	223,140

9. RECEIVABLES

	CONSOLIDATED	
	31 DEC 2012	30 JUN 2012
	\$'000	\$'000
Interest receivable	140	4,482
Amounts receivable from Australian Taxation Authorities	45	46
Sundry debtors	45	-
	<u>230</u>	<u>4,528</u>

10. NON CURRENT ASSETS

10(a) Available-for-sale financial assets

	CONSOLIDATED	
	31 DEC 2012	30 JUN 2012
	\$'000	\$'000
Shares – Unlisted	-	2,000
	<u>-</u>	<u>2,000</u>
Movement in available-for-sale financial assets		
Beginning of the period	2,000	2,000
Impairment write-down of Cashmere Iron shares	(2,000)	-
End of the period	<u>-</u>	<u>2,000</u>

Available-for-sale investments consist of an investment in ordinary shares in a public unlisted company, Cashmere Iron Ltd (Cashmere Iron), and therefore have no fixed maturity date or coupon rate. As at 30 June 2012, the Company expected to materially realise the carrying value of the interest in Cashmere Iron shares principally through a sale or in specie distribution during the following 12 months rather than through continuing use or development. Accordingly, the investment was classified as a non-current asset held for sale. The unlisted shares were carried at cost as no observable market data existed in order to measure the fair value of the assets reliably. On 21 December 2012, the Board reassessed the recoverability of the asset and deemed the asset to be fully impaired. The Company will reassess the recoverability of the asset in future reporting periods if any observable market data becomes available to support a carrying value.

10(b) Exploration and evaluation expenditure

	31 DEC 2012 \$'000	30 JUN 2012 \$'000
Exploration and evaluation expenditure in respect of areas of interest		
Balance at the beginning of the period	3,279	68,861
Additions	-	5,907
Exploration assets relating to tenements divested during the period (i)	(3,200)	(45)
Exploration assets relating to jointly controlled assets divested during the period	-	(62,510)
Impairment write-down – Rocklea Project	-	(8,934)
Impairment write- down – minor tenements	(2)	-
Balance at the end of the period	<u>77</u>	<u>3,279</u>

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

- (i) Murchison divested its interest in the wholly owned Rocklea project to Dragon Energy Ltd in August 2012 for consideration of \$3,200,000. The Company no longer holds an interest in the project.

15. TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	31 DEC 2012 \$'000	30 JUN 2012 \$'000
Trade payables	189	725
Other payables	105	105
	<u>294</u>	<u>830</u>

16. PROVISIONS

	CONSOLIDATED	
	31 DEC 2012 \$'000	30 JUN 2012 \$'000
Provision for annual leave	67	233
Provision for redundancy entitlements	361	-
Provision for retention payments	272	-
Provision for legal matters/settlements	-	250
	<u>700</u>	<u>483</u>

17. ISSUED CAPITAL

	31 DEC 2012 \$'000	30 JUN 2012 \$'000
(i) Ordinary shares		
Issued and fully paid	38,838	245,944
	31 DEC 2012	
	NUMBER OF	\$'000
	SHARES	
(ii) Movement in ordinary shares on issue		
Beginning of the period	450,093	245,944
Shares issued	334	91
Return of capital to Shareholders (i)	-	(207,197)
End of the period	<u>450,427</u>	<u>38,838</u>

(i) On 14 September 2012, the Company conducted a return of capital to Shareholders of \$207.2 million representing 46 cents per fully paid ordinary share. Refer to the ASX announcement on 13 July 2012 for a copy of the Explanatory Memorandum for the distribution.

18. RESERVES

	CONSOLIDATED	
	31 DEC 2012 \$'000	30 JUN 2012 \$'000
Share based payment reserve	24,834	24,812
Share Based Payment Reserve		
Balance at the beginning of the period	24,812	20,624
Share based payment expense	22	4,188
Balance at the end of the period	<u>24,834</u>	<u>24,812</u>

This reserve records the value of equity benefits provided to employees as remuneration in respect to 30 June 2012 employee equity benefits and options issued in respect of interest bearing loans and borrowings.

19. INTEREST IN JOINTLY CONTROLLED ASSETS

The consolidated entity had the following interest in jointly controlled assets:

NAME OF OPERATION	PRINCIPAL ACTIVITY	OUTPUT INTEREST	
		31 DEC 2012	30 JUN 2012
Duck Hill	Mineral Exploration	50%	50%

Mineral exploration joint ventures

The joint venture is 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 for the period ended 31 December 2012 (30 June 2012: \$Nil) and there are no significant assets or liabilities to be disclosed for the period ended 31 December 2012 (30 June 2012: \$Nil).

20. RELATED PARTY TRANSACTIONS

There were no related party transactions during the period other than remuneration payments to Key Management Personnel and Directors.

21. CONTINGENT LIABILITIES

The following matters for which contingent liabilities were disclosed in the Company's financial report for the year ended 30 June 2012 have been finalised:

O'Sullivan Partners matter

In July 2012, the Company announced that it had received a claim from O'Sullivan Partners (Advisory) Pty Ltd (OP) for \$5,077,162 being fees that OP claimed were 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 in 2011, which resulted in the sale of Murchison's interests in Crosslands Resources Ltd and the Oakajee Port and Rail joint ventures to Mitsubishi Development Pty Ltd in February 2012.

The dispute was referred to a binding determination process for final resolution which was completed in October 2012. The expert ruled that OP was not entitled to any further fees for work done under the letter of engagement. The expert however ruled that OP was entitled under the letter to retainer fees and administrative charges totalling \$35,862 and to the further sum of \$1.75 million plus interest from 20 February 2012 plus GST, by way of a quantum meruit claim. The Company made a payment totalling \$2.055 million including interest and GST to OP in October 2012 (payment net of GST of \$1.911 million). The Company has no further liabilities in relation to this matter

Premar matter

In May 2012, the Company announced that it had received a claim from Premar Capital Ltd (Premar) for services Premar claimed to have provided pursuant to the terms of a mandate letter executed in March 2005.

Premar had claimed an amount of \$6.8 million for commissions on sales of iron ore from the Jack Hills mine. Premar had also foreshadowed a claim for an amount of \$9.17 million in connection with the 2007 transaction between Murchison and Mitsubishi Development Pty Ltd but subsequently advised it would not proceed with this claim.

In November 2012, the Company announced that Murchison and Premar had executed a Deed of Settlement pursuant to which Murchison paid Premar \$1.76 million including GST in full and final satisfaction of all claims Premar or its related entities may have against Murchison (payment net of GST of \$1.6 million). The Company has no further liabilities in relation to this matter.

There are no other contingent liabilities as at the date of signing the half year financial report.

22. 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 period which significantly affect, or may affect the operations, results or state of affairs of the Consolidated Entity in subsequent financial periods.

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

In the opinion of the Directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2012 and the performance for the half year ended on that date of the consolidated entity; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Gabriel Radzynski
Non Executive Director
Sydney, 25 February 2013



Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843
Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
www.ey.com/au

To the members of Murchison Metals Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Murchison Metals Limited, which comprises the consolidated statement of financial position as at 31 December 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, 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 half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Murchison Metals Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, 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.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Murchison Metals Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Gavin Buckingham'.

Gavin Buckingham
Partner
Perth
25 February 2013