Murchison Metals Ltd
and its Controlled Entities
ABN 38 078 257 799

Financial Report
for the year ended
30 June 2013

Murchison Metals Ltd
and its Controlled Entities
ABN 38 078 257 799

Directory

Directors

Gabriel Radzyminski	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

Website
www.mml.net.au

Share Registry
Link Market Services
Level 12, 680 George Street
SYDNEY NSW 2000

Home Stock Exchange
Australian Stock Exchange Ltd
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

ASX Code: MMX

Accountants
V J Ryan & Co Services Pty Limited
Level 5, 255 George Street
SYDNEY NSW 2000

Auditors
Ernst and Young
11 Mounts Bay Road
PERTH WA 6000

Bankers
Commonwealth Bank of Australia

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DIRECTORS' REPORT

The Directors present their report on Murchison Metals Ltd ("the Company") for the financial year ended 30 June 2013.

DIRECTORS

The names of the Directors of the Company in office during the financial year and until the date of this report are as follows:

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)

Unless otherwise stated, Directors have been in office since the start of the financial year to the date of this report.

COMPANY SECRETARY

Chris Foley resigned as Company secretary on 30 January 2013 and was replaced by Mark Licciardo who was appointed joint Company secretary on 7 December 2012.

ABOUT MURCHISON

Murchison Metals Limited ("**Murchison**") is a company listed by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

PRINCIPAL ACTIVITIES

The principal activities of the Company were exploration and development of bulk commodity projects and infrastructure. The Company sold its 50% interest in Crosslands Resources Ltd ("Crosslands"), the owner of the Jack Hills iron ore project located in the mid-west region of Western Australia and its 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 in February 2012.

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.

CHANGES IN STATE OF AFFAIRS

Following the distribution of capital on 14 September 2012, the Company incurred cash outflows to finalise several legal matters as follows:

<u>O'Sullivan Partners matter</u>

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.

CHANGES IN STATE OF AFFAIRS (CONTINUED)

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.

Apart from the above, there was no significant change in the state of affairs of the company during the financial year.

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 Radzyminski and Paul Jensen were appointed to the Board immediately following completion of the AGM.

OPERATING RESULT

The (loss)/ profit after providing for income tax amounted to the following:

Consolidated

30 June 2013	30 June 2012
$'000	$'000
(6,468)	2,305

No dividends have been paid or declared by the Company during the year (2012: Nil).

REVIEW OF OPERATIONS

EXPLORATION

Rocklea Project (Murchison 100% interest)

On 10 July 2012 the Company announced that it had sold its Rocklea iron ore project to Dragon Energy Ltd for $3,200,000 in cash. The Rocklea project is located in the Pilbara iron ore province between the towns of Tom Price and Paraburdoo. The sale of the Rocklea project was completed by the end of August 2012. Murchison no longer holds an interest in the project.

CHANGE OF REGISTERED OFFICE

The Company moved its registered office to Sydney in January 2013 and all remaining employees were made redundant.

REVIEW OF OPERATIONS (CONTINUED)

FINANCIAL POSITION

The net assets of the Group have decreased from $235,101,000 at 30 June 2012 to $21,427,000 at 30 June 2013. The Group had Cash and Cash Equivalents of $21,472,000 at 30 June 2013 and Term Deposits of nil (2012: Cash and Cash Equivalents: $3,052,000; Term Deposits: $223,140,000). The decrease is attributable to settlement of the legal matters mentioned above as well as the capital repayment to shareholders. The Company has no external debt.

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.

SUBSEQUENT EVENTS

OFF-MARKET SHARE BUY-BACK

On the date of release of the buy-back documents, the Board convened an extraordinary general meeting of shareholders for the purpose of approving the share buy-back at $0.042 per share.

The off market share buy-back was approved by shareholders in the extraordinary general meeting of shareholders held on 16 August 2013.

The partner in the Duck Hill joint venture has given notice to relinquish their 50% share of the joint venture The Directors do not consider this will have a material impact on the financial statements.

Apart from the above, 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 financial year which significantly affect, or may significantly affect the operations, results or state of affairs of the Consolidated Entity in subsequent financial periods.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 15 and forms part of this report.

ENVIRONMENT REGULATIONS

During the year, the Group was subject to significant environmental regulations in respect of its operations, evaluation and development activities. The Group aims to ensure the appropriate standard of environmental care is achieved and in doing so, that it is aware of and is in compliance with all environmental legislation.

The Directors of the Group reviewed the Group's projects during the year and are not aware of any breach of environmental legislation for the financial year under review.

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

CURRENT DIRECTORS AND COMPANY SECRETARY

The names and particulars of the current Directors and Company Secretary of the Company are:

Gabriel Radzyminski	Independent Non-Executive Director (Appointed 29 November 2012)
Qualifications:	B.A. (Hons), MCom
Experience:	Gabriel is the founder and Managing Director of Sandon Capital Pty Ltd, a boutique investment management and advisory firm. He is portfolio manager of the Sandon Capital Activist Fund, a fund targeting underperforming companies. Sandon Capital also provides advisory services to shareholders seeking to implement activist strategies.
Interest in Shares and Options at the date of this report:	Nil
Directorships held in other listed entities in the past three years:	RHG Ltd (Appointed: 11 May 2011) Armidale Investment Corporation Ltd (Appointed: 21 September 2010) Mercantile Investment Company Ltd (Appointed: 5 November 2010) Mothercare Australia Ltd (in Administration) (Appointed: 2 August 2013)
Paul Jensen	Independent Non-Executive Director (Appointed 29 November 2012)
Qualifications:	B.Com (Accounting & Commercial Law), FAICD
Experience:	Paul has over 25 years of experience in institutional banking and investment management. He held senior positions with the Lloyds TSB banking group in New Zealand, United Kingdom and Australia. In 1998 he joined Lend Lease Limited's institutional asset management business and recently he was the Managing Director of HFA Holdings Limited (2008) and Clime Investment Management Limited (2008-2010).
Interest in Shares and Options at the date of this report:	Nil
Directorships held in other listed entities in the past three years:	RHG Ltd (Appointed: 11 May 2011) WAM Capital Ltd (Appointed: 11 June 2004) Clime Investment Management Ltd (Appointed: 29 August 2008)
SC Shin	Non-Executive Director (Appointed: 1 March 2012)
Qualifications:	BA Public Administration
Experience:	Mr Shin joined POSCO in 1989 and has worked in the Raw Materials Purchasing Division for 23 years. He has extensive experience in the natural resources and logistics which includes purchasing coal, iron ore pellets, Ferro and non-ferro alloys along with investments in Australian coal assets and ocean transportation using bulk vessels. Mr Shin is currently Managing Director of POSCO Australia Pty Ltd which is a 100% subsidiary of POSCO.
Interest in Shares and Options at the date of this report:	Nil
Directorships held in other listed entities in the past three years:	Cockatoo Coal Ltd (Appointed: 26 March 2012) Jupiter Mines Ltd (Appointed: 19 March 2012) Sandfire Resources NL (Appointed: 28 February 2012)

INFORMATION ON DIRECTORS AND COMPANY SECRETARY (CONTINUED)

CURRENT DIRECTORS AND COMPANY SECRETARY (CONTINUED)

Mark Licciardo	Company Secretary
Qualifications:	B Bus(Acc), GradDip CSP, FCIS, GAICD
Experience:	Mr Licciardo is Managing Director of Mertons Corporate Services Pty Ltd (Mertons) which provides company secretarial and corporate governance consulting services to ASX listed and unlisted public and private companies. Prior to establishing Mertons, Mr Licciardo was Company Secretary of the Transurban Group (2004-07) and Australian Foundation Investment Company Limited (1997-04). Mark has also had an extensive commercial banking career with the Commonwealth Bank and State Bank Victoria. Mr Licciardo is a former Chairman of the Chartered Secretaries Australia (CSA) in Victoria, a fellow of CSA and a graduate member of the Australian Institute of Company Directors (AICD).
Interest in Shares and Options at the date of this report:	Nil
Directorships held in other listed entities in the past three years:	AED Oil Limited (subject to deed of company arrangement) (Appointed: 28 November 2012)

PAST DIRECTORS

The names and particulars of the Directors who ceased being Directors during the year are:

Ken Scott-Mackenzie	Independent Non-Executive Director (Chairman) (Resigned 29 November 2012)
Qualifications:	B.E. (Mining), Dip Law
Experience:	Currently the Chairman of major ASX-listed mining and civil contractor Macmahon Holdings Ltd and a Non-Executive Director of construction materials producer Adelaide Brighton Ltd, Mr Scott-Mackenzie has 36 years experience in the engineering, mining and construction sectors in Australia and overseas. A qualified mining engineer and lawyer, Mr Scott-Mackenzie spent 12 years as a senior executive of major Australian infrastructure developer Abigroup, including two years as CEO after its takeover by German group Bilfinger Berger AG. Before retiring in 2009, Mr Scott-Mackenzie was for four years the inaugural CEO of Bilfinger Berger Australia Pty Ltd, which was established to consolidate all of Bilfinger's Australian businesses, Abigroup, Baulderstone and Bilfinger Berger Services. Prior to joining Abigroup, he spent 12 years in various roles with South African mining and construction group Murray & Roberts.
Interest in Shares and Options at the date of this report:	Nil
Directorships held in other listed entities in the past three years:	Macmahon Holdings Ltd (Appointed: 12 May 2009) Adelaide Brighton Ltd (Appointed: 26 July 2010)

INFORMATION ON DIRECTORS AND COMPANY SECRETARY (CONTINUED)

PAST DIRECTORS (CONTINUED)

Greg Martin	Managing Director (Resigned 29 November 2012)
Qualifications:	B.Ec, LLB., FAIM, MAICD
Experience:	Mr Martin has 30 years experience in the energy, utility and infrastructure sectors. Mr Martin is currently Chairman of Prostar Capital Pte Ltd and a Non-Executive Director of major Australian oil and gas producer Santos Ltd as well as the Australian Energy Market Operator. Mr Martin spent 25 years with The Australian Gas Light Company Ltd ("AGL"), one of Australia's oldest and biggest publicly listed downstream energy companies, including five years as Chief Executive Officer and Managing Director between 2001 and 2006. After leaving AGL, Mr Martin spent two and a half years as CEO of the infrastructure division of ASX-listed Challenger Financial Services Group, during which time Challenger-backed consortiums led several major international infrastructure acquisitions.
Interest in Shares and Options at the date of this report:	Nil
Directorships held in other listed entities in the past three years:	Australian Energy Market Operator Limited (Appointed: 1 July 2009) Energy Developments Limited (Appointed: 16 May 2006) Santos Limited (Appointed: 29 October 2009)

REMUNERATION REPORT (AUDITED)

This Remuneration Report outlines the Director and Executive remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report, Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for, directly or indirectly, planning, directing and controlling the activities of the Company and the Group, including any Director (whether executive or otherwise) of the Company.

KEY MANAGEMENT PERSONNEL (KMP)

Directors

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)

Executives

Chris Foley	Company Secretary (Cessation date: 18 January 2013)
Vanitha McVeigh	General Manager - Finance (Cessation date: 31 December 2012)

There were no changes of the Directors or Executives after the reporting date and before the date the financial report was authorised for issue other than stated above.

Remuneration Committee

The Board of Directors performs the function of the Remuneration Committee and is responsible for determining and reviewing remuneration arrangements for Directors and Executives.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration Committee (Continued)

The Board assesses the appropriateness of the nature and amount of remuneration of Executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from attracting and retaining a high quality, high performing team of Directors and Executives.

Remuneration Structure

In accordance with best practice corporate governance, the structure of remuneration paid to Non-Executive Directors and Executive remuneration is separate and distinct.

Non-Executive Directors' Remuneration

Objective

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, for a cost that is acceptable to shareholders.

Structure

The Company's constitution and the ASX listing rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a General Meeting of Shareholders of the Company.

On 23 November 2012, the Company announced a Board restructure. At the company's Annual General Meeting on 29 November 2012, the Board agreed a fixed fee to be paid to Mr Paul Jensen, independent Non-Executive Director and that Mr Gabriel Radzyminksi and Mr S.C. Shin are currently waiving Directors' fees. The Company also reviewed its potential capital management options and announced an off-market equal access share buy-back to shareholders in December 2012.

The remuneration of Non-Executive Directors for the year ended 30 June 2013 is detailed in Table 1 in this report.

The Board has no intention to provide long term incentives to Non-Executive Directors in the form of options. There were no options issued to Non-Executive Directors during the year ended 30 June 2013.

Executive Remuneration

Objective

The Group aims to reward Executive Directors and Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group so as to:

- Reward Executive Directors and Executives for individual performance. Where appropriate, targets referenced to appropriate milestones form the basis of incentive payments;
- Align the interests of the Executive Directors and Executive with those of shareholders;
- Ensure total remuneration is competitive by market standards; and
- Attract and retain well qualified and experienced Executive Directors and Executives.

Structure

The remuneration structure consists of the following key elements:

- Fixed remuneration (base salary, superannuation and non-monetary benefits);
- Variable remuneration - long term incentives; and
- Variable remuneration - short term incentives.

The Company promotes a performance culture and accordingly sets annual performance objectives for Executive Directors, Executives and staff.

The proportion of fixed remuneration and variable remuneration for each Executive is set out in Table 1.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Executive Remuneration (Continued)

Fixed remuneration

Objective

Fixed remuneration is reviewed annually by the Board of Directors. The process consists of a review of Company and individual performance, relevant comparative remuneration in the market and internally and where appropriate, external advice on policies and practices. As noted above, the Board has access to external advice independent of management.

Structure

Executives receive their fixed (primary) remuneration in the form of a salary and superannuation payment every month. The fixed remuneration component of Executives is detailed in Table 1.

Variable remuneration – long term incentives

Executives

The objective in providing long term incentives is to reward Executives in a manner that aligns remuneration with the creation of shareholder wealth and ensures continuity of the experienced Executive team is maintained during the critical phases of the business. Long term incentives have been provided in the past to Executives in the form of share options under an Employee Incentive Plan (EIP). Under the plan, the share options vest over periods of up to 2.5 years subject to meeting continuity of employment provisions and subject to the Board's discretion. Executives are able to exercise the share options after vesting until a set expiry date. No options were issued to Executives during the year ended 30 June 2013.

Refer to Table 2 for details of options vested during the year.

Variable remuneration – short term incentives

Executive Bonuses

There was no formal short term employee incentive plan (EIP) in place during the financial year. No bonuses were paid to Executives during the year ended 30 June 2013 in respect of the year ended 30 June 2012.

Retention bonuses were paid during the period to executives in relation to their continuing employment up to their date of redundancy.

Group Performance

The table below shows the performance of the Group (as measured by the Group's Earnings/(Loss) Per Share) for the past five years (including the current year).

Year		*2008*	*2009*	*2010*	*2012*	*2013*
Earnings/(Loss) Per Share (cents/share)	**$**	0.18	(5.06)	(3.80)	0.51	(1.44)
Share price	**$**	1.68	2.01	0.77	0.47	0.04

REMUNERATION REPORT (AUDITED) (CONTINUED)

Table 1: Remuneration of Key Management Personnel of the Company and the Group

	Short Term			Post-employment		Share-based payments		
	Salary and fees	Cash Bonus	Other [5]	Superannuation	Termination benefits	Options	Total	Performance related
2013 **Directors**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**%**
Ken Scott-Mackenzie [1]	101,250	-	6,497	9,113	-	-	116,860	-
Greg Martin [1]	321,953	-	6,497	6,848	107,397	-	442,695	-
SC Shin	-	-	8,396	-	-	-	8,396	-
Gabriel Radzyminski [2]	-	-	3,577	-	-	-	3,577	-
Paul Jensen [2]	19,075	-	3,577	-	-	-	22,652	-
Executives								
Chris Foley [3]	169,905	306,775	14,106	15,291	364,626	21,612	892,315	34
Vanitha McVeigh [4]	93,295	186,590	13,385	8,397	223,025	-	524,692	36
Total	**705,478**	**493,365**	**56,035**	**39,649**	**695,048**	**21,612**	**2,011,187**	-

1 Cessation date 29 November 2012.
2 Appointment date 29 November 2012.
3 Position made redundant on 18 January 2013.
4 Position made redundant on 31 December 2012.
5 Other short term benefits include insurance policy premiums, car parking benefits and other minor benefits.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Table 1: Remuneration of Key Management Personnel of the Company and the Group (Continued)

	Short Term			Post-employment		Share-based payments		
	Salary and fees	Cash Bonus	Other [10]	Superannuation	Termination benefits	Options	Total	Performance related
2012 Directors	$	$	$	$	$	$	$	%
Ken Scott-Mackenzie	383,516	-	7,633	16,450	-	-	407,599	-
Greg Martin	1,424,220	1,575,000	114,543	15,775	-	-	3,129,538	50
SC Shin [1]	-	-	3,637	-	-	-	3,637	-
Ian Burvill [2]	18,426	-	3,637	-	-	-	22,063	-
Paul Kopejtka [3]	33,269	-	8,533	2,994	547,198	-	591,994	-
James McClements [4]	31,247	-	7,633	-	-	-	38,880	-
Rodney Baxter [4]	65,117	-	7,633	4,893	-	-	77,643	-
Sun Moon Woo [5]	35,153	-	7,633	-	-	-	42,786	-
Samantha Tough [4]	123,085	-	57,633	11,078	-	-	191,796	-
Peter Wasow [4]	126,941	-	7,633	11,425	-	-	145,999	-
Executives								
Trevor Matthews [6, 11]	359,993	1,200,000	19,204	31,229	650,430	1,225,150	3,486,006	17
John Westdorp [7]	252,458	300,000	13,409	22,721	423,270	367,568	1,379,426	22
Jamie Wright [8]	165,640	300,000	12,147	14,908	315,054	343,783	1,151,532	26
Luca Rocchi [8]	162,206	300,000	105,179	14,837	308,132	343,783	1,234,137	24
Chris Foley	310,663	300,000	38,890	27,960	-	334,447	1,011,960	30
Vanitha McVeigh [9]	58,569	-	11,805	5,271	-	-	75,645	-
Total	**3,550,503**	**3,975,000**	**426,782**	**179,541**	**2,244,084**	**2,614,731**	**12,990,641**	-

1 Appointment date 1 March 2012.
2 Appointment date 1 March 2012, cessation date 17 April 2012.
3 Cessation date 26 October 2011.
4 Cessation date 29 February 2012.
5 Cessation date 1 March 2012.
6 Position made redundant 20 February 2012.
7 Position made redundant 6 March 2012.
8 Position made redundant 14 February 2012.
9 Remuneration shown from 7 March 2012 being the date on which the employee met the definition of key management personnel.
10 Other short term benefits includes leave entitlements accrued during the year, insurance policy premiums, accommodation benefits, consulting fees, car parking benefits and other minor benefits.
11 Other short term benefits includes an amount of $5,910 being the commercial interest amount that would have been charged on a short term salary advance of $302,500 (7.2%). The advance was repaid in full in July 2011. Further disclosure is provided in relation to Key Management Personnel transactions.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Table 2: Compensation options: Granted and vested during the year (Consolidated)

	Granted 2012		Granted prior years		Terms and conditions for each Grant					Vested during year	
	No.	Grant Date	No.	Grant Date	Fair Value per option at grant date $ (Note 30)	Exercise price per option $ (Note 30)	Expiry Date	First Exercise Date	Last Exercise Date	No.	%
2013 Executives											
Chris Foley	-	-	70,000	24 Dec 10	1.24	0.00	24 Dec 13	1 Jan 13	24 Dec 13	70,000	100
Total	**-**		**70,000**							**70,000**	-

Table 3: Shares issued on the exercise of compensation options

	Shares Issued No.	Exercise price $
30 June 2013		
Executives		
Chris Foley	70,000	0.00
Total	**70,000**	

Shares issued on exercise of compensation options (Consolidated)

There were 70,000 shares issued to employees including Key Management Personnel on exercise of compensation options during the year (2012: 6,024,000). No other shares were issued to Key Management Personnel on the exercise of compensation options. Each option converts into one ordinary share of Murchison Metals Ltd. The value of shares issued when the options were exercised was $2,828 (based on a weighted average price of $0.0404 per share).

REMUNERATION REPORT (AUDITED) (CONTINUED)

Other transactions with Key Management Personnel

There are no transactions with any key management personnel during the year.

Other related party transactions

There are no other related party transactions during the year.

Employment Contracts

The Group has contracts for services with Key Management Personnel or their related entities. During the financial year ended 30 June 2013, the Company had contracts of employment with the Managing Director (Greg Martin) and Executives. Details of the contracts in place during the year until the date the position was made redundant are provided below.

Key terms of these contracts are as follows:

Executive Directors

Managing Director (Position made redundant on 29 November 2012)

Mr Martin held the position of Managing Director. The key terms of Mr Martin's contract of employment were:

- $5,000 per day and leave entitlements calculated on the basis of a three day working week;
- The employee may resign from his position by giving three months written notice. On termination, the employee is entitled to that portion of remuneration that is fixed, up to the date of the termination;
- The Company may terminate the contract by providing not less than 7 days and not more than 3 months notice. If the Company terminates the contract (without cause) the Company shall pay the employee an amount equivalent to the salary, superannuation received by the employee in the month preceding the termination date and any accrued leave entitlements; and
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. In that event, the employee is only entitled to that portion of remuneration that is fixed up to the date of termination.

Executives (All executives made redundant by 18 January 2013)

All Executives had rolling employment contracts with the Company. The Company was able to terminate the Executive's employment agreement by providing no less than 7 days and not more than 3 months written notice. If the Company terminated the contract (without cause), the Company had to pay the Executive an amount equivalent to 12 months salary and superannuation and any share options that have not yet vested will vest immediately. The Company was able to terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the Executive was only entitled to that portion of remuneration that is fixed up to the date of termination.

End of Remuneration Report

MEETINGS OF DIRECTORS

Attendance by Directors at the Board meetings held during the year was as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Ken Scott-Mackenzie (Chair)	4	3
Greg Martin	4	4
SC Shin	10	8
Gabriel Radzyminski	6	6
Paul Jensen	6	6

The Company had the following committees during the year:

- Audit and Risk Committee;
- Remuneration and Nomination Committee;

As a result of the change in the Board composition during the year under review, the Board Committees' duties were performed by the Board as a whole. As a result, the Board Committees although in operation for the period under review, did not meet during this time.

INDEMNIFYING OFFICERS

Except to the extent permitted by law, the Company has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or any related body corporate against a liability incurred as an officer or auditor.

During the financial year, the Company paid premiums to insure the Directors of the Company (Murchison Metals Ltd), the Company Secretary and all Executive Officers of the Company and of any related body corporate against a liability incurred as such a Director, Company Secretary or Executive Officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

OPTIONS

At the date of this report, the unissued ordinary shares of Murchison Metals Ltd under option are as follows:

Date of Expiry	Exercise Price	Class of Shares	Number under Option
31-Dec-13	1.26	Ordinary	125,000
29-Mar-14	1.73	Ordinary	4,200,000
12-Jul-14	1.16	Ordinary	1,855,651
12-Jun-14	1.04	Ordinary	607,137
12-Jun-14	1.08	Ordinary	576,495
12-Jun-14	0.67	Ordinary	766,714
12-Oct-14	0.66	Ordinary	1,418,922
12-Oct-14	0.58	Ordinary	425,811
Total			**9,975,730**

There were 70,000 shares issued during the financial year as a result of exercise of options.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

NON-AUDIT SERVICES

Refer to Note 7 for details of non-audit services provided by the Company's auditors Ernst & Young during the year.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 15 of the financial report and forms part of this Directors' Report.

ROUNDING OFF OF AMOUNTS

The 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 the Directors.

On behalf of the Directors

Gabriel Radzyminski
Non Executive Director

Sydney, 27 August 2013

Building a better
working world

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

In relation to our audit of the financial report of Murchison Metals Limited for the year ended 30 June 2013, 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

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
Perth
27 August 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Note	Consolidated 2013 $'000	Consolidated 2012 $'000
Continuing Operations			
Revenue	2	2,998	4,905
Other revenue	3(a)	101	2,324
Revenue		**3,099**	**7,229**
Administration expenses	4(a)	(991)	(4,896)
Depreciation and amortisation expense		(5)	(144)
Employee and Director expenses	4(a)	(2,105)	(5,817)
Hired services expenses	4(a)	(841)	(3,623)
Legal matters settlement expense	4(a)	(3,511)	-
Impairment write-down expense		(2,035)	(8,934)
Travel expenses		(60)	(611)
Other expenses		(19)	(18)
Loss from continuing operations before income tax		**(6,468)**	**(16,814)**
Income tax expense	5	-	-
Loss from continuing operations after income tax		**(6,468)**	**(16,814)**
Discontinuing Operations			
Gain on disposal of jointly controlled assets	3(b)	-	8,438
Gain on disposal of jointly controlled entity	3(b)	-	28,821
Employee and Director expenses	4(b)	-	(10,603)
Finance costs	17	-	(6,465)
Share of loss from jointly controlled assets	14	-	(1,383)
Share of profit from a jointly controlled entity	12	-	311
Profit from discontinuing operations before income tax		**-**	**19,119**
Income tax expense	5	-	-
Profit from discontinuing operations after income tax		**-**	**19,119**
(Loss)/Profit for the year after income tax		**(6,468)**	**2,305**
Other comprehensive income for the year	5	-	-
Total comprehensive (loss)/income for the year		**(6,468)**	**2,305**
(Loss)/Profit for the year is attributed to:			
Owners of the parent		(6,468)	2,305
Total comprehensive (loss)/income for the year is attributed to:			
Owners of the parent		(6,468)	2,305
(Loss)/Profit per share attributable to ordinary equity holders from continuing and discontinuing operations:			
- Basic (cents per share)		(1.44)	0.51
- Diluted (cents per share)		(1.44)	0.50
(Loss) per share attributable to ordinary equity holders from continuing operations:			
- Basic (cents per share)		(1.44)	(3.74)
- Diluted (cents per share)		(1.44)	(3.74)
Profit per share attributable to ordinary equity holders from discontinuing operations:			
- Basic (cents per share)		-	4.25
- Diluted (cents per share)		-	4.24

MURCHISON METALS LTD
AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT
30 JUNE 2013

	Note	Consolidated 2013 $'000	2012 $'000
Current Assets			
Cash and cash equivalents	25(c)	21,472	3,052
Term deposits	25(c)	-	223,140
Trade and other receivables	9	100	4,528
Prepayments		30	182
		21,602	230,902
Non-current assets classified as held for sale			
Available-for-sale financial assets	13	-	2,000
Exploration and evaluation expenditure	10	78	3,279
Property plant and equipment	11	-	233
		78	5,512
Total Current Assets		21,680	236,414
Total Assets		**21,680**	**236,414**
Current Liabilities			
Trade and other payables	15	253	830
Provisions	16	-	483
Interest bearing loans and borrowings	17	-	-
Total Current Liabilities		253	1,313
Total Liabilities		**253**	**1,313**
Net Assets		**21,427**	**235,101**
Equity			
Contributed equity	18	38,716	245,944
Reserves	19	24,834	24,812
Accumulated losses	20	(42,123)	(35,655)
Total Equity		**21,427**	**235,101**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED
30 JUNE 2013

	Fully paid Ordinary Shares $'000	Equity Benefits Reserve $'000	(Accumulated Losses) $'000	Total Equity $'000
Consolidated				
Balance at 1 July 2012	**245,944**	**24,812**	**(35,655)**	**235,101**
Other comprehensive income for the year	-	-	-	-
Loss for the year	-	-	(6,468)	(6,468)
Total comprehensive income for the year	**-**	**-**	**(6,468)**	**(6,468)**
Transactions with owners in their capacity as owners:				
Issue of shares	91	-	-	91
Share buy-back costs	(122)	-	-	(122)
Return of capital to shareholders	(207,197)	-	-	(207,197)
Share based payments	-	22	-	22
Balance at 30 June 2013	**38,716**	**24,834**	**(42,123)**	**21,427**
Balance at 1 July 2011	**243,003**	**20,624**	**(37,960)**	**225,667**
Other comprehensive income for the year	-	-	-	-
Profit for the year	-	-	2,305	2,305
Total comprehensive loss for the year	**-**	**-**	**2,305**	**2,305**
Transactions with owners in their capacity as owners:				
Issue of shares	2,941	-	-	2,941
Share based payments	-	4,188	-	4,188
Balance at 30 June 2012	**245,944**	**24,812**	**(35,655)**	**235,101**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

	Note	Consolidated 2013 $'000	2012 $'000
Cash Flows From Operating Activities			
Payments to suppliers and employees		(4,601)	(34,992)
Interest received		7,426	439
Payment for settlement of litigation		(1,600)	-
Finance costs		-	(2,155)
Net cash provided by/(used in) operating activities	25(a)	**1,225**	**(36,708)**
Cash Flows from Investing Activities			
Receipt from disposal of jointly controlled assets and jointly controlled entities		-	305,693
Matured principal from term deposits		307,644	-
Investment in term deposits		(84,504)	(223,140)
Purchase of plant and equipment		-	(88)
Exploration and evaluation expenditure		(34)	(21)
Proceeds on sale of plant and equipment		28	-
Proceeds on sale of tenements and related assets		3,200	1,410
Payment for settlement of litigation		(1,911)	(5,250)
Exploration and evaluation expenditure for jointly controlled assets divested during year		-	(8,741)
Increase in investment in joint controlled entities divested during year		-	(19,300)
Net cash provided by investing activities		**224,423**	**50,563**
Cash Flows From Financing Activities			
Proceeds from interest bearing borrowings		-	37,522
Repayment of interest bearing borrowings		-	(60,725)
Share buy-back costs		(122)	-
Proceeds from issue of shares		91	-
Return of capital to shareholders		(207,197)	-
Net cash (used in) financing activities		**(207,228)**	**(23,203)**
Net increase/(decrease) in cash and cash equivalents		**18,420**	(9,348)
Cash and cash equivalents at the beginning of the year		**3,052**	12,400
Cash and cash equivalents at the end of the year	25(c)	**21,472**	**3,052**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Except for cash flow information, the financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial report presents the consolidated financial statements of the Group.

The 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 financial report of the Group for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the Directors on 27 August 2013.

Going concern

The financial report has being prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business. The Directors are satisfied that the Company will have sufficient cash resources available to enable the Company to continue as a going concern for at least 12 months from the date of signing the financial report.

Statement of compliance

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Changes in accounting policy and disclosures

Since 1 July 2012, the Group has adopted all the Australian Accounting Standards and AASB Interpretations, mandatory 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting standards and interpretations issued but not yet adopted

The following Australian Accounting Standards that are relevant to the Group have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2013:

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These standards are applied retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The main changes are described below. (a) Simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value, simplifying the requirements for embedded derivatives, removing the tainting rules associated with held-to-maturity assets and removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost. (b) Allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows. (d) Requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.	Deferred from 1 January 2013 to 1 January 2015	The impact on the group has not yet been assessed.	1 July 2013

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 9 (Cont)	Financial Instruments (Cont)	AASB 2012-6 *Amendments to Australian Accounting Standards Mandatory Effective Date of AASB 9 and Transition Disclosures* (issued September 2012) defers the mandatory application date of AASB 9 from 1 January 2013 to 1 January 2015.			
AASB 10	Consolidated Financial Statements	AASB 10 replaces parts of AASB 127 Consolidated and Separate Financial Statements and Interpretation 112 Consolidation Special Purpose Entities. This standard provides a revised definition of control and additional application guidance so that a single control model will apply to all investees.	1 January 2013	No material impact on group.	1 July 2013
AASB 11	Joint Arrangements	AASB 11 replaces AASB 131 *Interests in Joint Ventures*. This standard requires joint arrangements to be classified as either "joint operations" (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement).	1 January 2013	No material impact on group.	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a "structured entity", replacing the "special purpose entity" concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities.	1 January 2013	No material impact on group.	1 July 2013
AASB 13	Fair Value Measurement	AASB 13 defines fair value, sets out in a single standard a framework for measuring fair value, and requires disclosures about fair value measurement. This standard requires inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy and enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value. Consequential amendments were also made to other standards via AASB 2011-8.	1 January 2013	No material impact on group.	1 July 2013

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 119	Employee Benefits	This standard introduces a number of changes to the presentation and disclosure of defined benefit plans including removal of the "corridor" approach from AASB 119, thereby requiring entities to recognise all changes in a net defined benefit liability/(asset) when they occur; and disaggregation of changes in a net defined benefit liability/(asset) into service cost, net interest expense and remeasurements and recognition of service cost and net interest expense in profit or loss and remeasurements in other comprehensive income. This standard also includes changes to the criteria for determining when termination benefits should be recognised as an obligation. Consequential amendments were also made to other standards via AASB 2011-10.	1 January 2013	No material impact on group.	1 July 2013
AASB 2012-2	Amendments to Australian Accounting Standards Disclosures Offsetting Financial Assets and Financial Liabilities	This standard principally amends AASB 7 *Financial Instruments: Disclosures* to require entities to include information that will enable users of their financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.	1 January 2013	No material impact on group.	1 July 2013
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements to IFRSs 2009–2011 Cycle	This standard amends a number of Australian Accounting Standards as a consequence of the issuance of *Annual Improvements to IFRSs 2009–2011 Cycle* by the International Accounting Standards Board, including: - AASB 1 *First-time Adoption of Australian Accounting Standards* to clarify the requirements in respect of the application of AASB 1 when an entity discontinues and then resumes applying Australian Accounting Standards - AASB 101 *Presentation of Financial Statements* and AASB 134 *Interim Financial Reporting* to clarify the requirements for presenting comparative information - AASB 116 *Property, Plant and Equipment* to clarify the accounting treatment of spare parts, stand-by equipment and servicing equipment - AASB 132 and Interpretation 2 *Members' Shares in Co-operative Entities and Similar Instruments* to clarify the accounting treatment of any tax effect of a distribution to holders of equity instruments - AASB 134 to facilitate consistency between the measures of total assets and liabilities an entity reports for its segments in its interim and annual financial statements	1 January 2013	No material impact on group.	1 July 2013

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	This Standard makes amendments to AASB 124 *Related Party Disclosures* to remove the individual key management personnel disclosure requirements. These amendments serve a number of purposes, including furthering trans-Tasman convergence, removing differences from IFRSs, and avoiding any potential confusion with the equivalent Corporations Act 2001 disclosure requirements.	1 July 2013	No material impact on group.	1 July 2013

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2013 and the comparative information presented in these financial statements for the year ended 30 June 2012.

a) Principles of consolidation

The consolidated financial statements comprise the financial statements of Murchison Metals Ltd and its subsidiaries as at 30 June each year (the Group).

Subsidiaries are all those entities including special purpose entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity. The results of subsidiaries disposed of during the year are included in the Consolidated Statement of Comprehensive Income up to the effective date of disposal, as appropriate.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Entity, using consistent accounting policies. In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

b) Foreign currency translation

The functional and presentation currency of the Company and its subsidiaries is Australian Dollars.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

All exchange differences in the consolidated financial report are recognised in profit or loss.

c) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowing in current liabilities on the Statement of Financial Position.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Investments and other financial assets

Investments and financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments or available-for-sale financial assets, as appropriate. The classification depends on the purpose for which the investments were acquired or originated. When financial assets are recognised initially they are measured at fair value plus transaction costs except in the case of finance assets recorded at fair value through profit or loss. The Group determines the classification of its financial assets at initial recognition and when allowed and appropriate, re-evaluates this designation at each financial year-end.

Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as either financial assets at fair value through profit or loss, loans and receivables, or held to maturity investments. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised directly in equity, until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost, using the effective interest method less impairment. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after the reporting date, which are classified as non-current.

e) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

Depreciation is calculated on a straight line basis over the estimated useful life of the assets as follows:

Buildings	5 to 10 years
Plant and equipment	5 to 15 years
IT equipment	3 years
Motor vehicles	4 years
Furniture and Fittings	5 years

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each financial year end.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

f) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Leases (Continued)

Group as a lessee

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset – but not the legal ownership – are transferred to entities in the consolidated group, are classified as finance leases. Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

g) Impairment of non-financial assets other than goodwill

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

h) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

i) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Murchison Metals Ltd does not currently hold qualifying assets but, if it did, the borrowing costs directly associated with this asset would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of the provision to be reimbursed for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the Statement of Financial Position date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave due to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

k) Share based payment transactions

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the Statement of Comprehensive Income is the product of:

(i) the grant date fair value of the award;

(ii) the current best estimates of the awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and

(iii) the expired portion of the vesting period.

The charge to the Statement of Comprehensive Income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Equity-settled awards granted by the Group to employees of subsidiaries are recognised in the Parent's separate financial statements as an additional investment in the subsidiary with a corresponding credit to equity. These amounts are eliminated on consolidation. As a result, the expense recognised by the Group in relation to equity-settled awards only represents the expense associated with grants to employees of the Parent. The expense recognised by the Group is the total expense associated with all such awards.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Share based payment transactions (Continued)

If a non-vesting condition is within the control of the Group, Company or employee, the failure to satisfy the condition is treated as a cancellation. If a non-vesting condition within the control of neither the Group, Company or employee is not satisfied during the vesting period, any expense for the award not previously recognised is recognised over the remaining vesting period unless the award is forfeited.

If the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled it is treated as if it had vested on the date of cancellation and any expense not yet recognised for the award is recognised immediately by the Parent. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see Note 8).

l) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the Parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the Parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the year that would result from the dilution of potential ordinary shares.

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

m) Pensions and other post employment expenditure

Contributions to defined contribution superannuation plans are expensed when the obligation is incurred.

n) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

o) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o) Revenue recognition Continued)

Interest revenue

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

p) Income tax and other taxes

Current and deferred income taxes

The income tax expense/(income) for the year comprises current income tax expense/(income) and deferred tax expense/(income). Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense/(income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) Income tax and other taxes (Continued)

Tax consolidation legislation

Murchison Metals Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2004.

The current and deferred tax amounts for the Tax Consolidated Group are allocated among the entities in the Group using a stand-alone taxpayer approach whereby each entity in the Tax Consolidated Group measures its current and deferred tax as if it continued to be a separately taxable entity in its own right. Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts of the assets and liabilities in the Company's Statement of Financial Position and their tax values applying under tax consolidation.

In addition to its own current and deferred tax amounts, Murchison also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the Tax Consolidated Group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details of the tax funding agreements are disclosed in Note 5.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivable and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financial activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the GST recoverable from, or payable to, the taxation authority.

q) Exploration and evaluation expenditure

Expenditure on exploration and evaluation is accounted for in accordance with the 'area of interest' method. Exploration and evaluation expenditure is capitalised provided the rights to tenure of the area of interest is current and either:

- the exploration and evaluation activities are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or relating to, the area of interest are continuing.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, then any capitalised exploration and evaluation expenditure is reclassified as capitalised mine development. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q) Exploration and evaluation expenditure (Continued)

Impairment

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimate recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Any impairment losses are recognised in the Statement of Comprehensive Income.

r) Mine development expenditure

Mine development expenditure represents the costs incurred in preparing mines for production and includes stripping and waste removal costs incurred before production commences. These costs are capitalised to the extent they are expected to be recouped through successful exploitation of the related mining leases. Once production commences, these costs are amortised using the units-of-production method based on the estimated economically recoverable reserves to which they relate or are written off if the mine property is abandoned.

Impairment

The carrying value of capitalised mine development expenditure is assessed for impairment whenever the facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

The recoverable amount of capitalised mine development expenditure is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Any impairment losses are recognised in profit or loss.

s) Provisions for decommissioning and restoration costs

The Group is required to decommission and rehabilitate mines and processing sites at the end of their producing lives to a condition acceptable to the relevant authorities.

The expected cost of any approved decommissioning or rehabilitation programme, discounted to its net present value, is provided when the related environmental disturbance occurs. The cost is capitalised when it gives rise to future benefits, whether the rehabilitation activity is expected to occur over the life of the operation or at the time of closure. The capitalised cost is amortised over the life of the operation and the increase in the net present value of the provision for the expected cost is included in financial expenses. Expected decommissioning and rehabilitation costs are based on the discounted value of the estimated future cost of detailed plans prepared for each site. Where there is a change in the expected decommissioning and restoration costs, the value of the provision and any related asset are adjusted and the effect is recognised in profit or loss on a prospective basis over the remaining life of the operation.

t) Operating segments

The Group has identified one operating segment which is mineral resources investment activities in Australia. Each area of operation has been aggregated and therefore the operations of the Group present one operating segment under AASB 8 *Operating Segments*.

The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of the financial report.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

u) Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the Statement of Comprehensive Income, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the Statement of Comprehensive Income.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

v) Significant accounting judgements, estimates and assumptions

In applying the Group's accounting policies management continually evaluates judgements, estimates and assumptions based on experiences and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

i. Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effects on the amounts recognised in the financial statements:

Recoverability of potential deferred income tax assets

The Group recognises deferred income tax assets in respect of tax losses to the extent that it is probable that the future utilisation of these losses is considered probable. Assessing the future utilisation of these losses requires the Group to make significant estimates related to expectations of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, this could result in significant changes to the deferred income tax assets recognised, which would in turn impact future financial results.

Determination of mineral resources and ore reserves

The determination of reserves impacts on the accounting for asset carrying values, depreciation and amortisation rates, deferred stripping costs (if applicable) and provisions for decommissioning and restoration. Murchison Metals Ltd estimates its mineral resources and ore reserves in accordance with the *Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2004* ('JORC'). The information on mineral resources was prepared by and under the supervision of Competent Persons as defined by the JORC code. The amounts presented are based on the mineral resources determined under the JORC code.

There are numerous uncertainties inherent in estimating mineral resources and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated.

	Consolidated	
	2013	2012
	$'000	$'000

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii. Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting periods are:

Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decide to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale. Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a binomial model with the assumptions detailed in Note 30. The accounting estimates and assumptions relating to equity-settled share based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

NOTE 2: REVENUE FROM CONTINUING OPERATIONS

	2013 $'000	2012 $'000
Continuing operations		
Interest – Banks	2,998	4,905
	2,998	4,905

NOTE 3(A): OTHER INCOME FROM CONTINUING OPERATIONS

	2013 $'000	2012 $'000
Profit on sale of tenements and related assets	-	1,316
Net gain on foreign exchange (realised and unrealised)	-	1,000
Other income	101	8
	101	2,324

NOTE 3(B): GAIN ON DISPOSAL FROM DISCONTINUING OPERATIONS

	Consolidated 2013 $'000	2012 $'000
Gain on disposal of jointly controlled entities		
Gain on disposal of 50% direct interest in Crosslands Resources Ltd		
Carrying value at 30 June 2012	-	171,043
Share of profit from equity accounted investment	-	311
Cash calls paid between 1 July 2012 and 20 February 2013	-	19,300
Carrying value at the date of disposal	-	190,654
Proceeds from disposal	-	251,566
Less carrying value at date of disposal	-	(190,654)
Less settlement of Chameleon Mining N.L. litigation	-	(25,000)
Less transaction costs directly attributable to sale	-	(7,091)
Gain on disposal before tax	-	28,821
Income tax expense	-	-
Net gain on disposal after tax	-	28,821
Net gain on disposal of jointly controlled entities after tax	**-**	28,821
Gain on disposal of jointly controlled assets		
Gain on disposal of 25% direct interest in OPR Port unincorporated joint venture		
Carrying value at 30 June 2012	-	27,905
Share of loss from equity accounted investment	-	(687)
Cash calls paid between 1 July 2012 and 20 February 2013	-	4,461
Carrying value at the date of disposal	-	31,679
Proceeds from disposal	-	37,259
Less carrying value at date of disposal	-	(31,679)
Less transaction costs directly attributable to sale	-	(1,519)
Gain on disposal before tax	-	4,061
Income tax expense	-	-
Net gain on disposal after tax	-	4,061
Gain on disposal of 25% direct interest in OPR Rail unincorporated joint venture		
Carrying value at 30 June 2012	-	27,389
Share of loss from equity accounted investment	-	(696)
Cash calls paid between 1 July 2012 and 20 February 2013	-	4,280
Carrying value at the date of disposal	-	30,973
Proceeds from disposal	-	36,869
Less carrying value at date of disposal	-	(30,973)
Less transaction costs directly attributable to sale	-	(1,519)
Gain on disposal before tax	-	4,377
Income tax expense	-	-
Net gain on disposal after tax	-	4,377
Net gain on disposal of jointly controlled assets after tax	**-**	8,438

NOTE 4(A): LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

Loss for the year from continuing operations has been arrived at after charging the following gains and losses:

	Consolidated 2013 $'000	Consolidated 2012 $'000
Administration Expense		
Accounting, audit and tax return preparation fees	134	483
Bank charges	3	6
Compliance and secretarial	211	379
Impairment write-down on property, plant and equipment	185	367
Insurance	182	66
Legal expenses	143	1,589
Office rental	33	451
Other general administration expenses	89	1,504
Printing and stationery	11	51
	991	4,896
Employee and Director Expenses		
Salaries and wages	1,486	917
Defined contribution superannuation expense	47	182
Executive Directors' salaries and Non-Executive Directors' fees	442	1,786
Share based payment expenses	22	595
Short term incentive expense	-	1,975
Payroll tax	75	236
Recruitment	-	9
Other	33	117
	2,105	5,817
Hired services expenses		
Air charter	-	46
Consultants	823	3,541
Other	17	36
	841	3,623
Legal settlement expenses		
O'Sullivan Partner matter	1,911	-
Premar matter	1,600	-
	3,511	-

The following legal matters were finalised during the year:

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.

	Consolidated	
	2013	2012
	$'000	$'000

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.

NOTE 4(B): PROFIT FOR THE YEAR FROM DISCONTINUING OPERATIONS

Profit/(loss) for the year from discontinuing operations has been arrived at after charging/(crediting) the following gains and losses:

Employee and Director Expenses

	2013 $'000	2012 $'000
Salaries and Wages	-	2,518
Defined contribution superannuation expense	-	174
Executive Directors' salaries and Non-Executive Directors' fees	-	411
Redundancy payments	-	2,375
Payroll tax	-	310
Short term incentive expense	-	2,100
Share based payment expenses/(reversal)	-	2,715
	-	10,603

NOTE 5: INCOME TAX

Income tax expense

The major components of income tax (benefit)/expense are:

	2013 $'000	2012 $'000
Current income tax		
Current income tax (benefit)/charge before applying tax losses	(485)	21,982
Adjustments in respect of current income tax of previous years	-	-
Deferred income tax		
Relating to the origination and reversal of temporary differences	(1,445)	(1,061)
Deferred tax assets relating to tax losses brought to account	-	(22,452)
Deferred tax assets not brought to account	1,930	1,531
Income tax expense/(benefit)	-	-

NOTE 5: INCOME TAX (CONTINUED)

Reconciliation between aggregate tax expense recognised in the Statement of Comprehensive Income and tax expense calculated per the statutory income tax rate

The product of accounting (loss)/profit before income tax multiplied by the applicable income tax rate is reconciled to the income tax expense/(benefit) as follows:

	Consolidated 2013 $'000	Consolidated 2012 $'000
Accounting loss from continuing operations	(6,468)	(16,814)
Accounting profit from discontinuing operations	-	19,119
Total accounting (loss)/profit before income tax	(6,468)	2,305
Tax benefit at the statutory income tax rate (30%) (2012: 30%)	(1,940)	692
Share based payments	6	1,256
Non-deductible legal expenditure	3	-
Under/(over) provision for income tax return	-	-
Non-deductible expenditure	1	12
Tax profits in excess of accounting gains	-	18,961
Deferred tax assets relating to tax losses not previously recognised, now brought to account	-	(22,452)
Deferred tax assets not brought to account	1,930	1,531
Aggregate income tax expense/(benefit)	-	-

	Consolidated			
	Statement of Financial Position		Statement of Comprehensive Income	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
Deferred income tax liabilities				
Unrealised foreign exchange gain	-	-	-	70
Exploration	(24)	(983)	959	2,644
Interest accrued not taxable	(16)	-	(16)	-
Gross deferred income tax liabilities recognised	(40)	(983)		
Deferred income tax assets				
Provisions	-	145	(145)	(551)
Accruals	16	35	(18)	(185)
Impairment write-down on investments	600	-	600	(375)
Other business related costs	104	209	(105)	(538)
Tangible Fixed Assets	170	-	170	(4)
Tax losses	6,707	6,455	-	-
Deferred tax asset not recognised	(7,557)	(5,861)	-	-
Gross deferred income tax assets recognised	40	983		
Net deferred income tax asset	-	-		
Deferred income tax charge			1,445	1,061

NOTE 5: INCOME TAX (CONTINUED)

Tax Losses

The Group has revenue losses for which no deferred tax asset is recognised on the Statement of Financial Position of $22,357,000 (2012: $19,526,000) which are available for offset against future taxable income subject to continuing to meet relevant statutory tests.

Tax consolidation

Murchison Metals Ltd and its 100% owned Australian resident subsidiaries have formed a Tax Consolidated Group with effect from 11 November 2004. Murchison Metals Ltd is the Head Entity of the Tax Consolidated Group. Members of the Group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on a pro rata basis. The agreement provides for the allocation of income tax liabilities between the entities should the Head Entity default on its tax payment obligations. At the balance date, the possibility of default is remote.

Tax effect accounting by members of the Tax Consolidated Group

The current and deferred tax amounts for the Tax Consolidated Group are allocated among the entities in the Group using a stand-alone taxpayer approach whereby each entity in the Tax Consolidated Group measures its current and deferred taxes as if it continued to be a separately taxable entity in its own right. Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts of the assets and liabilities in the Company's Statement of Financial Position and their tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses assumed by the Head Entity from the subsidiaries in the Tax Consolidated Group are recognised in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution to or distribution from the subsidiary. Distributions firstly reduce the carrying amount of the investment in the subsidiary and are then recognised as revenue.

The Company recognises deferred tax assets arising from unused tax losses or the Tax Consolidated Group to the extent that it is probable that future taxable profits of the Tax Consolidated Group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses assumed from subsidiaries are recognised by the Head Entity only.

The members of the Tax Consolidated Group have entered into a tax funding arrangement which sets out the funding obligations of members of the Tax Consolidated Group in respect of tax amounts. The tax funding arrangements require payments to/from the Head Entity equal to the current tax liability/(asset) assumed by the Head Entity and any tax-loss deferred tax asset assumed by the Head Entity.

	Consolidated 2013 $'000	Consolidated 2012 $'000

NOTE 6: KEY MANAGEMENT PERSONNEL

(a) Compensation of Key Management Personnel

The aggregate compensation of the Key Management Personnel of the Consolidated Entity is set out below:

	2013	2012
Short term employee benefits and fees	1,254,878	7,952,285
Post-employment benefits	734,697	2,423,625
Share-based payments	21,612	2,614,731
Total compensation	**2,011,187**	12,990,641

(b) Option holdings of Key Management Personnel

	Balance at Beginning of year No.	Granted as remuneration No.	Options exercised No.	Net change lapse/expired No.	Balance at end of year/immediately following termination No.	Vested as at the end of the year: Total No.	Exercisable No.	Not exercisable No.
2013								
Executives								
Chris Foley [1]	70,000	-	(70,000)	-	-	-	-	-

[1] Position made redundant 14 January 2013.

	Balance at Beginning of year No.	Granted as remuneration No.	Options exercised No.	Net change lapse/expired No.	Balance at end of year/immediately following termination No.	Vested as at the end of the year: Total No.	Exercisable No.	Not exercisable No.
2012								
Directors								
Paul Kopejtka	2,250,000	-	-	(2,250,000)	-	-	-	-
Executives								
Trevor Matthews [1]	2,250,000	2,465,000	(2,465,000)	(2,250,000)	-	-	-	-
John Westdorp [2]	845,000	444,000	(599,000)	(690,000)	-	-	-	-
Jamie Wright [3]	354,000	444,000	(568,000)	(230,000)	-	-	-	-
Luca Rocchi [3]	416,000	444,000	(568,000)	(292,000)	-	-	-	-
Chris Foley	804,000	444,000	(514,000)	(664,000)	70,000	-	-	70,000
Vanitha McVeigh [4]	-	148,000	(148,000)	-	-	-	-	-

[1] Position made redundant 20 February 2012.
[2] Position made redundant 6 March 2012.
[3] Position made redundant 14 February 2012.
[4] Employee met the definition of KMP from 7 March 2012.

No other Key Management Personnel held options during the year ended 30 June 2013 or 30 June 2012.

NOTE 6: KEY MANAGEMENT PERSONNEL (CONTINUED)

(c) Shareholdings of Key Management Personnel

Shares held in Murchison Metals Limited (number)

	Balance at beginning of year No.	Granted as Remuneration No.	On Exercise of Options No.	(Sale)/ Purchase of shares No.	Net change other No.	Balance at end of year/ immediately following termination No.
2013						
Executives						
Chris Foley [1]	544,000	-	70,000	(614,000)	-	-
Vanitha McVeigh [2]	148,000	-	-	-	-	148,000

[1] Position made redundant 14 January 2013.
[2] Position made redundant 31 December 2012.

	Balance at beginning of year No.	Granted as Remuneration No.	On Exercise of Options No.	(Sale)/ Purchase of shares No.	Net change other No.	Balance at end of year/ immediately following termination No.
2012						
Directors						-
Paul Kopejtka [5]	22,280,000	-	-	-	-	22,280,000
Rodney Baxter [6]	200,000		-	-		200,000
Executives	-	-			-	
Trevor Matthews [1]	170,000	-	2,465,000	-	-	2,635,000
John Westdorp [2]	272,500	-	599,000	(77,500)	-	794,000
Jamie Wright [3]	66,400	-	568,000	(128,400)	-	506,000
Luca Rocchi [3]	-	-	568,000	(31,000)	-	537,000
Chris Foley	100,000	-	514,000	(70,000)	-	544,000
Vanitha McVeigh [4]	-	-	148,000	-	-	148,000

[1] Position made redundant 20 February 2012.
[2] Position made redundant 6 March 2012.
[3] Position made redundant 14 February 2012.
[4] Employee met the definition of KMP from 7 March 2012.
[5] Cessation date 26 October 2011.
[6] Cessation date 29 February 2012.

No other Key Management Personnel held shares during the year ended 30 June 2013 or 30 June 2012.

All equity transactions with Key Management Personnel other than those arising from the grant or exercise of remuneration shares/options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

(d) Transactions and balances with Key Management Personnel

There are no transactions with any key management personnel during the year.

(e) Other transactions and balances with Key Management Personnel

There are no other transactions or balances with Key Management Personnel during the year.

	Consolidated	
	2013	2012
	$'000	$'000

NOTE 7: AUDITOR'S REMUNERATION

The auditor of Murchison Metals Ltd is Ernst & Young.		
Amounts received or due and receivable by Ernst & Young (Australia) for:		
Audit or review of the financial report of the entity and any other entity in the Group	40	222
Non-audit services relating to agreed upon procedures engagements	13	91
Total fees	**53**	313

NOTE 8: EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit/(loss) for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit/(loss) attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the net profit/(loss) and share data used in the basic and diluted earnings per share computations:

(a) Earnings used in calculating earnings per share

For basic and diluted earnings per share:		
Net loss from continuing operations attributable to ordinary equity holders of the parent	(6,468)	(16,814)
Net profit/(loss) from discontinuing operations attributable to ordinary equity holders of the parent	-	19,119

Weighted average number of ordinary shares for basic profit/(loss) per share

Weighted average number of ordinary shares for basic profit/(loss) per share (000's)	**450,497**	450,093
Effect of dilution:		
Share options	**-**	404
Weighted average number of ordinary shares adjusted for the effect of dilution	**450,497**	450,497

An off-market share buy-back of $0.042 per share was approved at an extraordinary general meeting of shareholders held on 16 August 2013.

	Consolidated 2013 $'000	2012 $'000

(b) Information on the classification of securities

Options

Options granted to employees (including Key Management Personnel) in the prior year as described in Note 30 are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent they are dilutive. These shares have not been included in the determination of basic earnings per share.

The following ordinary shares could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share for continuing operations:

	No	No
Share options not included in diluted earnings per share calculation	**9,976**	10,380

NOTE 9: TRADE AND OTHER RECEIVABLES

Current		
Interest receivable	54	4,482
Amounts receivable from Australian Taxation Authorities	41	46
Sundry debtors	5	-
Total trade and other receivables	**100**	4,528

(a) Ageing

Balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these balances will be received when due.

(b) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer receivables to special purpose entities.

All amounts are receivable in Australian Dollars and are not considered past due or impaired.

NOTE 10: EXPLORATION AND EVALUATION EXPENDITURE

Exploration and evaluation expenditure in respect of areas of interest:		
Balance at the beginning of the year	3,279	68,861
Additions	-	5,907
Exploration assets relating to minor tenements divested during the year [1]	(3,200)	(45)
Exploration assets relating to jointly controlled assets divested during the year	-	(62,510)
Impairment write-down - Rocklea project	-	(8,934)
Impairment write-down – minor tenements	(1)	-
Balance at the end of the year	**78**	3,279

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

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

	Consolidated	
	2013	2012
	$'000	$'000

NOTE 11: PROPERTY, PLANT AND EQUIPMENT (NON-CURRENT ASSETS HELD FOR SALE)

Consolidated	Plant & Equipment $'000	Buildings $'000	IT equipment $'000	Capital work in progress $'000	Furniture and Fittings $'000	Mobile equipment $'000	Total $'000
2013							
Cost							
As at 1 July 2012	-	67	427	-	14	-	508
Impairment write-down and disposal	-	(67)	(374)	-	(14)	-	(455)
Disposals	-	-	(53)	-	-	-	(53)
As at 30 June 2013	-	-	-	-	-	-	-
Accumulated Depreciation							
As at 1 July 2012	-	-	275	-	-	-	275
Current year depreciation	-	-	5	-	-	-	5
Impairment write-down and disposal	-	-	(270)	-	-	-	(270)
Disposals	-	-	(10)	-	-	-	(10)
As at 30 June 2013	-	-	-	-	-	-	-
Net Carrying Value							
As at 1 July 2012	-	67	152	-	14	-	233
As at 30 June 2013	-	-	-	-	-	-	-
2012							
Cost							
As at 1 July 2011	24	690	527	2	278	12	1,533
Additions	-	-	92	-	4	-	96
Impairment write-down	(22)	(623)	-	-	(176)	-	(821)
Disposals	(2)	-	(192)	(2)	(92)	(12)	(300)
As at 30 June 2012	-	67	427	-	14	-	508
Accumulated Depreciation							
As at 1 July 2011	15	239	317	-	121	4	696
Current year depreciation	2	80	67	-	28	1	178
Impairment write-down	(17)	(319)	-	-	(118)	-	(454)
Disposals	-	-	(109)	-	(31)	(5)	(145)
As at 30 June 2012	-	-	275	-	-	-	275
Net Carrying Value							
As at 1 July 2011	9	451	210	2	157	8	837
As at 30 June 2012 [1]	-	67	152	-	14	-	233

[1] Property plant and equipment was reclassified as non-current assets held for sale as the Company expects to realise the carrying value of the assets through sale rather than continuing use. Property plant and equipment is no longer depreciated.

Property, plant and equipment pledged as security for liabilities

No assets for the Group were pledged as securities for non-current liabilities in the current year (2012: Nil).

	Consolidated 2013 $'000	Consolidated 2012 $'000
NOTE 12: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD		
Investments in jointly controlled entities	**-**	-
Reconciliation of movement in investments accounted for using the equity method		
Balance at 1 July	-	171,043
Investments during the year	-	19,300
Share of profit for the year	-	311
Divestment of interests in jointly controlled entities	-	(190,654)
Balance at 30 June	**-**	-
NOTE 13: AVAILABLE-FOR-SALE FINANCIAL ASSETS		
Shares - Unlisted	-	2,000
	-	2,000
Movement in available-for-sale financial assets		
Balance at 1 July	2,000	2,000
Impairment write-down of Cashmere Iron shares	(2,000)	-
Balance at 30 June	**-**	2,000

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.

NOTE 14: SHARE OF LOSS FROM JOINTLY CONTROLLED ASSETS

	2013 $'000	2012 $'000
Share of revenue from jointly controlled assets	-	38
Administration expenses	-	(285)
Depreciation and amortisation expense	-	(35)
Employee and director expenses	-	(878)
Hired services expenses	-	(211)
Other expenses	-	(4)
Travel expenses	-	(8)
Group share of expenses from jointly controlled assets	**-**	(1,383)

NOTE 15: TRADE AND OTHER PAYABLES

	2013 $'000	2012 $'000
Current		
Trade payables [1]	190	725
Other payables [2]	63	105
	253	830

1 Trade payables are non-interest bearing and are normally settled on 30 day terms.
2 Other payables are non-trade payables, are non-interest bearing and have an average term of 3 months.

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

	Consolidated	
	2013 $'000	2012 $'000

NOTE 16: PROVISIONS

Provision for employee leave entitlements	-	233
Provision for legal matters/settlements	-	250
	-	483

(a) Movement in Provision for employee leave entitlements

Employee leave entitlements		
Balance at 1 July	233	270
Arising during the year	49	367
Utilised/paid out	(282)	(404)
Balance at 30 June	-	233

(b) Employee Numbers

Average number of employees	-	20

(c) Superannuation

The Company contributes to employees' superannuation plans in accordance with the requirements of Occupational Superannuation Legislation. Contributions by the Company represent a defined percentage of each employee's salary.

Superannuation contributions for the year	47	357

NOTE 17: INTEREST BEARING LOANS & BORROWINGS

On 16 March 2011, Murchison entered into a bridging facility agreement with Resource Capital Fund V L.P. (RCF) for US$100 million (Facility Agreement). The Facility limit was reduced to US$95 million on 24 November 2011 upon execution of the Share Asset and Purchase Agreement with Mitsubishi. The loan was repaid in full and the Facility closed on 21 February 2012 following completion of the Transaction.

Loan – at amortised cost		
Loan from Resource Capital Fund V L.P.	-	-

Reconciliation of movement in interest bearing borrowings

Balance at the beginning of the year	-	23,792
Drawdowns, fees and foreign exchange revaluation	-	36,933
Repayment of borrowings	-	(60,725)
Balance at the end of the year	-	-

Fees and interest

Total commitment and utilisation fees and interest payable under the Facility was as follows:

Total fees payable to Resource Capital Fund V L.P.	-	(6,465)

The Company did not have any debt as at 30 June 2013.

	Consolidated 2013 $'000	2012 $'000

NOTE 18: CONTRIBUTED EQUITY

Ordinary shares		
Issued and fully paid	38,716	245,944

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	2013 No '000	2013 $ '000	2012 No '000	2012 $ '000
Movements in ordinary shares on issue: Fully paid ordinary shares				
Balance at beginning of financial year	450,093	245,944	435,884	243,003
Issued during year	404	91	14,209	2,941
Share buy-back costs [1]	-	(122)	-	-
Return of capital to shareholders [2]	-	(207,197)	-	-
Balance at end of financial year	450,497	38,716	450,093	245,944

1 On 28 December 2012, the Company announced a proposal for an off-market equal access share buy-back. The share buy-back was approved at an extraordinary general meeting of shareholders held on 16 August 2013.

2 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.

NOTE 19: RESERVES

Share based payment reserve	24,834	24,812
Share Based Payment Reserve		
Balance at the beginning of the financial year	24,812	20,624
Share based payments	22	4,188
Balance at the end of the financial year	**24,834**	24,812

The Nature of the Reserve is used to record the value of equity benefits provided to employees and Directors as remuneration and also includes options issued in respect of interest bearing loans and borrowings. Further information in relation to the nature of share options issued during the year is provided below.

Share options granted under the Employee Incentive Plan

In accordance with the provisions of the Employee Incentive Plan, as at 30 June 2013, Executives and senior employees (including former employees) have options over 125,000 ordinary shares (2012: 195,000 of which 70,000 were unvested), with various expiry dates.

Options granted under the Employee Incentive Plan carry no rights to dividends and no voting rights. Further details of the Employee Incentive Plan are contained in Note 30.

In 2012, 5,984,799 options were issued to Resource Capital Fund V L.P. in satisfaction of fees payable under the Facility Agreement. The options vested immediately and had exercise prices between $0.27c and $1.16. The options have an expiry period of up to 3 years. Options granted under the Facility Agreement carry no rights to dividends and no voting rights.

NOTE 20: ACCUMULATED LOSSES

Accumulated loss at the beginning of the financial year	(35,655)	(37,960)
Net (loss)/profit attributable to the members of the company	(6,468)	2,305
Accumulated loss at the end of the financial year	(42,123)	(35,655)

	2013 $'000	2012 $'000

NOTE 21: PARENT ENTITY

Summarised financial information in respect of the Parent Entity is set out below:

	2013 $'000	2012 $'000
Financial Performance		
Loss for the year	(6,468)	(2,630)
Other comprehensive income	-	-
Total comprehensive loss	(6,468)	(2,630)
Financial Position		
Assets		
Current assets	21,596	236,410
Non-current assets	22,241	22,163
Total Assets	43,837	258,573
Liabilities		
Current liabilities	253	1,313
Non-current liabilities	94,256	94,257
Total Liabilities	94,509	95,570
Net Assets	**(50,672)**	**163,003**
Equity		
Contributed equity	38,716	245,944
Accumulated losses	(114,221)	(107,753)
Reserves		
Equity benefits reserve	24,833	24,812
Total Equity	**(50,672)**	**163,003**

The deficiency in equity is as a result of inter-company loan payable to 100% owned group companies.

(a) Guarantees

No guarantees were entered into by the Parent in relation to the debts of its subsidiaries in respect of the year ended 30 June 2013 (2012: Nil).

Subsidiaries of Murchison Metals Ltd

	Country of Incorporation	Percentage Owned (%) 2013	2012
ATL Exploration Pty Ltd	Australia	100	100
MMX Investments Pty Ltd	Australia	100	100
Jack Hills Holdings Pty Ltd	Australia	100	100
MMX Port Holdings Pty Ltd	Australia	100	100
MMX Rail Holdings Pty Ltd	Australia	100	100
Weld Range Mining Pty Ltd	Australia	100	100

(b) Commitments

Refer to Note 22 for commitments in respect of the Parent Entity

	Consolidated		Parent	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000

NOTE 22: COMMITMENTS

(a) Operating lease commitments

Operating commitments relate to the company offices and office equipment. These leases have an average life of three years:

Continuing operations:				
Within one year	-	20	-	20
After one year but no longer than five years	-	-	-	-
Longer than five years	-	-	-	-
	-	20	-	20

In 2012, the Company entered into an agreement with an external party to assign the lease of Murchison's office premises. The Company no longer has any office rental commitments.

Tenement commitments

Commitments for the tenements at the reporting date not recognised as liabilities:

Continuing operations:				
Within one year	30	45	30	45
After one year but no longer than five years	150	180	150	180
Longer than five years	-	-	-	-
	180	225	180	225

(b) Other expenditure commitments

There are no other items of significant expenditure to which the Company is currently committed as at 30 June 2013.

NOTE 23: CONTINGENT LIABILITIES

There are no contingent liabilities as at 30 June 2013.

NOTE 24: SEGMENT REPORTING

The Group has identified one operating segment which is mineral resources investment activities in Australia, based on the internal reports that are reviewed and used by the Board.

The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of the financial statements.

	Consolidated	
	2013	2012
	$'000	$'000

NOTE 25: CASH FLOW INFORMATION

(a) Reconciliation of net loss after tax to net cash flow from operations

	2013 $'000	2012 $'000
(Loss)/Profit from ordinary activities	(6,468)	2,305
Non-cash flows in loss from ordinary activities:		
Depreciation	5	144
Loss/(Gain) on disposal of assets	14	(37,259)
Gain on disposal for available-for-sale assets	-	(1,316)
Share based payments for employees	22	3,309
Unrealised foreign exchange loss	-	1,102
Financing cost	-	4,310
Impairment write down on tenements	35	8,934
Impairment write down on investments	2,000	-
Impairment write-down on property, plant and equipment	185	367
Settlement of litigation paid directly to Chameleon by Mitsubishi from sales proceeds	-	(20,000)
Payment for settlement of litigation included in investing activities	1,911	5,250
Share of loss from jointly controlled entities and assets	-	1,072
Other non-cash general expenses	-	3,588
Changes in assets and liabilities:		
Increase/(Decrease) in trade and other receivables and prepayments	4,581	(3,909)
(Decrease) in trade and other creditors	(577)	(2,772)
(Decrease) in provisions	(483)	(1,833)
Net cash flow provided by/(used in) operations	1,225	(36,708)

(b) Non-cash financing and investing activities

	2013 $'000	2012 $'000
Settlement of Litigation	-	20,000
Financing cost	-	4,310

Reconciliation of Cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2013 $'000	2012 $'000
Cash at bank and in hand	4,468	1,551
Short term deposits (90 days or less)	17,004	1,501
Cash and Cash Equivalents	21,472	3,052
Term deposits (greater than 90 days)	-	223,140
	-	223,140

(c) Reconciliation of Cash

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods, depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is $21,472,000 (2012: $3,052,000).

(d) Financing facilities available

At reporting date, the following financing facilities had been negotiated and were available:

	2013 $'000	2012 $'000
Total Facilities		
– Bank	300	300
	300	300
Total Facilities used at reporting date		
Bank	113	293
	113	293
Total Facilities unused at reporting date		
Bank	187	7
	187	7

	Consolidated	
	2013	2012
	$'000	$'000

NOTE 26: EVENTS SUBSEQUENT TO REPORTING DATE

On the date of release of the buy-back documents, the Board convened an extraordinary general meeting of shareholders for the purpose of approving the share buy-back at $0.042 per share.

The off market share buy-back was approved by shareholders in the extraordinary general meeting of shareholders held on 16 August 2013.

The partner in the Duck Hill joint venture has given notice to relinquish their 50% share of the joint venture The Directors do not consider this will have a material impact on the financial statements.

Apart from the above, 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 financial year which significantly affect, or may significantly affect the operations, results or state of affairs of the Consolidated Entity in subsequent financial periods.

NOTE 27: RELATED PARTY TRANSACTIONS

(a) Key Management Personnel compensation

Details of Key Management Personnel compensation are disclosed in Note 6 to the financial statements.

(b) Key Management Personnel equity holdings

Details of Key Management Personnel equity holdings are disclosed in Note 6 to the financial statements.

(c) Other transactions with Key Management Personnel (and their related entities)

Fees were paid to Director related entities in respect of their services. These amounts have been included in their compensation as disclosed in the Directors' report.

(d) Loans to and from related parties

There are no loans payable to or receivable from related parties outside the Murchison Group.

NOTE 28: INTEREST IN JOINTLY CONTROLLED OPERATIONS AND ASSETS

The Consolidated Entity had the following interests in jointly controlled assets:

		Output Interest %	
Name of Operation	**Principal Activity**	**2013**	**2012**
Duck Hill	Mineral Exploration	50	50

Mineral exploration joint ventures

These joint ventures are 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 significant activity in these tenements in the last financial year (2012: Nil) and there are no significant assets or liabilities to be disclosed for the year ended 30 June 2013 (2012: Nil).

NOTE 29: FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's principal financial instruments during the current year comprised of receivables, payables, available-for-sale investments, interest bearing loans and borrowings and cash and cash equivalents.

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate, foreign exchange and commodity prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through development of future rolling cash flow forecasts.

Primary responsibility for identification and control of financial risks rests with the Board of Directors. The Board reviews and approves policies for managing each of the risks identified below.

a) Capital risk management

The capital structure of the Company and Group consists of equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in the Statement of Changes in Equity.

The Company and Group manage its capital to ensure it will be able to continue as a going concern while maximising the return to stakeholders.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instruments are disclosed in Note 1 to the financial statements.

b) Categories of financial instruments

Financial assets		
Cash and cash equivalents	21,472	3,052
Term deposits (greater than 90 days)	-	223,140
Receivables and prepayments	130	4,710
Available-for-sale financial assets [1]	-	2,000
	21,602	232,902

[1] Available-for-sale financial assets represent shareholdings in a public unlisted company (Cashmere Iron Ltd). Accordingly, as their fair value cannot be measured reliably, the unlisted shares are carried at cost. On 21 December 2012, the Board reassessed the recoverability of the asset and deemed the asset to be fully impaired.

Financial Liabilities		
Trade and other payables	253	830
	253	830

	Consolidated 2013 $'000	Consolidated 2012 $'000

NOTE 29: FINANCIAL INSTRUMENTS (CONTINUED)

c) Interest rate risk management

The Group is subject to interest rate risk exposure through its cash and cash equivalents. The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions and a mix of fixed and variable interest rates.

At reporting date, the Group had the following financial assets exposed to variable interest rate risk:

	2013 $'000	2012 $'000
Financial assets		
Cash and cash equivalents	21,472	3,052
Term Deposits	-	223,140
Net Exposure	**21,472**	226,192

Interest rate sensitivity

The sensitivity analyses below have been determined based on exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to Key Management Personnel and represents management's assessment of the possible change in interest rates.

At the reporting date, if interest rates (cash rate) had been 50 basis points higher or lower and all other variables were held constant, post tax profit would have been affected as follows:

	Impact on Post Tax Profit Higher/(Lower) Consolidated	
+0.5% (50 basis points) (PY +0.5%)	107	1,130
-0.5% (50 basis points) (PY -0.5%)	(107)	(1,130)

The sensitivity is lower in 2013, compared to 2012 due to the decrease in the cash and cash equivalents balance.

d) Credit risk

Credit risk is managed on a Group basis. Credit risk predominantly arises from cash, cash equivalents and deposits with banks and financial institutions. Management mitigates some credit risk by using a number of different counterparties. The Group's maximum exposures to credit risk at balance date in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the Statement of Financial Position.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

	2013 $'000	2012 $'000
Cash and cash equivalents and term deposits		
Counterparties with external credit ratings		
A1+	20,862	216,462
A1	610	3,128
A2	-	6,602
	21,472	226,192

	Consolidated	
	2013	2012
	$'000	$'000

NOTE 29: FINANCIAL INSTRUMENTS (CONTINUED)

e) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which built an appropriate framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

The following table details the Company and the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	2013 $'000	2012 $'000
Less than one month	253	830
Later than one month and not later than three months	-	-
Later than three months and not later than one year	-	-
Later than one year and not later than five years	-	-
	253	830

Maturity analysis of financial assets and liabilities based on management's expectations:

Consolidated	Weighted Average Effective Interest Rate %	Less than one month $'000	Later than one month and not later than three months $'000	Later than three months and not later than one year $'000	Later than one year and not later than five years $'000	Total $'000
2013						
Financial Assets						
Non-interest bearing	-	130	-	-	-	130
Variable interest rate	3.2	4,468	17,004	-	-	21,472
		4,598	17,004	-	-	21,602
Financial Liabilities						
Non-interest bearing	-	(253)	-	-	-	(253)
		(253)	-	-	-	(253)
Net maturity		**4,345**	**17,004**	**-**	**-**	**21,349**
2012						
Financial Assets						
Non-interest bearing	-	4,710	-	2,000	-	6,710
Variable interest rate	5.4	1,551	1,501	223,140	-	226,192
		6,261		225,140	-	232,902
Financial Liabilities						
Non-interest bearing	-	(830)	-	-	-	(830)
		(830)	-	-	-	(830)
Net maturity		**5,431**	**1,501**	**225,140**	**-**	**232,072**

The risks implied from the values shown in the table above, reflects a balanced view of cash inflows and outflows.

NOTE 29: FINANCIAL INSTRUMENTS (CONTINUED)

g) Fair value

The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions are traded on active liquid markets and are determined with reference to quoted market prices; and
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

NOTE 30: SHARE BASED PAYMENTS

a) Recognised share based payment expenses

The amount recognised for employee services received during the year and options issued to Resource Capital Fund V L.P. in respect of the US$ Facility Agreement are shown in the table below:

Expense arising from equity-settled share-based payment transactions in respect of:		
Directors and Employees	22	3,309
Resource Capital Fund V L.P.	-	879
Total share-based payment during the year	**22**	4,188

b) Type of share based payment plans – Directors and Employees

Directors

There were no long term incentives provided to Directors during the year. The Board has no intention of providing long term incentives to Directors. There were no options issued to Directors during the year ended 30 June 2013.

Executives and Employees

There were no options issued to Executives and Employees during the year ended 30 June 2013.

c) Type of share based payment plans – Resource Capital Fund V L.P.

Resource Capital Fund V L.P. was issued 4,200,000 Facility establishment options on 29 March 2011 under the terms of the Bridging Facility Loan Agreement entered into on 16 March 2011. The options have a fair value of $0.464 per option and an exercise price of $1.73. The options expire on 29 March 2014. There are no vesting restrictions in respect of the options. The options vested immediately upon issue. The options are exercisable into one fully paid ordinary share per option exercised. Upon exercise, the options will rank equally with existing fully paid ordinary shares. In 2012, an additional 5,984,799 options were issued to RCF in respect of the utilisation fee payable under the Facility Agreement. Refer to Note 17 for further details of the fee structure. The utilisation fee options vested immediately and had a fair value in the range of $0.05 to $0.37. The options have a life of up to 3 years from grant date. No options were issued to RCF during the year ended 30 June 2013.

	Consolidated	
	2013	2012
	$'000	$'000

NOTE 30: SHARE BASED PAYMENTS

d) Summaries of options granted under Executive and employee share option plans and options issued in relation to interest bearing loans and borrowings

	2013 No.	2013 WAEP	2012 No.	2012 WAEP
Outstanding at the beginning of the year	10,379,799	1.22	12,532,200	1.75
Granted during the year	-	-	11,261,799	-
Exercised during the year	(404,069)	0.04	(6,024,000)	-
Forfeited during the year	-	-	(2,250,000)	2.00
Expired during the year	-	-	(5,140,200)	1.94
Outstanding at the end of the year	9,975,730	0.88	10,379,799	1.22

The value of shares issued when the options were exercised was $2,828 (based on a weighted average price of $0.0404 per share).

The following share based payment arrangements were in existence during the current and comparative reporting periods:

Option Series	Expiry date	Exercise Price	Class of shares	Number under option
Series 13	24-Dec-13	-	Ordinary	70,000
Series 14	31-Dec-13	1.26	Ordinary	125,000
Series 16	29-Mar-14	1.73	Ordinary	4,200,000
Series 20	12-Jul-14	1.16	Ordinary	1,855,651
Series 21	12-Jul-14	1.04	Ordinary	607,137
Series 22	12-Jul-14	1.08	Ordinary	576,495
Series 23	12-Jul-14	0.67	Ordinary	766,714
Series 24	12-Oct-14	0.66	Ordinary	1,418,922
Series 25	12-Oct-14	0.58	Ordinary	425,811
Series 26	12-Jan-15	0.28	Ordinary	90,464
Series 27	12-Jan-15	0.27	Ordinary	243,605

Vesting conditions

In accordance with the terms of the share based payment arrangements for Series 13 to 14, options vest upon employees serving a minimum retention period of between 6 months and 2.5 years.

Series 16 options were issued to Resource Capital Fund V L.P. on 29 March 2011 in satisfaction of the establishment fee payable under the terms of the Bridging Facility Agreement entered into on 16 March 2011. Series 20 to 27 relate to the utilisation fee options issued under the Agreement. Refer to Note 17 for a discussion of the Facility terms and conditions.

Weighted average fair value

No options were granted during the year (Weighted average fair value of options granted in 2012: $0.33).

NOTE 30: SHARE BASED PAYMENTS (CONTINUED)

e) Option pricing model

The fair value of the equity-settled share options granted to employees or suppliers is estimated as at the date of grant using a binomial model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for the years ended 30 June 2012:

	2012
Risk-free interest rate (%)	5.0
Expected volatility (%)	80.00
Expected life of the option (years)	2.48-5.01
Option exercise price ($)	0.00-1.16
Weighted average share price at grant date ($)	0.27-1.16

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

f) Exercised during the financial year

There were 70,000 options granted under the Executive and Employee Incentive Plans that were exercised during the financial year. No options that were granted under the Facility Agreement were exercised during the financial year.

g) Weighted average remaining contractual life

The weighted average remaining contractual life for the options outstanding as at 30 June 2013 is 1.26 years (2012: 2.26 years).

h) Range of exercise prices

The range of exercise prices for options outstanding at the end of the year was $0.27-$1.73 (2012: 0.00-1.73).

NOTE 31: COMPANY DETAILS

Murchison Metals Ltd is a public company listed on the Australian Stock Exchange, incorporated and operating in Australia.

Registered office and principal place of business:

Level 11
139 Macquarie Street
SYDNEY NSW 2000

DIRECTORS DECLARATION

In accordance with a resolution of the Directors of Murchison Metals Ltd, the Directors of the Company declare that:

1) the financial statements and notes, as set out on pages 16 to 57, are in accordance with the Corporations Act 2011 and:
   a) comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
   b) give a true and fair view of the financial position as at 30 June 2013 and of the performance for the year ended on that date of the consolidated group;
2) in the directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and
3) there are reasonable grounds to believe that the Company and the group entities identified in Note 21 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.
4) the directors have been given the declarations required by s 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.

Signed in accordance with a resolution of the Directors:

Gabriel Radzyminski
Non Executive Director
Sydney, 27 August 2013

Building a better
working world

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Independent auditor's report to the members of Murchison Metals Limited

Report on the financial report

We have audited the accompanying financial report of Murchison Metals Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit 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.

Opinion

In our opinion:

a. the financial report of Murchison Metals Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the remuneration report

We have audited the Remuneration Report included in pages 6 to 12 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Murchison Metals Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
Perth
27 August 2013

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 22 August 2013.

1. DISTRIBUTION OF EQUITY SECURITIES

(i) Ordinary share capital

450,497,346 fully paid ordinary shares are held by 8,112 individual shareholders.

All issued ordinary shares carry one vote per share and carry the rights to dividends.

(ii) Options

9,975,730 options are held by 2 individual option holders.

Options do not carry a right to vote.

The number of shareholders, by size of holding, in each class is as follows:

Holdings Ranges	Fully paid Ordinary Shares	Options
1 - 1,000	2,330	-
1,001 - 5,000	3,105	-
5,001 - 10,000	1,113	-
10,001 - 100,000	1,355	-
100,001 - and over	209	2
	8,112	2

Holdings less than a marketable parcel: 6,651

2. SUBSTANTIAL SHAREHOLDERS

Twenty largest holders of quoted equity securities

Ordinary Shareholders	Fully Paid No.	%
McNeil Nominees Pty Limited	76,168,408	16.91%
POSCO Australia Pty Limited	60,567,000	13.44%
Ayersland Pty Limited	53,110,905	11.79%
Colbern Fiduciary Nominees Pty Limited	25,114,408	5.57%
Mrs Franciska Lasic	18,975,501	4.21%
UBS Wealth Management Australia Nominees Pty Limited	16,881,413	3.75%
RBC Investor Services Australia Nominees Pty Limited	10,983,086	2.44%
Buttonwood Nominees Pty Limited	8,193,578	1.82%
JP Morgan Nominees Australia Limited	5,814,539	1.29%
HSBC Custody Nominees (Australia) Limited	5,657,175	1.26%
ABN Amro Clearing Sydney Nominees Pty Limited	5,321,626	1.18%
Bazhou City Hengji Strip Steel Co Limited	4,965,000	1.10%
HSBC Custody Nominees (Australia) Limited-Gsco Eca	4,752,334	1.05%
Hebei Qianjin Steel Group (Australia) Pty Limited	4,192,857	0.93%
Citicorp Nominees Pty Limited	3,755,720	0.83%
DMX Corporation Limited	3,751,128	0.83%
Sun Loong Corporation Pty Limited	3,130,108	0.69%
Mr Gabriel Berger	3,000,000	0.67%
Ayersland Pty Limited	3,000,000	0.67%
HSBC Custody Nominees (Australia) Limited – A/C 3	2,928,127	0.65%
	320,262,913	71.71%

2. SUBSTANTIAL SHAREHOLDERS (CONTINUED)

Substantial Shareholders

Ordinary Shareholders	Fully Paid No.	%
Mercantile Investment Company Limited	77,568,408	17.22%
POSCO Australia Pty Limited	60,567,000	13.44%
Ayersland Pty Limited	53,110,905	11.79%
Colbern Fiduciary Nominees Pty Limited	25,114,408	5.57%

3. INTEREST IN MINING TENEMENTS

Tenement	Project	Percentage interest
E31/733	Duck Hill	50%
E08/2146	Paulsens	100%
E45/4004	Ripon Hills	100%
E45/4005	Ripon Hills	100%

[1] Murchison has entered into a sale agreement with Dragon Energy Ltd for the disposal of the Rocklea tenements. The transaction is expected to be completed by the end of August 2012. Murchison will then no longer hold an interest in the Rocklea tenements.

[2] The partner in the Duck Hill joint venture has given notice to relinquish their 50% share of the joint venture The Directors do not consider this will have a material impact on the financial statements.

INTRODUCTION

The Board of Directors of Murchison Metals Limited (`**MMX'** or `**the Company'**) is responsible for establishing the corporate governance framework of the Company and establishing appropriate Corporate Governance policies and procedures having regard to the ASX Corporate Governance Council (CGC) published guidelines as set out in its "Corporate Governance Principles and Recommendations" (Revised 2010, 2nd Edition). The Board of Directors continues to review the framework and practices to ensure they meet the interests of shareholders.

This Corporate Governance Statement is structured with reference to the CGC's published guidelines containing eight key principles. The Company's Corporate Governance charters and policies that have been adopted by the Board of Directors in line with the CGC's recommendations, having regard to the size of the Company's operations, are available on the Company's website.

The following table outlines where the Company either `complies' or `does not comply' with each CGC principle and recommendation.

Principles and Recommendations		Compliance
Principle 1 – Lay solid foundations for management and oversight		
1.1	Establish the functions reserved to the Board of Directors (Board) of the Company and those delegated to manage and disclose those functions.	Complies.
1.2	Disclose the process for evaluating the performance of senior executives.	Does not comply. Given the current circumstances, the Company does not employee any executive officers.
1.3	Provide the information indicated in *Guide to reporting on Principle 1.*	Complies.
Principle 2 – Structure the Board to add value		
2.1	A majority of the Board should be independent directors.	Does not comply. Post the 29 November 2012 restructure, the Board's composition does not comply due to the current circumstances of the Company. The Board is satisfied there is an appropriate mix of skills and experience in the current Board and the composition of the Board is adequate to enable it to discharge its responsibilities and duties. Gabriel Radzyminski and S C Shin are not considered to be independent directors due to their association with substantial shareholders of the Company. In determining the the independance of the its directors, the Company follows the guidelines as outlined in the Corporate Governance and Principles and Guidelines.
2.2	The Chair should be an independent director.	Does not comply. The Board does not have a formally elected Chairman.
2.3	The roles of Chair and Managing Director should not be exercised by the same individual.	Does not comply. As outlined in this Corporate Governance Statement, given the current Board structure a Chairman has not been appointed. Directors nominate the Chair of each Board meeting.

CORPORATE GOVERNANCE REVIEW
30 JUNE 2013

Principles and Recommendations		Compliance
Principle 2 – Structure the Board to add value (Continued)		
2.4	The Board should establish a nomination committee.	Complies. Whilst the previous Board had established a Nomination Committee, the function is currently performed by the Board as a whole given the current circumstances of the Company.
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	Does not comply. The Company may conduct the process for evaluating the performance of the Board, its committees and individual directors informally. However, given the current circumstances this has not been required during the reporting period to which this statement relates.
2.6	Provide the information indicated in the *Guide to reporting on Principle 2.*	Complies.
Principle 3 – Promote ethical and responsible decision making		
3.1	Establish a code of conduct and disclose the code or a summary of the code.	Complies.
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and to assess annually both the objectives and progress in achieving them.	Complies.
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	Does not comply. At present the Company does not have any employees other than the Directors and external contractors. In the current circumstances, the Board does not intend to establish measurable diversity objectives for the Company.
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	The Company does not have any employees and does not have any women on the Board.
3.5	Provide the information indicated in Guide to reporting on Principle 3.	Complies.
Principle 4 – Safeguard integrity in financial reporting		
4.1	The Board should establish an audit committee.	Complies.

CORPORATE GOVERNANCE REVIEW
30 JUNE 2013

Principles and Recommendations		Compliance
Principle 4 – Safeguard integrity in financial reporting		
4.2	The audit committee should be structured so that it consists of only non-executive directors, a majority of independent directors, is chaired by an independent chair who is not chair of the Board and have at least 3 members.	Does not comply. This function is currently performed by the Board as a whole given the current circumstances of the Company.
4.3	The audit committee should have a formal charter.	Complies.
4.4	Provide the information indicated in *Guide to reporting on Principle 4.*	Complies.
Principle 5 – Make timely and balanced disclosure		
5.1	Establish written policies designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Complies.
5.2	Provide the information indicated in the *Guide to reporting on Principle 5.*	Complies.
Principle 6 – Respect the rights of shareholders		
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy.	Complies.
6.2	Provide the information indicated in the *Guide to reporting on Principle 6.*	Complies.
Principle 7 – Recognise and manage risk		
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of these policies.	Does not comply. However, the Board is responsible for ensuring that risks and mitigation of these risks are identified on a timely basis, the Company's objectives and activities are aligned with the risks and opportunities identified by the Board of Directors.

Principles and Recommendations		Compliance
Principle 7 – Recognise and manage risk		
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Does not comply. However, this function is currently performed by the Board as a whole given the current circumstances of the Company.
7.3	The Board should disclose whether it has received assurance from the Managing Director and Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.	Complies.
7.4	Provide the information indicated in Guide to reporting on Principle 7.	Complies.
Principle 8 – Remunerate fairly and responsibly		
8.1	The Board should establish a remuneration committee.	Complies. Whilst the previous Board had established a Remuneration Committee, the function is currently performed by the Board as a whole given the current circumstances of the Company.
8.2	The remuneration committee should be structured so that it consists of a majority of independent directors; is chaired by an independent chair and has at least three members.	Does not comply. Reasons outlined above.
8.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Complies.
8.4	Provide the information indicated in *the Guide to reporting on Principle 8.*	Complies.

Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by Murchison Metals Limited, refer to our website: www.mml.net.au