

# Murchison Metals Limited Revised Schedules Of Jack Hills Expansion Project And Oakajee Port & Rail Projects

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Perth, Australia (ABN Newswire) - Murchison Metals Limited (ASX: MMX) (PINK:MUMTF) and its joint venture partner, Mitsubishi Development Pty Ltd (Mitsubishi), together with Crosslands Resources Ltd (Crosslands) and the Oakajee Port and Rail (OPR) have undertaken a detailed review of the project schedules in respect of Crosslands' Jack Hills Expansion Project (JHEP) and OPR's port and rail infrastructure projects. Crosslands and OPR are jointly owned by Murchison and Mitsubishi.

## Crosslands

Crosslands is focussed on developing the JHEP in a manner that will maximise the economic returns from the project. As a consequence of the substantial increase in the Jack Hills Mineral Resource and ongoing work to progress the JHEP bankable feasibility study, a number of matters require further investigation so that the results of the additional work can be incorporated in the BFS for the project.

### The additional work includes:

- Mine optimisation studies to maximise the return from a planned operation that would entail selective mining of high grade DSO and bulk mining of Beneficiated Feed Ore for processing into high grade (>65% Fe) concentrates;
- Review of the location of the processing plant and other Jack Hills infrastructure with a new site plan being developed following a change in the location for the planned railway loop. The revised layout is expected to provide significant cost savings for the Project;
- Gravity testwork to support the proposed hematite concentrate circuit. Concentrate and tailing screening, thickening and filtration testwork continues;
- Ongoing water exploration programs in four target areas;
- Evaluation of terms sheets recently received from major gas suppliers;
- Evaluation of options in respect of the proposed integrated waste landform site based on cost, technical, environmental, health and safety risks.

## Oakajee Port and Rail

Budget and engineering work for OPR's BFS will be completed to bankable standards as originally scheduled in the current December quarter. However, key commercial agreements need to be completed along with further technical work that might flow from those agreements. Implementation Agreements being negotiated with the State Government and Supply Chain Agreement negotiations with foundation customers will not be completed in the current quarter as originally scheduled. To accommodate the inclusion of the outcomes from these negotiations in OPR's final BFS, the delivery of the BFS has been rescheduled. The changes of schedule will require an extension of certain project deadlines agreed with the WA Government under the State Development Agreement and this has now been formally requested.

## Revised Schedule

The following revisions to the project schedules have now been finalised and agreed between Murchison, Mitsubishi, OPR and Crosslands:

- Completion of budget and engineering work for OPR infrastructure projects in fourth quarter 2010 ;
- Completion of bankable feasibility studies for OPR and JHEP in the second quarter of 2011;
- Final investment decision targeted for late 2011 / early 2012;
- First shipment through the port in late 2014 / early 2015.

### **Update on Funding Activities**

In accordance with the joint venture arrangements between Mitsubishi and Murchison, Mitsubishi is responsible for managing the arranging of limited recourse project finance required to fund development of both projects. This financing process is well under way, with Mitsubishi and Murchison engaged in detailed discussions with key domestic and international project financiers. These financiers bring extensive and recent experience lending into major infrastructure and mine developments and their high level of interest in both projects continues. Detailed financing discussions are ongoing and advancing in parallel with the feasibility studies for both projects. It is planned to complete the financing process, incorporating both debt and equity, in the period following completion of the feasibility studies and prior to a final investment decision.

Murchison advises that the deferred payment that Mitsubishi is contracted to make to Murchison in consideration for Mitsubishi's 50% interest in the Jack Hills project is also required prior to a final investment decision.

The Government of Western Australia and the Federal Government have committed a total of A\$678 million towards construction of common user infrastructure of the new Port.

### **Current Status**

Murchison believes that both projects are very robust and will deliver a great outcome for all stakeholders.

The JHEP demonstrates significant strategic value, and is emerging as an important project on a global scale:

- The JHEP mineral resource is the largest in the Mid-West region of Western Australia;
- Crosslands' planned production profile will place it among the biggest iron ore producers in Australia;
- It is planned to produce a highly saleable concentrate grade and separate hematite and magnetite products allowing penetration into both the sinter and pellet feed markets. Both products benefit from a highly attractive chemistry with very low phosphorous and alumina levels expected; and
- The JHEP continues to attract strong interest from potential customers. Crosslands has now signed letters of intent for more than 55Mtpa of planned high grade magnetite and hematite concentrate products. This does not include potential sales of Direct Shipping Material (DSO) and is in addition to existing offtake contracts for production from the Stage 1 operations.

OPR has successfully met a number of important milestones during the year, including:

- Draft Bank Feasibility Study (BFS) submitted to the State in March 2010;
- Memoranda of Understandings signed with three potential foundation customers in August 2010;
- Environmental impact assessment well advanced;
- Heritage and Native Title negotiation framework agreements with relevant Aboriginal groups;
- Rail corridor finalised (which will facilitate the finalisation of enabling legislation);
- Land access agreements with over 60 freehold and pastoral leaseholders to enable feasibility works; and
- Implementation Agreements have been substantially progressed with State agencies.

On the back of these key achievements, OPR is now in the process of:

- Completing engineering studies to final bankable standards;

- Undertaking due diligence studies on each of the selected foundation customers under Memoranda of Understanding with Foundation Customers (Sinosteel Midwest, Karara Mining and Crosslands) to define the timing, mineral resource status and high level financial capacity of the mine projects;
- Progressing government approvals; and

- Undertaking preparatory works to enable smooth progression to the construction phase, including commencing the EPCM selection process.

Murchison and Mitsubishi ongoing commitment

In announcing the revised schedule today, Murchison and Mitsubishi reaffirmed their commitment to their joint venture and the projects.

Murchison Executive Chairman Paul Kopejtka said: 'We fully appreciate the pivotal role our projects play in unlocking the mineral riches of the Mid-West region and we look forward to delivering an outstanding transport solution to all Mid-West miners'.

In a statement authorised for release today, Mitsubishi said: 'Mitsubishi's involvement and commitment to these projects remains entirely unchanged. This is clearly reflected in our continuing substantial investment in feasibility studies for the JHEP, Oakajee port development and associated heavy haul rail network. Through our joint ventures (Crosslands and OPR), we continue to make every possible effort to drive forward the feasibility studies of these projects.'

### **About Murchison Metals Limited:**

Murchison is an Australian ASX-listed company and is included in the S&P/ASX 200 Index.

Murchison is a 50% shareholder in Crosslands Resources Ltd ('Crosslands') which is the owner of the Jack Hills iron ore project located in the mid-west region of Western Australia. The remaining 50% of Crosslands is held by Mitsubishi Development Pty Ltd ('Mitsubishi'), a subsidiary of Mitsubishi Corporation, Japan's largest general trading company.

The Stage 1 Jack Hills project is currently producing up to 1.8 Mt of high grade iron ore per annum. Feasibility studies for a major Stage 2 expansion are well advanced.

In addition, Murchison has a 50% economic interest in independent infrastructure business, Oakajee Port and Rail (OPR). The remaining 50% economic interest in OPR is held by Mitsubishi. OPR's integrated port and rail development proposal will provide world class logistics services to miners (including Crosslands) and other potential customers in the mid-west region of WA.

In addition to its investments in Crosslands and OPR, Murchison is actively exploring growth opportunities in iron ore, coal and manganese in accordance with its approved corporate strategy.

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