Murchison Metals Limited - Jack Hills Expansion Project Update

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Sydney, Australia (ABN Newswire) - Murchison Metals Limited (ASX: MMX) (PINK: MUMTF) is pleased to provide a project update for the Jack Hills Expansion Project (JHEP), following the achievement of a key technical milestone in the Bankable Feasibility Study (BFS).

The Jack Hills iron ore project, in Western Australia's mid-west region, is owned and operated by Crosslands Resources Ltd ('Crosslands'), in which Murchison is a 50% shareholder. The remaining 50% of Crosslands is held by Mitsubishi Development Pty Ltd ('Mitsubishi'), a subsidiary of Mitsubishi Corporation (TYO: 8058) (PINK: MSBHY) of Japan.

As a result of extensive technical evaluation, Crosslands has confirmed the foundation production case for the JHEP project after identifying the optimum flowsheet design for the project. This represents a critical step in completing the BFS.

Murchison Executive Chairman Paul Kopejtka said the selection of the preferred flowsheet was a pivotal milestone for the JHEP.

'Finalisation of the flowsheet for the JHEP project represents a major step toward our planned completion of bankable feasibility studies in the June Quarter, ,' he said. 'It also confirms a robust foundation production case for the JHEP as a long life producer of premium quality iron ore products.'

'Murchison and Mitsubishi look forward to bringing the JHEP and Oakajee infrastructure project to fruition and underpinning the development of a world-class iron ore industry in Western Australia's midwest.'

As advised in the December 2010 Quarterly Activities Report, Crosslands has been undertaking advanced metallurgical and process testwork to determine the optimum processing route, product mix and production profile for the JHEP.

The program evaluated eight different flowsheet options to match the mining method and mine plan for the Jack Hills resource with the most viable processing route for the project.

Murchison and Mitsubishi have selected and endorsed the preferred flowsheet recommended by Crosslands.

The selection process identified a two module concentration circuit, each incorporating crushing, grinding, magnetic separation, gravity and flotation stages, as the optimum processing route.

Each module will produce a premium grade magnetite pellet feed concentrate plus a blended magnetite and hematite concentrate. The magnetite concentrate is expected to average in excess of 68% Fe while the blended magnetite/hematite concentrate is expected to average in excess of 64% Fe.

The naturally low alumina content of the Jack Hills resource will put JHEP products among the lowest alumina Fe products available on the global market.

This preferred flowsheet also seeks to maximise recovery from the Jack Hills resource, with around 75% of the iron expected to be recovered from the processed ore. It will also enable high volume bulk mining methods to be employed, thereby significantly reducing unit mining costs and delivering an estimated mine strip ratio of less than 1:1.

Average annual production of the two module concentration facility is envisaged at more than 20 million tonnes, including supplementary direct shipping (DSO) lump and DSO fines production.

The development plan also envisages an expansion to more than 30 mtpa with the addition of a third concentrate module, subject to various factors including favourable market conditions.

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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