

MITSUBISHI AND MURCHISON TO ESTABLISH WORLD CLASS IRON ORE AND INFRASTRUCTURE BUSINESSES

Highlights:

- ***Mitsubishi to acquire 50% of Murchison's iron ore assets***
- ***Murchison and Mitsubishi to jointly pursue other iron ore development opportunities in the Mid West region of Western Australia***
- ***Murchison and Mitsubishi to establish 50:50 infrastructure business to develop new Mid West rail and port infrastructure***
- ***Mitsubishi purchase price expected to provide required equity capital to develop Jack Hills mine and associated rail and port infrastructure***
- ***Mitsubishi to manage the arranging of debt funding and provide additional financial support for Jack Hills and for Murchison's commitments to new infrastructure business on approval to proceed with the expansion of Jack Hills***
- ***Potential total investment of approximately A\$3 billion***

Perth, Western Australia, 18 June 2007 – Murchison Metals Limited (“Murchison”) is pleased to announce the signing of an agreement with Mitsubishi Development Pty Ltd, a wholly-owned subsidiary of Mitsubishi Corporation (“Mitsubishi”), to develop major iron ore and infrastructure businesses in the Mid West region of Western Australia (the “Agreement”).

The Agreement envisages a total investment of approximately A\$3 billion to be funded utilising equity capital to be contributed by Mitsubishi and a debt funding package, the arrangement of which will be managed by Mitsubishi leveraging its global financial resources and world-renowned development capabilities.

Under the Agreement, Mitsubishi has agreed to acquire 50% of Murchison's iron ore business including Murchison's flagship Jack Hills Project, a potentially world class operation planned to expand production to 25 million tonnes per annum of high grade direct shipping iron ore.

The Agreement also provides for the establishment of a dedicated infrastructure business to develop new multi-user port and rail infrastructure in the Mid West.

With a current market capitalisation of approximately A\$1.3 billion, Murchison is the largest of the emerging iron ore producers in the Mid West region. Together with Mitsubishi (market capitalisation of approximately US\$40 billion) the iron ore and infrastructure businesses will have the financial and operational capability to undertake new regional development.

Murchison Executive Chairman Paul Kopejtko said that the signing of the Agreement with Mitsubishi represented a landmark event for Murchison, the entire Mid West region and for Western Australia.

“The creation of this formidable business relationship with Mitsubishi should ensure that Murchison realises its ambition to become a world class iron ore and infrastructure company,” he said.

“Utilising Mitsubishi’s strong balance sheet and access to best-in-class expertise crucial to developing mine and infrastructure businesses, this agreement not only facilitates the accelerated and successful development of the expanded Jack Hills Project, but also best positions Murchison to take a significant equity position in a new Mid West infrastructure business.”

“With Mitsubishi’s wealth of experience in mine and infrastructure businesses and this commitment to effectively underwrite mine and infrastructure development costs that are likely to approach A\$3 billion, the infrastructure business established by Murchison and Mitsubishi will allow the rapid advancement of the Mid West region.”

“We are delighted to have secured Mitsubishi as our business partner and look forward to a long and successful business relationship,” Mr Kopejtko said.

Mitsubishi has enjoyed a successful track record over many years in Western Australia. It was one of the early investors in the Pilbara and is presently a partner with Rio Tinto in the Hismelt iron ore downstream processing plant in Kwinana. It also holds an important interest in the North West Shelf oil and gas venture.

Mining Business

The new iron ore mining business will be conducted through Iron Jack Ltd (“Iron Jack”), which is currently a wholly-owned subsidiary of Murchison. Mitsubishi has agreed to acquire a 50% interest in Iron Jack by purchasing existing shares from Murchison and subscribing for new shares in Iron Jack.

The consideration payable by Mitsubishi will comprise a combination of an up-front payment of A\$150 million (the “Initial Payment”) which is payable on signing of related transaction documents (expected prior to the end of September 2007) together with an additional amount payable when construction of the expanded Jack Hills Project is set to commence (the “Deferred Payment”).

Murchison will receive approximately two thirds of the Initial Payment. After receipt of these funds, Murchison will be debt free and have significant cash reserves of approximately A\$45 million to A\$50 million, depending on when the Initial Payment is actually made.

Approximately one third of the Initial Payment will be paid to Iron Jack in consideration for the issue of new shares to Mitsubishi. Following receipt of this payment by Iron Jack, it will be owned 50% by Murchison and 50% by Mitsubishi. It is expected that this equity injection will provide Iron Jack with sufficient cash reserves to fully fund the completion of all studies

and activities required prior to the commencement of the expansion of the Jack Hills Project and construction of associated infrastructure.

The Deferred Payment will be based on the value of the Jack Hills Project at the time that the Jack Hills expansion is set to commence, less half of the Initial Payment. The effect of this arrangement is that Murchison will contribute the Jack Hills Project and Mitsubishi will contribute an agreed value in cash to earn their respective 50% interest in the new iron ore business.

Based on current estimates, the Deferred Payment is expected to be sufficient to meet the equity funding requirements for the planned expansion of the Jack Hills Project to 25 Mtpa of direct shipping ore and the development of the associated rail and port infrastructure. Any further equity capital required would be contributed on a 50:50 basis. In the event that further equity funding is required, Mitsubishi has also agreed to provide additional funding support to Murchison (see further comments below).

Murchison and Mitsubishi will negotiate the Deferred Payment based on the results of the various supporting studies for the Jack Hills expansion. In the event that Murchison and Mitsubishi do not reach agreement, an independent expert will make a binding determination using a cashflow valuation model that adopts an agreed methodology and assumptions including consensus commodity prices and macroeconomic forecasts; typical project based discount rates, and operational and capital cost estimates agreed in the bankable feasibility study.

As a jointly owned company, Iron Jack will be operated by an independent management team which incorporates existing Murchison operational personnel, secondees from Mitsubishi and new employees. Murchison and Mitsubishi will have equal representation on the Board of Iron Jack.

Mitsubishi enjoys a market leading global expertise in iron ore marketing and sales and will be appointed as Iron Jack's iron ore sales agent for all iron ore sales other than the previously contracted sales, including the 10 million tonnes per annum proposed to be sold to POSCO, South Korea's leading steel producer.

Murchison and Mitsubishi have also agreed to work together jointly to pursue other iron ore opportunities in the Mid West region of Western Australia.

Infrastructure Business

Murchison and Mitsubishi have also established a new infrastructure business, Oakajee Port & Infrastructure, to be managed by an experienced independent infrastructure management team with technical secondees from Mitsubishi where required. This business will transport expanded production from Jack Hills and other regional miners that are likely to emerge in the future.

Oakajee Port & Infrastructure is ideally placed to develop the required infrastructure in the shortest possible timeframe through access to:

1. **Advanced Engineering:** Oakajee Port & Infrastructure will have access to the extensive and advanced engineering and other studies that Murchison has already

completed, including the required Spring and Autumn environmental surveys along the proposed rail route.

2. **Development Experience:** Murchison's experienced iron ore operations, exploration and project team will be combined with Mitsubishi's proven experience and successful track record in developing and operating major infrastructure projects both in Australia and internationally.
3. **Financial Credibility:** The Agreement between Mitsubishi and Murchison effectively underwrites the financing for the mine and infrastructure development (presently anticipated at approximately A\$3 billion).
4. **World Class Construction:** Oakajee Port & Infrastructure will draw on the best-in-class technical resources available from around the world to deliver the best solution for the Mid West.

"Today marks a very significant step forward towards the development of new Mid West rail and port infrastructure," Mr Kopejtka said.

"We believe the new infrastructure business will deliver the most cost efficient transport and logistics solution for the Mid West region."

Developing the required infrastructure in the shortest possible timeframe is critical to the successful development of the Jack Hills Project and other mines in the Mid West if the region is to capture the current market window. Murchison and Mitsubishi will work closely with the Western Australian Government to ensure rapid development of an infrastructure solution that is beneficial for all key stakeholders in the Mid West region.

On 31 May 2007, Midwest Corporation Limited and Yilgarn Infrastructure Limited announced an "exclusive agreement" to "work towards formalising an agreement to jointly develop rail and port infrastructure" in the Mid West. Midwest Corporation has also asserted that it has continuing rights under a State Agreement known as the *Iron Ore (Murchison) Agreement Authorisation Act 1973*. The State Agreement does not, however, confer on Midwest Corporation the exclusive right to develop the region's infrastructure.

Murchison and Mitsubishi are now mobilised to complete a comprehensive technical and financial infrastructure development proposal for the State.

Financing Commitments

Mitsubishi has agreed to manage the arranging of limited recourse project finance for the expansion of the Jack Hills Project and associated infrastructure. If required, Mitsubishi will provide Murchison with additional funding support through the provision of subordinated loans and an overrun facility to allow it to meet its financial commitments should additional funding be required on final approval to proceed to construction.

Completion

The Agreement executed today is a binding agreement which imposes obligations on both Murchison and Mitsubishi to finalise and execute transaction documentation to effect the

arrangements outlined above. This is expected to occur before the end of September 2007 and will trigger payment by Mitsubishi of the Initial Payment.

The approvals of the respective boards of Murchison and of Mitsubishi have been obtained to implement the transactions, subject only to execution of formal documentation and receipt of FIRB approval by Mitsubishi.

In parallel with preparation of documentation, development work is continuing at full pace, focused on completing the necessary resource definition drilling at Jack Hills, the expansion studies together with associated development approvals.

A presentation outlining the new iron ore and infrastructure business structures and further details on the transaction has been separately released to the ASX.

Murchison is being advised by Gresham Advisory Partners Limited and Freehills.

Mitsubishi is being advised by Macquarie Bank Limited, The Minera Group and Mallesons Stephen Jaques.

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About Murchison

Murchison is an ASX-listed iron ore company that owns the Jack Hills Project located in the northern corridor of the Mid West region of Western Australia.

The Jack Hills Project contains a number of deposits of high grade hematite ore. Murchison's high grade hematite ore can be mined and shipped directly to customers without further processing or concentration, which significantly improves the economics of the project and distinguishes Murchison from many other iron ore producers.

Stage 1 of the Jack Hills Project commenced in late 2006 and involves initial production of 1.5 million tonnes of iron ore per annum expanding to 2 million tonnes per annum in 2008.

Through an expansion of the Jack Hills Project, Murchison proposes to increase annual production of direct shipping high grade ore up to 25 million tonnes per annum. Iron ore would be railed to a new port facility at Oakajee north of Geraldton for export to customers in Asia.

About Mitsubishi Corporation

Mitsubishi Corporation is Japan's largest general trading company (sogo shosha) with over 200 bases of operations in approximately 80 countries worldwide. Together with its over 500 group companies, Mitsubishi employs a multinational workforce of approximately 54,000 people.

Mitsubishi has long been engaged in business with customers around the world in virtually every industry, including metals and mining, energy, machinery, chemicals, food and general merchandise.

More information about Mitsubishi can be found at www.mitsubishicorp.com/en.

About Mitsubishi Development Pty Ltd

Mitsubishi Development Pty Ltd ("MDP") is Mitsubishi's wholly owned carbon steel, raw material and energy resources mining arm, based in Australia. Incorporated in 1968, MDP is engaged in investments, production and sales primarily in the coal sector, including its 50/50 coking coal alliance with BHP Billiton in the Bowen Basin. MDP is currently the third largest coking coal exporter in the world.