BBY Limited

RESOURCES

Murchison Metals Ltd

Emerging iron ore producer with growth upside

Recommendation: BUY

Stage 1 production to commence in March 2006

Pohang Iron & Steel Company Limited (POSCO) new shareholder

Significant high iron grade resource potential exists

Source: MMX. Drilling at Mt Hale, Jack Hills project.

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January 2006

ASX: MMX

Share Price:
$0.42/share

Valuation:
$2.09 share

Number of Shares:
279.7M (fully paid)

Number of Options :
101M ($0.20-$1.00 exerc.)

Market Capitalisation:
$159.6M (fully diluted)

Valuation Capitalisation:
$796.3M

Average Mthly Turnover:
$6.8M

12 Month Low / High:
$0.25 / $0.56 per share

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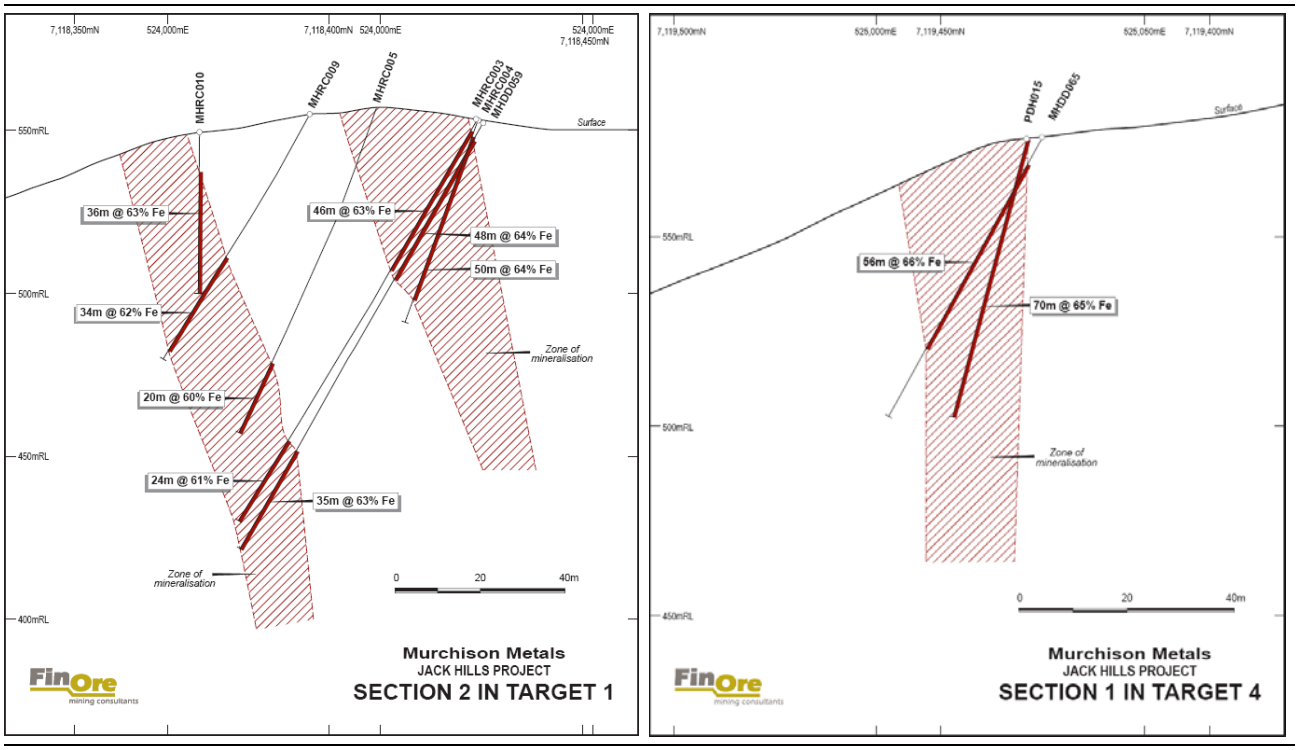
CHART 1: JACK HILLS STAGE1 – TYPICAL CROSS SECTIONS



Source: MMX. Jack Hills typical cross section from Stage 1 drilling. Ore body true width between 20-40 metres.

Murchison Metals Ltd

MMX Buy $0.42

Emerging producer with significant upside

We initiate coverage of MMX with a BUY recommendation and valuation of $2.09/share based on fundamental NPV analysis including Stage 2 project go-ahead. Key stock considerations include (i) Stage 1 production commencing in Mar.'06 (ii) valuation (iii) POSCO becoming a significant shareholder with 3.6% (iv) POSCO securing the right to purchase up to 10Mt of iron ore annually for 25 years from Stage 2 (v) growing resource base (vi) leverage to a strong iron ore market (vii) an experienced / credible management team. It is our view that MMX presents an excellent opportunity to invest in an emerging iron ore producer that could be producing 25Mt annually by 2012 with POSCO its key partner / customer.

Our view – significant upside

- Undervalued – valuation of $2.09/sh vs $0.42/sh price.
- POSCO – major shareholder with 3.6% equity & options that could lift its stake to 10.5% fully diluted.
- Key share price drivers, include:
  (i) production – to commence from Stage 1 by Mar.'06;
  (ii) resource base – 67Mt JORC resource and expanding;
  (iii) strong iron ore prices – strong market fundamentals;
  (iii) exploration – Stage 2 resource drilling to commence.

Key Jack Hills project highlights

- Location – 380km NE of the Port of Geraldton.
- Project – explored since the '60's, 17 ore bodies identified.
- Tenements – over 222km^2 in the Murchison region.
- Resources – 67Mt JORC resource, potential for additional resources >300Mt based on previous exploration work.
- Ore quality – 62%Fe, low phosphorus (<0.05%) & low impurities. Direct Shipping Ore, not requiring beneficiation.
- Mine life – at least a 20 year mining operation (Stage 1 & 2).
- Ramp-up - target 25Mt annual production within 6 yrs.
- POSCO – strategic partner bringing technical, marketing, infrastructure and potentially financial support.

Key operational, financial and corporate highlights

- Cash - $33.0M post 10M share issue to POSCO @ $0.30/sh and Dec.'05 $28M placement to investors.
- Stage 1 – 2Mtpa iron ore contracts with Chinese steel mills.
- Iron ore prices – Year 1 contract prices set at US$58/t.
- Stage 2 – 10Mtpa contracts with POSCO & 6Mtpa with various Chinese steel mills.
- Project financing – Stage 1 complete by Mar.'06 (CAPEX A$43M), Stage 2 before mid 2008 (CAPEX A$1.4B).

Project timetable outlook

- Mar.'06 – mine production to commence.
- Jun.'06 – first ore shipments planned from Stage 1.
- Mar.'07 – Stage 2 feasibility study complete.
- Jun.'08 – Stage 2 construction to commence.
- Jul.'10 – Stage 2 production to commence.

Risks

- Commodity prices – high leverage to market conditions.
- CAPEX – could be higher than the A$1.4B forecast.
- Project delays – tight market conditions slow construction.

Company Data

No. of shares (fully diluted for opts)	380.1M
Market capitalisation	$159.6M
12 month low/high	$0.25 / $0.56
Average monthly turnover	$6.8M
All ordinaries	4786
Year end	30 June

Financial Summary

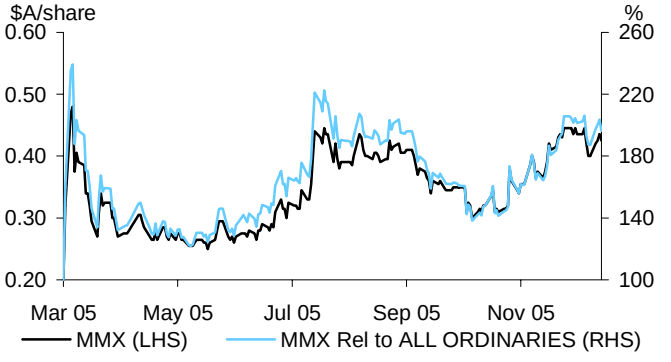
Year end June	2006F	2007F	2008F	2009F	2010F	2011F
EBITDA ($M)	3.7	36.3	24.9	15.7	14.0	425.8
NPAT ($M)[1]	1.0	14.6	8.7	(3.3)	(50.8)	169.7
EPS (¢/sh)	0.3	3.9	2.3	(0.9)	(13.4)	60.7
PER (x)	na	10.9	18.4	na	na	0.7
EBITDA Multiple (x)	42.7	4.3	5.2	52.2	107.2	2.7
Cashflow ($M)	2.3	24.7	22.0	14.1	25.6	358.4
CFPS (¢/sh)	0.6	6.5	5.8	3.7	6.7	128.3
P/CFPS (x)	70.6	6.5	7.3	11.3	6.2	0.3
Dividend (¢/sh)	na	na	na	na	na	16.6
Return on Assets (%)	1.9	18.2	8.6	0.3	0.0	18.7
Return on Equity (%)	2.0	18.6	9.4	(4.0)	na	63.7
Gearing ND/(ND+E) (%)	0.0	0.0	0.0	88.9	98.2	79.1
Interest Cover (x)	2.4	28.6	24.8	0.4	na	47.0
EBITDA margin (%)	23.4	26.8	19.5	12.3	12.6	60.3
EBIT margin (%)	10.5	17.8	9.7	2.1	(0.1)	49.5

[1]NPAT for 2009-10 impacted by capitalised interest costs for stage 2.

Directors

Executive Chairman	Paul Kopejtka
Managing Director	Trevor Matthews
Executive Director	Robert Vagnoni

MMX versus ALL ORDINARIES Index



Analysis – MMX

Year End 30 June

PROFIT & LOSS		2005A	2006F	2007F	2008F	2009F	2010F	2011F
Sales Revenue	$M	0.1	15.9	135.6	127.6	127.5	110.9	705.6
Other Income	$M	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating Costs	$M	(1.5)	(10.7)	(93.5)	(99.6)	(108.8)	(94.0)	(276.9)
Corporate Costs	$M	0.0	(1.5)	(5.8)	(3.0)	(3.0)	(3.0)	(3.0)
Expl write-off	$M	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	**$M**	**(1.4)**	**3.7**	**36.3**	**24.9**	**15.7**	**14.0**	**425.8**
Depreciation & Am.	$M	0.0	(2.1)	(12.2)	(12.5)	(13.0)	(14.1)	(76.4)
EBIT	**$M**	**(1.4)**	**1.7**	**24.1**	**12.4**	**2.7**	**(0.1)**	**349.4**
Net Interest	$M	0.0	(0.7)	(0.8)	(0.5)	(7.4)	(72.5)	(106.9)
Pre-Tax Profit	**$M**	**(1.4)**	**1.0**	**23.2**	**11.9**	**(4.7)**	**(72.6)**	**242.4**
Tax	$M	0.0	0.0	(8.6)	(3.2)	1.4	21.8	(72.7)
Minorities	$M	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit	**$M**	**(1.4)**	**1.0**	**14.6**	**8.7**	**(3.3)**	**(50.8)**	**169.7**
Abnormal	$M	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reported Profit	**$M**	**(1.4)**	**1.0**	**14.6**	**8.7**	**(3.3)**	**(50.8)**	**169.7**
Dividends Paid	$M	0.0	0.0	0.0	0.0	0.0	0.0	(63.2)
Retained Earnings	**$M**	**(2.6)**	**(1.6)**	**13.0**	**21.7**	**18.4**	**(32.5)**	**74.1**
CASH FLOW								
Revenue	$M	0.0	7.9	108.8	131.1	126.3	112.1	627.6
Costs	$M	(1.9)	(5.3)	(74.6)	(99.3)	(106.5)	(101.3)	(211.3)
Net Interest	$M	0.1	0.0	(0.2)	(0.4)	0.7	4.7	(48.5)
Tax Paid	$M	0.0	0.0	(3.7)	(6.9)	(3.2)	13.1	(6.4)
Other Costs	$M	0.0	(0.4)	(5.8)	(2.6)	(3.0)	(3.0)	(3.0)
Gross Cash Flow	**$M**	**(1.9)**	**2.3**	**24.7**	**22.0**	**14.1**	**25.6**	**358.4**
Net Capex	$M	(0.2)	(34.7)	(22.6)	(0.9)	(615.3)	(579.3)	(27.9)
Exploration / Mine	$M	(1.5)	(3.0)	(13.0)	0.0	(80.0)	(60.0)	0.0
Dividends	$M	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	$M	(1.5)	0.0	0.0	0.0	0.0	0.0	0.0
Free Cashflow	**$M**	**(5.1)**	**(35.4)**	**(10.9)**	**21.1**	**(681.2)**	**(613.8)**	**330.5**
Equity Issues	$M	6.9	35.2	15.0	4.2	0.0	14.6	0.0
Net Borrowings	$M	(0.1)	32.9	5.1	0.5	695.3	639.3	0.0
Other	$M	1.0	0.0	0.0	0.0	0.0	0.0	0.0
Surplus Cash Flow	**$M**	**2.8**	**32.6**	**9.1**	**25.8**	**14.1**	**40.2**	**330.5**
BALANCE SHEET								
Cash	$M	1.2	33.9	43.0	68.8	82.9	123.1	453.6
Other Current	$M	1.8	5.0	16.8	15.2	14.4	13.1	98.9
Total Current	**$M**	**3.0**	**38.9**	**59.8**	**84.0**	**97.3**	**136.2**	**552.6**
Fixed Assets	$M	0.2	29.4	43.5	36.5	445.9	821.1	791.7
Other	$M	13.0	19.6	29.0	24.3	297.3	547.4	527.8
Total NC Assets	**$M**	**13.2**	**49.1**	**72.5**	**60.8**	**743.2**	**1,368.5**	**1,319.5**
TOTAL ASSETS	**$M**	**16.3**	**88.0**	**132.2**	**144.9**	**840.5**	**1,504.7**	**1,872.0**
Total Debt	$M	0.0	32.9	37.9	38.4	743.3	1,459.9	1,459.9
Current Liab	$M	1.4	1.9	12.5	13.9	11.7	(2.6)	112.5
Non Current Liab	$M	0.0	3.5	3.1	(0.1)	2.6	22.1	33.0
TOTAL LIAB	**$M**	**1.4**	**38.2**	**53.5**	**52.2**	**757.7**	**1,479.5**	**1,605.4**
NET ASSETS	**$M**	**14.8**	**49.7**	**78.7**	**92.7**	**82.8**	**25.2**	**266.6**
SH/HLDRS FUNDS	**$M**	**14.8**	**49.7**	**78.7**	**92.7**	**82.8**	**25.2**	**266.6**
RATIO ANALYSIS								
EPS	¢	(0.4)	0.3	3.9	2.3	(0.9)	(13.4)	60.7
PER	x	na	164.5	10.9	18.4	na	na	0.7
CFPS	¢	(0.5)	0.6	6.5	5.8	3.7	6.7	128.3
PCFR	x	na	70.6	6.5	7.3	11.3	6.2	0.3
DPS	¢	0.0	0.0	0.0	0.0	0.0	0.0	16.6
EPS growth	%	na	na	na	(41)	na	na	na
Interest Cover	x	0.0	2.4	28.6	24.8	0.4	na	47.0
Gearing: ND/(ND+E)	%	0.0	0.0	0.0	0.0	88.9	98.2	79.1
EBITDA Margin	%	na	23.4	26.8	19.5	12.3	12.6	60.3
EBIT Margin	%	na	10.5	17.8	9.7	2.1	(0.1)	49.5
Return On Assets	%	(8.4)	1.9	18.2	8.6	0.3	(0.0)	18.7
Return On Equity	%	(9.2)	2.0	18.6	9.4	(4.0)	(201.9)	63.7

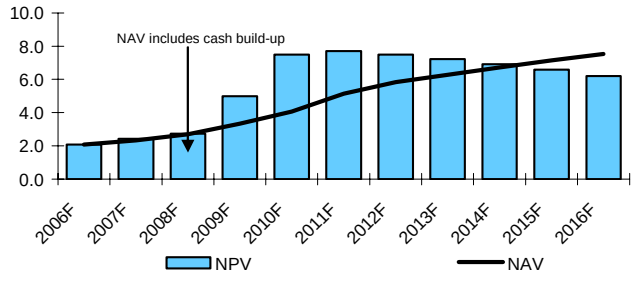
RESERVES & RESOURCES		2005A	2006F	2007F	2008F	2009F	2010F	2011F
Jack Hills - Inferred and Indicated Resources (Stage 1 & 2)								
Tonnes[1]	mt	67.0	66.8	65.1	63.3	61.3	380.0	366.7
Grade - Iron	%	62.0	62.0	62.0	62.0	62.0	62.0	62.0
Grade - Silica	%	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Grade - Alumina	%	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Grade -Phosphorus	%	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Grade - LOI	%	2.00	2.00	2.00	2.00	2.00	2.00	2.00

[1]includes JORC reserves of 8.5Mt grading Iron 63%, Silica 4.7%, Alumina 0.5% and Phosphorus 0.08%

BBY estimates only (includes 67Mt of JORC measured & inferred resources)

MINE PRODUCTION - Iron ore								
Mining	mt	0.0	0.6	5.2	5.4	6.0	6.0	40.0
Waste : ore ratio	x	0.0	1.0	2.0	2.0	2.0	2.0	2.0
Lump - iron ore	mt	0.0	0.1	1.1	1.2	1.3	1.3	8.7
Fine - iron ore	mt	0.0	0.1	0.6	0.6	0.7	0.7	4.7
Total	**mt**	**0.0**	**0.2**	**1.7**	**1.8**	**2.0**	**2.0**	**13.3**
Grade - Iron	%	62.0	62.0	62.0	62.0	62.0	62.0	62.0
Grade - Silica	%	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Grade - Alumina	%	0.39	0.39	0.39	0.39	0.39	0.39	0.39
Grade -Phosphorus	%	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Grade - LOI	%	2.00	2.00	2.00	2.00	2.00	2.00	2.00
COSTS								
Mining costs	A$/t	0.0	8.0	8.1	8.2	8.3	4.2	6.3
Processing costs	A$/t	0.0	2.5	2.5	2.6	2.6	1.3	2.0
Transport	A$/t	0.0	33.0	33.6	34.5	35.3	18.0	6.0
Administration	A$/t	0.0	1.2	1.2	1.3	1.3	0.7	0.7
Total (excl. royalties)	**A$/t**	**0.0**	**44.7**	**45.4**	**46.5**	**47.5**	**24.1**	**15.0**
Royalties	A$/t	0.0	8.7	8.5	8.9	6.9	3.1	5.9
Total cash costs	**A$/t**	**0.0**	**53.4**	**54.0**	**55.4**	**54.4**	**27.3**	**20.9**
Depreciation	A$/t	0.0	5.1	6.8	6.9	6.5	3.4	6.1
Total Cost	A$/t	0.0	58.5	60.8	62.3	60.9	30.7	27.0
CAPEX & DEBT								
CAPEX	$M	1.7	37.7	35.6	0.9	695.3	639.3	27.9
Net Debt	$M	(1.2)	-1.0	-10.1	-30.9	-44.5	620.2	1006.3
ASSUMPTIONS								
Exchange Rate	A$/US$	0.77	0.74	0.73	0.71	0.71	0.71	0.71
Inflation (CPI Index)	%	3.0	3.5	2.8	2.5	2.5	2.5	2.5
Iron Lump price	US¢/dmtu	62.3	80.7	78.6	72.6	68.9	67.2	67.5
Iron Fines price	US¢/dmtu	48.9	63.3	61.6	56.9	54.0	52.6	52.9
Marra Mamba discount	%	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Stage 1 prices	US$/t		58.0	53.5	49.1	46.7		
MMX - Iron Lump price	US$/t					41.5	40.4	40.6
MMX - Iron Fine price	US$/t					32.5	31.7	31.8

Mine NPV & NAV (Net Appraised Value = NPV less net debt) $/share



VALUATION (June 2006)	Stage 1	A$m	A$ps		Stage 2	A$m	A$ps
Discount rate (DCR) - 11.3%		51.2	$0.13	DCR - 15.0%		734.1	$1.93
Exploration & Other Assets		3.0	$0.01			5.0	$0.01
Net Debt		(1.0)	($0.00)			0.0	$0.00
Total		**57.2**	**$0.15**			**739.1**	**$1.94**

Source: BBY.

Executive Summary

MMX has moved quickly to develop the Jack Hills project

Murchison Metals Ltd (MMX) listed on the ASX in April 2005 after raising $5.8M. The company's key asset is the Jack Hills iron ore project based 380km NE of the port of Geraldton in the Yilgarn iron ore region of WA. In Nov.'04, MMX purchased Iron Jack Ltd the owner of the Jack Hills iron ore deposit for a consideration of 80M shares and 30M options in MMX. MMX is of the view that the growing market for iron ore presents the company with a great opportunity to develop the high quality Jack Hills deposit previously discovered by Northern Mining in the 1970s. Anglo reported that a resource of up to 380Mt @ 63%Fe exists based on previously interpreted data. JORC resources for Jack Hills have been estimated by Maynard and Associates at 67Mt @ 62%Fe. MMX plans to initially develop Stage 1 as a small mining operation producing 1-2Mt annually commencing in the first half of 2006. MMX has begun a pre-feasibility study for a much larger Stage 2 development producing 25Mt annually. MMX plans to sell other assets including (i) Duck Hill - laterite nickel project (50%) (ii) Tarraji - copper / gold project (10%) (iii) Turtle – copper / gold (50%) (iv) Christmas Creek - gold (10%) and (v) Old Halls Creek gold project.

MMX has entered into a strategic alliance with POSCO of Korea

MMX has entered into a strategic alliance with POSCO. POSCO, established 30 years ago, is one of the world's largest integrated steel makers producing 30Mt of steel in 2004 with plans to increase production to 34Mt by 2008. After a significant due diligence process, POSCO agreed to take a $3M placement in MMX at $0.30/sh and 30M options at $0.50/sh (Dec.'06). In addition to its investment in MMX, POSCO has secured the right to purchase up to 10Mt of iron ore annually over 25 years from its planned Stage 2 project. POSCO is also a member of a consortium planning to carry out a feasibility study into the development of rail / port infrastructure to service the emerging mid-west iron ore region of WA.

MMX is undervalued

We value MMX at $2.09/share based on NPV pricing methodologies using ungeared cashflows less net debt. Our analysis makes the assumption that Stage 2 of the project is developed. We have applied a WACC discount rate (DCR) of 11.3% (for Stage 1) and 15% DCR (for Stage 2) to our forecast cashflows, recognising that the project is in the early stage of development. However we also recognise that MMX has reduced the project risk by securing long-term contracts with customers. Our valuation makes the assumption that Stage 2 is debt financed and makes no allowance for equity dilution as part of an eventual project financing package. BBY highlights that whilst we are assuming a base case situation of 100% debt funding, the most likely funding outcomes (assuming no "project" type funding component by a third party), would comprise an equity component in the order of, say, 35% to 40% of total project CAPEX. Clearly, this would dilute shareholder equity should new equity be issued at a discount to our assessed NPV of A$2.09.

MMX to be progressively re-rated

We recommend investors BUY the stock given a series of key considerations including (i) MMX's success in attracting POSCO and large investors to its share register (ii) scope to grow the Jack Hills resource base significantly based on previous successful resource evaluation work during the 1970-1990s (iii) POSCO potentially becoming an equity partner / financer of the project (iv) its undervalued status (v) credible management team (vi) an iron ore project that will generate cashflow from its Stage 1 project in the June half of 2006 and Stage 2 by the December half of 2010 and (vii) leverage to a strong iron ore market. We are of the view that even though this project is at an early stage, the quality of the resources, the securing of long-term contracts and POSCO's interest in the project give this project a high probability of being developed.

Project risks exist

Risks primarily relate to (i) proving up sufficient resources to support a 25Mtpa mining operation (ii) securing project funding (iii) the timing of Government regulatory environmental approvals (iv) (v) commodity market risk (vii) tight development timetables (viii) capital cost overruns and (ix) mining and processing risks.

Valuation & Sensitivities

Valuation of $2.09/share

A $2.09/share valuation based on conservative parameters.

We value MMX at $2.09/share. Our valuation is derived using conservative parameters and fundamental NPV valuation methodologies (Chart 2). Key considerations include (i) a DCR of 11.3% for Stage 1 based on an **equity beta** of 2.50, and after tax cost of debt of 5.6% (ii) a DCR of 15% for Stage 2 recognising the project is at the early stage of development (iii) cashflow generated over a mine life of 20 years based on BBY forecast of reserves (iv) a ramp-up of production from Stage 1 production of 1-2Mt to 25Mt annually within six years (v) production mix made up of 65% lump 35% fine iron ore (vi) an average Stage 1 project **nominal** weighted lump and fine iron ore price contracted at US$51/t compared to an equivalent Japanese benchmark contract price of US$45/t (vii) Stage 2 received prices based on Japanese benchmark prices (viii) an average operating cash cost including transport, royalties and native title costs for stage 1 of A$55.4/t and Stage 2 average costs of A$23.6/t over the project life (ix) capital cost for stage 1 of A$43M (including drilling, feasibility and contingency costs) and Stage 2, A$1,368M and sustaining annual CAPEX at 2% of the total capital cost, and (x) other assets of A$5M. MMX is cheap relative to its peers based on market capitalisation versus resource tonnes (Page 15, Chart 9).

MMX is trading at a significant discount to valuation.

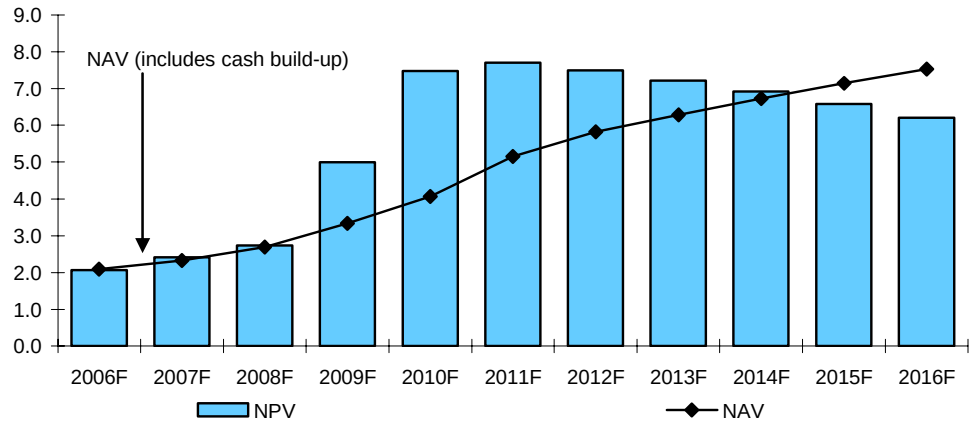
Project is sensitive to key project parameters

Project is most sensitive to exchange rates and prices.

Our sensitivity analysis reviews the impact of key assumption variations to our valuation. Changes in the $A/$US exchange rate have the greatest impact on our valuation, followed by iron ore prices, the discount rate and CAPEX. Our valuation is least impacted by changes in our operating cost assumptions (Table 1).

CHART 2: MMX - NET APPRAISED VALUE & MINE DISCOUNTED CASHFLOW ($/SHARE)

MMX is valued at $2.09/share using fundamental NPV valuation methodologies.



Source: BBY.

TABLE 1: VALUATION SENSITIVITY - 10% CHANGE IN KEY PARAMETERS ($/SHARE)

The valuation is most sensitive to changes in the A$/US$ exchange rate and iron ore price assumptions.

		$/share			% Change		
	Units	2006F	2007F	2008F	2006F	2007F	2008F
Valuation	**Current**	**2.09**	**2.43**	**2.81**			
$A/$US	+10%	1.36	1.59	1.85	(35)	(35)	(34)
$A/$US	-10%	2.98	3.45	3.99	43	42	42
MMX (fob) - Iron ore prices US$/t	+10%	2.85	3.30	3.82	37	36	36
MMX (fob) - Iron ore prices US$/t	-10%	1.33	1.55	1.81	(37)	(36)	(36)
Discount rate (11.3%)	+10%	1.68	1.97	2.33	(20)	(19)	(17)
Discount rate 11.3%)	-10%	2.58	2.96	3.38	24	22	20
Project - CAPEX	+10%	1.79	2.08	2.42	(14)	(14)	(14)
Project - CAPEX	-10%	2.38	2.76	3.20	14	14	14
Operating costs before royalties	+10%	1.81	2.11	2.45	(13)	(13)	(13)
Operating costs before royalties	-10%	2.37	2.74	3.18	13	13	13

Source: BBY.

Analysis Parameters

Strong iron ore fundamentals to support prices

Conservative long-term forecast:
- A$/US$ = S$0.71;
- lump Fe price US67.9¢/dmtu.
- fine Fe price US53.2¢/dmtu.

Commodity price parameters incorporated into our analysis reflect a positive outlook for iron ore products over the medium to longer term as strong underlying demand, particularly from China and SE Asia, outstrips supply in the short term (Appendix 1, Table 13 & Chart 10). At the same time, our analysis adopts conservative price assumptions over the longer term for both lump and fine iron ore prices of US67.9dmtu and US53.2¢/dmtu, respectively, against current prices of US78.8¢/dmtu and US61.7¢/dmtu for lump and fine ore, respectively (Table 2). Long-term historical (1975-2005) **US real GDP-deflator adjusted** fine ore prices, averaged US38.4¢/dmtu and compares to our forecast long-term **US real GDP-deflator adjusted** fines ore prices of US34.5¢/dmtu. Our analysis assumes a long-term A$/US$ exchange rate of US$0.71 (average exchange rate since the float of the currency in 1983) against the current spot exchange rate of US$0.75, reflecting (i) buoyant global economic conditions for commodities particularly from China, and other SE Asian economies and (ii) favourable A$ interest rates which remain above US$ rates. Long-term A$ historical (1983-2005) **US real GDP-deflator adjusted** fines ore prices averaged A$50.8¢/dmtu and compares to our forecast long-term 'real adjusted' fines ore prices of A$52.2¢/dmtu for the period 2012-2026.

Tonnes processed:
- 2008 = 1.8Mtpa;
- 2009 = 2.0Mtpa;
- 2010 = 2.0Mtpa;
- 2011 = 13.4Mtpa.

Revenue growth driven by production ramp-up and long mine life

The key revenue drivers include (i) a Stage 2 mine life of at least 15 years (ii) buoyant commodity prices as discussed above (iii) high quality iron ore attracting minimal price discounts and (iv) a rapid ramp-up of production within six years to 25Mt of ore processed annually by 2012.

Costs reflect the key attributes of the mineralisation

Key project attributes to keep costs low include:
- low strip ratio;
- bulk open pit mining methods;
- large tonnage of high grade material;
- access to port facilities at Geraldton.

A number of key project attributes will assist in keeping operating costs down. These include (i) an ore body which is amenable to bulk open-cut mining methods (ii) low strip ratios (iii) large tonnages of high grade **Direct Shipping Ore (DSO)** which requires only crushing and screening (iv) ore characteristics that are low in impurities including phosphorus, silica and alumina, and (v) access to key deep water port facilities at Geraldton. However, Stage 2 requires new port facilities (planned at Oakajee, 23km North of Geraldton) and rail capacity to be built requiring significant expenditure. Our key cost assumptions (Table 3) include (a) capital cost for Stage 1 of A$43m and A$1,368M for Stage 2 including feasibility costs and contingencies (b) sustaining CAPEX at 2% of the total project cost (c) average project on-site **mining** costs of A$8.2/t for Stage 1 and A$6.6/t for Stage 2 (d) average project **processing** costs per tonne of ore produced of A$2.6/t for Stage 1 and A$2.2/t for Stage 2 (d) average off-site transport and port costs of A$34.7/t for Stage 1 reflecting the high cost of road transport from Jack Hills to the port of Geraldton (a distance of approximately 580km) and A$7.3/t for Stage 2 once suitable rail infrastructure is in place (e) administration costs in the range of A$0.6-1.3/t and (f) royalty and native title costs of A$7/t.

Long-term A$ 'real' fine prices = A$52.2¢/dmtu consistent with historical averages.

TABLE 2: CURRENCY & COMMODITY PARAMETERS

	Units	2006F	2007F	2008F	2009F	2010F	2011F	Long-term
Currency	A$/US$	0.74	0.73	0.71	0.71	0.71	0.71	0.71
Lump - Iron price	US¢/dmtu	80.7	78.6	72.6	69.0	67.2	67.5	67.9
Fine - Iron price	US¢/dmtu	63.3	61.6	56.9	54.0	52.6	52.9	53.2

Source: BBY. Based on 30 Jun year-end.

Iron ore production to be ramped-up to 25Mt annually within six years.

TABLE 3: PRODUCTION AND COST PARAMETERS

Production	**Units**	**2006F**	**2007F**	**2008F**	**2009F**	**2010F**	**2011F**	**2012F**	**Long-term**
Tonnes mined	Mt	0.6	5.2	5.4	6.0	6.0	40.0	79.5	87.0
Strip ratio	x	2.0	2.0	2.0	2.0	2.5	2.5	2.5	2.5
Lump - iron ore produced	Mt	0.1	1.1	1.2	1.3	1.3	8.7	14.6	16.2
Fine - iron ore produced	Mt	0.1	0.6	0.6	0.7	0.7	4.7	7.9	8.7
Costs[1]									
Mining	A$/t	8.0	8.2	8.2	8.3	8.4	6.3	6.1	6.7
Processing - ore	A$/t	2.5	2.5	2.6	2.6	2.6	2.0	2.0	2.2
Transport & port.	A$/t	33.0	34.1	34.5	35.3	36.0	6.1	6.2	7.5
Administration	A$/t	1.2	1.2	1.3	1.3	1.3	0.7	0.5	0.6
Royalties & native title	A$/t	9.7	9.5	9.9	7.9	7.1	6.9	6.9	6.9
Total cash costs	**A$/t**	**54.4**	**55.1**	**56.4**	**55.3**	**55.6**	**21.9**	**21.7**	**23.9**

Source: BBY. Based on 30 June year-end.[1]Costs per tonne of ore produced.

Financial Analysis

MMX on track for first profit in 2006

Stage 2 EBITDA margins are forecast to be robust.

MMX is on track to earn a maiden profit in 2006 once the Stage 1 Jack Hills iron ore project is commissioned in early 2006. In 2007, the first full year of production, we forecast an EBITDA of A$36.3M. Once Stage 2 reaches target annual production of 25Mt in 2012-13, the company could be generating EBITDA of over A$500M annually. Cashflow generated over the next 4-5 years from Stage 1 production will be used to fund a feasibility study and provide working capital for Stage 2 (Table 4). BBY forecasts that the Stage 2 project could generate average EBITDA margins of 59% and EBIT margins of 51% over the project's life, which reflects (i) high prices received from high quality production and (ii) low operating costs. Margins are consistent with returns achieved from other low-cost iron ore projects based in the Pilbara region.

Rapid pay-back period forecast for the project

We forecast a Stage 2 project payback period of less than 4 years.

We are forecasting project capital costs of A$43M for Stage 1 and A$1,368M for Stage 2 to construct mining, ore processing, rail and loading, and wharf infrastructure over the period 2005-2010. Stage 1 construction and environmental approvals are forecast by Mar.'06, while Stage 2 construction is forecast to commence in the Jun H.'08 and take 24 months to complete by Jun H.'10. MMX's Stage 2 project is forecast to generate significant surplus cashflow after interest and on-going capital costs. We forecast the project will generate sufficient cash before dividends to repay the cost of the project (including capitalised interest) within 4 years from the start–up of stage 2 production in Dec H.'10 (Table 5 & Chart 3).

TABLE 4: MMX - EARNINGS (A$M)

Maiden profit forecast for 2006 growing rapidly post 2010 as MMX's Stage 2 project is commissioned.

Year-end 30 June	2006F	2007F	2008F	2009F	2010F	2011F	2012F	2013F	2014F
Revenue	15.9	135.6	127.6	127.5	110.9	705.6	1,191.4	1,320.4	1,320.4
Costs	(12.2)	(99.3)	(102.6)	(111.8)	(97.0)	(279.9)	(466.9)	(523.7)	(530.5)
EBITDA[1]	**3.7**	**36.3**	**24.9**	**15.7**	**14.0**	**425.8**	**724.5**	**796.7**	**789.9**
Depreciation	(2.1)	(12.2)	(12.5)	(13.0)	(14.1)	(76.4)	(78.0)	(79.8)	(81.8)
EBIT	**1.7**	**24.1**	**12.4**	**2.7**	**(0.1)**	**349.4**	**646.4**	**716.9**	**708.1**
Interest cost	(0.7)	(0.8)	(0.5)	(7.4)	(72.5)	(106.9)	(90.5)	(73.9)	(59.9)
Tax	0.0	(8.6)	(3.2)	1.4	21.8	(72.7)	(166.8)	(192.9)	(194.4)
NPAT[2]	**1.0**	**14.6**	**8.7**	**(3.3)**	**(50.8)**	**169.7**	**389.2**	**450.1**	**453.7**

Source: BBY.[1]EBITDA from 2008 -2010 impacted by declining Chinese contract iron ore prices. [2]NPAT impacted by capitalised interest costs in 2009 and 2010.

TABLE 5: MMX – FREE OPERATING AND CUMULATIVE CASHFLOW (A$M)

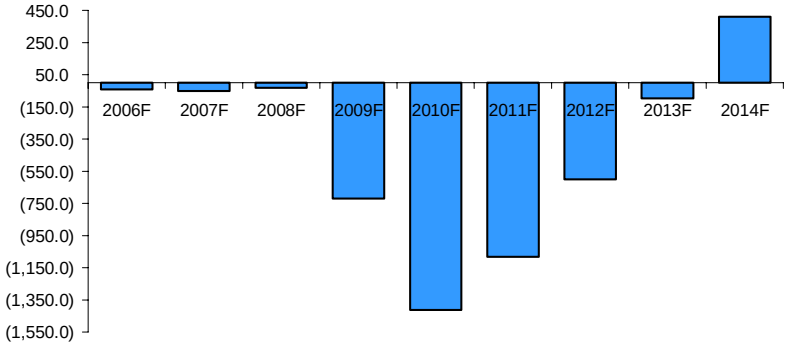
Free cashflow grows rapidly beyond 2011.

Year-end 30 June	2006F	2007F	2008F	2009F	2010F	2011F	2012F	2013F	2014F
Operating cashflow	2.3	24.7	22.0	14.1	25.6	358.4	508.6	532.8	538.0
Free cashflow	(35.4)	(10.9)	21.1	(681.2)	(613.8)	330.5	480.0	503.5	508.0
Cashflow before financing[1]	**(40.4)**	**(51.4)**	**(30.3)**	**(721.1)**	**(1,412.1)**	**(1,081.6)**	**(601.5)**	**(98.1)**	**409.9**

Source: BBY. [1]Cumulative cashflow before financing including capitalised interest.

CHART 3: MMX - CUMULATIVE CASHFLOW BEFORE FINANCING ACTIVITIES (A$M)

Cumulative cashflow before financing activities becomes positive in 2014 a project (Stage 1 & 2) payback period within 9 years.



Source: BBY.

Corporate Structure & Operations

Key asset is the Yilgarn region Jack Hills iron ore project

Key assets are based in the Yilgarn region of WA.

MMX, which listed on the ASX in April 2005, operates under a simple corporate structure (Chart 5). MMX's key projects are located in WA and include (i) Iron Jack Ltd (100%), controlling the Jack Hills iron ore resource and site for its Stage 1 & 2 projects and tenements at Weld Range and (ii) ATL Exploration Proprietary Limited (100%), which owns interests in a number of resource projects based in WA including (a) Duck Hill - laterite nickel project (50%) 155km NE of Kalgoorlie (b) Tarraji - copper / gold project (10%), 70km NE of Derby WA (c) Turtle – copper / gold (50%) Kimberly WA (d) Christmas Creek - gold 10% Kimberley WA and (e) Old Halls Creek gold project 12km SE of Halls Creek. MMX plans to progressively divest its non-core assets and concentrate on developing the Jack Hills iron ore project (Chart 6), which is forecast to begin generating cashflows from the Jun H.'06.

Strategic alliance with POSCO is a key milestone for MMX

MMX has won the support of POSCO. POSCO has taken equity in MMX and agreed to take 10Mt annual production for 25 years from the Stage 2 development.

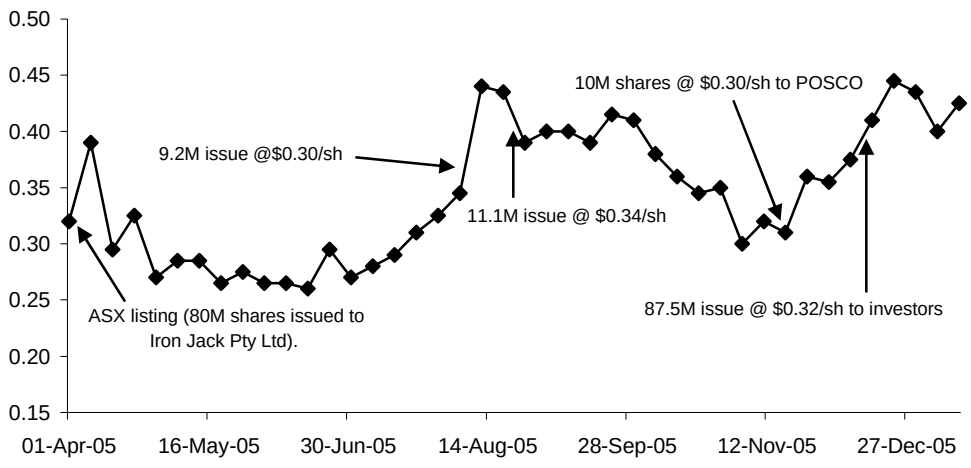
POSCO is one of the world's largest iron and steel producers based in Korea. Discussions between POSCO and MMX began in late 2004. In late Aug.'05 POSCO completed an extensive six-month due diligence review covering the Jack Hills and Mt Weld iron ore projects resulting in an agreement to take a 10M share placement at $0.30/sh and 30M options at a strike price of A$0.50/sh. The exercise of options is timed to coincide with the completion of the planned BFS 31 Dec.'06 with an extension to 31 Dec.'08 if the BFS is not complete. POSCO has also agreed to take up to 10Mt of iron ore from Stage 2 for 25 years and a trial shipment of 50kt from Stage 1. In addition, POSCO is a member of a consortium planning to carry out a feasibility study to develop new port and rail infrastructure servicing the emerging iron ore mid-west region of WA.

MMX is attracting new shareholders to its register

MMX successfully placed 87.5M shares to major institutions.

In December MMX was successful in raising A$28M after placing 87.5M new shares at A$0.32/sh to key local and offshore institutions (Chart 4). The placement was more than 2 times over-subscribed, with AMP (5.3%) and Merrill Lynch becoming major shareholders and highlighting the market's interest in the Jack Hills project. Funds from the placement will be used for the Stage 2 Bank Feasibility Study which commences in Feb.'06 and is due for completion by year-end and for Stage 1 working capital.

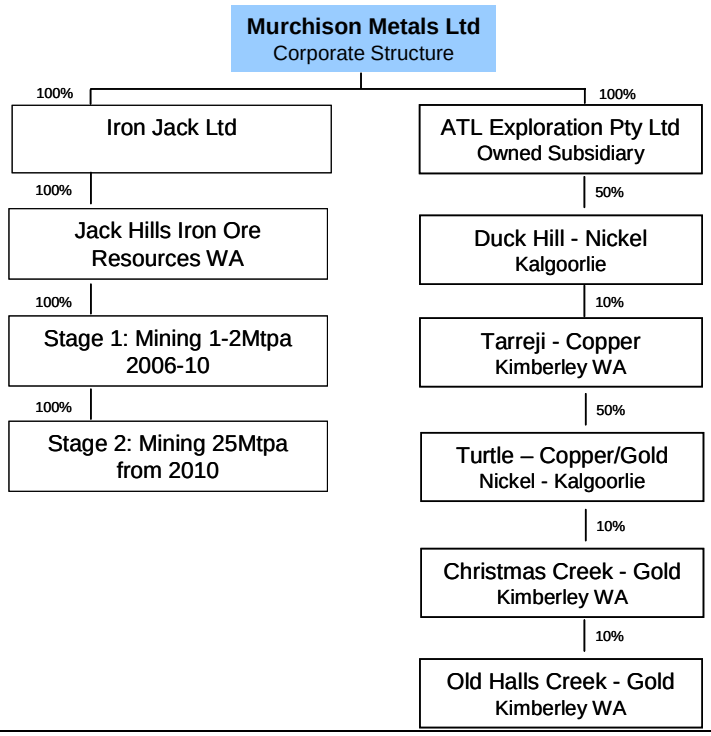
CHART 4: MMX – SHARE PRICE (¢/SHARE) SHOWING EQUITY RAISING



Source: BBY & IRESS.

CHART 5: CORPORATE STRUCTURE

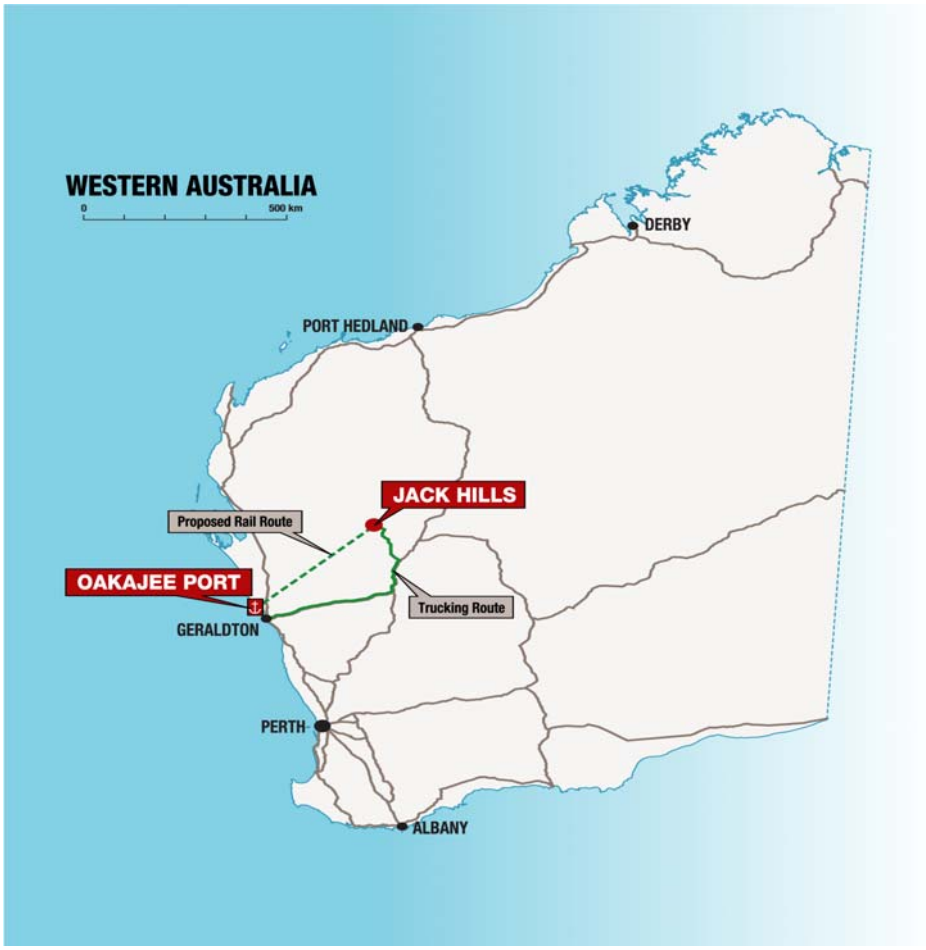
MMX's non iron ore assets are likely to be sold.



Source: MMX & BBY.

CHART 6: MMX – PROJECT LOCATION MAP

MMX plans to build a rail line from Jack Hills to the planned new port at Oakajee 23km North of Geraldton.



Source: MMX.

Jack Hills Project

An old discovery that is ready for development

Jack Hills iron ore discovery based in the Yilgarn region was first discovered in the 1960s by Itoh & Co.

The MMX Jack Hill tenements cover 145km^2 in the Yilgarn region of WA located 380km NE of Geraldton and 100km W of Meekatharra. The Jack Hills tenements were extensively explored during the 1960s and 1970s by various mining groups. In 1973, Northern Mining completed 59 RC drilling holes and constructed an underground adit for bulk sampling analysis. During the 1990s Kingstream Mineral Resources investigated the potential of developing a vertically integrated steelmaking operation in the Murchison region of WA using iron ore mined from the Jack Hills and surrounding resource discoveries including Tallering Peak, Blue Hills and Mt Weld. Low iron ore prices and sufficient supplies available from the Pilbara region resulted in this project not proceeding.

Significant scope exists to increase the resource base

Key ore features:
- high grade Fe 62%;
- competent ore;
- low P and silica;
- low strip ratio;
- ore outcrops;
- open pit mining.

Resources are set to grow as new targets are identified.

At Jack Hills, seventeen separate iron ore bodies have been identified and partially drilled and other targets have been identified on the flanks of the Hills. A typical Mt Hale ore cross section is shown on Page 2, Chart 1. Two separate styles of high grade haematite ores are known, including (i) massive haematite - high iron grade 64-65%Fe with low silica and phosphorus and (ii) enriched supergene ore – lower iron grade. Earlier this decade Anglo estimated a resource of up to 380Mt @ 62%Fe based on (i) past drilling (ii) measured outcropping (iii) potential strike extent (iv) depth potential and (v) density. Current JORC indicated haematite resources are 67Mt @ 62%Fe with low impurities including 2.3% silica (SiO_2), <2.0% alumina (Al_2O_3), and <0.05% phosphorus (P) with a "Loss on Ignition" (LOI) of 1.0-2.0%. At Mt Matthew, the H3 & H4 ore bodies have considerable scope to be expanded, over a strike length of 6.5km with potential for 1.5Mt / vertical metre (Table 6). At Noonie Hills and Stuart Bore, haematite outcrops have been identified over a strike length of 13km and 11km, respectively. These targets are yet to be drill tested.

TABLE 6: JACK HILLS – KEY IDENTIFIED RESOURCES

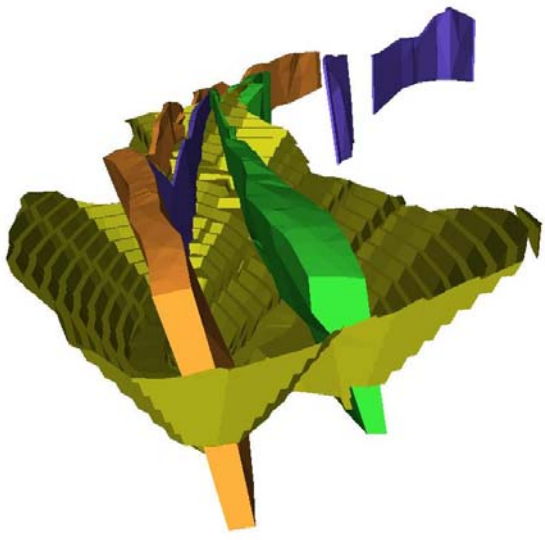
Ore chemistry is favourable with low:
- silica 1.0-5.0%;
-P <0.05%;
- LOI 0.4-4.6%.

Ore body	Key features
H3	10.1Mt @ 66%Fe. Strike 2km average width 10M. Typical drill hole 25M with average grade of 65.4%Fe.
H4	15.7Mt @ 61-62%Fe with average width between 66M in the north and 16M in far south.
H8	2.6Mt @ 66%Fe with average width of 35M, SiO_2 4.0%, Al_2O_3 1.2% P 0.01% and LOI 1.6%.
Pinnacles	2.67Mt @ 65.8% Fe outcrops 300M above the surrounding plain at Mt Hale. Strike extends 300M down dip. Significant potential to expand the resource base.
Brindal	11.9mt @ 63%Fe to only 11M depth. Mineralisation extends well below 30M. Significant potential.

Source: Al Maynard & Associates consulting geologists report & BBY.

CHART 7: JACK HILLS – STAGE 1 PLANNED PIT SHOWING ORE BODIES

Pit shows the two steeply dipping ore bodies which have an average true width in the range of 20-40 metres.



Source: MMX

Stage 1 project on track for production start-up March 2006

Jack Hills Stage 1 plans first production by Mar.'06, producing 1-2Mt annually for five years before a larger Stage 2 development begins production targeting a production rate of 25Mt annually.

Jack Hills Stage 1 project is at the advanced stage of development. MMX has received the necessary approvals for mining at Jack Hills including (i) the granting of a mining lease Oct.'05 (ii) receiving Aboriginal heritage approvals in Nov.'04 (iii) the granting of native title agreements in Aug.'05 and (iv) the expected granting of environmental approvals by Mar.'06. Construction of port storage facilities commenced in Sept.'05. Mine site development, road works and ore processing capacity are forecast to be completed before Mar-Apr.'06 when mining is forecast to commence. MMX plans to use contract mining and processing (Chart 8). JORC reserves of 8.5Mt are sufficient to sustain a planned open pit mining operation for 5-years. Chart 7 shows the planned open-pit design for stage 1 and steeply dipping ore bodies. MMX has secured contracts to supply iron ore to key Chinese steel mills over the 5-year Stage 1 production horizon. Iron ore prices for the first year of production have been settled at US$58/t, well above the current equivalent benchmark price of US$45/t based on a lump/fine production ratio of 65/35. Funding for the project is being met from existing cash reserves and project debt to be finalised early in the Mar.'06 quarter. Project key dates are shown in Table 7.

TABLE 7: JACK HILLS IRON ORE PROJECT - KEY DATES

Date	Event
Nov.'04	Heritage agreement - covering exploration at Jack Hills was signed between the Wajarri Elders, Ngoonooru Wadjari People & Murchison metals on 1 Nov.'04.
Jul.'05	Iron ore contracts – Delong Steel Ltd & Rizhao Steel Co. Ltd sign 0.35Mtpa 12 month contracts.
Jul.'05	Iron ore contract – BAAO Mining Co. Ltd signs 25 year 0.3Mtpa increasing to 0.6Mt for the next five years. Stage 2 - 3-5Mtpa.
Aug.'05	Native Title agreement - covering mining operations was finalised on 30 Aug.'05.
Sept.'05	Haulage contract - awarded to Mitchell Corporation. Orders placed for 30 prime movers, 90 trailers and 60 dollys.
Sept.'05	Iron ore contract – Tangshan Danyang Co. Ltd agrees to purchase 0.54Mtpa from Stage 1 production for 3 years. Stage 2 - 2Mtpa.
Oct.'05	Mining lease – granted on 20 Oct.
Nov.'05	Contracts for the supply of mine site accommodation - awarded Nov.'05.
Nov.'05	Road works – road upgrade of the Beringarra Cue Road and mine haul roads awarded. Work to commence in early December.
Nov.'05	Geraldton Port – design and construction of port storage building and truck unloading transfer system awarded to Kerman Construction.
Nov.'05	POSCO – strategic alliance reached. POSCO takes a 10M share placement raising A$3M and 30M options with a strike price of A$0.50.
Nov.'05	POSCO – secures rights to buy up to 10Mt of iron ore annually from Stage 2 for 25 years.
Dec.'05	Contract Mining – for mining crushing and screening to be awarded.
Dec.'05	Resource drilling – ongoing resource drilling for mine reserve calculation and planning.
Dec.'05	JORC reserve – statement released mid December for 8.5Mt.
Dec.'05	Project finance – negotiating with several banks expected to be completed by Jan.'06.
Dec.'05	Capital raising – raises $28M after placing 87.5M shares to large institutional investors including the AMP and Merrill Lynch.
Feb.'06F	Pre feasibility study - completed for Stage 2.
Mar.'06F	Mining – commences.
Mar.'06F	Feasibility study – Stage 2 to commence, taking one year to complete including resource drilling.
Jun.'06F	Iron ore shipments – first production shipped to customers.
Dec.'07F	Stage 2 project approvals – including freehold land owner approval (120 freehold landholders), environmental and other government regulatory requirements.
Jun.'08F	Stage 2 construction – commences with planned completion by Jun.'10.
Jul.'10F	Shipment – first iron ore to be loaded and shipped to key markets.

Source: BBY & MMX.

Stage 2 project is a potential company maker

MMX has ambitious plans to become the world's fifth largest iron ore producer.

MMX is embarking on an ambitious project development to lift annual production of iron ore from 1-2Mt to 25Mt by Jun.'12. Stage 2 feasibility study is set to commence in Feb.'06 and is forecast to cost A$20M. The Western Australian government is encouraging the development of this project. Significant expenditure will be required to construct a new 300km rail line and port infrastructure to be located 23km North of Geraldton at Oakajee. Potential exists to share the capital cost of Stage 2 infrastructure with MidWest / Sino Steel as they also plan to develop an iron ore project in the region. MMX's alliance with POSCO, and its decision to take 10Mtpa of iron ore for 25 years under Stage 2, underpins the potential development. If Stage 2 goes ahead, POSCO could assist in financing the project. Key milestone achievements for project go-ahead include (i) establishing a JORC standard reserve base of sufficient size (250-300Mt) to support a large mining operation producing 25Mt annually (ii) achieving the necessary regulatory approvals including (a) environmental (b) native title and (c) mining and (iii) project financing. BBY is of the view that MMX will find sufficient resources to sustain a 25Mtpa mining operation, with our confidence based on the success of previous exploration and evaluation work. We also expect MMX to obtain the necessary approvals for the project given it is about to commence mining at its Stage 1 development. Key risks include (i) the timing of freehold land access (ii) environmental approvals (iii) financing and (iv) construction costs and timing.

Significant CAPEX required to develop Stage 2

CAPEX:
- Stage 1 A$43.0M;
- Stage 2 A$1.4B.

The Jack Hills iron ore project will be developed over two stages with construction of Stage 1 already underway and Stage 2 to commence in mid 2008 ready for first production in Jul.'11. The key CAPEX components include (i) rail related infrastructure including a 300km rail line to the new port at Oakajee (ii) port infrastructure (iii) mine infrastructure and (iv) 15% contingency. Our analysis assumes sustaining CAPEX of 2% of the project capital cost (Table 8). In our analysis we assume that Stage 2 at full production will deliver annual production of 25Mt.

Stage 2 infrastructure could be managed by a third party

MMX could introduce outside specialist companies to develop and manage the rail and port infrastructure.

Our analysis assumes MMX undertakes to develop its own project infrastructure. However, MMX could jointly develop infrastructure with other potential ***iron ore producers*** in the region or seek to introduce specialist companies to develop, own and manage the infrastructure project. MMX recently announced a consortium including POSCO Engineering and Construction Company Ltd, Toll Holdings and a large Japanese industrial company to carry out a feasibility study into the development of new rail and port infrastructure in the mid-west region of WA. The benefit to MMX would be considerable, including (i) significantly lower project CAPEX and financing requirements (ii) lower project risk (iii) management time savings (iv) improved project valuation and ability to attract project financing (v) ability to maintain majority ownership of the mining assets and (vi) the securing of an additional 10Mtpa off-take agreement. We anticipate that MMX would pay rail/port operators a usage charge.

TABLE 8: JACK HILLS PROJECT - FORECAST PROJECT CAPEX (A$M)

Jack Hills – Stage 1 project	
Feasibility study & resource drilling costs	3
Road upgrade (includes haul roads)	8
Port storage at Geraldton	12
Mine development	5
Road transport equipment	10
Working capital	5
Sub-total	**43**
Jack Hills – Stage 2 project	
Feasibility study and resource drilling costs	31
Mine development & infrastructure	210
Rail, trains and wagons	610
Port ship loading capacity	370
Contingency (15%)	147
Sub-total	**1,368**
TOTAL	**1,411**

Source: MMX & BBY.

MMX enters into contracts with Chinese steel mills and POSCO

Stage 1 production contracts secured with Chinese steel mills. Stage 2 contracts secured with Chinese steel mills & POSCO.

MMX has successfully entered into off-take contracts for 100% of Stage 1 production for the first 12 months and long-term contracts accounting for a significant proportion of subsequent years' production (Table 9). For the first 12 months MMX has signed contracts to the value of US$71M based on negotiated contract prices of US$58/t for its lump / fine iron ore product covering 1.2Mt production. Stage 1 iron prices are forecast to remain above Japanese benchmark prices. The Stage 2 project is being underwritten by POSCO of Korea, which has agreed to take up to 10Mtpa production for 25 years at negotiated benchmark prices.

Project risks exist

The key project risks are:
- financing;
- construction time; and
- cost overruns.

With any greenfield project, particularly a project of this size, numerous risks exist, including (i) the identification of sufficient reserves of a quality to sustain a long life mining operation (ii) delays to environmental, native title and other government regulatory approvals (iv) project funding on favourable terms (v) under-estimation of capital costs due to higher input costs and tight market conditions for skilled labour (vi) a longer than forecast construction period (vii) slower than forecast production ramp-up to target 25Mt annually (viii) higher than forecast operating costs (ix) weaker market conditions for iron ore and (x) a higher exchange rate.

TABLE 9: MMX – IRON ORE CONTRACTS

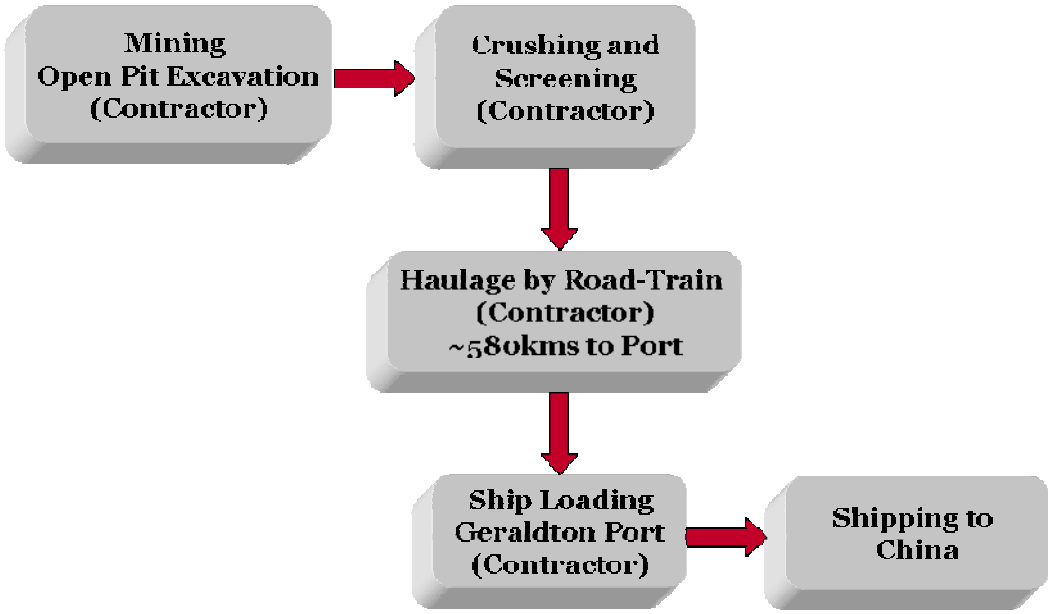
Four major long-term contracts and prepayments signed with steel mills.

Date	Company	Contract terms and prepayment details
7 Jul.'05	Delong Steel Ltd & Rizhao Steel Co. Ltd.	Contract – 12 months over 2006 delivering 0.35Mt.
15 Jul.'05	BAAO Mining Co. Ltd	Contract – 25 year 0.3Mtpa increasing to 0.6Mt for the following 5 years. Stage 2 - 3-5Mtpa.
10 Aug.'05	Tangshan Danyang Co. Ltd	Contract - 0.54Mtpa from Stage 1 production for 3 years. Stage 2 - 2Mtpa.
29 Aug.'05	POSCO	Contract – trial 50kt from Stage 1 Stage 2 – 10Mtpa for 25 years.

Source: MMX.

CHART 8: JACK HILLS – STAGE 1 PRODUCTION FLOWSHEET

MMX plans to use contractors for mining and ore processing.



Source: MMX.

Resources & Exploration

High grade low impurity iron ore economic resource base

MMX's resource base is small but is forecast to grow significantly over the next 12 months.

Stage 1 of the Jack Hills project, which has a JORC resource base of 67Mt @ 62%Fe, has the potential to grow to well over 300Mt based on previous exploration and resource studies carried out over 1970-1990s (Table 10). In mid December 2005, the company announced JORC reserves of 8.5Mt for Stage 1. Results from resource drilling completed in Jun.'05 highlight the high grade of the resource base, including (i) 52M @ 63.8%Fe (ii) 50M @ 65.6%Fe and (iii) 26M @ 63.8%Fe. A bulk sample was taken from the adit in the H8 ore body 75M below the peak of Mt Hale. X-ray fluorescence assaying of bulk samples produced the following excellent results, including (i) Lump ore – 68.4%Fe, 0.12%P, 1.2%SiO_2 0.16% Al_2O_3 and 1-2%LOI and (ii) Fine ore – 67.4%Fe, 0.16%P, 2.3%SiO_2, 0.3% Al_2O_3 and 1-2.0%LOI (Table 11).

MMX has identified further targets for drill evaluation

We forecast significant tonnage of inferred resources will be upgraded to a measured resource by the end of 2006 within the Jack Hills project area.

MMX plans in early 2006 to commence a major drilling programme on the Jack Hill tenements to evaluate the resource potential for its proposed Stage 2 development. At Mt Matthew and Mt Hale, the site for the stage 1 mining operation, 11km of strike has been identified including 6.5km of strike along the H3 and H4 known ore bodies. Using work completed by Anglo and Kingstream Mineral Resources previously, MMX has estimated a resource density of 1.5Mt/vertical metre at both H3 and H4 ore bodies. Along the 6.5km strike horizon of the Brindal lens significant scope exists to find large tonnages of high quality iron ore grading 64.0%Fe. At Noonie Hills / Stuart Bore in the Jack Hills region significant haematite outcrops have been identified along the 13km and 11km strikes, respectively. A drilling programme is planned for these properties in 2006.

TABLE 10: MMX – RESOURCES ESTIMATE AT JACK HILLS

Ore chemistry is excellent with low impurities.

Reserves / Resources	Mt	Iron Fe (%)	Silica (%)	Alumina (%)	Phosphorus (%)	LOI[2] (%)
Jack Hills						
Probable Reserves	8.5	63.0	4.7	0.5	0.06	2.70
Measured	8	62.0	<3.0	<2.0	<0.05	1-2
Inferred	59	62.0	<3.0	<2.0	<0.05	1-2
Total[1]	**67**	**62.0**	**<3.0**	**<2.0**	**<0.05**	**1-2**
Potential[3]	380	62.0	<3.0	<2.0	<0.05	1-2

Source: BBY & MMX [1] Resources are JORC standard.[2] LOI (Loss On Ignition).[3]Based on previous work completed by Anglo American and others over the period 1970-90.

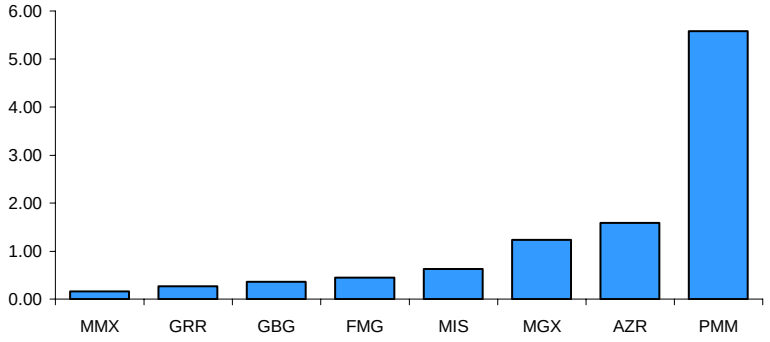
TABLE 11: MMX – MT HALE ADIT SAMPLE SPECIFICATIONS

Resources	Iron Fe (%)	Sulphur (%)	Silica (%)	Alumina (%)	Phosphorus (%)	LOI (%)
Ore type						
Lump 1	67.10	0.013	2.34	0.30	0.015	1-2
Lump 2	67.31	0.012	2.30	0.29	0.016	1-2
Fines 1	68.36	0.008	1.12	0.17	0.012	1-2
Fines 2	68.36	0.007	1.35	0.16	0.012	1-2

Source: MMX. Assay results from a 25m adit taken from the side of the hill on 14Mar.'05 at Mt Hale approximately 75m below the hilltop peak. Representative components from a composite of the ore zones intersected by the adit were taken and assayed using X-ray fluorescence (XRF).

CHART 9: MARKET CAPITALISATION PER RESOURCE TONNE ($/T)

MMX is cheap relative to its peers, based on a market capitalisation per tonne of resource.



Source: BBY. Includes both haematite and magnetite resources.

Directors & Top 20 Shareholders

High calibre Board and Management team

Directors / Executives

Murchison Metals Ltd (MMX) has a committed and professional management team, which has extensive collective experience in the mining and exploration sector. Top 20 shareholders list is shown in Table 12.

Paul Kopejtka: (Executive Chairman). Paul Kopejtka holds a Bachelor of Engineering (Chemical) degree from Curtin University WA specialising in the mineral resources sector. Paul Kopejtka has 20 years' continuous experience as an engineer and consultant in the areas of green and brown fields project evaluation and feasibility study management, plant design and engineering and commissioning. This experience extends to both the Australian and overseas mining industry.

Throughout the 1990s he held tenure as a technical consultant with the Minproc and Bateman engineering groups before branching out in a similar capacity working with a number of major publicly listed companies.

Trevor Matthews: (Managing Director). Trevor Matthews has a bachelor of commerce degree from the University of WA and a graduate diploma in Applied Finance and Investment from the Securities Institute of Australia. He is a CPA and a member of the Securities Institute.

Trevor Matthews has worked in the resources industry for 20 years and held executive positions with North Limited, WMC Resources Limited and other listed entities in both operational and corporate roles. He has significant experience in corporate governance, project development and finance. He is also company secretary.

Robert Vagnoni: (Executive Director). Robert Vagnoni has 26 years' experience in the mining industry. He has held senior management positions with Newmont Australia, Normandy Mining and Sinclair Knight Merz including Senior Site Executive-Mt Leyshon Gold Mine, Manager WA. Krupp Polysius and acting General Manager of Ovacik Gold Project startup in Turkey. He is an associate member of the Institute of Engineers Australia. Prior to this appointment he was consultant Project Manager for Hamersley/Rio Tinto Tom Price Iron Ore plant upgrade.

He has many years of mining project experience both in Australia and overseas in project management, conceptual and feasibility studies, mine infrastructure and plant design, construction management and supervision with a strong emphasis on major process plants, design and construction, materials handling and underground mining.

MMX is attracting new investors to its register including large local and international institutions.

TABLE 12: TOP 20 SHAREHOLDERS (31 DECEMBER 2005)

Shareholders	Shares	%
ANZ Nominees Limited	18,301,095	6.542%
National Nominees Limited	16,415,239	5.868%
Citigroup Nominees Limited	15,426,008	5.514%
Westpac Custodian Nominees Limited	14,800,985	5.291%
JP Morgan Nominees Australia Limited	14,224,724	5.085%
AMP Life Limited	11,095,206	3.966%
POSCO Australia Pty Ltd	10,000,000	3.574%
Taswa Pty Ltd	8,360,000	2.988%
Hebei Qianjin Steel group (Australia) Pty Ltd	7,142,857	2.553%
Eriditus Pty Ltd (The Robert Vagoni A/C)	6,830,000	2.441%
Mr Paul John Kopejtka & Mrs Karen Louise Kopejtka Family A/C	6,240,000	2.230%
IOS Management Ltd	4,750,000	1.698%
Cogent Nominees Pty Limited	4,501,798	1.609%
Yilgarn Infrastructure Limited	4,300,000	1.537%
RLB Investments Ltd	4,000,000	1.430%
Dr Charles Frater	3,000,000	1.072%
Russlan Zuks	2,910,855	1.040%
Bscale Pty Ltd	2,847,200	1.018%
Mr Michael Ruane	2,784,406	0.995%
Mr Nikolais Zuks	2,189,145	0.783%
Total	**160,119,518**	**57.234%**

Source: MMX.

Appendix 1 – Iron Ore Fundamentals

Chinese demand is driving demand for world steel

China is expected to drive the demand for iron ore for the foreseeable future.

China today is having the same impact on the steel and iron industries as Japan and Europe had over the period 1950 – 1975. During this period steel demand was driven by (i) the need to re-build industry, transportation and housing infrastructure and (ii) rising demand for consumer goods as personal incomes increased. China's economy is growing at the rate of 8-10% annually and is forecast to grow annually at 7-8% for a sustained period of time. China's robust growth is driving strong steel demand for infrastructure, industry and residential development and demand for automobiles and household appliances (Chart 12). Growth in world iron ore exports is largely being driven by the growth in Chinese imports (Table 13). The increase in world demand for iron ore is largely being met by increased Brazilian and Australian exports. India, which is a large exporter of iron ore, is also forecast to become a larger consumer of iron ore as economic growth begins to accelerate, limiting India's capacity to expand its exports of iron ore. China recently introduced tighter iron ore import controls which is forecast to have a significant impact on Indian exports as Indian ore is of inferior quality compared to Australian and Brazilian production. India's per capita consumption of steel is low at 35kg/capita and compares to 250kg/capita for China, 280kg/capita in Europe and 400kg/capita in the US (Chart 11).

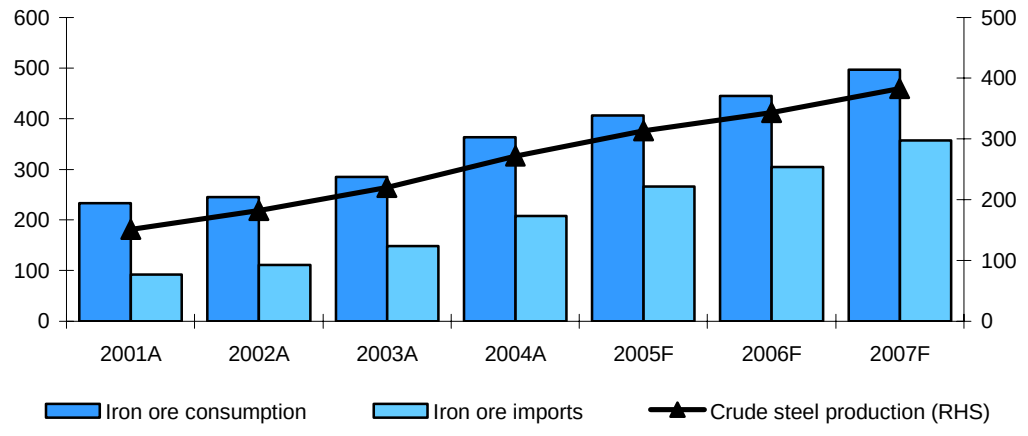
TABLE 13: WORLD IRON ORE IMPORTS AND EXPORTS (MT)

Imports	**2002A**	**2003A**	**2004A**	**2005F**	**2006F**	**2007F**	**2008F**
Japan	129	132	135	132	128	130	131
Korea	43	43	44	44	45	45	46
Taiwan	15	16	17	16	16	16	16
China	111	148	208	276	323	369	409
European Countries	117	119	125	122	118	120	121
Total	**456**	**518**	**602**	**683**	**735**	**778**	**819**
Total ex China	**345**	**370**	**394**	**407**	**412**	**409**	**410**
Exports							
Australia	166	187	211	249	279	298	318
Brazil	170	184	205	225	256	284	299
Other	121	150	182	201	198	196	195
Total	**457**	**521**	**598**	**675**	**733**	**778**	**812**

Source: Tex report, IISI & BBY.

CHART 10: CHINESE - IRON ORE CONSUMPTION & IMPORTS AND STEEL PRODUCTION (MT)

Chinese iron ore production is insufficient to meet strong steel requirements.



Source: BBY.

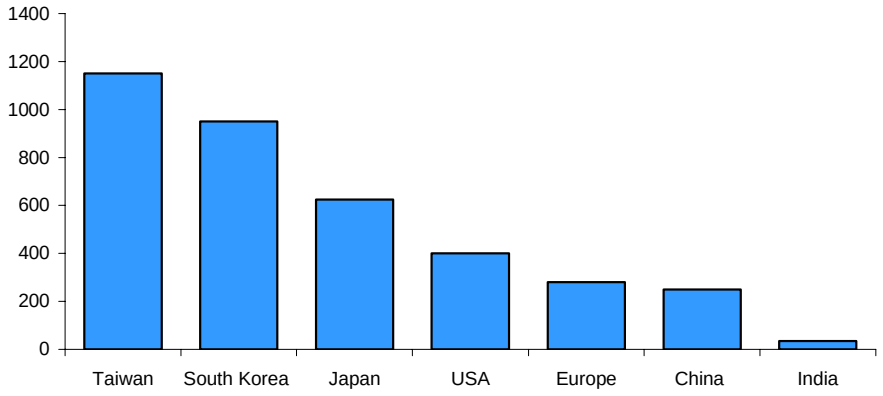
Iron ore prices are forecast to remain firm

Iron ore prices are forecast to remain firm as demand continues to outstrip new supply.

Iron ore prices increased by 71.5% in 2005 and are forecast to rise 5% in 2006 (BBY estimate) and then weaken in subsequent years but remain relatively firm and compared to recent price averages as demand from China and India underpin the market, despite progressive increases in supply. In our analysis we assume that iron ore prices US¢/dmtu decline by 15.0% over the period 2005-2008. Prices are then forecast to remain flat in nominal terms. Fine iron ore prices in 'real' A$ terms have averaged historically (1983-2005) A¢50.8/dmtu. In our analysis we use a forecast average fine iron ore price in 'real' A$ terms of A¢53.3/dmtu (Chart 13).

CHART 11: CONSUMPTION OF STEEL PER CAPITA (KG/CAPITA)

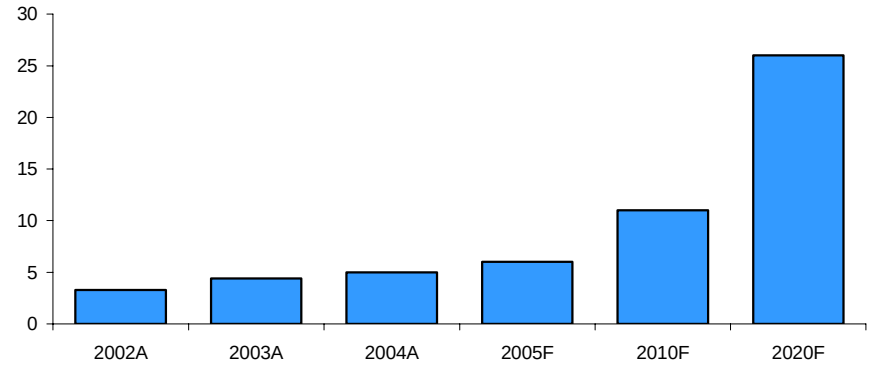
Steel consumption per capita in China and India remains low relative to consumption levels in South Korea and Japan, providing significant scope for growth.



Source: China Steel Statistics Yearbook & BBY.

CHART 12: FORECAST CHINESE AUTOMOBILE PRODUCTION (M)

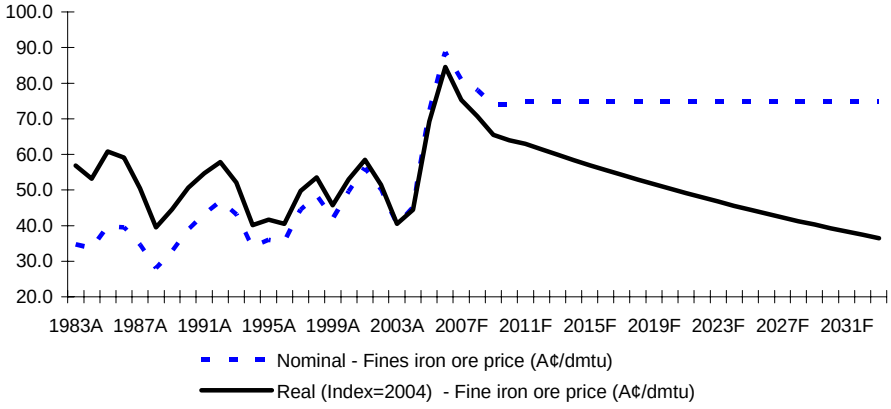
Chinese car production, which is growing strongly, is forecast to reach 25M units by 2020, compared to 5M units forecast for 2005.



Source: China Steel Statistics Yearbook & BBY.

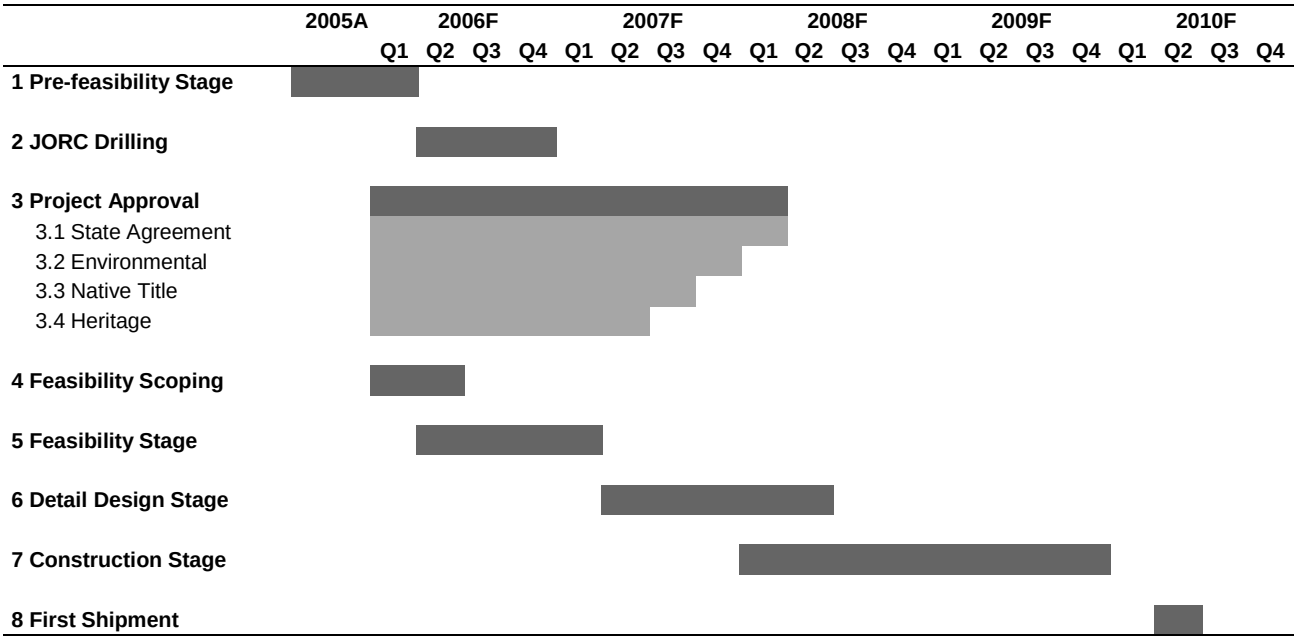
CHART 13 LONG-TERM NOMINAL AND REAL FINE IRON ORE PRICES A¢/DMTU

Forecast long-term iron ore prices in nominal and real terms.



Source: BBY

CHART 14: MMX– PLANNED DEVELOPMENT TIMETABLE FOR STAGE 2



Source: MMX.

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