

# Murchison Metals Limited Report A3.3 Million Interim Net Profit

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Sydney, Australia (ABN Newswire) - [Murchison Metals Limited](#) (ASX: MMX) (PINK: MUMTF) is pleased to report an after tax profit from continuing operations of A\$3.3 million for the half year ended 31 December 2010.

This compares with a net loss of A\$20.3 million in the corresponding period of 2009.

Interest earned on investments during the period amounted to A\$1.6 million, while cash and liquid investments at the end of the period totalled A\$31.3 million.

The encouraging interim profit result reflects higher iron ore prices and continuing strong cashflow from the Jack Hills Stage 1 iron ore mine in the mid-west region of Western Australia owned and operated by Crosslands Resources Ltd (Crosslands).

Murchison is a 50% shareholder in Crosslands, in which the remaining 50% is held by Mitsubishi Development Pty Ltd (Mitsubishi), a subsidiary of Mitsubishi Corporation (TYO:8058), Japan's largest general trading company. Murchison and Mitsubishi also each hold a 50% economic interest in Oakajee Port & Rail (OPR), which was established to construct new port and rail infrastructure to provide logistics services to miners (including Crosslands) and other potential customers in WA's mid-west.

Crosslands reported a significantly improved performance compared to the same period in 2009, with increases in iron ore prices contributing to a 64% increase in interim sales revenue to A\$119.7 million, offsetting an 8% decline in shipments to 845,145 tonnes from the Stage 1 Jack Hills mine.

Consequently, Crosslands reported net cash inflow of A\$28.6 million for the period, compared with negative cash outflow of A\$8.3 million in the six months ending 31 December 2009. The decline in shipments reflected the start of a planned cutback of the western pit wall to access ore for continued operations.

Crosslands realised an average FOB iron ore price of US\$130/tonne for direct shipping (DSO) lump and fines for the period, compared to US\$70/tonne in the previous corresponding period, reflecting strong demand from China and other Asian customers. Prices have continued to rise since the end of the period, with the spot CFR price for benchmark 62% Fe fines currently above US\$165/tonne and the March forward contract price exceeding US\$160/tonne.

The major expenditure item in the period was A\$34.8 million paid to Crosslands and OPR to finance feasibility studies and exploration costs, including completion of the technical engineering study for OPR's infrastructure project, ongoing production and flowsheet optimisation for Crosslands Jack Hills Expansion Project (JHEP) and resource definition and extension drilling.

To date, more than A\$370 million has been invested by Murchison and Mitsubishi in advancing the Jack Hills and Oakajee projects. Murchison Executive Chairman Paul Kopejtka said the results and strong outlook for the iron ore sector underscored the Company's confidence in the world-class Oakajee and JHEP projects.

'Murchison is in a unique position to capitalise on the robust long term outlook for the global iron ore market as we bring the Oakajee infrastructure development and Jack Hills Expansion Project to fruition', he said.

'With bankable feasibility studies for both these world-class projects on track for completion in the coming quarter, we are enormously excited about the prospect of moving into the development phase and establishing the mid-west as a major iron ore producing region.'

Bankable feasibility studies (BFS) for both the JHEP and infrastructure projects remain on track for completion in the June 2011 quarter, in line with the revised project schedules announced by Murchison to the ASX on 4 November 2010. Under the revised project schedules, first shipments through the Oakajee port are anticipated in late 2014/early 2015. As a consequence of these changes of schedule, Murchison and Mitsubishi requested an extension of certain project deadlines agreed with the WA Government under the

State Development Agreement. The WA Government agreed to grant the extension on 2 March 2011.

A major milestone during the period was OPR's completion, in November 2010, of the detailed technical engineering study to finalise the engineering and design parameters for the Oakajee port and rail infrastructure project. The study is being reviewed by Murchison and Mitsubishi and forms a critical part of the BFS.

OPR also achieved significant progress on the commercial front, signing Memoranda of Understanding for the provision of supply chain services with its selected Foundation Customers, Sinosteel Midwest, Karara Mining and Crosslands Resources in August 2010. This was a major step toward establishing detailed supply chain agreements (SCAs) that will underpin development of the Oakajee project.

Work on the BFS for the JHEP also moved into the final stages following a significant increase in the Jack Hills mineral resource to 3.22 billion tonnes grading 32.2% Fe in September 2010. Key activities included mine optimisation studies for selective mining of high grade DSO and bulk mining of beneficiated feed material, metallurgical testwork to finalise flowsheet design, review of the location of processing plant and other JHEP infrastructure, evaluation of terms sheets from major gas suppliers, and initial due diligence with regard to establishing a SCA with OPR.

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

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

Murchison is a 50% shareholder in Crosslands Resources Ltd 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.

Murchison also has a 50% economic interest in an independent infrastructure business, Oakajee Port and Rail ('OPR'). OPR 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.

The remaining 50% economic interest in OPR is held by Mitsubishi.

In addition to its investments in Crosslands and OPR, Murchison owns the Rocklea iron ore project located in the Pilbara region of Western Australia.

#### **Contact:**

Paul Kopejtka  
Executive Chairman  
Murchison Metals Ltd  
Tel: +61-8-9492-2600

John Phaceas  
Manager External Relations  
Murchison Metals  
Tel: +61-8-9492-2600  
Mob: +61-411-449-621

Email: [info@mml.net.au](mailto:info@mml.net.au)  
<http://www.mml.net.au>

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