

Murchison Metals Limited Release Chairmans Letter to Shareholders

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Perth, Australia (ABN Newswire) - [Murchison Metals Limited](#) (ASX: MMX) (PINK: MUMTF) release the following Chairman's Letter to Shareholders:

I am writing to you following Murchison's recent announcements in relation to the project feasibility studies, Board & management changes, and the Company's current strategic review.

On 4 July we announced the results of the feasibility studies for the Jack Hills Expansion Project (JHEP) and Oakajee Port and Rail infrastructure project (OPR). These studies indicate commercial, technical and operational viability of the projects, subject to OPR reaching agreement with potential foundation customers with respect to supply chain agreements.

Murchison holds an effective 50% interest in both OPR and Crosslands Resources Ltd (Crosslands), the owner of the Jack Hills mine. These interests are held alongside our partner, Mitsubishi Development Pty Ltd (Mitsubishi).

In addition to the feasibility study results and strategic review announcement, the Company also announced several Board & management changes to navigate through this critical period for Murchison.

This has involved Greg Martin, previously a Non-Executive Director of the Company, being appointed Managing Director and myself being elected as the new Independent Non-Executive Chairman. Trevor Matthews will now assume the title of Chief Operating Officer.

Greg has extensive experience in the energy, utility and infrastructure sectors. This includes 25 years with Australian Gas Light Company (AGL), one of Australia's oldest and biggest publicly listed downstream energy companies, including five years as its Chief Executive Officer and Managing Director between 2001 and 2006.

Murchison is now in a position where it has a 50% effective interest in two projects with collectively over A\$400 million invested to date. This includes more than A\$200 million spent on the detailed work necessary to build the infrastructure solution for the entire mid-west region of Western Australia over a period of almost four years.

The primary challenge now is for OPR to finalise supply chain agreements with each of the foundation customers.

Additionally, Murchison is continuing with a strategic review process to potentially assist with project funding requirements for these ambitious projects or otherwise to unlock value for Murchison shareholders.

I will address each of these challenges in turn.

Supply Chain Agreements

OPR has identified three foundation customers - the Gindalbie / Ansteel Karara Mining joint venture, our own Murchison / Mitsubishi joint venture (Crosslands) and Sinosteel Midwest Corporation (SMC).

OPR has executed preliminary memoranda of understanding with these three potential customers; however, an agreement on the commercial terms of the supply chain agreements has not yet been reached.

It is clear that OPR needs to deliver a suitable tariff model, structure and certainty on timing of delivery of infrastructure in order to secure supply chain agreements. Following SMC's recent announcement to defer development of their Weld Range iron ore mine, SMC has specifically stated these points are fundamental to their preparedness to re-engage in supply chain agreement negotiations. We will be working closely with OPR and our joint venture partner Mitsubishi to meet this objective.

We consider that an outcome on the supply chain agreements is desirable to unlock the significant value all stakeholders have invested in the region - more than A\$1.6 billion, we believe, by SMC alone.

Given these substantial investments to date (including our own) and the strong desire of key stakeholders, such as the Western Australian State Government, to see the OPR infrastructure built, a commercial outcome that will see the project proceed is in the best interests of all participants.

Strategic Review

Murchison recently announced that it is continuing to advance its review of options that may potentially assist with project funding requirements or otherwise unlock value for Murchison shareholders.

Under Murchison's existing joint venture agreements, Mitsubishi is responsible for managing the arrangement of debt financing for the projects, as well as for making a future payment into Crosslands, known as the residual contribution, which would be used as the first tranche of equity funding for project development.

Notwithstanding these arrangements, it is clear that the funding required for the projects is now of a size that it is beyond the scope of Murchison. To address this requirement, Murchison has therefore been reviewing its funding options.

A range of options are on the table for Murchison as part of the review process. I will keep you abreast of the progress of the strategic review.

Conclusion

We do not underestimate the challenges ahead for our Company. That said, Murchison remains in a valuable strategic position in the mid-west region of Western Australia.

The wave of industrialisation and increasing urbanisation sweeping across China and now spreading to other developing nations of the world will not suddenly abate in the coming years. The demand for steel, and thus a secure reliable supply of good quality iron ore will continue into the future.

We are focused on meeting the challenges I have outlined head on, and will keep you informed of our progress.

Ken Scott-Mackenzie
Independent Non-Executive Chairman

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.

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