

ASX Announcement**ASX Code: MMX, MMXO****21 September 2006****COMMENCEMENT OF MINING AT JACK HILLS**

Murchison Metals Limited is pleased to announce that it commenced mining operations at its flagship Jack Hills Project today.

Executive Chairman Paul Kopejtka said that this was a momentous occasion for Murchison Metals and the Jack Hills Project.

"I am extremely proud that the Murchison Metals Board and management team has been able to commence full-scale mining at Jack Hills less than 18 months after listing on the ASX and within two weeks of final environmental approval of our mining plans," he said.

"Our team has been able to move quickly to commence mining at Jack Hills due to the outcropping nature of the mineralisation at Jack Hills, which means that pre-stripping operations are minimised."

"We now expect to begin trucking ore to our storage facility at Geraldton next month and to complete our first shipment of iron ore to customers in North Asia within the next few months."

"The Board of Murchison Metals is extremely appreciative of the efforts of its executive team and the Company's small number of specialist contractors who have assisted us in developing the Jack Hills Project in such a short time frame."

Mining at Jack Hills is being carried out under contract by Mining and Civil Australia.

As part of the commencement of mining operations, Murchison Metals has completed development of the Jack Hills airstrip and a 23 kilometre access road between the Jack Hills mine site and the Cue sealed road.

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About Murchison Metals

Murchison Metals is an ASX-listed iron ore company focused on the development of 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 Metals' 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 Metals from many other iron ore producers.

Murchison Metals proposes to develop the Jack Hills Project in two stages. In Stage 1, Murchison Metals proposes to produce 1.5 million tonnes of iron ore per annum commencing in 2006. Production is planned to increase to 2 million tonnes in 2008.

Stage 2 of the Jack Hills Project involves increasing annual production of direct shipping high grade ore up to 25 million tonnes per annum. In Stage 2, iron ore would be railed to a new port facility at Oakajee north of Geraldton for export to customers in North Asia. The Company is well advanced on its feasibility studies into the expansion of the mining operations, new rail and the new deepwater port at Oakajee.