

Southdown Magnetite and Kemaman Pellet Project

An advanced Iron Ore Project for the Direct Reduction Pellet Market



AUSTRALIAN RESOURCES CONFERENCE

Dubai, 10 February 2008

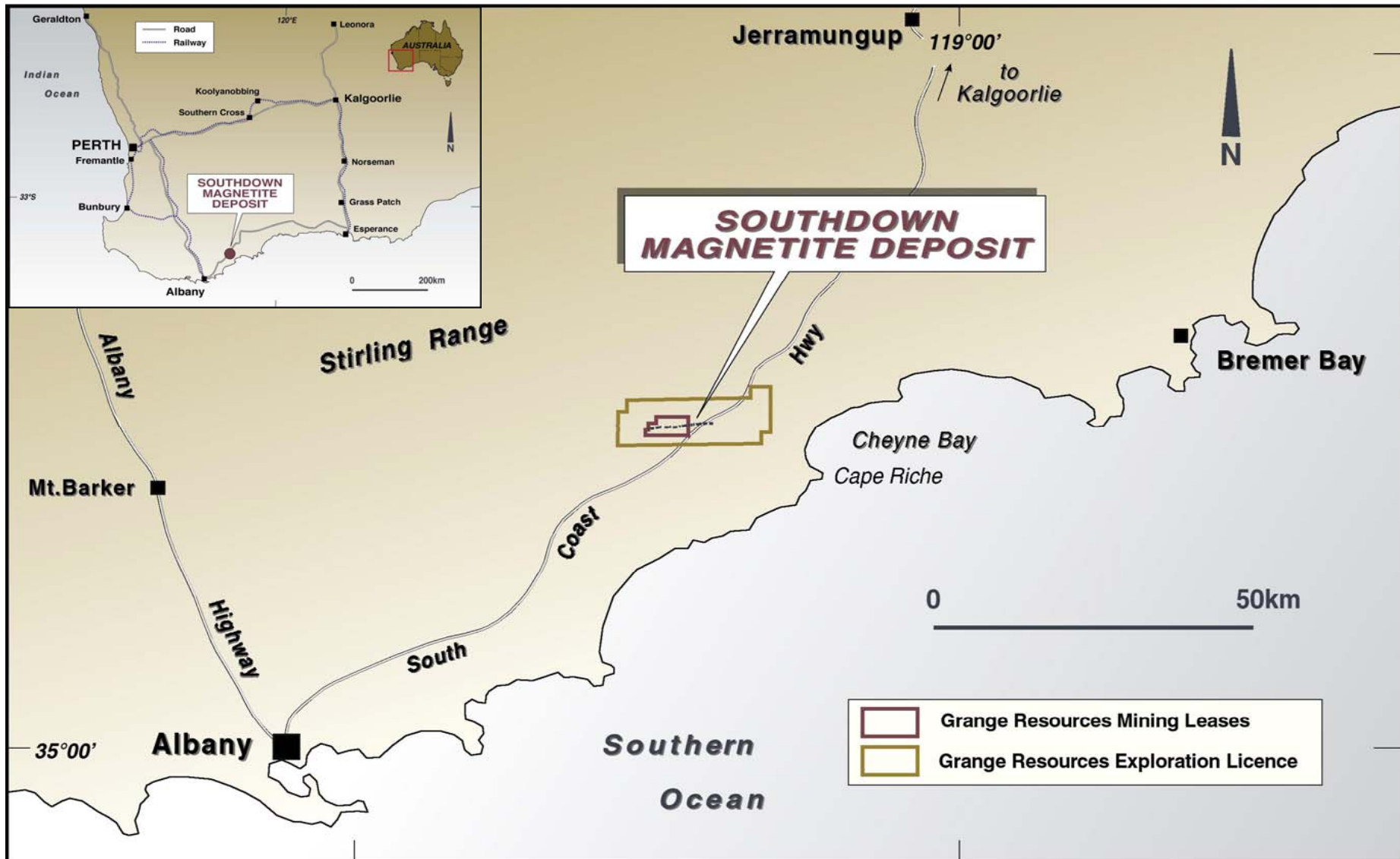
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Project Location - Southdown

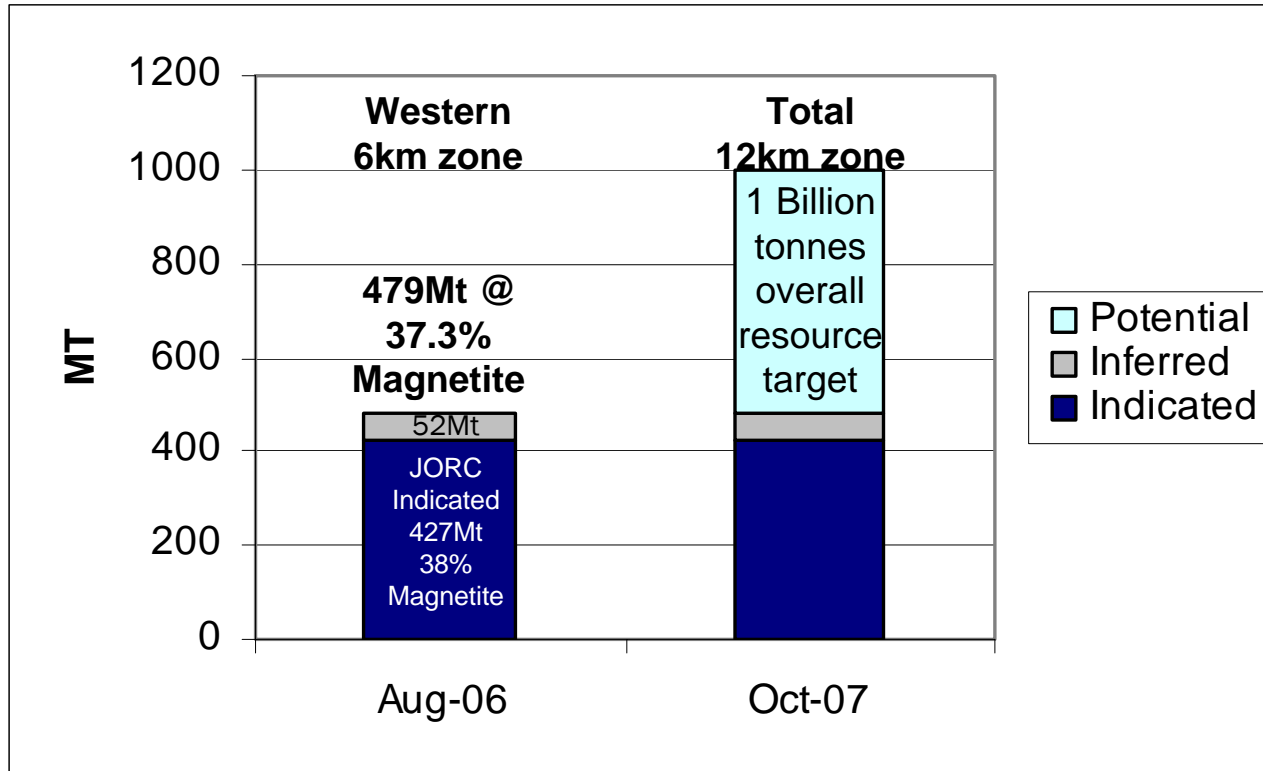


RIO TINTO AEROMAGNETIC SURVEY

- Rio Tinto's aeromagnetic survey indicates that the Southdown deposit is closest to the surface within Grange's mining leases
- After 3½ years of negotiations with Rio Tinto, Grange acquired the 6km eastern section. Rio Tinto took a stake in Grange (shares plus options, 19.9%) to keep an interest in the project. Grange expect to double the resource and increase the mine life from 22years to 35 years.



Southdown Resource



- Grange now controls total deposit length of 12km
- Total Southdown resource target of 1 billion tonnes potentially sufficient for a project life of +35 years

Project Highlights

Advanced Project – All approvals should be in place by 2008



Growing Demand in Key Markets



Feasibility Study Completed



Infrastructure in Place



Ability to produce High Quality (DR Grade) Pellets



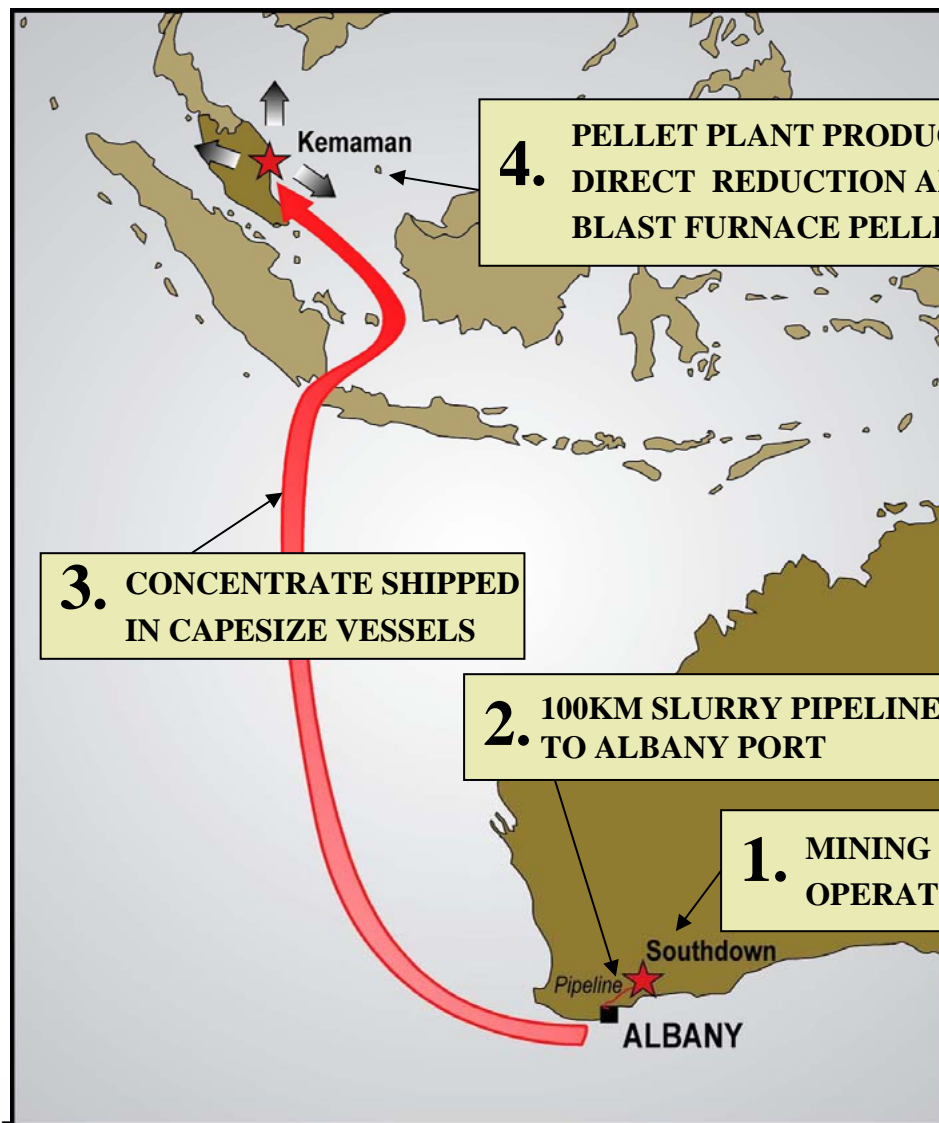
Pellet Plant – First for SE Asia means close to Key Markets



Joint Venture with Sojitz – world pellet market leader



Project Overview



Dual Location

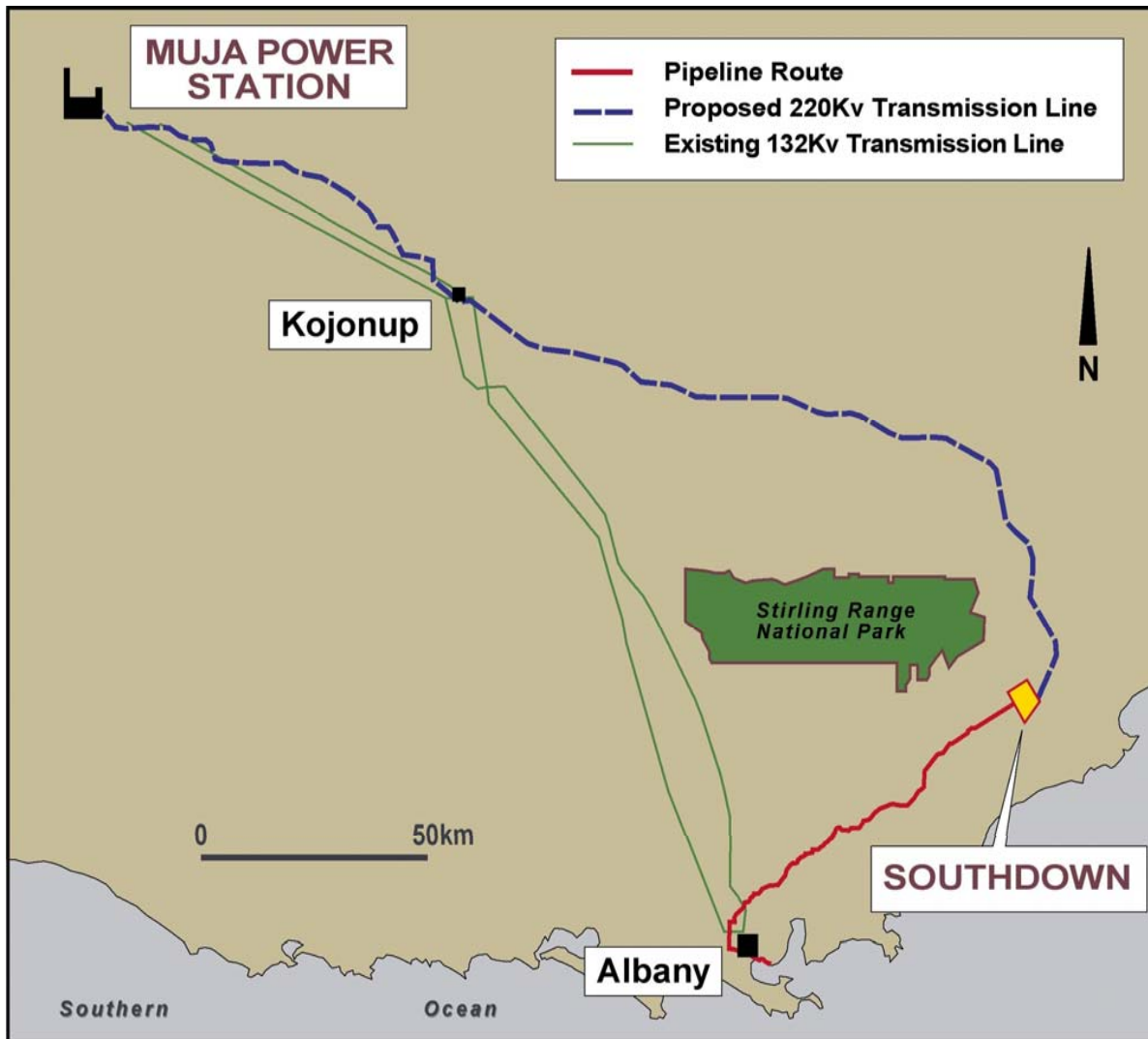
Southdown

- Open pit mine operation
- Magnetite concentrate production 6.6mtpa @ 69% Fe
- Slurry pipeline to existing port
- Shipping in Capesize vessels

Kemaman

- Pellet production ~7mtpa
- Deep water, capesize port
- Availability of gas, power, water
- Proximity to markets (first in South East Asia)
- Investment incentives

Project Infrastructure – Southdown & Albany



Slurry Pipeline

- Optimal transport method
- Finalising easements with landowners

Power

- Western Power Networks 220kv line from Muja (150MW capacity).
- EPA Assessed
- Interconnected to SWIS¹
- Transmission line easement progressing

¹ South West Interconnected System (Western Australia)

Project Infrastructure – Southdown & Albany

All key infrastructure in place or well advanced

<input checked="" type="checkbox"/>	Water	▶ Pit dewatering, site water harvesting, retreating Albany town waste water & groundwater
<input checked="" type="checkbox"/>	Power	▶ Base load power supply potentially augmented by renewable power
<input checked="" type="checkbox"/>	Power Transmission	▶ 220kV transmission line approved by EPA
<input checked="" type="checkbox"/>	Concentrate Transport	▶ Slurry Pipeline (easements on freehold rural land)
<input checked="" type="checkbox"/>	Workforce	▶ Local communities means no need for Fly-in/Fly-out workforce
<input checked="" type="checkbox"/>	Deep Water Port	▶ Existing Albany Port to be dredged to take 170,000 DWT (Capesize) vessels

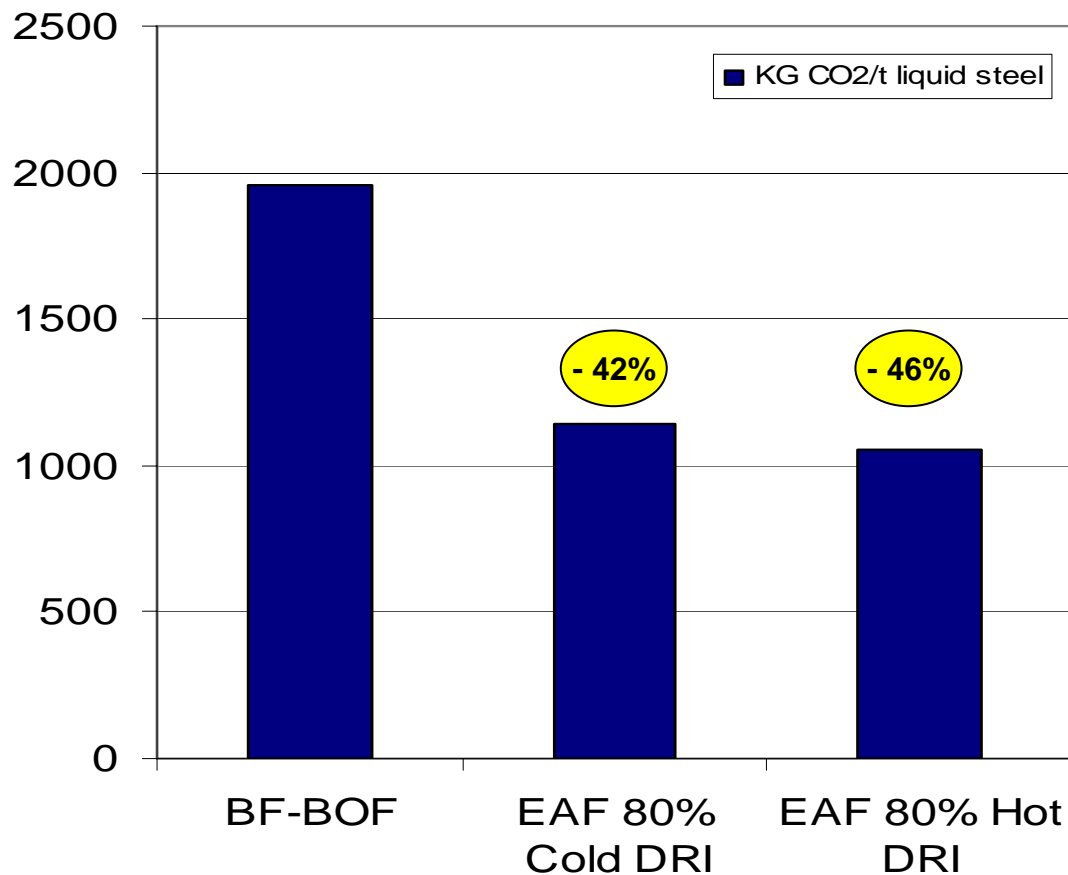
Albany Port



NEW BERTH LOCATION

Environmental Benefits of DR/EAF Steelmaking

Carbon Emissions for Steelmaking Routes



Source: Midrex Inc

- Global Steel industry accounts for 5% of worldwide CO₂ emissions
- Steel makers using natural gas and DR/EAF method (feed 80% DRI, 20% scrap) reduce CO₂ emissions by up to 46% of BF/BOF method

Environmental Benefits – Southdown Project

WATER RECYCLING

- Most of the project's process water supply will come from recycled waste water from the city of Albany.
- At least 5,000kl of water per day will be used growing to 7,700kl (100% of total requirements) by 2018.
- This project will probably be the largest single industrial user water recycling project in Western Australia.



Existing Albany Waste Water Storage Dam

Environmental Benefits – Southdown Project

WIND POWER







- The Southdown Project will involve the construction of a new 220kV transmission line ~250km to the mine from the local power grid.
- 2 wind power companies are seeking to set up +100MW wind farms near the mine to supply renewable energy not only to the mine but also to other grid customers via the new line.
- These could be the largest wind farms in Western Australia.



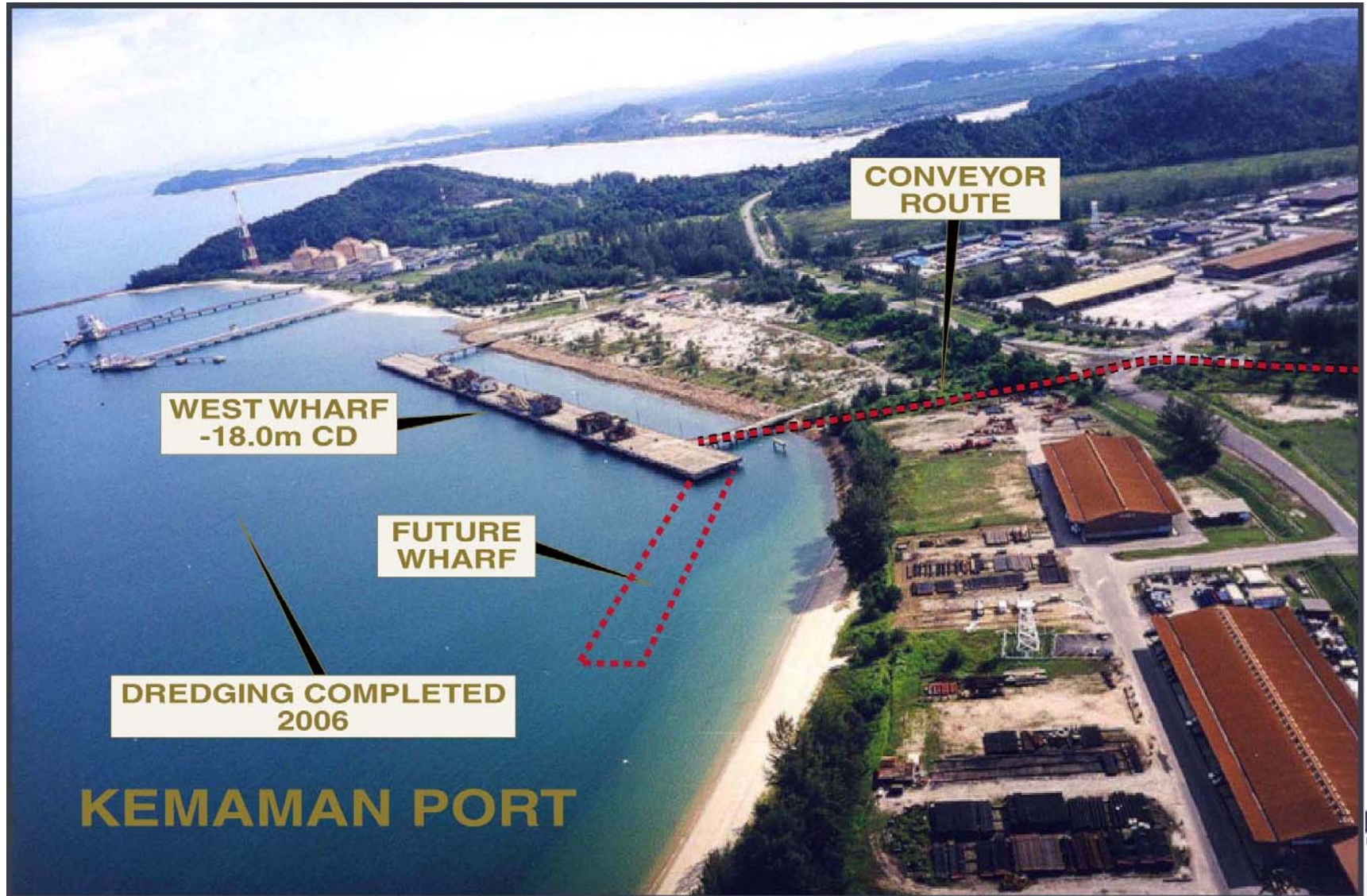
Existing Albany Wind Farm (12 x 1.8MW turbines)
Image courtesy of Verve Energy

Project Infrastructure - Kemaman

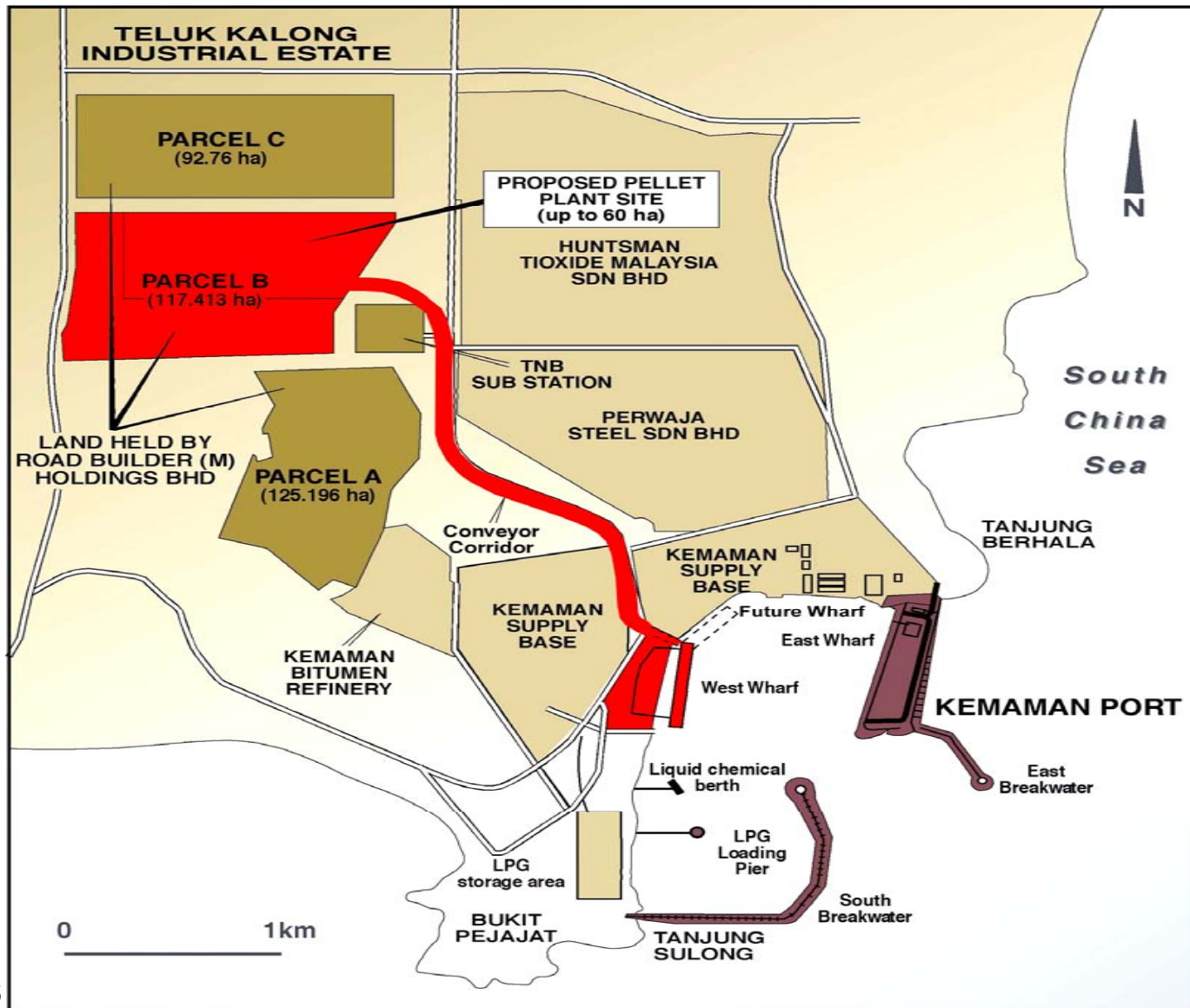
All key infrastructure in place

	Deep Water Port	Existing Wharf at Kemaman (West Wharf) Suitable for Capesize vessels
	Transport	Conveyor corridor between Port and pellet plant
	Power, Gas & Water	Power – TNB (substation immediately next to site) Gas – Petronas, Water – mains supply
	Workforce	Local population – skilled and unskilled
	Investment Incentives	15 Year Tax Holiday – granted by Malaysian Govt Various other concessions granted
	Markets	Excellent proximity to key DR and BF markets (One DR Plant, Perwaja on adjacent land)

Project Infrastructure – Kemaman Port

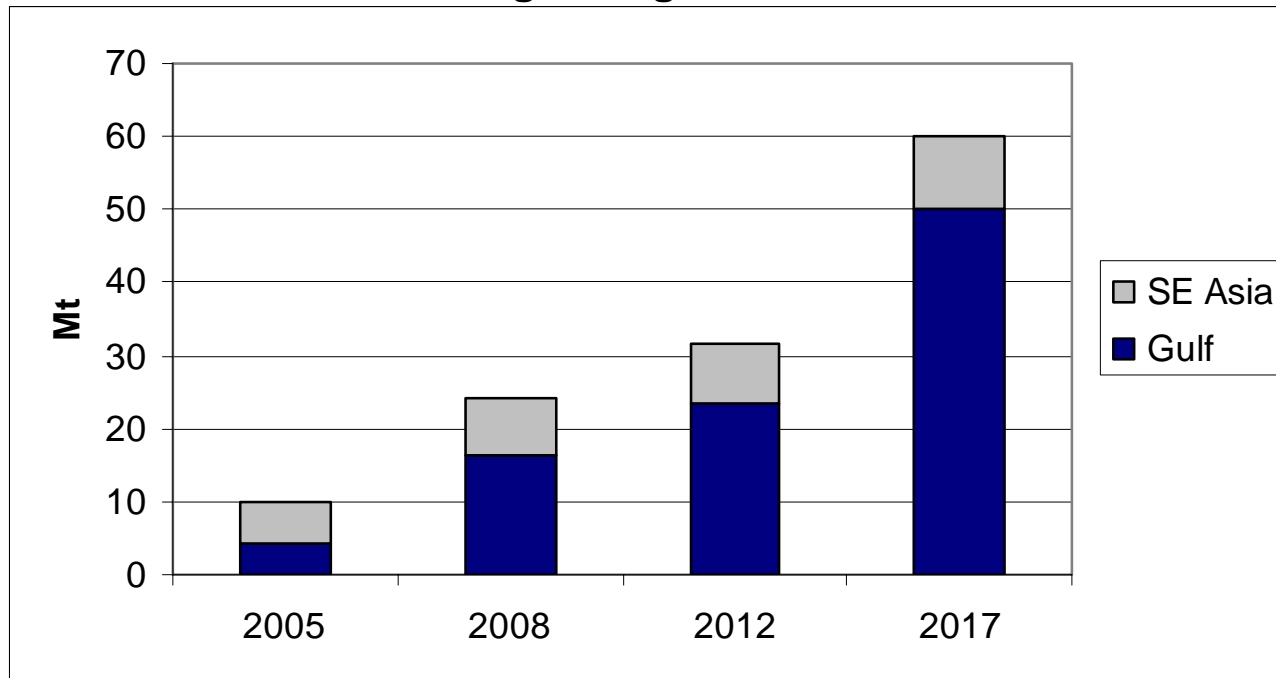


Project Infrastructure – Kemaman Site



Demand for DR Pellets

DR pellet demand is projected to increase significantly in SE Asia and the Gulf Region. Demand in this market is growing much faster than the China iron ore market



SE Asia

- Perwaja Steel
- Amsteel
- Krakatau Steel
- Lion Group Banting
- Maegma Steel

Gulf

- Hadeed
- Qasco
- Shadeed
- Al-Tuwairqi
- Others

Drivers of increasing DR Pellet Demand

- Capital cost of traditional integrated steel plants – availability / cost of coking coal
- Environmental issues of sinter plants – intensifying over time
- Abundant and cheap natural gas availability in SE Asia and Gulf Region
- Flexible steel production
- Compatibility with increased steel scrap recycling
- Proximity of steel plants to fast growing markets in SE Asia and Middle East

Iron Ore Pellet Market Outlook

- Brazilian producer SAMARCO, of which CVRD owns 50% is building their 3rd pellet plant in Brazil.
- SAMARCO says that all the supply from their new pellet plant (planned to be in operation in March 2008, which has the same investment cost as Grange's project), is already 100 % sold. Total production of the pellet plant is between 7 to 8 mtpa.
- The company states that they expect to reach a turnover of US\$ 3 billion in 2020, against US\$ 1.2 billion in 2006
- Samarco expects that the pellet market to remain tight at least until 2015. By then the company expects seaborne pellet demand will have doubled to just under 200 m tonnes.
- CVRD and SAMARCO dominate the pellet market to an even greater extent than the Big 3* dominate iron ore, giving them tremendous market power

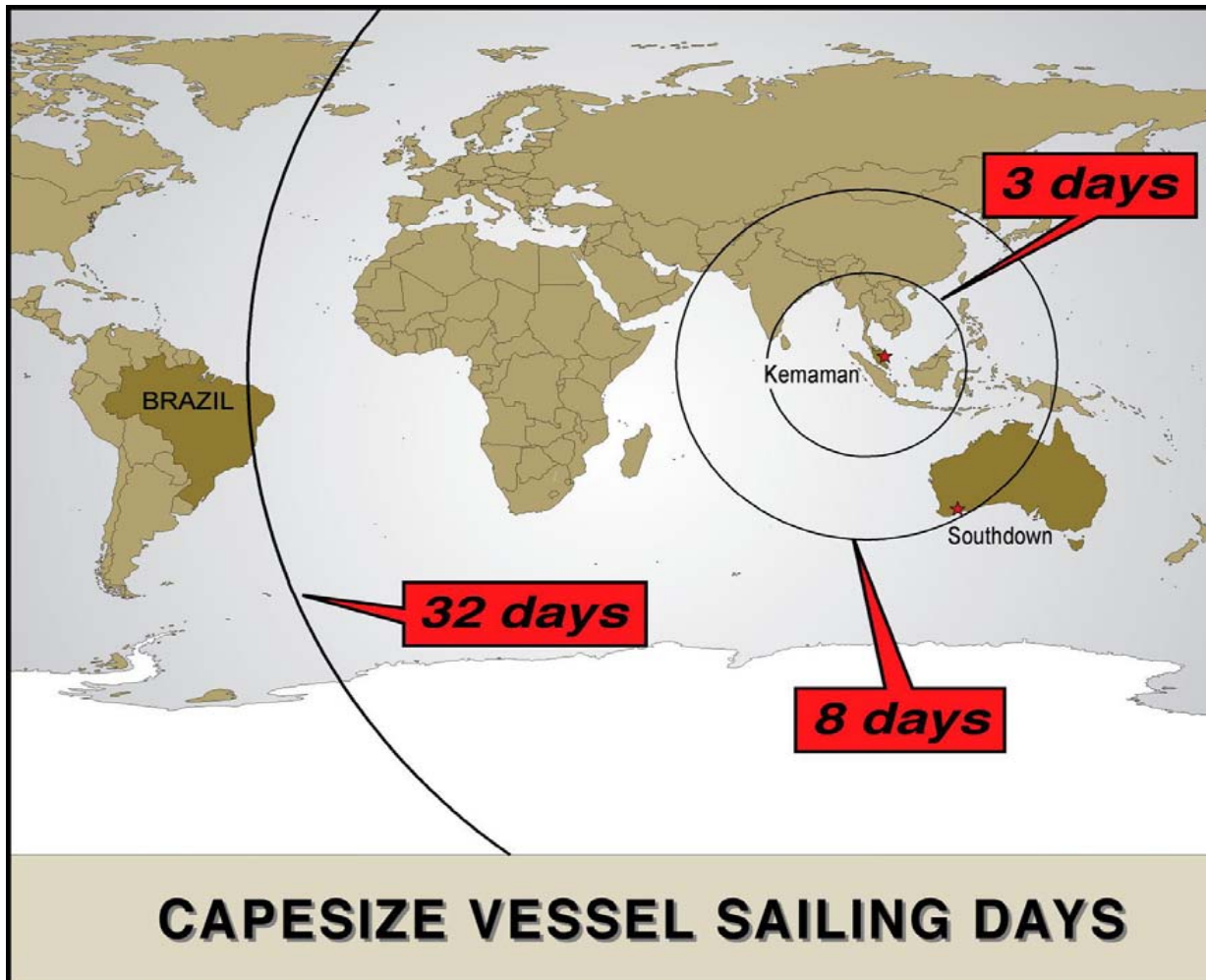
* CVRD, BHPP and Rio Tinto, which together account for 75% of seaborne iron ore trade; in pellets, CVRD alone represents 90% of seaborne trade



Kemaman Pellet Plant – Strategic Position

Kemaman Freight Advantage

Kemaman has distinct freight advantages over South American pellet producers



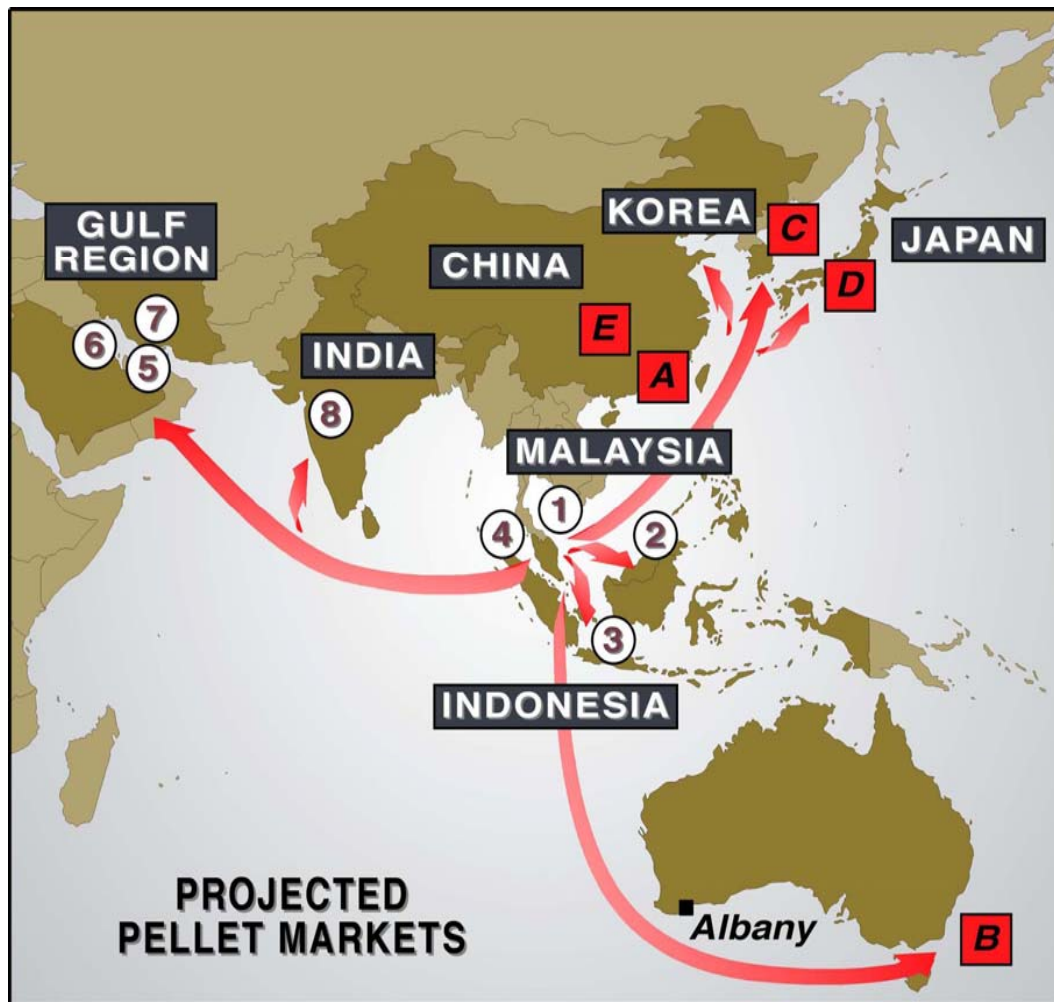
- Close to key markets hence much lower shipping costs
- Current spot market freight Brazil to China is >US\$100/tonne
- Grange shipping costs will be <US\$15/tonne

Centre of the Market



Kemaman Pellet Plant – Strategic Position

Proximity to Customers



DR PELLET CONSUMERS

	COUNTRY
① Perwaja Steel	Malaysia
② Amsteel	Malaysia
③ Maegma Steel	Malaysia
④ Lion Group Banting	Malaysia
⑤ Krakatau Steel	Indonesia
⑥ Quasco	Qatar
⑦ Hadeed	Saudi Arabia
⑧ Various	UAE
⑨ Various	India

BF PELLET CONSUMERS

	COUNTRY
A China Steel Corp.	Taiwan
B Bluescope Steel Ltd	Australia
C Posco	Sth Korea
D Japanese Steel Mills	Japan
E Chinese Steel Mills	China

Kemaman Pellets – Strong Returns

Capital Costs	US\$ million
Southdown	839
Kemaman	534
Total Capital Cost	1,373

Potential Gross Margins (Pre-Capex) : >US\$500m per year




Partners - Sojitz

- Sojitz to become a 30% partner in the project.
- Sojitz will pay a royalty to Grange of up to 3.5% on their 30% of production
- Sojitz is a recognised leader in the iron ore pellet sector and is the No 1 trading firm in Japan for pellets and pellet feed.
- Sojitz has expert knowledge in management of pellet plants and has been the manager of the Nibrasco JV in Brazil between CVRD and the Japanese steel mills since 1974.
- Sojitz has excellent long term relationships with pellet consumers in Asia and the Middle East.
- Sojitz heavy machinery department have experience in delivering turnkey heavy plant and equipment solutions for numerous projects in the iron ore and steel sector in Asia and the Middle East.
- Grange and Sojitz are now working together to complete pre-commitment development activities and complete project funding and ownership arrangements.



Project Status

The Southdown & Kemaman projects are well advanced with feasibility complete, most infrastructure in place and approvals in progress.

Item	Status	Expected Timing
Feasibility Study		
Kemaman Environmental Approval		
Kemaman Investment Incentives		
Southdown Environmental Approval	In progress	<ul style="list-style-type: none"> ▪ Full Ministerial Approval expected Q2 2008 (mine & pipeline) & Q3 2008 (port)
Project Structure / Finance	In progress	<ul style="list-style-type: none"> ▪ Negotiations underway
Commence Construction		<ul style="list-style-type: none"> ▪ Late 2008
First Production Year		<ul style="list-style-type: none"> ▪ Late 2010

Grange Overview

Board of Directors

Anthony Bohnenn	Non Executive Chairman
Russell Clark	Managing Director
Alex Nutter	Technical Director
Richard Krasnoff	Non Executive Director
David Macoboy	Non Executive Director
Douglas Stewart	Non Executive Director

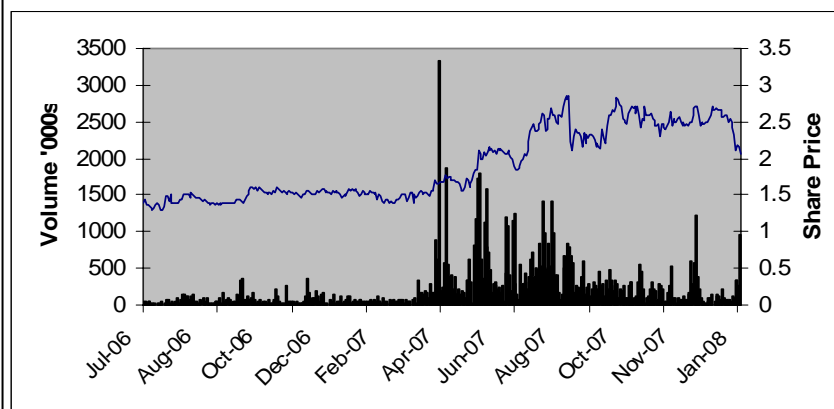
Shares

ASX Code:	GRR
Current shares on Issue:	115,201,099
Unlisted Options on Issue to Rio Tinto:	17,500,000
Share price (29 th January 2008):	A\$2.00
Market Capitalisation (29 th January 2008):	A\$230.0 m

Major Shareholders

Management	12.5%
Rio Tinto Ltd	7.9%
Top 10 Shareholders	81.1%
<u>After Exercise of Options:</u>	
Rio Tinto Ltd	19.9%

Share Price



WHY AUSTRALIA ? – THE SOUTHDOWN MINE

- Large DR grade quality magnetite ore body in Australia
- Australia is one of the safest places in the world and a reliable business environment
- Solid political situation
- Very good infrastructure, mine only 100km from existing port
- No labour shortage, already 350 unsolicited job applicants
- No future port congestion or port delays
- Very environmentally friendly operation incl. recycled waste water and future wind energy

WHY MALAYSIA ? – THE KEMAMAN PELLET PLANT

- Kemaman Port: Deep water port with existing infrastructure
- Grange has secured the rights for +50 years to use the port and the West Wharf
- Possibility to build a second pellet plant, 60 ha. Land available
- 15 years tax holiday granted by the Malaysian Government
- Close proximity to major clients in Malaysia and Indonesia and close to India and the Gulf Region
- Low inventory holding costs for nearby consumers

SOUTHDOWN – summary...

- Poised for iron ore pellet production for 35 years.
- Niche Market, premium quality, high value product.
- Supply/Demand relationship very favourable.
- The market is starved for our product – sellers' market.

Key Contacts

Thank you...

Also look at our website www.grangeresources.com.au

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