

**Grange Resources Limited ("Grange")
6.8 Mtpa Iron Ore / Pellet Plant Joint Venture**

Overview

Background

- Grange is an Australian resources company, listed on the ASX.
- Grange owns 100% of the Southdown Magnetite and Kemaman Pellet Project ("Project") which will comprise:
 - A magnetite resource of 458Mt grading 37% magnetite, located near Albany on the south coast of Western Australia;
 - A mining and concentration operation producing 6.6Mtpa of concentrate grading 69% Fe for 22 years;
 - A 105km slurry pipeline delivering concentrate to the Albany port where it will be shipped using capesize vessels; and
 - A Pellet Plant in Kemaman, on the east coast of peninsular Malaysia capable of producing 6.8Mtpa of Pellets grading 66% Fe for blast furnace and/or higher grades suitable for direct reduction use.
- The Southdown site and Albany port benefit from good local infrastructure and services. The Kemaman site has existing purpose built infrastructure for industrial use, and an existing port that can accommodate capesize vessels. Locating in Malaysia also presents opportunities to benefit from certain tax benefits and investment incentives.
- Importantly, given Kemaman's proximity to Asian markets, Grange's pellets are expected to be very price competitive. The life of project cost, including capital amortised at an 8% WACC, is expected to be US\$62/DMT (FOB Kemaman).
- Resource evaluation, metallurgical test work and engineering design for the concentrator, pipeline and Albany port facilities are largely complete; operating and capital costs have been estimated; environmental baseline studies done; and a bankable feasibility study is near completion.
- Capital costs are estimated at US\$1.17 billion and Grange is seeking joint venture partners to buy an equity stake in the Project and contribute a share of the capital cost.
- Approximately A\$23.7M on Project development costs will have been spent by the time the tender process concludes in August 2006.

Benefits to Asian Iron Ore Consumers

- With rapidly growing demand from China and other Asian countries, the iron ore market is in deficit and in need of new sources of supply, particularly in the Asian region. Demand for iron ore pellets, for both blast furnace and direct reduction use,

is expected to be strong in the future. This is due to the decline in quality and quantity of natural lump ores, increased environmental concerns with sinter production and the improved freight economics of a high grade product without moisture.

- Test work has shown that the Project can produce pellets suitable for blast furnace or direct reduction use, and the pellets will have a low phosphorous content (0.004%).
- Currently pellets are primarily supplied from Brazil which has a significant freight disadvantage compared to Kemaman (30 days sailing from Brazil to SE Asia). The Project will also be able to ship economically in large or small quantities, will tie up less working capital due to the shorter shipping time and handling losses will be minimised.

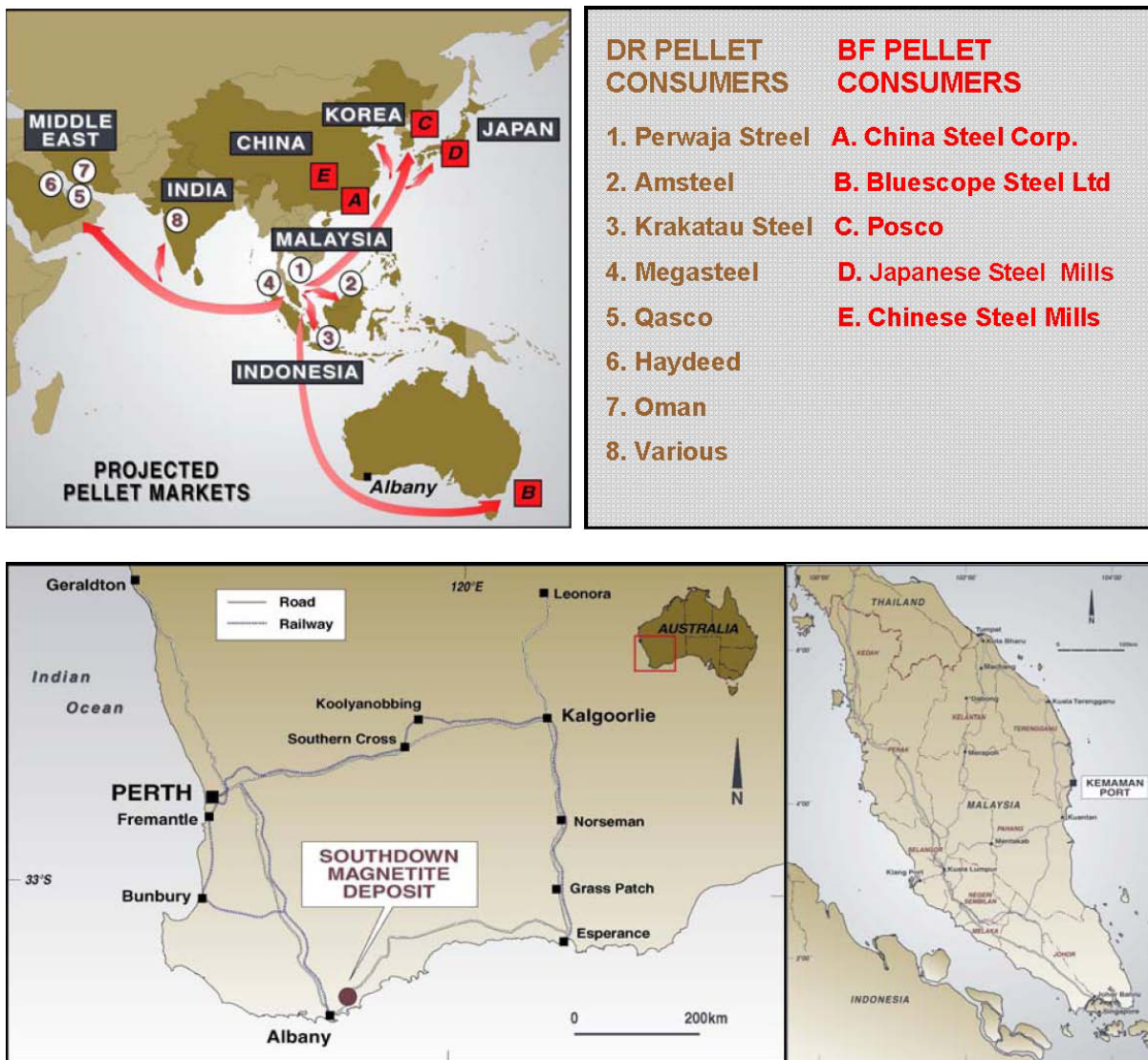
Financial Overview

- Compared to other proposed Magnetite projects, the Project benefits from proximity to existing infrastructure, in particular ports, power, gas and water.
- The Project is strongly NPV positive and shows a healthy return for a period of 22 years, at iron ore prices well below current prices. Strong prospects for increasing Project life by extending the mine onto an adjacent tenement and/or expanding pellet production beyond 22 years provides further upside.
- The life of Project cost of pellets (including capital return) is estimated at US\$62/DMT FOB Kemaman. This compares to a 2005 contract price of US\$94/DMT for Brazilian blast furnace pellets CIF China, and higher for spot pellet sales. The CIF price of direct reduction grade pellets to Kemaman exceeded US\$100/DMT in 2005.

Joint Venture Opportunity

- The Project requires estimated capital contributions of US\$1.17 billion plus other financial obligations to secure infrastructure etc.
- Grange is seeking joint venture partners prepared to share the capital cost in return for an ownership interest and a share of pellet production or a marketing arrangement. Grange is prepared to consider a range of structures, and is willing to joint venture with more than one party.
- Azure Capital has been appointed to manage a tender process under which expressions of interests are being sought. A limited number of parties who lodge an expression of interest will be invited to conduct detailed due diligence and potentially negotiate terms for joint venture participation.
- An information memorandum has been prepared, along with other information, and expressions of interest are due to be received by 8 May 2006. Interested parties are asked to contact Simon Price or Liz Sheil on +618 6263 0888 or scp@azurecapital.com.au or lms@azurecapital.com.au.

Project Locations



ASX Code – GRR website - www.grangeresources.com.au