



# Grange Resources

## Sydney Resources Round-up

11th May 2010

**Russell Clark**  
Managing Director & CEO

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**GRANGE**  
RESOURCES

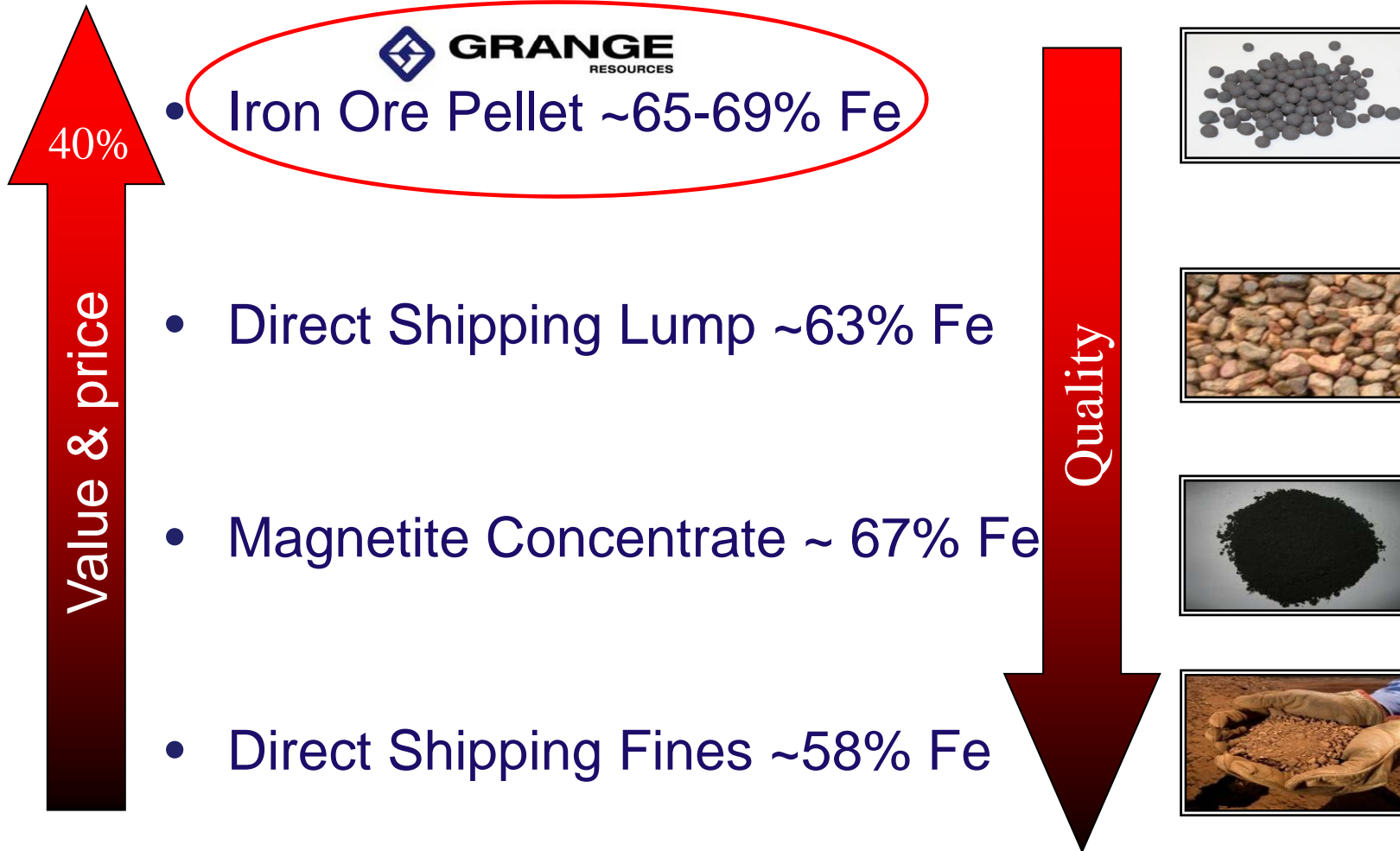
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# Iron Ore Value



# Grange Share Price



“It’s(Penfolds) Grange all round for holders in iron ore miner Grange Resources, the best stock in the all-ordinaries index with a 122 per cent gain.” Australian 9/4/10



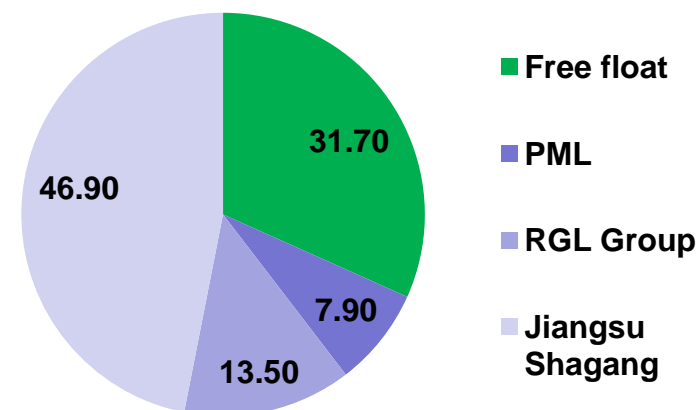
# Company snapshot



## Board of Directors

|   |                        |
|---|------------------------|
| Mr Xi Zhiqiang                                  | Chairman               |
| Mr Neil Chatfield                               | Deputy Chairman        |
| Mr Russell Clark                                | Managing Director, CEO |
| Mr Wei Guo                                      | Non Executive Director |
| Mr Clement Ko                                   | Non Executive Director |
| Will be announcing additional directors shortly |                        |

## Current ownership Structure



## Current key statistics (A\$)

|                          |           |         |
|--------------------------|-----------|---------|
| Ordinary shares on issue | 10 May 10 | 1,152m  |
| Last share price         | 10 May 10 | \$0.585 |
| Market capitalization    | 10 May 10 | \$674m  |
| Cash                     | 31 Mar 10 | \$82m   |

## Research

Patersons  
Petra Capital  
Fosters Stockbroking

# Grange Board



Grange has a board with a diverse range of experience.



**Xi Zhiqiang: Chairman**

- Extensive experience in the Chinese steel industry
- Baosteel employee for 30 years, including 5 years as Managing Director of Baosteel Australia



**Neil Chatfield: Deputy Chairman**

- Recently Executive Director and CFO of Toll Holdings, a position held for over 10 years
- 30 years experience in resources, logistics and transportation sectors
- Currently Independent Chairman of Virgin Blue, Non-executive Director of Seek Limited, Whitehaven Coal Limited, TransUrban



**Russell Clark: Managing Director and CEO**

- Appointed Managing Director of Grange in March 2008
- 31 years of mining experience in technical, project management, general management and executive positions
- Prior to joining Grange, he worked for Renison Goldfields for over 18 years and Newmont Mining Corporation for 8 years



**Clement Cheung Ko: Non-executive Director**

- Chairman and CEO of Pacific Minerals Limited (PI)
- More than 18 years experience in mining sector, with extensive expertise in marketing and sales
- Prior to founding PI, he worked for BHP Billiton (China) Ltd as a senior regional marketing manager



**Wei Guo: Non-executive Director**

- Joined Shagang Group in 1988
- Currently Vice-Director of the Investment Department of the Board of Jiangsu Shagang Group Limited

Grange will be announcing additional directors shortly

# Grange Resources – Australia’s Leading Magnetite Producer



**Grange’s position is supported by quality assets in Tasmania and Western Australia.**

## Southdown Project (70%)

- 90km northeast of the Port of Albany
- 650 million tonnes of premium quality magnetite resource in southern Western Australia
- Targeting 6.6Mtpa concentrate, to produce 6.8Mtpa of high quality pellets for 30 years
- Infrastructure solutions in place (power, ports, water)
- Advanced permitting
- Potential to increase output and reserves



## Savage River (100%)

- Northwest Tasmania
- Annualised production rate of 2.6Mtpa blast furnace pellets and concentrate
- Mine life to 2023
- 124Mt reserves at 49% DTR
- Owner-operated open pit mine, 83km slurry pipeline, coastal pellet plant and port
- Dedicated infrastructure – no third party charges
- Extensive operating experience applicable to Southdown development

# Grange Highlights



- ✓ Australia's leading exporter of iron ore pellets, producing 2.2Mtpa from the Savage River operations in Tasmania in CY2009
- ✓ Completed capital restructure in November 2009, raising \$153m
- ✓ NPAT of \$50m, EBITDA of \$5m for the first half 2009/10
- ✓ Cost and productivity improved during the downturn, highly leveraged to the global economic recovery
- ✓ Producer of high quality pellets that receive higher prices than fines or lumps
- ✓ Modern mining facility with \$100m invested in new equipment in CY2008
- ✓ Second major project in the development pipeline – Southdown Project
- ✓ Large reserve base – long life projects (~970Mt resources and 512Mt reserves)
- ✓ Long term off take agreements with a solid customer base
- ✓ A strong management team with extensive operating expertise in magnetite
- ✓ Low sovereign risk
- ✓ Demonstrated support from the largest shareholder Shagang, China's largest private steel mill and a major customer





# Jiangsu Shagang

*A strong partnership*



## Shagang Overview

- Grange's largest shareholder
- Demonstrated continuing support for Grange with an attractive LOM offtake agreement at Savage River at market prices and agreement to negotiate at fair market price for Grange's share of offtake from Southdown
- Shagang's investment in Grange represents a significant direct iron ore investment in Australia
- Potential for Grange to leverage off Shagang's strong balance sheet for Southdown development in the future

***Being backed by China's largest privately owned steel producer provides a large degree of stability and is a positive for both Grange's prospects and its shareholders***



|                            |   |
|----------------------------|---|
| <b>Assets</b>              | <ul style="list-style-type: none"><li>• In excess of A\$17 billion</li></ul>  |
| <b>Location</b>            | <ul style="list-style-type: none"><li>• Jiangsu Province, China</li></ul>   |
| <b>Product Range</b>       | <ul style="list-style-type: none"><li>• Heavy plate, hot strip coil, stainless hot rolled plate, cold rolled plate, high-speed wire rod, rebar coil and special steel bar</li></ul> |
| <b>Production Capacity</b> | <ul style="list-style-type: none"><li>• Over 25Mtpa pig iron</li><li>• 27Mtpa other steel products</li></ul>  |
| <b>Employees</b>           | <ul style="list-style-type: none"><li>• 26,500</li></ul>  |

# Savage River Overview



|                               |  |
|-------------------------------|--|
| <b>Ownership</b>              | <ul style="list-style-type: none"> <li>Grange 100%</li> </ul>  |
| <b>Resources and Reserves</b> | <ul style="list-style-type: none"> <li>Mineral Resource of 316Mt magnetite at 50.7% DTR</li> <li>Ore Reserve of 124Mt magnetite at 49.2% DTR</li> </ul>  |
| <b>Production</b>             | <ul style="list-style-type: none"> <li>2.6Mtpa blast furnace pellets and concentrate (annualised basis)</li> <li>Potential to expand to 2.9Mtpa</li> </ul>   |
| <b>LOM Operating Costs</b>    | <ul style="list-style-type: none"> <li>US\$60/t pellets</li> </ul>   |
| <b>Mine Life</b>              | <ul style="list-style-type: none"> <li>Current mine plan has a 14 year life with the potential to extend an additional 10 years</li> </ul>   |
| <b>Customers</b>              | <ul style="list-style-type: none"> <li>Shagang, BlueScope Steel and Stemcor</li> </ul>   |
| <b>Operational Update</b>     | <ul style="list-style-type: none"> <li>Mine re-capitalised in 2008 with new fleet</li> <li>Mining production has increased 17% (2009 CY compared to 2008 CY)</li> <li>Currently in the process of finalising study to increase concentrate production, which will require some minor plant upgrades</li> </ul> |



# Key Information

## March 2010 Quarter



### Quarter on Quarter comparison

| Savage River                        | March Quarter 2010 | March Quarter 2009 |
|-------------------------------------|--------------------|--------------------|
| Total volume mined ('000 bcm)       | 5,267              | 4,883              |
| Total ore mined ('000 bcm)          | 321                | 237                |
| Concentrate produced ('000 tonnes)  | 589                | 513                |
| Pellets produced ('000 tonnes)      | 566                | 462                |
| Pellets shipped ('000 tonnes)       | 591                | 650                |
| Concentrate shipped ('000 tonnes)   | 23                 | 48                 |
| Direct Operating costs/tonne Pellet | A\$56.89           | A\$75.88           |
| Cash in Bank                        | A\$82m             | A\$75m             |



Notes:

1. Direct operating costs includes all costs associated with producing iron ore pellets, but excludes capital expenditure, capitalized waste, financing costs, tax, royalties and corporate costs

# Large Scale Operations



# Own Downstream Infrastructure



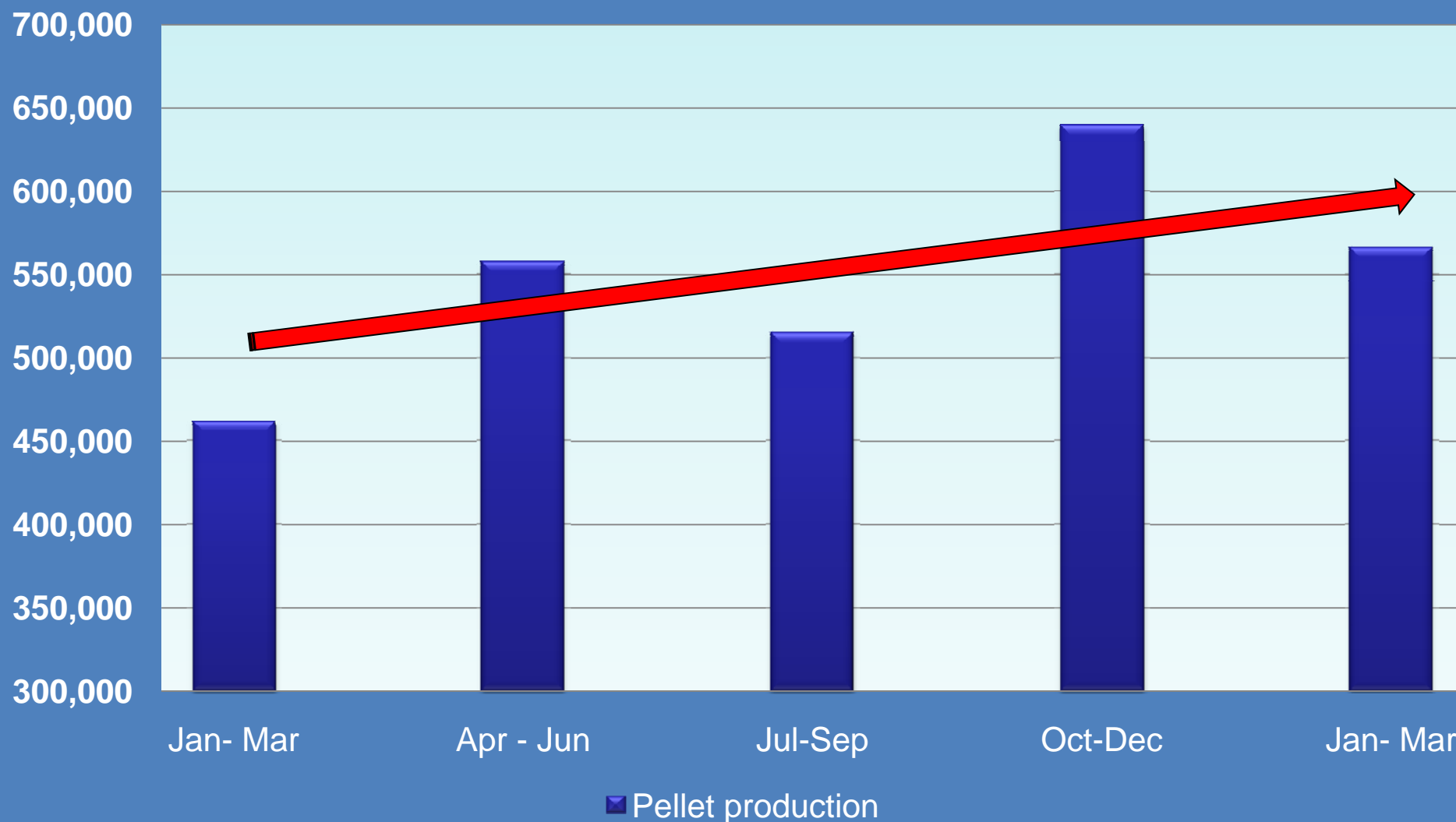
# Own Port and Shiploading Infrastructure



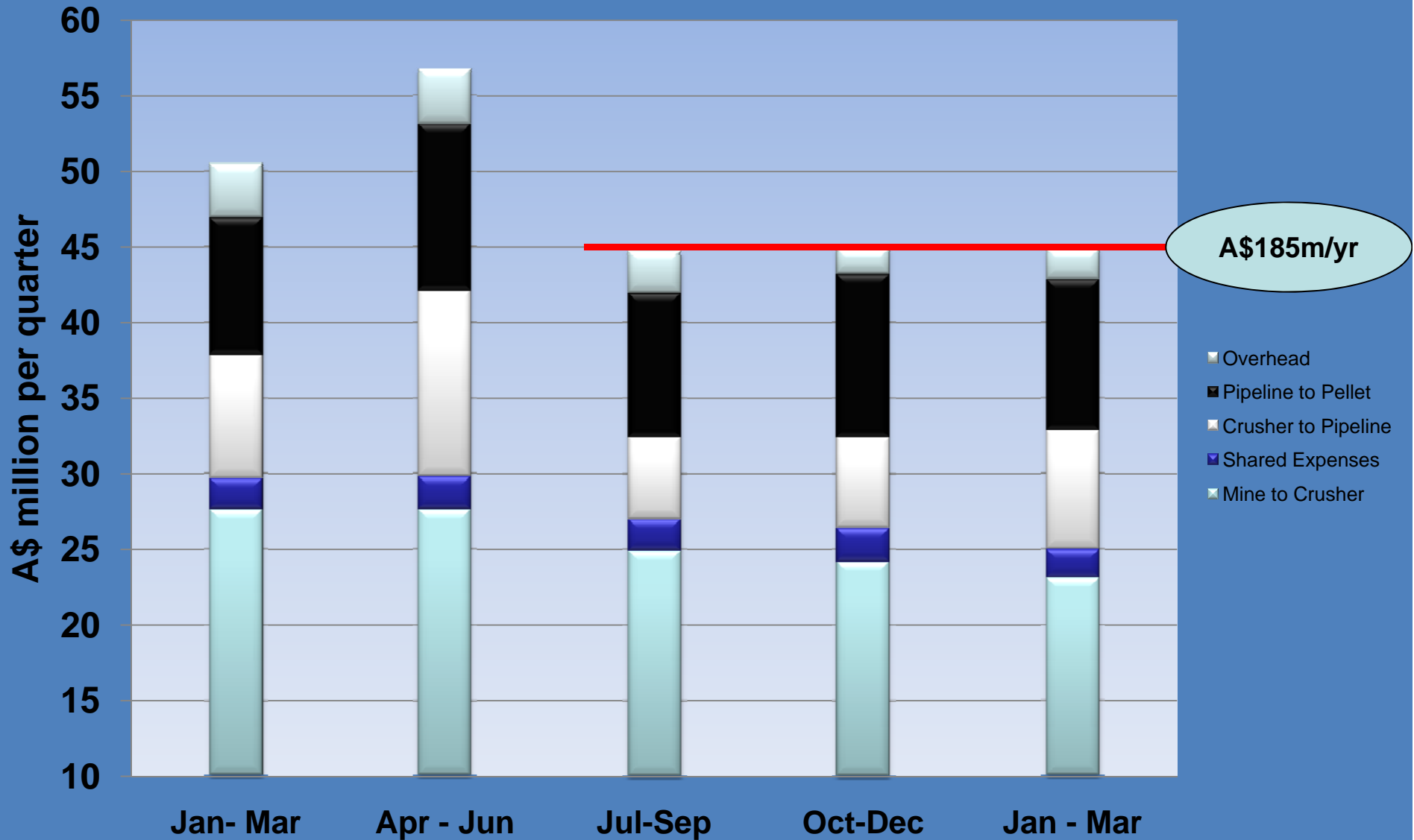
# Increased Production



## 2009/10 Pellet Production



# Costs reduced and maintained 2009/10

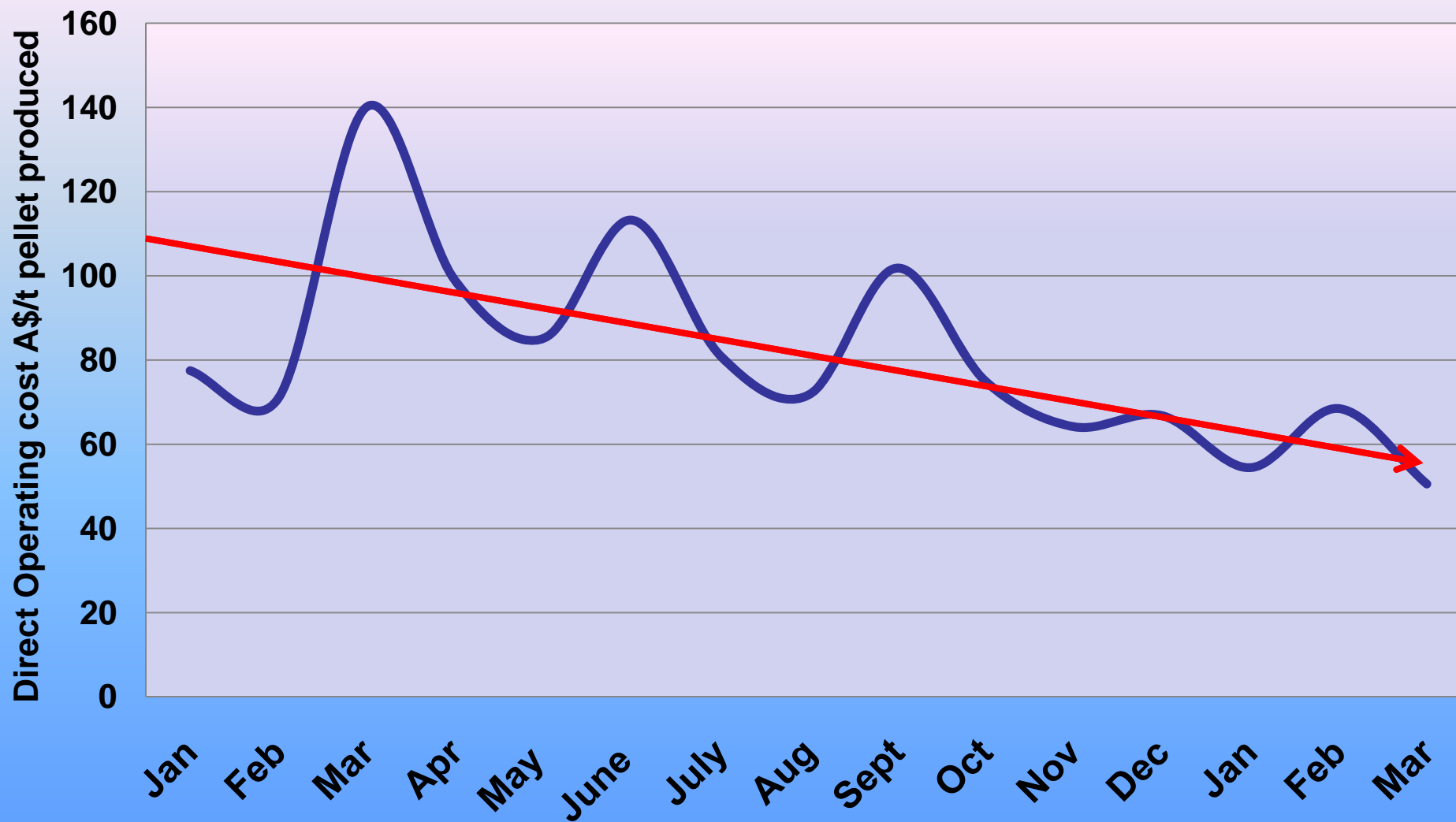




# Direct Operating Costs Reduced 2009/10



### Cost Reductions Maintained



# Solid Customer Base

Long term offtake agreements – providing revenue stability



Agreements are in place for both Savage River and Southdown production at index based market prices. 0.5mtpa available for spot sales

## Shagang

- China's largest **private** steel mill, producing 22 Mtpa of pig iron
- Grange's largest shareholder
- Savage River LOM contracts in place:
  - 1.3 Mtpa pellets until 2012, then increasing to...
  - 2.1 Mtpa pellets until 2023
- LOM contracts at market prices
- Southdown intent to negotiate a fair market price:
  - 56% of all production (80% of Grange's 70% share of the JV)



## BlueScope

- Savage River: 0.8 Mtpa until 2012

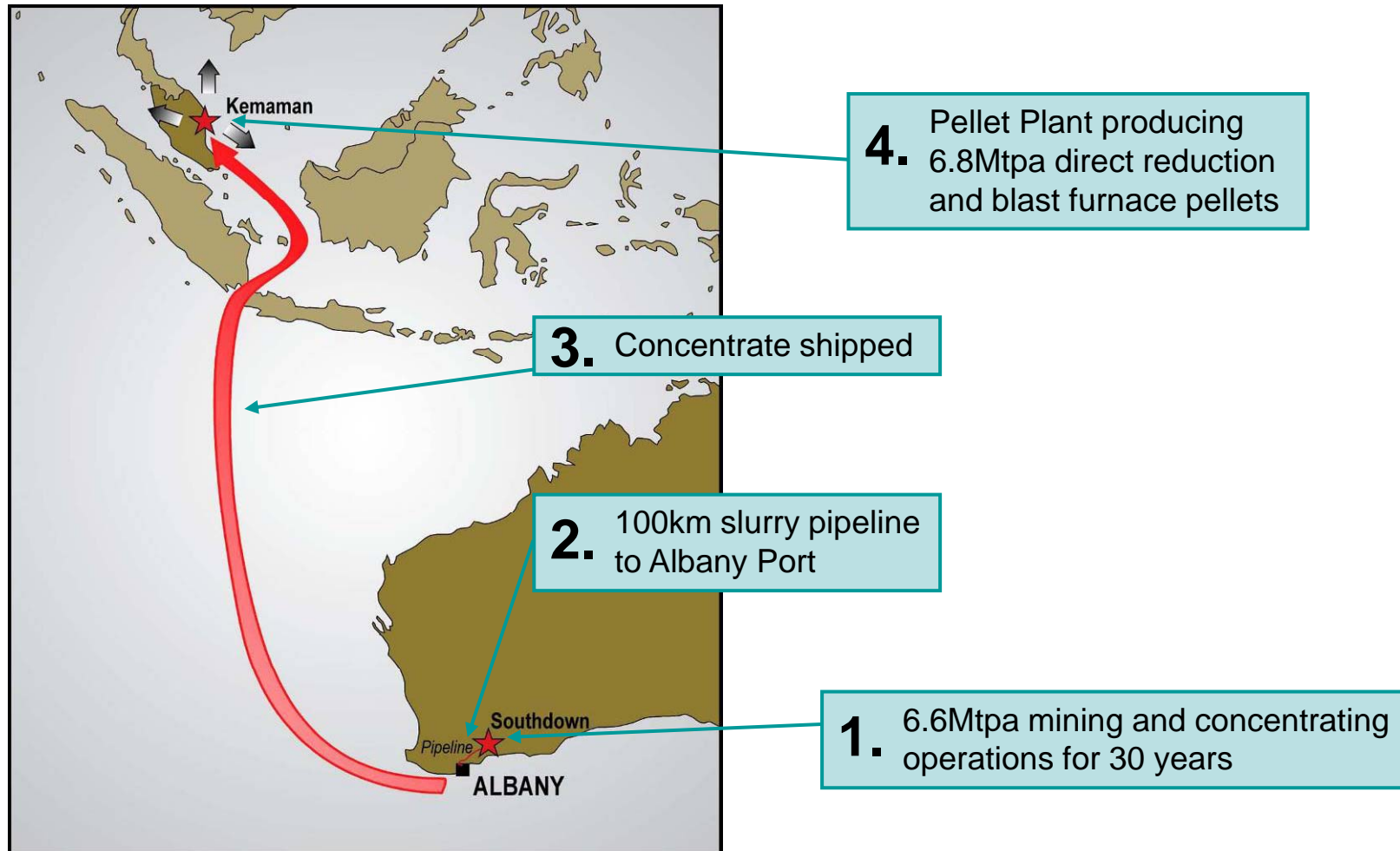


## Stemcor

- Savage River: an option to take 80,000 tpa concentrate



# Growth - Southdown



# Southdown Project

*High grade magnetite project with advanced infrastructure*



|   |  |  |  |
|---|--|--|--|
| <b>Ownership</b>                          | <ul style="list-style-type: none"> <li>Grange 70%, Sojitz Corporation 30%</li> </ul>   |  |  |
| <b>Resources and Reserves<sup>1</sup></b> | <ul style="list-style-type: none"> <li>Mineral Resource of 654Mt magnetite at 36.5% DTR<sup>1,2</sup></li> <li>Ore Reserve of 388Mt magnetite at 35.5% DTR<sup>1,3</sup></li> </ul>  |  |  |
| <b>Production<sup>1</sup></b>             | <ul style="list-style-type: none"> <li>6.6Mtpa magnetite concentrate</li> <li>6.8Mtpa direct reduction and blast furnace pellets</li> </ul>  |  |  |
| <b>Capital Costs<sup>1</sup></b>          | <ul style="list-style-type: none"> <li>US\$1.6bn (2008 estimate)</li> </ul>  |  |  |
| <b>Operating Costs</b>                    | <ul style="list-style-type: none"> <li>US\$55/t pellets (2008 estimate)</li> </ul>   |  |  |
| <b>Mine Life</b>                          | <ul style="list-style-type: none"> <li>&gt;20 years</li> </ul>   |  |  |
| <b>Infrastructure</b>                     | <ul style="list-style-type: none"> <li>Established port, pipeline route, power easements, Albany waste water, pellet plant site and deep water port in Malaysia</li> </ul>   |  |  |
| <b>Project Status</b>                     | <ul style="list-style-type: none"> <li>Outcropping ore body located on freehold land</li> <li>Mining Permit issued, Port permit has received EPA approval</li> <li>Option agreement signed with Water Corporation for the supply of treated waste water to Southdown</li> <li>Currently undergoing an Engineering review (Amex Minproc) to scope completion of PFS by Dec 2010</li> <li>Considering larger scale concepts</li> <li>Pellet plant site in Malaysia, 15 year tax free holiday, deep water port and land under option agreement</li> </ul> |  |  |

Notes:

1. All figures presented on a 100% project basis
2. Southdown Magnetite Project Resource Upgrade (ASX 3 July 09)
3. July 2008 Southdown reserve estimate

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# Southdown Infrastructure – Port of Albany



**NEW BERTH LOCATION**

# Resources and Reserves

Supporting Long Mine Lives



**Grange has 774Mt of attributable Mineral Resources and 396Mt of attributable Ore Reserves.**

| Mineral Resources (inclusive of reserves) |             |              |
|---|-------------|--------------|
|   | Tonnes (Mt) | Grade (%DTR) |
| <b>Savage River <sup>4</sup></b>          |             |              |
| Measured                                  | 88          | 52.7         |
| Indicated                                 | 136         | 51.7         |
| Inferred                                  | 92          | 47.2         |
| <b>Total</b>                              | <b>316</b>  | <b>50.7</b>  |
| <b>Southdown<sup>1</sup></b>              |             |              |
| Measured                                  | 220         | 37.4         |
| Indicated                                 | 210         | 38.9         |
| Inferred                                  | 224         | 33.4         |
| <b>Total</b>                              | <b>654</b>  | <b>36.5</b>  |
| <b>PROJECTS TOTAL</b>                     | <b>970</b>  | <b>41.1</b>  |
| <b>ATTRIBUTABLE RESOURCES<sup>3</sup></b> | <b>774</b>  | <b>41.1</b>  |

| Ore Reserves                             |             |              |
|--|-------------|--------------|
|  | Tonnes (Mt) | Grade (%DTR) |
| <b>Savage River</b>                      |             |              |
| Proved                                   | 52          | 49.6         |
| Probable                                 | 72          | 48.9         |
| <b>Total</b>                             | <b>124</b>  | <b>49.2</b>  |
| <b>Southdown<sup>2</sup></b>             |             |              |
| Probable                                 | 388         | 35.5         |
| <b>Total</b>                             | <b>388</b>  | <b>35.5</b>  |
| <b>PROJECTS TOTAL</b>                    | <b>512</b>  | <b>38.8</b>  |
| <b>ATTRIBUTABLE RESERVES<sup>3</sup></b> | <b>396</b>  | <b>38.8</b>  |

- **Additional growth potential through exploration assets**
- E70/2512 – eastern 6km extension of Southdown Deposit not yet fully drilled
- Long Plains – magnetite deposit located near Savage River

Notes:

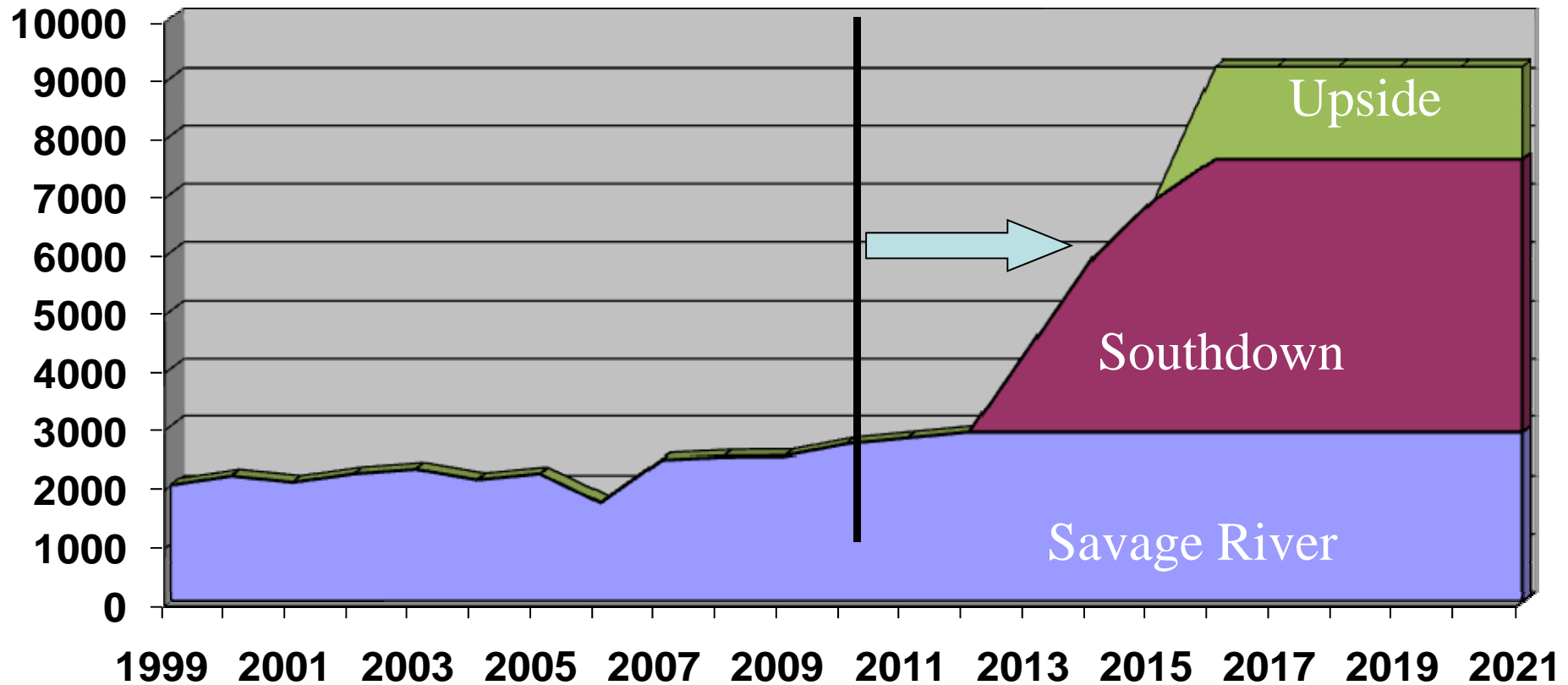
1. Southdown Magnetite Project Resource Upgrade (ASX 3 July 09) – Refer to Appendix A
2. July 2008 Southdown reserve estimate – Refer to Appendix A
3. Adjusted for 70% ownership of Southdown
4. Refer to Appendix B

# Grange Resources

## – production growth prospects



kt



(Production shown is attributable to Grange)



# What is “Market Price”?



Historically Grange has taken the Tubaro Pellet Benchmark price for its pellet products - a price negotiated annually between Vale and the Japanese.

- No recognition of freight differentials between Australia and Brazil and China or Japan.
- In recent years Benchmark has been less than the “spot price”, yet producers have been “locked into the lower price”

BHP, Vale, Rio Tinto have now moved from Benchmark to Index Based pricing

Generic “Market Price” formula for Grange:

Market Price = Index iron ore price cfr China – index shipping price (Tas to China) + pellet premium

Index Iron ore price : Platts, Steel Index, SBB – landed price of cargoes averaged over 1 month or 3 month period.

Index Shipping Price : Baltic Dry Index

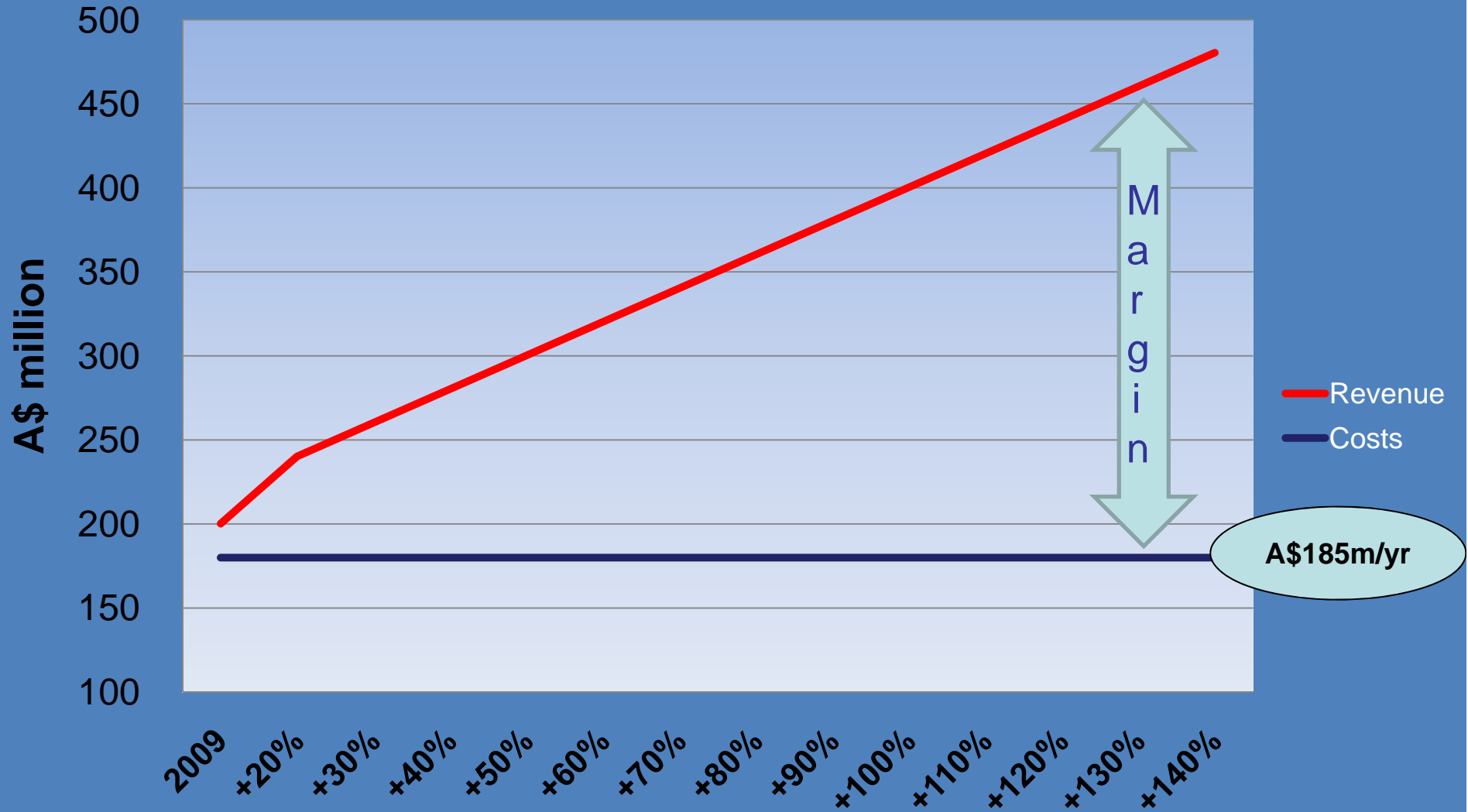
Pellet Premium : referenced to Vale pricing

**Grange will use CRU for independent advice, to enable Independent Directors to sign off the sales price as “arms length”.**

# Leveraged to price



### Margin leverage to price @2.6Mtpa



# Grange – Historically complicated Now....very simple



## Before

- Junior development company
- Large, unknown, Chinese ownership
- Low free float (~20%)
- Low trading volumes <0.5m/day
- Retail Investors
- FX Hedging
- High debt levels
- Fixed Consideration payments
- Deferred Consideration payments
- Head Agreement payments
- Legacy, low \$ contracts
- Small operating margin



## Now

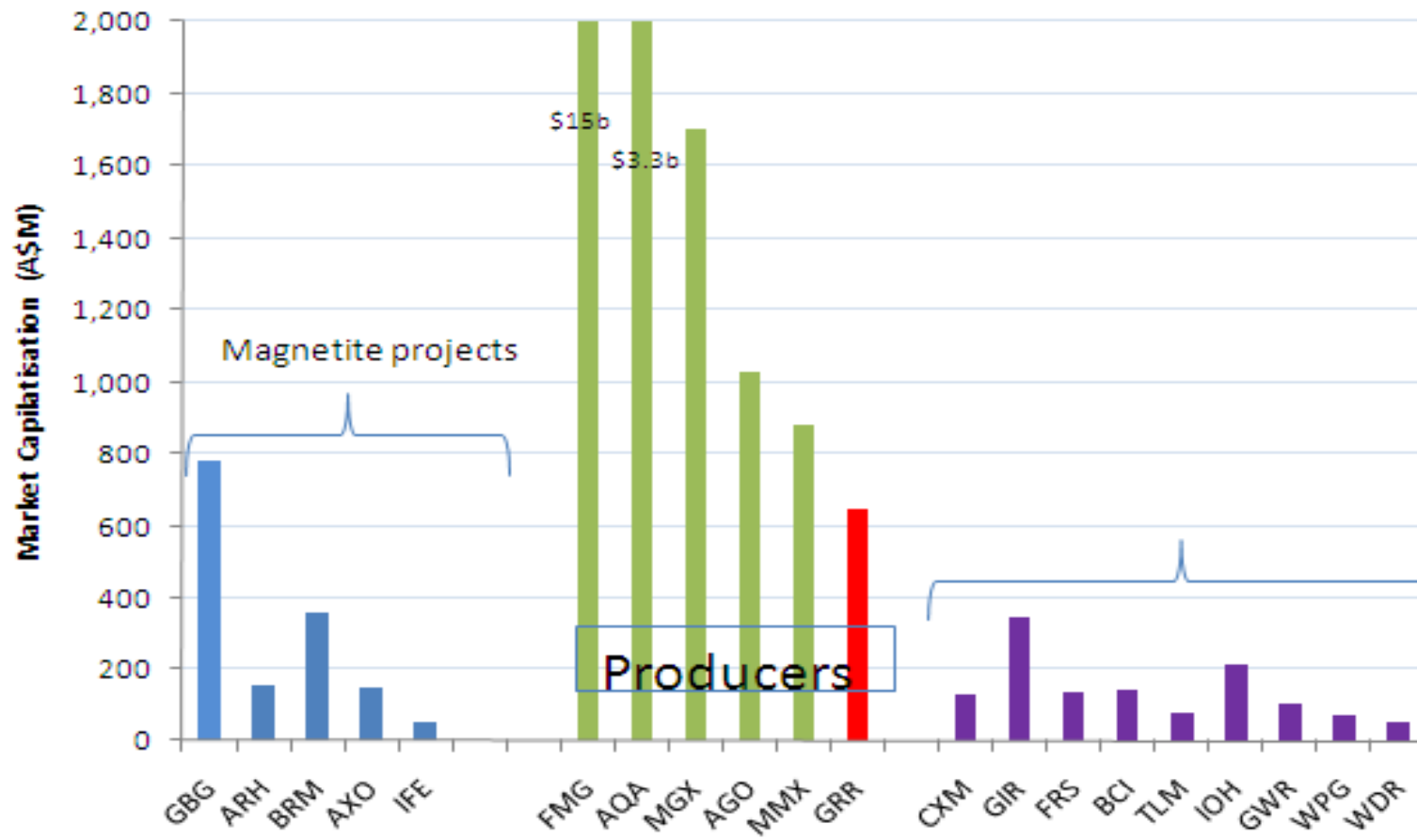
- Producing company
- Profitable with positive cash flow
- Major development project
- Strong Chinese support
- Increased free float (>30%)
- Trading volumes 2-5m/day
- Institutional Investors
- No hedging
- String cash position
- Full exposure to iron ore price
- Strong operating margins



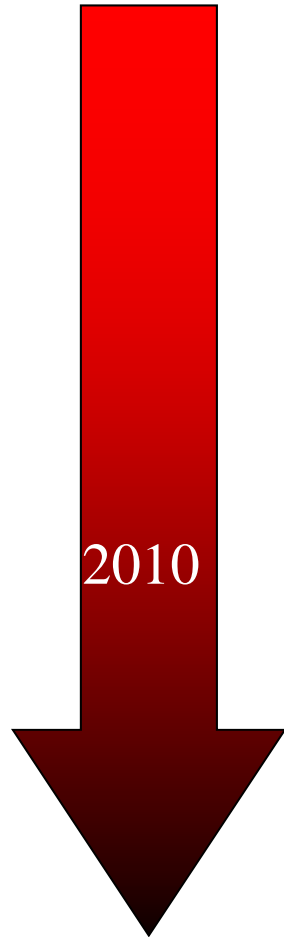
# The largest producing magnetite company



Out of the numerous junior companies with magnetite assets, Grange is the only one in production.



# Current Focus and Future Milestones



- Operational improvements at Savage River being implemented
  - Management Operating System continues to be installed
  - New equipment to replace old less productive units
  - Inventory and cost reductions
- Will announce additional reserves at Savage River
- Reviewing Savage River production expansion potential
- Finalising plans for optimum method to develop Southdown
- Port permit will be finalised this year
- Southdown PFS will be completed in 2010
- Significant increase in pellet price will provide Grange with good levels of free cash

**Today, Grange has no legacy issues and is totally exposed to the strong iron ore price.**

## Grange Resources – Summary



- **Australia's leading magnetite producer**
- **Australia's largest iron ore pellet producer**
- **High grade quality products**
- **Solid customer and revenue base**
- **Strong cashflow forecasts**
- **Long life assets**
- **Major development project**
- **Low sovereign risk**
- **Extensive magnetite technical and operational expertise**
- **New investment opportunity – Producer and Projects**
- **Profitable, trading on low multiples and attractively priced**

# Key Contacts



## Primary contacts:

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### **Russell Clark**

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# Competent Person Statement



- **Southdown Project**

- *The information in this presentation which relates to the Mineral Resources of the Southdown Project is based on information compiled by James Farrell who is a full-time employee of Golder Associates Pty Ltd and a Member of the Australasian Institute of Mining and Metallurgy. James Farrell has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity for which he is undertaking to qualify as a Competent Person as defined in the JORC Code (2004). James Farrell consents to the inclusion of this information in this presentation in the form and context in which it appears.*
- *The information in this presentation which relates to the Ore Reserves of the Southdown Project is based on information compiled by Mr Ross Bertinshaw who is a full-time employee of Golder Associates Pty Ltd and a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Bertinshaw has sufficient experience in Ore Reserve estimation relevant to the style of mineralisation and type of deposit under consideration and to the activity for which he is undertaking to qualify as a Competent Person as defined in the JORC Code (2004). Mr Bertinshaw consents to the inclusion in this presentation of the matters based on his information in the form and context in which it appears.*

- **Savage River Project**

- *The information in this presentation that relates to Mineral Resources or Ore Reserves in relation to the Savage River Project is based on information compiled by Mr Ben Maynard, who is a Member of The Australasian Institute of Mining and is a full time employee of Grange Resources. Mr Maynard has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Maynard consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*



# Appendix A – Southdown Project



## In situ Mineral Resource Estimate

| Classification                       | Measured Resources | Indicated Resources | Inferred Resources | Total Resources |
|--------------------------------------|--------------------|---------------------|--------------------|-----------------|
| Tonnes (Mt)                          | 219.7              | 210.3               | 224.4              | 654.4           |
| DTC wt%                              | 37.4               | 38.9                | 33.4               | 36.5            |
| DTC Fe%                              | 69.2               | 69.3                | 69.1               | 69.2            |
| DTC SiO <sub>2</sub> %               | 1.72               | 1.94                | 2.07               | 1.91            |
| DTC Al <sub>2</sub> O <sub>3</sub> % | 1.43               | 1.27                | 1.29               | 1.33            |
| DTC S%                               | 0.46               | 0.40                | 0.54               | 0.46            |
| DTC LOI%                             | -3.04              | -3.06               | -2.96              | -3.02           |

This Mineral Resource has been defined using geological boundaries and a cut-off grade of 10 wt% DTC and includes minor internal dilution. All reported concentrate grades were weighted by DTC.

## Ore Reserves within Designed Pit (Cut-off 10% DTR)

| Reserve Classification | ROM (Mt) | DTR% | Conc. (Mt) | Fe%  | SiO <sub>2</sub> % | Al <sub>2</sub> O <sub>3</sub> % | TiO <sub>2</sub> % | S%   | P%    |
|------------------------|----------|------|------------|------|--------------------|----------------------------------|--------------------|------|-------|
| Probable               | 388      | 35.5 | 131        | 68.8 | 2.06               | 1.41                             | 0.45               | 0.55 | 0.003 |

# Appendix B – Savage River



## Mineral Resource and Ore Reserve Estimates

| Mineral Resource | Tonnes (Mt)   | Grade (%DTR) | Ore Reserve  | Tonnes (Mt)   | Grade (%DTR) |
|------------------|---------------|--------------|--------------|---------------|--------------|
| Measured         | 88.01         | 52.7         | Proved       | 52.39         | 49.6         |
| Indicated        | 135.96        | 51.7         | Probable     | 72.00         | 48.9         |
| Inferred         | 92.22         | 47.2         | <b>Total</b> | <b>124.40</b> | <b>49.2</b>  |
| <b>Total</b>     | <b>316.20</b> | <b>50.7</b>  |              |               |              |

Mineral Resources and Ore Reserves have been estimated for Grange Resources Tasmania Savage River magnetite deposit at the end of May 2009.

### Qualifying Statements

The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce the Ore Reserves. The Inferred Mineral Resources are, by definition, additional to the Ore Reserves.

A lower cut-off grade of 15% DTR was used in the calculation of both the Mineral Resources and Ore Reserves.

The Ore Reserve was calculated using a 1.087 dilution factor and a mining recovery factor of 0.939. These factors are based on periodic reconciliation specific to mining areas.