

GRANGE
RESOURCES LIMITED
ABN 80 009 132 405

STOCK EXCHANGE ANNOUNCEMENT

SOUTHDOWN – KEMAMAN IRON ORE PELLET PROJECT UPDATE

13 February 2006

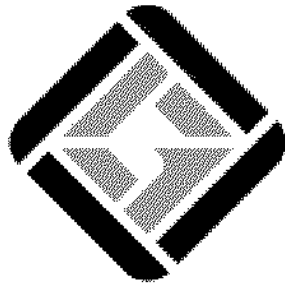
The Board of Grange Resources Ltd ("Grange" or "the Company") is pleased to advise preliminary outcomes from the Bankable Feasibility Study (BFS) being undertaken on the Southdown - Kemaman Iron Ore Pellet Project. Work on this study has been continuous since November 2003 and has comprised the following:

Southdown Development

- Exploration and evaluation of the Southdown Magnetite deposit, including a preliminary mine schedule.
- Comprehensive metallurgical testing of the magnetite ore through a laboratory scale pilot plant to determine concentrate qualities and engineering design parameters.
- The production of iron ore pellets at Outokumpu's laboratory facilities in Germany.
- Evaluation and definition of the infrastructure requirements for the development of the Southdown mine and concentrator, including the supply of power and water, the site layout and associated facilities.
- The design and survey of a slurry pipeline and return water pipeline from Southdown to the port of Albany.
- Evaluation and design for port facilities to allow the shipment of concentrate from Albany to Kemaman, Malaysia in cape size vessels.
- A comprehensive environmental impact study for the Southdown development progressing towards a Public Environmental Review (PER).

Kemaman Development

- Completed an Agreement with Malaysian Company, Road Builder (M) Holdings BHD for the long term use of the Kemaman West wharf and purchase of nearby industrial land for the construction of the pellet plant.
- Evaluation of the Kemaman site, general layout of the pellet plant and associated facilities and survey of the proposed infrastructure corridor.
- Design of ore handling equipment for the import of concentrates and export of pellets.
- Undertaking an environmental impact study in accordance with Malaysian Government requirements.
- Evaluated long term ocean freight arrangements for the transport of concentrates from Albany and the export of pellets to the Asian region.
- Undertaken an initial assessment of potential markets for Kemaman pellets.
- Incorporated Grange Developments SDN.BHD in Malaysia.



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The preliminary capital cost estimates for the total Southdown – Kemaman project is forecast at US\$1,153M in December 2005 dollars and reflects the current high levels of activity and demand in the resource industry. This cost has been derived from budget quotations for equipment supply and detailed construction assessment and estimates. It includes owner's costs and allowances for contingency and risk.

For the Kemaman site, allowance has been made in the capital costs for further industrial development which Grange believes will follow the initial construction of the pellet plant. The proximity of the Kemaman site to the developing Asian countries, the ready availability and competitive cost of essential infrastructure and the investment incentives offered by the Malaysian Government are major attractions for ore processing and steel making industries. Grange will be actively promoting these developments in the future.

The preliminary estimate of the operating cost for iron ore pellets, free on board (FOB) Kemaman is US\$44/tonne. This estimate is based on contract mining of the recently developed mining schedule which has approximately the same waste to ore ratio in each year of operation. Consumables and labour cost estimates are based on current resource industry experience. Power, water and ocean freight cost estimates are based on expressions of interest from a variety of suppliers.

At this preliminary capital cost estimate the project economics remain robust and extremely viable based on NPV and IRR criteria.

For comparative purposes, the 2005 landed cost of blast furnace pellets from Brazil to Asian purchasers was approximately US\$94/tonne and higher for spot deliveries.

Next Steps

Completion and finalisation of the BFS requires further work in a number of areas and this will be undertaken over the next few months. Further review and optimisation of the preliminary capital and operating costs and pellet product quality is also being progressed.

Grange Resources has previously announced the appointment of Azure Capital to assist in the process of introducing new participants into the Project. This process has commenced with the development of a Project information memorandum (IM) which is expected to be available to interested parties by the end of February 2006. In addition Clayton Utz have been appointed as legal advisors to Grange during this process.

It is likely that there will be further modifications to the BFS as a result of participant and market interest.

For further information visit the Grange website at www.grangeresources.com.au or alternatively contact Mark Smith on + 61(8) 9321 1118.

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