



# Grange Resources

European Investors Lunch

Amsterdam

2nd December 2009

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Managing Director & CEO

*NOT FOR DISTRIBUTION IN THE US*



**GRANGE**  
RESOURCES

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# Grange Highlights



## Grange is Australia's largest magnetite producer, formed by a merger between Grange and Australian Bulk Minerals (ABM) in 2009.

- ✓ Australia's leading exporter of iron ore pellets, producing 2.2Mtpa from the Savage River operations in Tasmania in 08/09
- ✓ Recently completed entitlement offer and placement to raise \$153m
- ✓ FY09 EBITDA of \$132m and NPAT of \$86m
- ✓ Cost competitive and profitable during the downturn, highly leveraged to the global economic recovery
- ✓ Producer of blast furnace pellets that receive higher prices than fines or lumps and have guaranteed offtake
- ✓ Modern mining facility with \$100m invested in new equipment in CY2008
- ✓ Major project in the development pipeline – Southdown Project, Western Australia
- ✓ Large reserve base – long life projects (~970Mt resources and 512Mt reserves)
- ✓ Long term offtake 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
- ✓ Attractively valued compared to (mostly non-producing) peers



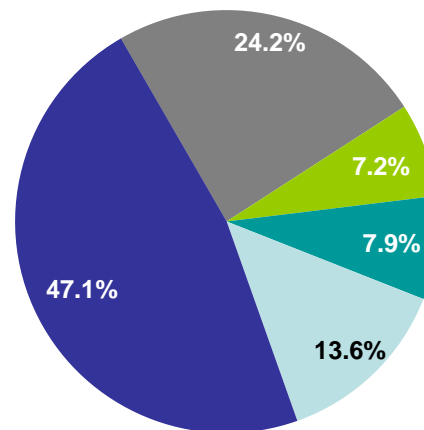
# Grange Resources



## Current ownership Structure

### 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
Mr Peter Stephens	Non Executive Director



- Shagang – China’s largest private steel producer
- Stemcor – London-based trading major
- RGL – Commodity importing and exporting trading company
- Pacific Minerals – Commodity importing and exporting trading company
- Other shareholders including Rio

## Current key statistics (A\$)

Ordinary shares on issue	30 Nov 09	1,148m
Last share price	30 Nov 09	\$0.26
Market capitalization	30 Nov 09	\$298m
Net debt	30 Sep 09	nil

# Jiangsu Shagang

*A strong partnership*



## Shagang Overview

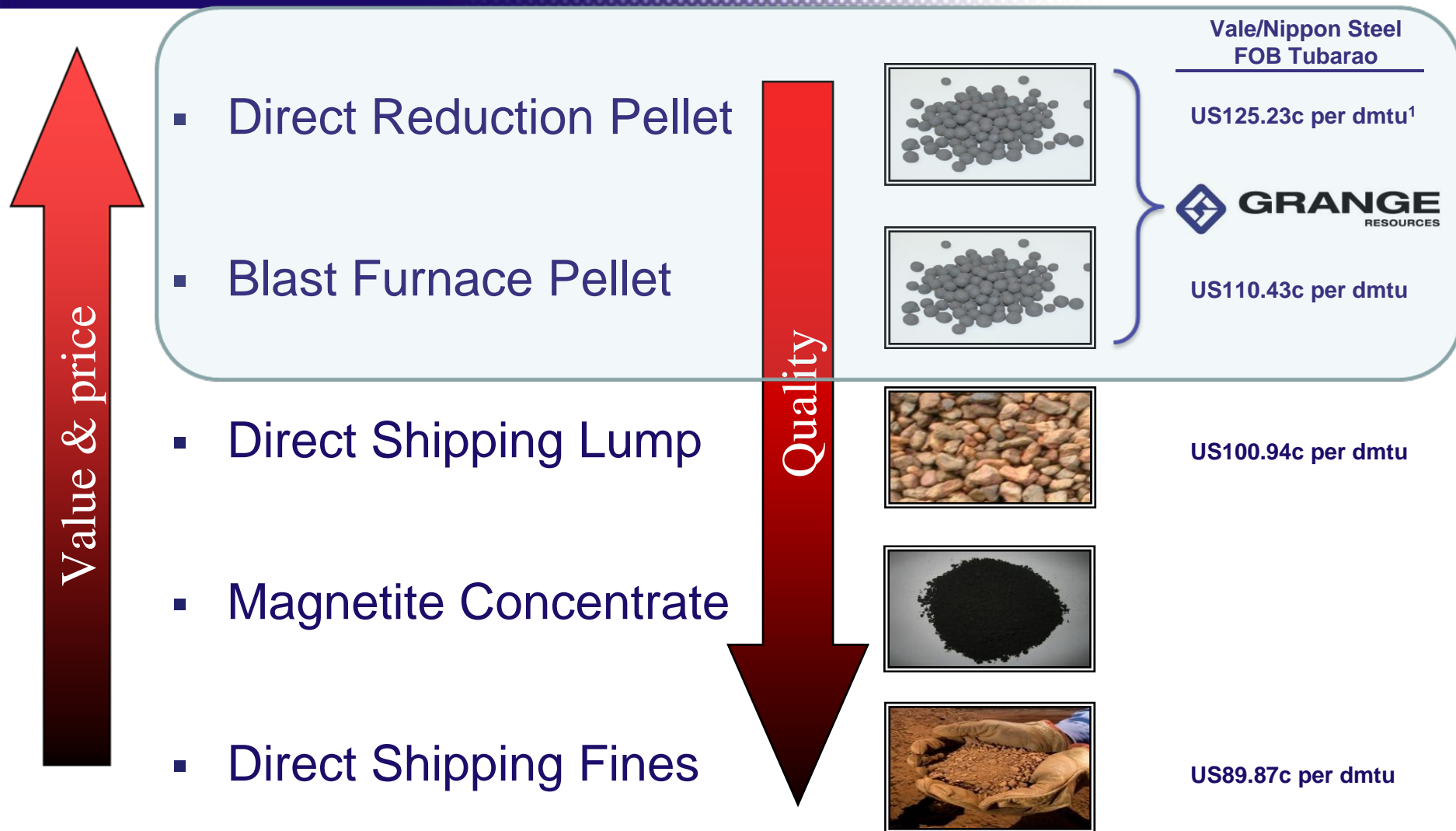
- Grange's largest shareholder
- Demonstrated continuing support for Grange with an attractive LOM offtake agreement at Savage River at benchmark prices and agreement to negotiate at fair market price for Grange's share of offtake from Southdown
- Shagang's investment in Grange represents a significant direct iron ore investment in Australia
- Current offtake contracts have been honoured in spite of economic downturn
- 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 22Mtpa pig iron</li> <li>• 27Mtpa other steel products</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• 26,500</li> </ul>

# Iron Ore Value



Note:

1.

DR pellet price based on Vale / Arcelor Mittal settlement

# Pellet Price

*Rising rapidly with economic recovery*



- Since the iron ore price settlement in June, **Grange has had offers to buy pellets into the spot market at a significant premium to current benchmark**
- Pellets are highly leveraged to the world's economic recovery – when blast furnaces approach full capacity pellets are the most desirable form of iron ore as they contribute most to productivity and efficiency
- Forecasters are predicting a rising price for next year:

**Citigroup Global Markets:** “We have sharply increased our forecasts for contract prices in 2010/11. We now expect a 15% increase”, September 2009

**Macquarie Research:** “Brazil iron ore pellet to Europe - predict a 15% increase in price in 2010” – September 2009

**Petra Capital:** 15% increase predicted next year

**GSJBWERE :** We have raised our iron ore forecasts in response to tightening supply/demand fundamentals iron ore pellets +25%

**Bell Potter:** iron ore prices to rise 20%, up from previous estimate of 10% - October 2009

**Grange is highly leveraged to any increase in pellet price**

# Video



# Australia's Leading Magnetite Producer



**Grange's position as Australia's leading magnetite producer is supported by quality assets in Tasmania and Western Australia.**

## **Southdown Project (70%)**

- 90km northeast of the Port of Albany
- Largest known premium quality magnetite deposit in southern Western Australia
- Targeting 6.6Mtpa concentrate, to produce 6.8Mtpa of direct reduction and blast furnace grade pellets for over 20 years
- Infrastructure solutions in place (power, ports, water)
- Advanced permitting



## **Savage River (100%)**

- Northwest Tasmania
- Producing 2.5Mtpa 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

# Key Information 08/09

*Profitable even during economically hard times*



## FY09 Operational Statistics

<b>Savage River</b>	<b>FY09</b>
	<i>Actual.</i>
Total volume mined ('000 bcm)	17,745
Total ore mined ('000 bcm)	997
Concentrate produced ('000 tonnes)	2,289
Pellets produced ('000 tonnes)	2,174
Pellets shipped ('000 tonnes)	2,175
Concentrate shipped ('000 tonnes)	60

## FY09 Financial Statistics

Cash Cost (US\$/t pellet produced <sup>1</sup> )	~50
Revenue (A\$m)	356
EBITDA (A\$m)	132
NPAT (A\$m)	86
EV/EBITDA (x)	2.0x
P/E (x)	3.2x

Notes:

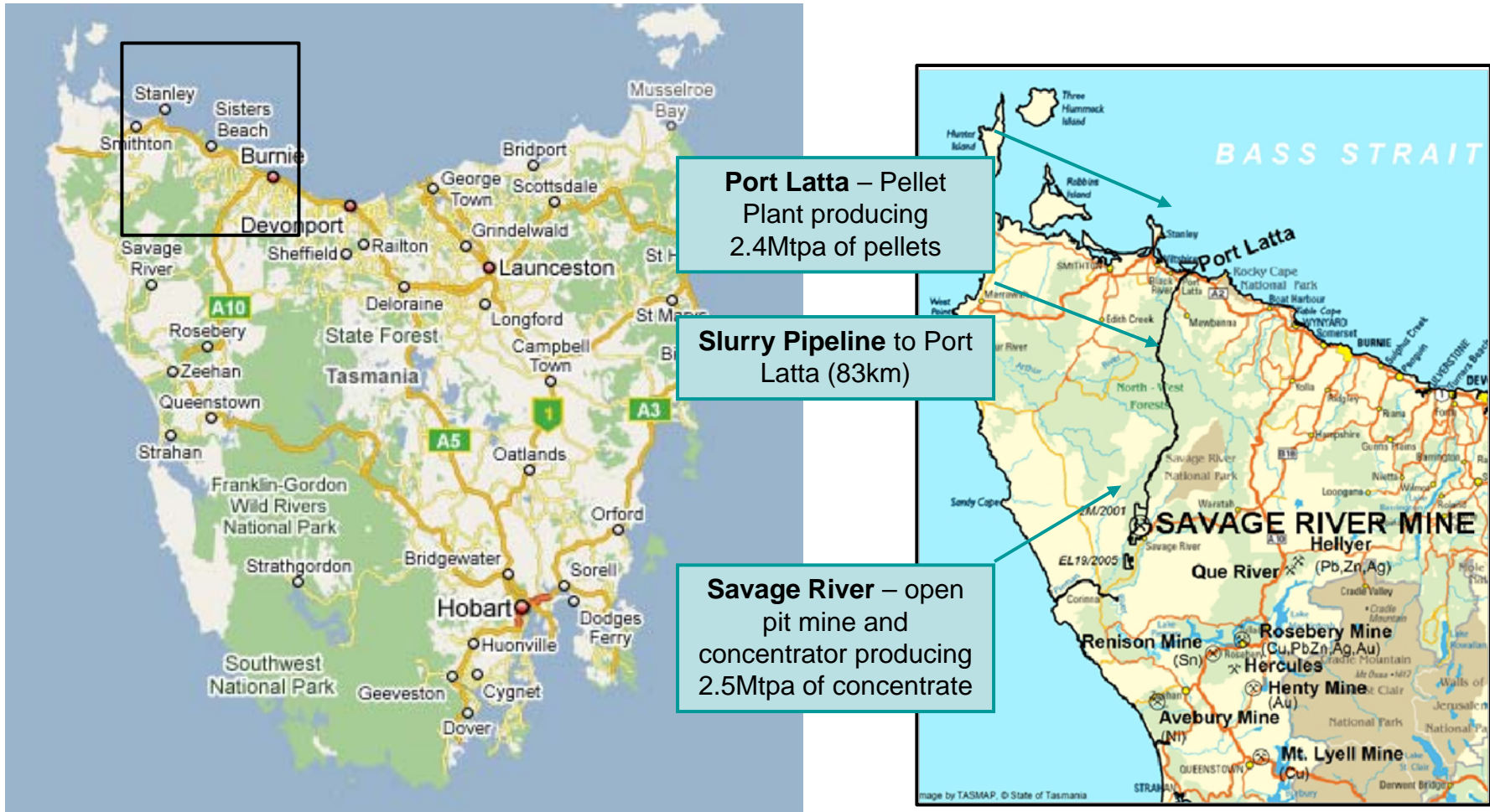
1. Direct operating costs includes all costs associated with producing iron ore pellets, but excludes capital expenditure, capitalized waste, financing costs, tax, royalties and corporate costs

# 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>2.5Mtpa 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; as a result, mining production has increased 17% over the same 6 months in the previous year (i.e. Jan to Jun period)</li> <li>Currently in the process of finalising study to increase concentrate production, which will require some minor plant upgrades</li> </ul>



# Savage River Mine & Pellet Plant



# Large Scale Operations





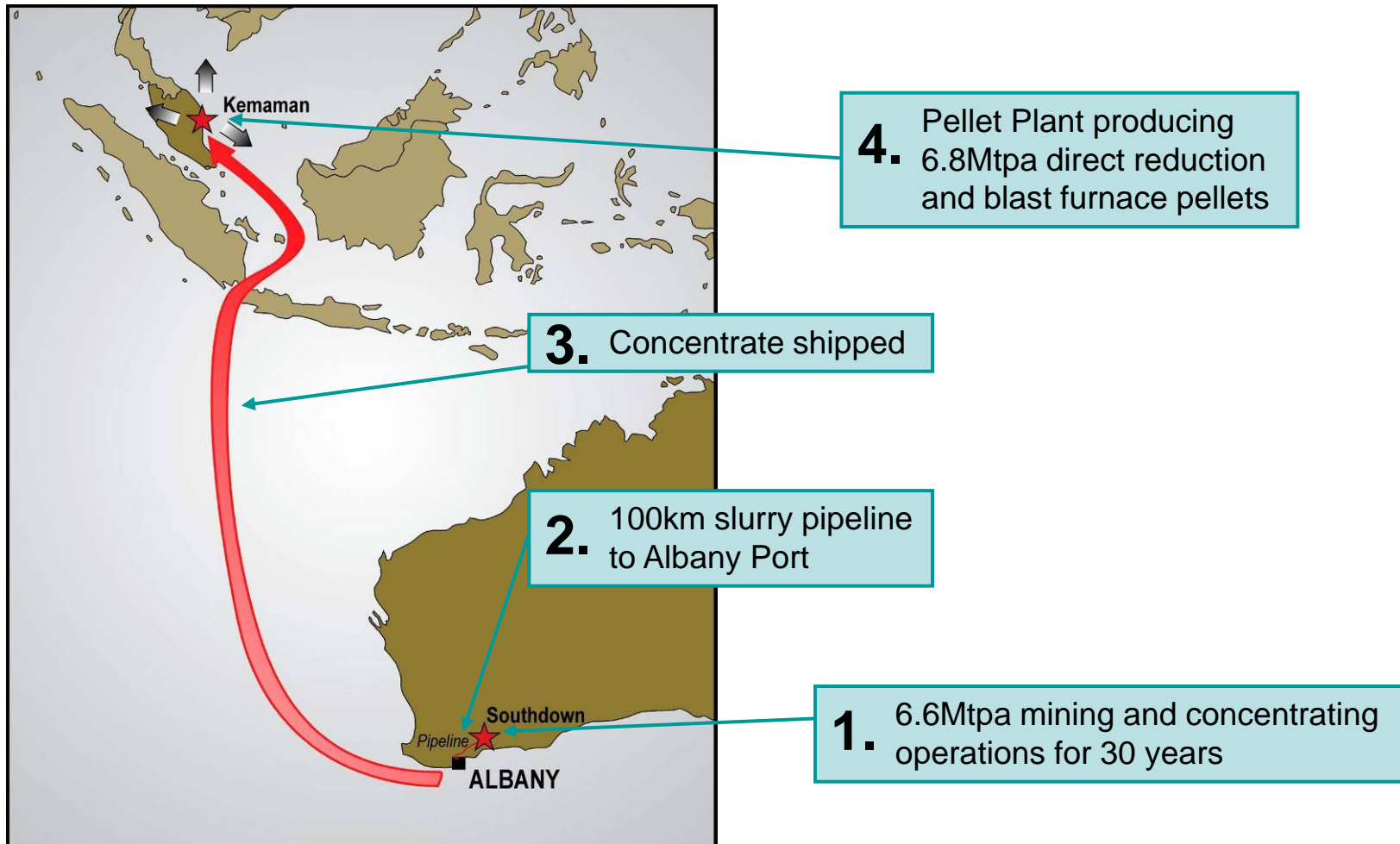
# Own Downstream Infrastructure



# Own Port and Shiploading Infrastructure



# 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 orebody located on freehold land</li> <li>Minister for the environment has approved of Southdown</li> <li>Option agreement signed with Water Corporation for the supply of treated waste water to Southdown</li> <li>Currently undergoing a Stage Gate Review covering mining and concentrator, pipeline and port, pellet plant, financing and project execution methodology</li> <li>Considering smaller scale and staged development 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

# Solid Customer Base

*Long term offtake agreements – providing revenue stability*



**Agreements are in place for both Savage River and Southdown production at benchmark prices or better.**

## Shagang

- China's largest **private** steel mill, producing 22 Mtpa of pig iron
- Grange's largest shareholder
- Demonstrated ongoing support for the Company
- Savage River LOM contracts in place:
  - 1.3 Mtpa pellets until 2012, then increasing to...
  - 2.1 Mtpa pellets until 2023
- LOM contracts at benchmark 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

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



# Grange Resources - Summary



- **Australia's leading magnetite producer**
- **Australians largest iron ore pellet producer**
- **High grade quality products**
- **Consistent cash margins**
- **Solid customer and revenue base**
- **Low debt & strong balance sheet**
- **Long life assets**
- **Low sovereign risk**
- **Extensive magnetite technical and operational expertise**
- **A producer with projects**

# 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 Reserves and Resources



### 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 Reserves and Resources



### 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.