



GRANGE
RESOURCES

18 August 2009

Grange Resources Limited
ABN 80 009 132 405

Level 11, 200 St Georges Terrace
Perth Western Australia 6000

PO Box 7025, Cloisters Square
Perth Western Australia 6850

T +61 8 9327 7901

F +61 8 9327 7932

info@grangeresources.com.au

www.grangeresources.com.au

GRANGE TO UNDERTAKE A\$167 MILLION PLACEMENT AND UNDERWRITTEN ENTITLEMENT ISSUE IN ADDITION TO RESTRUCTURING INITIATIVES

Grange intends to undertake an underwritten one-for-one (1:1) non-renounceable entitlement issue of circa 495 million new shares to raise \$124 million at an offer price of \$0.25 per share (**Offer**), conduct placements to major shareholders, at a price of \$0.29 per share, to raise a further \$29 million and restructure certain of its key liabilities (**Restructure**). The Offer, placements and Restructure will enhance Grange's cashflow outlook significantly and strengthen the Company's balance sheet.

KEY HIGHLIGHTS

- Significant balance sheet improvement, with liabilities almost halved and payment timing extended;
- Positions Australia's leading magnetite producer to capitalise on the promising future iron ore price outlook and enhanced future cash flow;
- Full participation by Cornerstone Shareholders, which include significant operators in the Chinese iron ore and steel sectors; and
- Working capital to continue with investment in Savage River operations and continued development of Southdown.

Grange Managing Director, Mr Russell Clark, said that the combined initiatives would allow Grange to enhance the Company's balance sheet.

"The restructure initiatives supported by the raisings, as well as additional working capital, allow us to position the Company and its balance sheet correctly for the current financial climate. As an existing producer we are also well placed to benefit from the future iron ore price outlook," said Mr Clark.

"We believe future iron ore price fundamentals are very promising. This year's benchmark settlements are the second highest on record, and we are already receiving numerous enquiries to purchase spot product at a significant premium to the current benchmark."

"As Australia's leading exporter of iron ore pellets with a solid multi-year operational history we believe we are very well placed to benefit from this outlook, particularly with the balance sheet advantages derived from the proposed restructure," said Mr Clark.

“The support of our major shareholders, who include China’s largest privately owned steel mill and significant operators in the Chinese iron ore market, represents a strong vote of confidence in the future of Grange and the iron ore market.”

SUMMARY OF THE CAPITAL RAISING

Entitlement Issue

The Offer is underwritten by Azure Capital Pty Ltd and Patersons Securities Limited who are acting as Joint Lead Managers (**JLMs**).

Shagang International Holdings Limited, Grange’s largest shareholder with a 47.1%¹ shareholding, as well as substantial shareholders RGL Holdings Co. Ltd (13.8%) and Pacific International Co. Pty Ltd (8.3%) (**Cornerstone Shareholders**), have committed, subject to certain conditions, to fully participate in the Offer by collectively contributing \$85.8 million. The balance of the Offer, which is fully underwritten by the JLMs, will contribute \$38.1 million.

The Offer is subject to certain conditions that are detailed at the end of this announcement, including that the Company receives a minimum subscription level of \$85.8 million, representing 343,038,639 shares (**Minimum Subscription Level**). These conditions should be read in detail by anyone who is considering participating in the Offer.

Cornerstone Placement

The Cornerstone Shareholders have also entered into agreements to subscribe for additional shares via a placement (**Cornerstone Placement**) at \$0.29 per share, which is a 16% premium to the Offer price. If the Offer and the Stemcor Placement (described below) are successfully completed, the Cornerstone Placement will enable the Cornerstone Shareholders to subscribe for a total of 99.8 million shares or the number of shares that could be issued to remain within compliance with Section 611 (9) of the Corporations Act 2001 (being the 3% creep provision), whichever is the lower number.

If the Cornerstone Placement proceeds, Shagang's contribution of up to \$21.1 million will be used to repay part of the amount outstanding at that time against the Bank of China Letter of Credit Facility (**BOC Facility**), and the RGL and PI contributions of up to \$7.8 million will be by way of cash.

The Cornerstone Placement is subject to certain conditions that are detailed at the end of this announcement, including the approval of FIRB and Grange shareholders.

Grange’s Board of Directors has agreed to unanimously recommend the Cornerstone Placement to shareholders of the Company and not to withdraw that unanimous recommendation prior to completion, except to the extent that the recommendation by the Board would constitute a breach of fiduciary or statutory duties of the Company’s directors.

¹ Includes 1,015,640 shares held by Ever Lucky Developments Limited (an associate of Shagang).

Stemcor Placement

A total of 55 million shares will also be placed to Stemcor, Dacroft and Forlife under the Restructure outlined below.

Use of proceeds

The proceeds of the Offer and the Cornerstone Placement will be used to reduce Grange's debt, fund the Restructure, provide funds for working capital and provide capital for the Savage River operations, as shown in the table below.

Table 1: Use of Proceeds

BOC Reduction	\$29.9m ²
Payment for Fixed Consideration to Stemcor, Dacroft and Forlife	\$41.1m ³
Head Agreement payment to Stemcor (in March 2010)	\$5.9m ³
Balance applied to working capital	\$75.9m
Value of shares issued to Stemcor, Dacroft and Forlife	\$13.8m
Total	\$166.6m

Grange intends for US\$7.4 million (A\$8.8 million⁴) of the Offer proceeds to be used to repay part of the amount owed to Shagang International pursuant to the BOC Facility, that was arranged by and is repayable to Shagang International, as announced to the market on 9 June 2009.

Should the Offer only achieve the Minimum Subscription Level, the Stemcor and Cornerstone Placement will still proceed (the latter conditional upon FIRB and shareholder approval). The total proceeds raised in this case (\$128.5 million) will be applied in the same order as shown in Table 1 up to the maximum amount raised, with the balance put towards working capital.

RESTRUCTURE

Grange has been working closely with Shagang and Stemcor, past owners of its Savage River Project, to restructure certain liabilities due to both parties that will better position Grange for future growth.

To implement the transactions to effect the Restructure, the Company has entered into certain agreements with Shagang and Stemcor, all of which are conditional on Grange receiving sufficient subscriptions for and issuing shares equivalent to at least the Minimum Subscription Level under the Offer. The key terms of the Restructure are detailed below:

² Comprising the payment of US\$7.4 million (A\$8.8 million at a USD/AUD exchange rate of 0.84) from the Offer proceeds and A\$21.1 million from the Cornerstone Placement.

³ Australian dollar equivalent amount of payments made in US dollars shown at a USD/AUD exchange rate of 0.84.

⁴ Australian dollar equivalent of the payment made in US dollars shown at a USD/AUD exchange rate of 0.84.

- A restructure of the payments due to Stemcor, Dacroft and Forlife that were assumed as part of the merger with Australian Bulk Minerals in January 2009, under which the payments will be modified to the following:
 - Grange will pay Stemcor, Dacroft and Forlife US\$34.6 million cash in total⁵;
 - Grange will, simultaneously with settlement of the Offer, issue Stemcor, Dacroft and Forlife with 55 million Grange shares in total (**Stemcor Placement**); and
 - Grange will pay Stemcor, Dacroft, Forlife and Dominant an ongoing royalty calculated as 2% of gross revenue receipts from the Savage River Project, commencing in 2012 and ending in 2023. This will significantly reduce the quantum of the existing deferred consideration payments and also defers the initial payment by 21 months.

A “head agreement” payment to Stemcor amounting to US\$5.0 million will remain payable in March 2010 in accordance with its original terms⁶;

- As part of the restructuring negotiations, Grange has agreed to release Stemcor from its obligations to purchase concentrate with effect from 18 August 2009 for a release fee of US\$1.7 million and to vary the terms of the Stemcor Off-take Agreement from an annual obligation to take 80,000 tonnes of concentrate to an option to take that quantity;
- The reduction of \$29.9 million against the BOC Facility, that was arranged by and is repayable to Shagang International, through the payment of US\$7.4 million (A\$8.8 million⁷) from the Offer proceeds and \$21.1 million from the Cornerstone Placement. This will reduce the balance owing to \$18.6 million (US\$15.6 million⁸); and
- The extension of the maturity date for the remaining balance of the BOC Facility to at least March 2011, which may be further extended by mutual agreement between Grange and Shagang International. The effective interest rate of the facility is USD Libor plus 3.84% per annum.

The Restructure is subject to certain conditions that are detailed at the end of this announcement.

BENEFITS OF THE OFFER, PLACEMENTS AND RESTRUCTURE

The Offer, Cornerstone Placement, Stemcor Placement and Restructure will provide a number of benefits to Grange, including:

- Significantly reducing the quantum of, and extending the timing for payment of Grange’s key liabilities;

⁵ Assuming settlement at 31 August 2009. As settlement will occur post this date an adjustment will be made to reconcile the amount payable to present value.

⁶ Shagang International and Evergain will continue to guarantee the payments due under the SPA until the “head agreement” is paid at the end of March 2010. Stemcor will maintain, and Dacroft, Forlife and Dominant will be granted, an equal first ranking Equitable Mortgage over SMAPL’s shares in Beviron (Grange Tasmania’s immediate holding company) as additional security for the Fixed and Head Agreement consideration payments and as security for ongoing Deferred Consideration payments.

⁷ Using a USD/AUD exchange rate of 0.84.

⁸ Using a USD/AUD exchange rate of 0.84.

- Providing material upside to long term cashflows through the significant reduction in the ongoing payments owing to Stemcor; and
- Providing working capital to continue with investment in mine cut backs, key equipment and other ongoing operational requirements.

All of these initiatives position Grange, as the largest magnetite iron ore pellet exporter in Australia, to take advantage of the forecast recovery in iron ore demand and pricing.

OFFER IN DETAIL

The Offer is for circa 495 million shares (**New Shares**). The JLMs will underwrite the Offer to a total of \$38.1 million and the Cornerstone Shareholders have committed (subject to certain conditions) to participate for the remaining \$85.8 million.

Under the Offer, eligible shareholders will be able to subscribe for 1 New Share for each 1 existing Grange share held as at the Record Date at a price of \$0.25 per share. Eligible shareholders are those holders of Grange shares who:

- Are registered as a holder of Grange shares as at 7.00pm (AEST) on the Record Date;
- Have a registered address in Australia, New Zealand or the British Virgin Islands;
- Are not in the United States or a U.S. Person or acting for the account or benefit of such persons;
- Are eligible under all applicable securities laws to receive an offer under the Offer.

The Company is of the view that it is unreasonable to make an offer to certain shareholders with an address in the Company's register which is outside of Australia, New Zealand and British Virgin Islands, having regard to the cost of complying with legal and regulatory requirements outside Australia, New Zealand and British Virgin Islands.

Any New Shares that would otherwise have been offered to those shareholders are proposed to be issued to Patersons Securities Limited (acting as Nominee). The Nominee will subscribe for and sell (on a "best endeavours" basis) the New Shares on market on behalf of those ineligible overseas shareholders following the allotment and issue of those New Shares. Grange will distribute the proceeds (if any) pro rata to the ineligible overseas shareholders net of sale expenses (i.e. sales proceeds less brokerage and applicable GST).

The offer price of \$0.25 per New Share represents a discount of 58% to Grange's closing price on 12 August 2009 prior to entering the trading halt and a discount of 46% to the 30 day VWAP.

All New Shares will rank equally with existing shares from allotment. The Entitlements are non-renounceable and therefore rights will not be tradeable on ASX or otherwise transferable. Shareholders who do not take up their Entitlements in full will not receive any value in respect of those Entitlements they do not take up.

The Offer will be open between Friday, 28 August 2009 and Friday, 11 September 2009. The Record Date for the Offer will be 7.00pm (AEST) on Wednesday, 26 August 2009.

Grange is advised by Azure Capital as Corporate Adviser and Clayton Utz as Legal Adviser.

Further details of the Offer and the effects of the Restructure on the Company, including details of the timetable and key risks of the Offer, are contained in the investor presentation posted on the Grange website and released to the ASX. An Offer booklet, including that presentation, will be mailed to eligible shareholders on Friday, 28 August, 2009.

CONDITIONS

Entitlement Offer

The Offer is conditional on receiving the Minimum Subscription Level of \$85.8 million (representing 343,038,639 shares).

Shagang's commitment is conditional on obtaining the relevant foreign exchange approvals.

The Restructure is conditional on the Offer proceeding, Grange receiving sufficient subscriptions for and issuing shares equivalent to at least the Minimum Subscription Level under the Offer and \$8.8 million⁹ of the Offer proceeds being used to repay part of the amount owed to Shagang International pursuant to the BOC Facility.

Cornerstone Placement

The Cornerstone Placement is conditional on FIRB and Grange shareholder approval, all other regulatory approvals, completion of the Offer (in full) and the Stemcor Placement. It is also conditional on in principle approval from ASX that it will grant official quotation to the shares to be issued under the Cornerstone Placement, and that on completion Grange being in a position to issue a cleansing statement.

Grange anticipates that the shareholder meeting will be held in October and will release further details to all Grange shareholders in due course.

Stemcor Placement

The Stemcor Placement is conditional on the Offer proceeding and on Grange receiving a minimum subscription for 343 million shares. It is also conditional on in principle approval from ASX that it will grant official quotation to the shares to be issued under the Stemcor Placement, and that on completion, Grange being in a position to issue a cleansing statement.

It is also conditional on SMAPL providing Stemcor, Dacroft, Forlife and Dominant with equal first ranking Equitable Mortgages over SMAPL's shares in Bevion as additional security for the Fixed and Head Agreement consideration payments and as security for ongoing Deferred Consideration payments, and no other prior ranking security being granted.

Underwriting Agreement

The Company has entered into an underwriting agreement with the JLMs for the Offer. The underwriting agreement is subject to a condition precedent that the Cornerstone Shareholders contribute A\$85.8 million by subscribing for their full entitlements under the Offer. The underwriting agreement also contains a number of termination events that are customary for agreements of this nature.

⁹ Australian dollar equivalent of this payment made in USD dollars (US\$7.4 million) shown on a USD/AUD exchange rate of 0.84.

Enquiries

Any enquiries should be directed to:

Russell Clark

Managing Director & Chief Executive Officer
+61 8 9321 1118
managingdirector@grangeresources.com.au

Corporate Advisor to Grange:

Simon Price

Director
Azure Capital
+61 8 6263 0888
scp@azurecapital.com.au

GLOSSARY

\$	means Australian dollars.
ASX	means ASX Limited ACN 008 624 691.
Beviron	means Beviron Pty Ltd ACN 078 197 323.
Company or Grange	means Grange Resources Ltd ACN 009 132 405.
Dacroft	means Dacroft Pty Ltd ACN 003 252 266.
Dominant	means Dominant Holdings AG.
Ever Lucky	means Ever Lucky Developments Limited, registration number 1405866, a company incorporated in the British Virgin Islands.
Evergain	means Evergain International Corporation registration number 451047, a company incorporate in Hong Kong of 1902 Wellnorne Commercial Centre, 8 Java Road, Hong Kong.
FIRB	means Foreign Investment Review Board.
Forlife	means Forlife Tasmania Pty Ltd ACN 115 914 175.
Grange Tasmania	means Grange Resources (Tasmania) Pty Ltd (formerly Goldamere Pty Ltd, trading as ABM) ACN 073 634 581.
JSG	means Jiangsu Shagang Group Company Limited registration number 13478927, a company incorporate in the People's Republic of China.
PI	means Pacific International Co. Pty Ltd ACN 133 363 265, a company registered in Australia.
RGL	means RGL Holdings Co. Ltd registration number 1497715, a company registered in the British Virgin Islands.
Shagang	means Shagang International Holdings Limited registration number 1497243, a company registered in the British Virgin Islands.
Shagang International	means Jiangsu Shagang International Trade Co. Ltd
SMAPL	means Shagang Mining (Australia) Pty Ltd ACN 124 436 335
Stemcor	means Stemcor Pellets Limited registration number 2188847, a company registered in the United Kingdom.
Stemcor Holdings	means Stemcor Holdings Limited company registration number 01038435, a company incorporated in the United Kingdom.
VWAP	means Volume Weighted Average Price.