



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

18 August 2009

Dear Shareholder

## PARTICIPATION IN PRO-RATA NON-RENOUNCEABLE ENTITLEMENT OFFER

Grange Resources Limited (**Grange** or the **Company**) is pleased to announce an opportunity for Shareholders with a registered address in Australia, New Zealand or the British Virgin Islands (**Eligible Shareholders**) and registered at 7.00pm (AEST) on 26 August 2009 (**Record Date**) to participate in the Company's non-renounceable entitlement offer of one ordinary share in Grange (**Share**) for every one Share at an offer price of \$0.25 per Share to raise \$124 million before costs (**Offer**) and restructure certain of its key liabilities (**Restructure**).

Pursuant to the ASX Listing Rules (**Listing Rules**), the Company is required to provide you with certain information as part of the procedure under the Offer. This notice contains all the information required by Appendix 3B of the Listing Rules.

An Offer Booklet, a copy of which was lodged with ASX on 18 August 2009, will be despatched to all Eligible Shareholders, together with an Entitlement and Acceptance Form, on 28 August 2009. A copy of the Offer Booklet has been lodged with ASX and is available on the ASX website and the Company's website ([www.grangeresources.com.au](http://www.grangeresources.com.au)). Full details of the terms and conditions of the Offer are contained in the Offer Booklet.

Pursuant to the Offer, the Company may issue a maximum of 495,516,250<sup>1</sup> fully paid ordinary shares in the capital of the Company (**New Shares**) at an issue price of \$0.25 each, to raise a maximum of approximately \$124 million (before expenses of the issue). This will result in the Company having a maximum of 991,032,500<sup>1</sup> Shares on issue following the Offer. The New Shares will be offered on the basis of one (1) New Share for every one (1) Share held. The New Shares will have the same rights as, and will rank equally with, existing Shares on issue.

The Offer is non-renounceable. This means that there will be no trading of entitlements to subscribe for the New Shares (**Entitlements**) on the ASX and you may not dispose of your Entitlement to subscribe for New Shares under the Offer to any other party.

Please note that Shareholders at the Record Date that have an address registered outside Australia, New Zealand or the British Virgin Islands (**Excluded Shareholders**) will not be eligible to participate in the Offer. 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 Excluded Shareholders following the allotment and issue of those New Shares. The Company will distribute the proceeds (if any) pro rata to the Excluded Shareholders net of sale expenses (ie sales proceeds less brokerage and applicable GST). This process is set out in the Offer Booklet.

Eligible Shareholders who wish to subscribe for some or all of the New Shares making up their Entitlement must return a completed Entitlement and Acceptance Form with their application money by 7.00 pm (AEST) on 11 September 2009.

The Offer is partially underwritten by Patersons Securities Limited and Azure Capital Pty Ltd.

Shagang International Holdings Limited (**Shagang**), Grange's largest shareholder with 47.1%<sup>2</sup>, 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 subscribing for approximately 343 million shares (thus contributing \$85.8 million). The balance of the Offer, which is being fully underwritten, will contribute \$38.1 million.

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

<sup>1</sup> This number may increase by up to 16,310,000 New Shares in the event that existing option holders exercise their 15,990,000 options prior to the Record Date (though the Directors do not consider this to be likely) and up to 320,000 New Shares in respect of shares that Grange proposes to issue to employees prior to the Record Date pursuant to its employee incentive scheme.

<sup>2</sup> Includes 1,015,640 Shares held by Ever Lucky Developments Limited (an associate of Shagang)

The Offer is conditional on receiving a minimum subscription amount of \$85.8 million (representing 343,038,639 New Shares). If Grange does not receive applications for at least the minimum subscription amount, Grange will not proceed with the Offer.

The Restructure is conditional on various events occurring, including, Grange receiving the minimum subscription amount for and issuing at least 343,038,639 New Shares under the Offer and US\$7.4 million (A\$8.8 million<sup>3</sup>) of the Offer proceeds being used to repay part of the amount owed to Jiangsu Shagang International Trade Co., Ltd (**Shagang International**) pursuant to the Bank of China Letter of Credit Facility that was arranged by Shagang International.

The proceeds of the Offer will be used to reduce Grange's debt and provide funds for working capital. Further details are set out in the Offer Booklet.

As required under the Listing Rules, the Company informs you that no shareholder approval is required for the Offer and, therefore, no shareholder approval will be sought. The Company also informs you that it currently has no dividend policy.

The New Shares will be offered via the Offer without disclosure to Eligible Shareholders under Part 6D.2 of the Corporations Act 2001 (Cth) (**Corporations Act**) in accordance with the following timetable:

|  |                   |
|--|-------------------|
| Announcement of Offer and lodgement of Appendix 3B             | 18 August 2009    |
| Lodgement of Offer Booklet & Section 708AA(2)(f) Notice        | 18 August 2009    |
| Notice to Optionholders  | 18 August 2009    |
| Notice to Shareholders   | 19 August 2009    |
| Ex Date  | 20 August 2009    |
| Record Date  | 26 August 2009    |
| Dispatch of Offer Booklet and Entitlement and Acceptance Forms | 28 August 2009    |
| Offer opens  | 28 August 2009    |
| Offer closes at 7.00 pm (AEST)                                 | 11 September 2009 |
| Notification of under subscriptions                            | 16 September 2009 |
| Allotment of New Shares & dispatch of holding statements       | 21 September 2009 |
| Normal trading of New Shares to commence on ASX                | 22 September 2009 |

The timetable outlined above is indicative only and subject to change. The Directors, in conjunction with the Underwriters, reserve the right to vary these dates, including the Closing Date, without prior notice but subject to the Corporations Act and the Listing Rules. The Directors also reserve the right not to proceed with the whole or part of the Offer at any time prior to allotment.

In that event, or if the Company does not receive applications for at least the minimum subscription outlined above, the relevant application money (being the amount paid for New Shares applied for in a duly completed Entitlement and Acceptance Form) will be returned without interest.

Before taking up Entitlements under the Offer, Eligible Shareholders should read the announcements released to the market on 18 August 2009 and all the information set out in the Offer Booklet, including the risk factors. If you have any enquiries, please consult your professional advisor.

For further information on your entitlement to the Offer, or how to deal with the Offer, please contact the Company Secretary on (+61 8) 9321 1118 or the Company's Share Registry, Computershare Investor Services Pty Limited 1300 850 505 (within Australia) or (+61 3) 9415 4000 (outside Australia).

Yours sincerely



Stacey Apostolou  
**Company Secretary**

<sup>3</sup> Australian dollar equivalent of the payment made in US dollars shown at a USD/AUD exchange rate of 0.84.