



GRANGE
RESOURCES LIMITED
A.C.N. 009 132 405

17 February 2005

ASX/MEDIA ANNOUNCEMENT

MALAYSIAN PORT AGREEMENT ACCELERATES

GRANGE MAGNETITE PELLET PROJECT

Grange Resources Limited (**ASX: GRR**) is pleased to announce the Company has entered into a Heads of Agreement (“**HOA**”) to acquire sufficient land in the Malaysian port city of Kemaman to build a magnetite pellet project and secure port facilities.

The HOA follows Grange’s recently announced intention to undertake a bankable feasibility study on the development of the Southdown Magnetite Deposit, located 90 kms northeast of Albany in Western Australia, to produce iron ore pellets.

Both projects – the Albany mine and export facilities, and the Kemaman pellet project and port facilities - have forecast values in excess of \$400 million each, providing a forecast overall project value of \$800 million.

The HOA, which is conditional on meeting milestone project achievements, has been signed with Pilihan Alam Jaya Sdn Bhd and Sukma Samudera Sdn Bhd, which are wholly owned subsidiaries of Road Builder (M) Holdings Bhd (“**Road Builder**”). The HOA essentially seeks to acquire up to a maximum of 60 hectares of land and to obtain access to port facilities in Kemaman, which is located in the State of Terengganu.

Grange Executive Director, Mr Geoff Wedlock, said the acquisition of land and access to port facilities represents a significant step toward the development of an iron ore pellet plant to treat magnetite concentrate produced from the Southdown Project.

“Due to an availability of competitive energy supplies in South East Asia, Grange identified Kemaman as the most optimal site for the location and construction of a large-scale iron ore pellet plant to process the magnetite concentrate produced from the Southdown Project,” said Mr Wedlock.

The principal terms of the HOA are as follows:

- Pilihan agrees to grant Grange an exclusive option (“**Land Option**”) to acquire a minimum of 35 hectares and up to a maximum of 60 hectares of Land in the Teluk Kalung Industrial Estate for a period of two years. The total consideration payable to Pilihan for granting of the Land Option is payment of \$US228,000 by four instalments of:
 - \$US38,000 upon execution of the HOA;
 - \$US38,000 six months from the date of the HOA;
 - \$US76,000 twelve months from the date of the HOA; and
 - \$US76,000 eighteen months from the date of the HOA.

The Land Option period may be extended by mutual agreement between Grange, Pilihan and Sukma subject to a minimum period of six months by a further payment of \$US76,000 for each subsequent six month period.

- Within 45 days of the exercise of the Land Option, Grange and Pilihan shall execute a sale and purchase agreement in respect of Land that Grange elects to acquire. The purchase price applicable to the minimum parcel of Land which comprises 35 hectares is \$US6.94 million. The consideration for any additional Land acquired by Grange will be at a rate of \$US1.58 per square foot.
- Sukma agrees to grant Grange an option to acquire rights of priority access to the West Wharf, Kemaman Port for a period of two years (“**Port Option**”). The total consideration payable to Sukma for grant of the Port Option is payment of RM1.00.
- The Port Option if exercised by Grange must be exercised simultaneously with the Land Option. Grange shall have the right to install, operate and maintain loading, unloading and material handling systems from bulk cargo vessels up to 150,000 dead weight tonnes with a draught of 16 metres at all times. Grange shall also have the right to install, operate and maintain any ancillary equipment, including mobile equipment, incidental to the conduct of the loading, unloading and material handling operations subject to Sukma and port authority approvals of such engineering, construction and operations requirements. Grange would further provide a performance/maintenance bond of approximately \$US65,000 throughout the period.
- Grange will be levied a port charge on every tonne of material throughput at the West Wharf. The port charge will comprise of a base rate of \$US0.53 per tonne for all tonnage per year up to the minimum annual throughput of 10.0 Million tonnes per annum and an incremental rate of \$US0.47 per tonne for all tonnage above the minimum annual throughput.

Grange recently completed a scoping study on the Southdown Magnetite Project which investigated production of iron ore pellets for direct reduction and blast furnace use. The potential markets for direct reduction pellets would be to consumers in Malaysia and Indonesia and markets further away in the Middle East. The potential markets for blast furnace pellets would be to consumers in China, Japan, Korea and Taiwan. These markets are currently serviced from very distant suppliers in South America and Sweden. Grange plans to produce high quality pellets in Malaysia from magnetite concentrate shipped from the Southdown Project. The advantages of establishing a pellet plant in Malaysia are:

- creation of comparative shipping freight advantages due to proximity of potential markets and the source being in Australia;
- securing suitable industrial land for the development of a pellet plant;
- access to port infrastructure; and
- access to natural gas and competitive power supplies.

Mr Wedlock said the demand for high quality pellets for both the direct reduction market and the blast furnace market are expected to remain strong for the foreseeable future. Pellets for blast furnace use will be required to offset the declining quantity and quality of direct charge natural lump ores.

About Grange Resources Limited

Grange is a Western Australian based mining and exploration company listed on the Australian Stock Exchange. Projects include a 100% interest in the Southdown Magnetite Project, a 30% interest in the Reward Deeps underground copper mine in Queensland and gold royalties from the Freshwater and Red Hill projects in Western Australia. Grange's objective has been to grow through the acquisition, development and exploration of resource projects.

About Road Builder (M) Holdings Bhd

Road Builder (M) Holdings Bhd is a Malaysian public company listed on the Bursa Malaysia Securities Bhd. Its primary businesses include construction, property development, toll highways and port operations. Road Builder currently has a market capitalisation of approximately \$US350 million.

For further information in relation to this announcement or the Company, visit the Grange Resources Limited website at www.grangeresources.com.au or alternatively contact Mr Geoff Wedlock or Mr Alec Pismiris on (+618) 9321 1118.

ALEC PISMIRIS

Company Secretary

PRESS RELEASE – ROAD BUILDER (M) HOLDINGS BHD

STRICTLY TO BE RELEASED ON 17 FEBRUARY 2005

**RM1.3BN AUSTRALIAN INVESTMENT TO TRANSFORM KEMAMAN
INTO MAJOR STEEL HUB**

Road Builder's wholly-owned port subsidiaries Pilihan Alam Jaya (PAJ) and Sukma Samudera (SS) today signed an agreement with a publicly-listed Australian mining company Grange Resources Ltd (GRL) for GRL to invest US\$330m (RM1.3bn) to set up an iron ore pellet plant in Kemaman, Terengganu. The agreement will enable GRL to acquire up to 150 acres of prime industrial land in the Teluk Kalung Industrial Estate as well as to provide priority access to Kemaman Port's West Wharf.

Under the Heads of Agreement (HOA) signed today, GRL will ship magnetite concentrate from its mine in Southdown, Australia to its Kemaman plant which will convert the concentrate into iron ore pellets to be sold as feedstock to steel mills in the region. The proposed project is expected to take up to two years to proceed.

The investment by GRL is a significant development for the country as well as the state of Terengganu. YB Dato' Mohamed Awang Tera, Terengganu State EXCO member and Chairman of Terengganu State Committee for Tourism and Industry says that "this investment once again underscores the attractiveness of Malaysia as a destination for foreign direct investors (FDI). The State welcomes and fully supports this investment as it will spur industrial development in Terengganu, create significant job opportunities during construction as well as operation, and seals the future of Kemaman as the steel hub in the region in line with the aspirations of the State. Being the third steel-related plant in Kemaman after Perwaja Steel and Lion Plate Mill, this pellet plant is expected to supply pellet feed to direct-reduction steel plants and leading steel mills in the Asian region including China, Japan, South Korea, Taiwan, Middle East, Indonesia and Malaysia. We note that today the steel business is a very profitable one given soaring demand and depleting resources, and we hope that this latest investment by Grange will also attract more steel-related ventures to be set up in Kemaman."

Dato' Samsuddin Md Dubi, Joint Managing Director of the Road Builder group, says that "this investment is yet another feather in the cap for the State of Terengganu and the Barisan Nasional who has promised to spare no efforts to bring in investment to the State." Less than a month ago, the state government witnessed the ground-breaking ceremony for Kemaman Bitumen Sdn Bhd, a RM300m investment to set up Malaysia's first bitumen refinery.

Dato' Samsuddin, who is also Chairman of PAJ and SS added that "this investment will transform Kemaman Port into a major regional port, and take it a step forward towards realizing its potential as a gateway and transshipment hub for bulk cargo. Its natural deep water port with 17m depth is able to cater for vessels up to 150,000 dwt, making it ideal for heavy industries such as steel. In fact, the present situation of high mineral prices and escalating freight costs has prompted both shippers and millers to consider transshipping their cargo at Kemaman."

Tan Sri Chua Hock Chin, Executive Vice-Chairman of the Road Builder group, further adds that "for the Road Builder group, it is a significant step forward in building up our port division, and the group's recurring income base. In the next few years, this development will go a long way to further reduce the group's dependence on the highly competitive and cyclical construction industry."

"We are extremely excited at the prospects of GRL becoming a major investor in Kemaman, and we look forward to working closely with them in a mutually beneficial and satisfying relationship in the many years ahead."

Geoff Wedlock, Executive Director of GRL, confirms that "in our search for a suitable location for this project, the first of its kind in South East Asia, Kemaman stands out as the ideal choice due to the country's pro-business government policies, shipping freight advantages due to proximity of potential markets, abundance of economic power supplies and reliable water supplies, availability of land for plant development coupled with its proximity and accessibility to a deepsea port.

GRL is a Western Australian-based mining and exploration company listed on the Australian Stock Exchange. It holds equity positions and royalty interests in mining, development and exploration projects throughout Australia. GRL's objective has been to grow through the acquisition, development and exploration of resource projects.

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