

Press Release

30 August 2010



WELD RANGE RECEIVES POSITIVE SCOPING STUDY RESULTS FOR MID WEST STAINLESS STEEL REFINERY

Highlights

- JORC Code Inferred Mineral Resource: 63.5 million tonnes at 5.2% chromium, 38.1 % iron and 0.38% nickel at a cut off grade of 4% chromium
- Production rate: 310,000 tonnes of refined stainless alloys per annum (chromium, iron and nickel)
- Initial Mine Life: 25 years (Stage 1)
- Capital costs: A\$590 million
- Annual EBITDA: A\$272 million
- After tax NPV (at 11% real): A\$681 million
- After tax IRR: 23.2%
- Proceeding directly to Definitive Feasibility Study (**DFS**)

Weld Range Metals Limited (**Weld Range** or **the Company**) is pleased to announce positive Scoping Study results for the first stage of the Weld Range Metals Project (**Project**), a stainless steel project based on the chromium resources of the Company containing chromium, iron and nickel located in the Mid-West region of Western Australia.

The Project incorporates mining of the chromium resources and a stainless steel refinery that will produce refined stainless alloys for export as feedstock to stainless steel mills for the manufacture of stainless steel products.

The Scoping Study, which was undertaken by ProMet Engineers Pty Limited, found that Stage 1 of the Project is technically and economically feasible using process equipment and technology currently used by the steel industry.

The Project has attractive returns at current and forecast prices and is viable under a number of different development scenarios.

Weld Range Chief Executive Officer, Michael Naylor, said that the Company was very pleased with the key findings of the Scoping Study.

“The results find that Stage 1 of the Project is technically and financially robust.”

“The two key factors in the positive results are the favourable characteristics of the chromium resources and the attractive economics of the three stage pyrometallurgical processing plant for the production of refined stainless alloys.

“The findings are based on more than \$10 million in project expenditures, which include approximately 60,000 metres of drilling within the mining tenements of Weld Range to date,” he said.

“The Project has a significant resource base which will underpin a long mine life – well beyond the first 25 years anticipated in Stage 1.

Mr Naylor said the Project will position Weld Range as a strategic player in the supply of refined stainless alloys as feedstock to stainless steel mills for the manufacture of stainless steel products in Asia, Europe and the United States.

“By locating the stainless steel refinery in Western Australia, Weld Range retains the ‘value adding’ process. Rather than merely exporting bulk raw materials, Weld Range will export value added products in the form of refined stainless alloys containing chromium, nickel and iron,” he said.

“The Scoping Study results give us the confidence to proceed directly with the Definitive Feasibility Study.”

“We expect to progress the DFS upon completion of funding by the Company towards a development decision by the First Quarter 2012.”

-ENDS-

Competent Person’s Statement

The information in this report that relates to Mineral Resources is based on information compiled by Mrs Christine Standing of Snowden Mining Industry Consultants. Mrs Standing is a Member of the Australasian Institute of Mining and Metallurgy and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code of Reporting for Exploration Results, Mineral Resources and Ore Reserves. Mrs Standing consents to the inclusion in the report of the matters based on her information in the form and context in which it appears.

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WELD RANGE SCOPING STUDY DETAILS

About Weld Range Metals Limited

Weld Range Metals Limited is unlisted public company incorporated in Australia. The Company is focussed on the evaluation and development of vertically integrated production of refined stainless alloys from mining and processing of chromium resources within the mining tenements of the Company at Weld Range.

Scoping Study Engineers

The Scoping Study was undertaken by ProMet Engineers Pty Limited (“**ProMet**”) and included independent reports on:

- Geology, resources and mining by Snowden Mining Industry Consultants Pty Limited (“**Snowden**”);
- Market analysis and research, including price forecasts for chrome and demand and supply of raw materials and stainless steel products by Heinze H. Pariser (“**HHP**”) and SMR GmbH – Steel & Metals Market Research (“**SMR**”);
- Financial modeling and evaluation by Somerley Limited (“**Somerley**”).

Scoping Study Results

ProMet has reported that Stage 1 of the Project (as outlined in the summary below) is technically and economically feasible using process equipment and technology used in the steel industry today.

The Project has attractive returns at current and forecast prices and is viable under a number of different development scenarios.

The key financial outcomes of the base case for Stage 1 of the Project are summarised below:

▪ Capital costs:	A\$590 million	(US\$501 million)
▪ Annual operating income:	A\$407 million	(US\$326 million)
▪ Annual operating costs:	A\$135 million	(US\$109 million)
▪ Annual EBITDA:	A\$272 million	(US\$217 million)
▪ Cumulative EBITDA (Stage 1):	A\$6,403 million	(US\$5,122 million)
▪ Project returns (un-g geared real):		
After tax NPV at 11% real:	A\$681 million	(US\$545 million)
After tax Internal Rate of Return:	23.2%	

The Scoping Study is based on more than \$10 million in project expenditures which includes approximately 60,000 metres of drilling within the mining tenements of Weld Range to date.

Stage 1 of Project – Summary

The development and operating parameters of the base case for Stage I of the Project evaluated by ProMet are as follows:

- **Resources:** Inferred Mineral Resource of 63.5Mt @ 5.2% chromium, 38.1% iron and 0.38% nickel at a cut-off grade of 4% chromium reported in accordance with the JORC Code.
- **Mining:** Open pit mining and crushing of 600,000 tonnes of ore per annum containing chromium, iron and nickel from an initial pit with strip ratio of 1.5 and maximum pit depth of 32.5 metres.
- **Transport:** Crushed ore transported by rail from mine site at Weld Range to the stainless steel refinery at or near Geraldton/Oakajee on coast.
- **Processing:** Three stage pyro-metallurgical process incorporating rotary hearth furnace, electric arc furnace and refining furnace with power station and co-generation facilities.
- **Production:** 310,000 tonnes of refined stainless alloy per annum containing chromium, iron and nickel containerised for export through the Geraldton Port or Oakajee Port.
- **Product:** Ingots, granules or other form with composition according to requirements of customer:
 - 200 Series Alloy:** ~18% Cr, ~80% Fe; ~1% Ni.
 - Duplex Alloy: ~22% Cr, ~74% Fe; ~3.5% Ni.
 - 300 Series Alloy: ~18% Cr, ~75% Fe; ~7% Ni.

The base case for Stage 1 of the Project represents 100% of production in 200 series.
- **Markets and Sales:** Stainless steel mills in Asia, Europe and USA under term off-take agreements.
- **Pricing:** The financial model for evaluation of the base case for Stage 1 of the Project adopts price forecasts to 2020:
 - Exchange rate: 1\$A = US\$0.80/0.85.
 - Chromium price: US\$1.46/lb (discounted).
 - Nickel price: US\$7.11/lb (discounted).
 - Iron price: US\$350/tonne (Iron scrap).
- **Initial Mine Life:** 25 years (Stage 1 only).
- **Project Strategy:** Staged expansions in capacity and output during Stage 1.

Development in the Mid West Region

The Project is based in the developing Mid West Iron Ore Province of Western Australia. The mineral resources of the Company are adjacent to the iron ore deposits of Sinosteel Midwest at Weld Range.

Sinosteel Midwest recently announced completion of the Bankable Feasibility Study for direct shipping ore (**DSO**) from its Weld Range deposits. The project provides for the investment of \$2 billion to produce 15 million tonnes of DSO per annum for a period of 15 years providing foundational tonnages as a cornerstone customer of the Oakajee port and rail (**OPR**) infrastructure.

Weld Range plans to become a significant user of the OPR rail infrastructure for the transport of large tonnages of resources containing chromium and nickel from staged expansions at Weld Range. However, the Scoping Study also shows that Stage 1 of the Project is economic by transporting ore by road from the mine site to the stainless steel refinery on the coast.

Most of the capital investment by the Company in Stage 1 of the Project relates to the establishment of the strategic stainless steel refinery for export of refined stainless alloys and import of raw materials, including chromite and nickel concentrates, near Geraldton.

Stage 1 of the Project will require a construction workforce of around 1,000 contractors and provide permanent employment for 225 people. It will also generate approximately A\$2 billion in taxes and royalties.

Stainless Steel Outlook

Evaluation of Stage 1 of the Project has required detailed market research and analysis to assess the structure, demand, supply and pricing of raw materials and stainless steel products in the international stainless steel market.

The refined stainless alloys to be produced by the Company will be feed stock to stainless steel mills as a replacement for stainless steel scrap. Weld Range's product will have a number of advantages over stainless steel scrap including:

- A consistent quality with a certified metal composition.
- Reduced costs in terms of power consumption, reagents and melting.
- Greater flexibility and efficiency compared with bulk raw materials and stainless steel scrap.

Market monitoring and reports by HHP indicate that industry conditions are improving and that recovery is underway in the international stainless steel industry.

Independent studies show that the demand for stainless steel is forecast to grow at an average of 7% per annum to 2015.

Review of Mineral Resource Estimate for Chromium

The Scoping Study was based on an Inferred Resource of 63.5 million tonnes at 5.2% chromium, 38.1% iron and 0.38% nickel at a cut-off grade of 4% chromium and a specific gravity of 1.5 t/m³. Snowden has been engaged to review the mineral resource estimate for chromium based on the findings of the Scoping Study

Resource Estimate for Nickel Mineralisation

Weld Range has commenced the evaluation of the nickel mineralisation within its mining tenements at Weld Range.

Snowden has been engaged to prepare a Mineral Resource estimate reported in accordance with the JORC Code for the nickel laterite material within the mining tenements of the Company at Weld Range.

Definitive Feasibility Study Appointments

The appointment of independent engineers and financial advisers for the Definitive Feasibility Study (DFS) and Stage 1 of the Project will be announced soon by the Company.

Timetable

Subject to completion of capital raisings, the Company plans to complete the DFS for a development decision by First Quarter 2012 and based on the findings of the DFS proceed with construction over the following 2 years for commissioning by the March Quarter of 2015 to coincide with commencement of the Oakajee rail network.

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Weld Range Metals Limited - Shareholders

Atomaer Nominees Pty Limited is the registered holder of 60% of the issued capital of the Weld Range. It is an associate of Atomaer Holdings Pty Limited, a process technology and project development company based in Perth with operating companies and projects in Western Australia, South Africa, Chile, Brazil and the United Kingdom.

Dragon Mining Limited (DRA.ASX) is the registered holder of 40% of the issue capital of the Company. Dragon is a gold mining and exploration company listed on ASX with operating gold mines in Sweden and Finland.

Weld Range Metals Limited - Mining Tenements

The mining tenements of the Company comprise a package of contiguous mining leases and prospecting licenses with a combined area of approximately 7,800 hectares covering the Weld Range Layered Ultramafic Complex located 65 kilometres south west of Meekatharra. (Fig 1)

The Company has held interests in the mining tenements since 1986. It completed the acquisition and consolidation of all of the minerals rights comprising the Weld Range mining tenements from Minara Resources Ltd and Austmin Platinum Mines Pty Ltd in December 2009.

Stainless Steel

Stainless steel is a generic term for a group of different steels used primarily for resistance to corrosion. The one key element they all share is a minimum of 10.5% of chromium by mass.

Like all types of steel, stainless steel is not a single metal but an alloy made from two or more separate elements alloyed or melted together. Varying additions of nickel, molybdenum, titanium, niobium and other elements may be added to improve corrosion resistance.

The success of stainless steel arises from one unique advantage. The chromium in the stainless steel has a great affinity for oxygen and will form a molecular film of chromium oxide on the surface of the steel. Although extremely thin, this invisible inert film is tightly adherent to the steel and extremely protective in a wide range of corrosive media. Damage by abrasion, cutting or machining is instantly repaired.

Stainless steel has a diverse range of uses globally. Consumption is grouped into five end uses: process industries, domestic appliances and utensils, automotive and transport, food processing and architecture.

The global market in terms of crude stainless steel production is approximately 26,000,000 tonnes per annum, as reported by the International Stainless Steel Forum. Although stainless steel consumes approximately 65% of all nickel produced annually, global nickel production of 1,500,000 tonnes per annum is small by comparison.

Stainless Steel:



Stainless steel coil



Stainless in process plant



Stainless steel sink

Figure 1. Location of Weld Range Metals Project

