

REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2009

HIGHLIGHTS

- Grange remained Australia's largest producer and exporter of high value magnetite products.
- Successfully completed rights issue raising \$123 million.
- Debt levels and ongoing liabilities significantly reduced.
- Deferred liability to Stemcor successfully restructured.
- Consolidated net profit after tax for 2008/09 of \$86 million for 2008/09.

COMPANY SUMMARY

Grange Resources Limited (**Grange** or **Company**) has had another successful quarter with the highlight being completion of the capital raising, through a rights issue, and the restructuring of a deferred consideration payment to Stemcor Pellets Limited (**Stemcor**).

Following a challenging first half of the calendar year, in which a US\$40 million working capital facility was repaid, loans were established to facilitate Fixed Consideration payments to Stemcor (as part of a previous purchase) and the iron ore price fell, the Board considered that a capital raising was necessary to improve the Company's balance sheet by reducing liabilities and providing funds for working capital.

The cornerstone investors (Shagang International Holdings Limited, RGL Holdings Co. Pty Ltd and Pacific International Co. Pty Ltd) (**Cornerstone Shareholders**) fully participated in the rights issue, showing a strong ongoing commitment to the success of the Company.

In addition, an onerous deferred consideration payment schedule (effectively a royalty from 2011-2023) to Stemcor was re-structured as an ongoing royalty of 2% of gross revenue plus the issue of 55 million ordinary fully paid shares. This change has significantly reduced the royalty burden in the future and will further help to ensure the success of the mine.

SAVAGE RIVER OPERATIONS

Production

	Sept Qtr 2009	Sept Qtr 2008	Full Year 2009
Total BCM Mined ('000)	4,118	4,030	17,745
Total Ore BCM Mined ('000)	450	165	997
Concentrate Produced ('000 tonnes)	551	620	2,289
Weight Recovery (Dry) (% DTR)	36.6	44.5	44.2
Pellets Produced ('000 tonnes)	515	583	2,174
Pellets Sold ('000 tonnes)	619	648	2,175
Concentrate Shipped ('000 tonnes)	-	27	60
Pellet Stockpile ('000 tonnes)	176	218	280
Concentrate Stockpile ('000 tonnes)	28	23	4
Direct Operating Cost US\$/tonne Pellet Sold	79	60	56

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

Mining volume from the open pit was slightly better than the corresponding quarter last year, but suffered slightly due to an incredibly wet winter. Direct operating costs were high, reflecting a strong Australian dollar, the continued use of high cost equipment that is planned for replacement, and high cost power that occurred in July. An ACCC investigation is currently underway to establish the validity of the electricity charges levied in July. Low grade ore contributed to fewer pellet tonnes being produced, which adversely affected the unit costs.

SOUTHDOWN MAGNETITE PROJECT (“SOUTHDOWN”) (Grange 70%; Sojitz Resources & Technology Pty Ltd (“Sojitz”) 30%)

Environmental Approvals

Mine

The Environmental Protection Authority (EPA) published its Bulletin for the Southdown mine environmental approvals on 30 June 2008. The release of the Bulletin was the culmination of extensive studies and submissions to the EPA by the Company over a number of years.

The EPA has recommended approval of the project to the Minister for the Environment with appropriate conditions and procedures.

The Southdown Joint Venture (the **Joint Venture**) has appealed some of the conditions, as have other parties, and this has been reviewed by the Appeals Convenor.

A final recommendation has been submitted to the Minister for the Environment who is currently consulting with the relevant decision making authorities, ahead of making a final decision which is expected in the December quarter.

Port

The Port of Albany is currently undertaking the Environmental Approval process with respect to proposed works in Albany Harbour. The Public Environmental Review commenced in September 2008.

The Response to Submissions section was completed and submitted to the EPA's Services Unit in March 2009. The Joint Venture is currently waiting for the EPA's Services Unit to issue the Environmental Bulletin, which is now anticipated to occur during the December quarter.

The project team remains focused on high value activity, such as securing permits, land access ore body modelling and water requirements. Both Joint Venture partners see the necessity to have the critical permits progressed for this project and are confident of seeing significant progress in the December quarter.

BUKIT IBAM PROJECT (Grange Minerals Sdn Bhd - 51%)

The construction of the Bukit Ibam processing plant was completed in March 2009. The plant, during the ramp up period has experienced normal commissioning issues which are being addressed. Once running at full production the project will produce 100,000 tonnes of magnetite concentrate per year for sale on the spot market and shipping out of Kuantan Port.

Total concentrate production during the quarter was approximately 12,000 tonnes of concentrate as compared with a design target of 25,000 tonnes, whilst ore milled was 29,600 tonnes compared to a design target of 75,000 tonnes. Production has been impacted by commissioning issues with one of the mills which reduced mill utilisation. This issue was rectified in September.

In May, the Company reached a heads of agreement with Ophir Mining and Exploration Sdn Bhd, a Malaysian domiciled company, for Ophir to acquire its 51% interest in the Bukit Ibam Joint Venture and 100% of the Company's interest in a tailings area nearby on the following terms. At the time of lodging the last quarterly report, it was anticipated that execution of the Sale and Purchase Agreement would have occurred by the end of July. This did not occur and negotiations have continued.

CORPORATE MATTERS

Stemcor Payment

As part of the legacy obligations arising from previous ownership changes in Australian Bulk Minerals:

1. Grange was to pay Stemcor US\$18 million in October 2009 and US\$18 million in October 2010.
2. From 2011-2023, Stemcor also had in place an annual deferred consideration (DC) payment calculated as follows:

$$DC = 20\% \times (\text{Pellet Benchmark price for the relevant year} - \text{US\$47.50}) \times \text{pellets shipped in the relevant year.}$$

This formula was such that even if the iron ore price remained the same in real dollar terms, in nominal dollar terms it would increase, leading to an ever increasing royalty.

If this formula was used for the iron ore prices available in 2008/09, the DC payment to Stemcor would have approximated US\$45 million, assuming pellets shipped of 2.5 million tonnes

As a result of the re-structure, Grange and Stemcor negotiated alternative terms whereby Stemcor received a payment of US\$34 million, 55 million ordinary fully paid shares and will receive a royalty calculated as 2% of gross revenue for the period 2012-2023. The revised terms provide Grange with the absolute knowledge of what the royalty percentage will be, unlike the previous arrangement.

Bank of China Letter of Credit

In June 2009, Grange's major shareholder, Shagang, assisted the Company by arranging a US\$40.8 million Letter of Credit Facility for Grange to meet a Fixed Consideration payment made earlier in the year and for working capital purposes.

As a result of the capital raising, as at the end of September, US\$5.3 million of the BOC loan has been repaid, with a further US\$2.1 million to be paid during October. In November, 2009, shareholders will be asked to approve a 99.8 million placement of ordinary fully paid shares to the Cornerstone Shareholders to raise a further \$28.9 million. This will be used to repay a further \$21.1 million of the BOC facility such that this facility is reduced to US\$15.6 million. Other than financing leases for equipment, this is the only debt that the Company will have.

Cash Reserves

The cash and cash assets of Grange at 30 September 2009 were A\$75 million, significantly increased as a result of the successful capital raising

Issue of Shares

The Company issued a total of 552,532,026 ordinary fully paid shares during the quarter, in part through the rights issue, and in part through the placement of shares to Stemcor in consideration of the Deferred Consideration.

Shareholders will be asked to approve the placement of 99.8 million ordinary fully paid shares to the Cornerstone Shareholders (**Cornerstone Placement**) at the Company's Annual General Meeting to be held on 25 November. The shares are being placed at a price of \$0.29.

At the conclusion of the Cornerstone Placement there will be 1,147,848,276 ordinary fully paid shares on issue.

-ENDS-

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