

## REPORT FOR THE QUARTER ENDED 31 DECEMBER 2008

### HIGHLIGHTS

- Shareholders ratify proposed Merger with Australian Bulk Minerals
- Conditions precedent to Merger satisfied and transaction completed 2 January 2009
- Grange transformed into Australia's leading producer and exporter of high value magnetite iron products.
- Savage River operation achieves record pellet and concentrate production and revenue during calendar year 2008
- Sojitz completes the acquisition of its 30% interest in Exploration Licence 70/2512 for \$13.4 million and a 0.3% royalty on production from the adjoining mining leases
- 10,000 metre in-fill diamond drilling program at Southdown completed, with subsequent updated resource model expected to be completed by June 2009
- Crushing circuit at Bukit Ibam fully operational

## MERGER WITH AUSTRALIAN BULK MINERALS (“ABM”)

During the quarter, shareholders ratified the proposed merger of Grange and ABM. The remaining conditions precedent to the transaction were subsequently satisfied and the transaction was completed on 2 January 2009.

The merger transforms Grange into Australia’s leading producer and exporter of high value magnetite iron products.

The merger also offers the first opportunity, in recent times, for Australian investors to directly invest in a long life magnetite iron product producer, with a proven operational history at Savage River and a robust future production profile.

The currently producing Savage River operations, combined with the future opportunity of the Southdown project provide a strong investment proposition.



Post merger consolidation activities are now underway, with a number of potential management and operational improvements being reviewed.

At completion, the ABM selling shareholders were issued with a total of 380,025,554 ordinary fully paid shares in the Company representing 77% of the Company on an enlarged undiluted basis.

Post-completion, a number of Directors have joined the Grange Board, which now comprises:

- Mr Xi Zhiqiang – Chairman;
- Mr Neil Chatfield – Deputy Chairman;
- Mr Russell Clark – Managing Director;
- Mr Wei Guo – Non-executive Director;
- Mr Clement Ko – Non-executive Director;
- Mr Anthony Bohnenn – Non-executive Director;
- Mr Peter Stephens – Non-executive Director; and
- Mr Dave Sandy – Non-executive Director.

In accordance with the share sale agreement, three members of Grange’s existing Board tendered their resignations and the Company would like to express its gratitude for their assistance during their respective terms:

- Mr Richard Krasnoff;
- Mr David Macoboy; and
- Mr Doug Stewart.

Russell Clark will continue as Grange's Managing Director and Chief Executive Officer, and the Company will remain headquartered in Perth, Western Australia.

The effective date of the merger was determined as 30 June 2008, and the results of ABM (from that effective date) will be consolidated with Grange with effect from the completion date of 2 January 2009.

## SAVAGE RIVER

The Savage River operation achieved a number of milestones during 2008 (prior to completion of the Merger, Savage River operated on a 31 December financial year end) namely:

- Concentrate production of 2,491,824 tonnes, a record production figure for this operation; and
- Pellet production of 2,376,726 tonnes, another record for this operation.

### *Key Performance Indicators*

	Year to date (Dec 08)
Ore Crushed (tonnes)	5,977,747
Concentrate Produced (tonnes)	2,491,824
Pellets Produced (tonnes)	2,376,726
Sales – Pellets (tonnes)	2,227,498
Sales – Concentrate (tonnes)	90,049
Sales – Chips (tonnes)	68,012

### *Mine Life Extension Plan (MLEP)*

Savage River initiated the Mine Life Extension Plan (MLEP) in mid 2007, proposing to extend production for a further 14 years (to 2021) at a rate of 2.5Mtpa. Since 2007, approximately A\$106 million has been spent on project improvements, including new infrastructure and capital works to support future mining operations.

Grange is now finalising the feasibility study for a production expansion of concentrate. Based on the initial work carried out the expansion plan has been assessed as economic and it is planned to begin the plant upgrades in mid 2009. This expansion targets additional mining of mineral resources and ore reserves from North Pit, Centre Pit South, South Deposit and Long Plains (current exploration target) as appropriate. The fifth furnace line at Port Latta will require upgrading and increased filtering capacity of slurry will also be required. Other capital requirements at the concentrator and pipeline are being reviewed and/or refurbished.

Grange intends to carry out the future enhancements in the most cost effective manner possible, utilising available cash flow and existing capital infrastructure.

### *Off Take Arrangements*

During the quarter, one of Savage River's major customers, Bluescope Steel, cancelled contracted shipments that were due for delivery during the quarter. Reflecting the importance of the relationship with Grange's supportive major shareholders, Savage River was able to sell these shipments at a minimum price of \$US80 per tonne to Shagang, Grange's largest shareholder.

Grange benefits from the majority of its product being sold into long term off take arrangements, rather than the volatile spot markets.

### *Mining Fleet and Maintenance Facility*

Savage River has completed construction of a A\$20m on-site maintenance facility, to ensure all work can be carried out according to industry best practice. The maintenance facility has been established to support the all-new mining fleet, which began operating in early 2008, leading to substantial operational improvements.

## ***2008 Tasmanian and Australian Training Awards - Employer of the Year***

The Savage River operations were winner of the Employer of the Year for the 2008 Tasmanian Training Awards. The result reflects the commitment Savage places on a world's best practice for work force training and mining operations, including a recently completed state of the art simulator centre. The awards recognise and honour the achievements of employers, small businesses and training organisations for their dedication to providing the highest quality training and enhancing the skills of the workforce in the State.

Following the Tasmanian award, Savage River was nominated for the 2008 Australian Training Awards where it was awarded the 2008 Industry Award for Resources and Infrastructure.

## **SOUTHDOWN MAGNETITE PROJECT ("SOUTHDOWN") & KEMAMAN PELLET PROJECT (Grange 70%; Sojitz Resources & Technology Pty Ltd ("Sojitz") 30%)**

### ***Sale of 30% Stake in Eastern Extension of Southdown***

In November, the sale of a 30% stake in Exploration Licence E70/2512 to Sojitz was completed. As a result, Sojitz now has a 30% joint venture interest in the whole of the Southdown project.

In accordance with the agreement entered into between the parties, Sojitz has paid to Grange a cash payment of \$13.4 million, of which \$8.7 million will be used to continue the funding of Grange's share of the feasibility study being undertaken for Southdown. In addition, a revenue based royalty of 0.3% will be payable from Sojitz's share of production from the three adjoining mining leases M70/433, M70/718 and M70/719.

### ***Diamond Drilling***

In late September 2008, a 10,000 metre infill diamond drilling program commenced at Southdown with the objective of upgrading the western portion of the deposit to a Measured resource. The drilling component of the program is now complete. In addition one 500 metre hole has been drilled within E70/2512 as part of the program.

The core from the drilling program is currently being logged, sampled and assayed. Results of this sampling program are anticipated to be available in April 2009 and the Resource Model will be then updated for a planned release by June 2009.

### ***Metallurgical Testwork***

Following completion of the 2008 testwork to determine process characteristics, the remaining testwork to be undertaken is being carried out by Metso in the USA at their Pot Grate Simulation Laboratory.

The work underway is to determine pelletising characteristics using magnetite concentrate from the orebody, limestone from Malaysia and bentonite from India. The results from this work, which are expected during the March quarter, will then provide the basis for Travelling Grate furnace simulations & engineering detail.

In addition to the above some further optimization of the plant layout and design of the concentrator will be reviewed to ensure cost effectiveness of capital & operating costs

### ***Environmental Approvals***

#### **Australia**

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.

The EPA has recommended approval of the project to the Minister for the Environment with appropriate conditions and procedures. It is expected that a final recommendation will be submitted to the Minister for the Environment in the first quarter of 2009 and that the approvals process should be completed by mid 2009.

The Albany Port Public Environmental Review document was released in September 2007 for its 8-week public comment phase. The Albany Port Authority is due to submit a response report to the EPA addressing matters raised, by the first quarter of 2009.

### Malaysia

Environmental Approval for the Kemaman pellet plant has already been received from the Ministry of Natural Resources and Environment in late 2006. The Environmental Approval was recently extended for a further 2 years to November 2010.

### ***Project methodology***

In November 2008, the Southdown joint venture adopted a more structured approach to the project development. This approach involves sections of study work being followed by significant peer review as they are completed to ensure the study is of appropriate quality. Once the peer review is complete and both Grange and Sojitz have reviewed its findings, the project is then approved to go to the next stage.

The merger with ABM provides Grange with access to significant magnetite mine operating experience. Accordingly, the ABM operations team has been providing significant input into the peer review of the feasibility study work.

Project activity has been focused on the most cost effective activities whilst this peer review process is undertaken. With the volatility in the world financial markets and the tightened operating conditions in the iron ore industry, the project team is focused on high value activity, such as securing permits, land access, metallurgical testwork and ore body modelling.

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

Construction of the Bukit Ibam processing plant continued during the quarter. Commissioning of the plant is expected to be complete by February 2009 with a production rate of 100,000 tonnes per year magnetite concentrate for sale on the spot market and shipping out of Kuantan Port.

Plant construction is well advanced (Figure 1), with the crushing circuit fully operational since December 2008. The installation of rod mills and magnetic separators is complete and currently awaiting the connection of power to make the whole plant fully operational.

The pit has been prepared for mining and, due to monsoonal rain, is now scheduled to recommence in February 2009. The plant will initially process the existing ore stockpiles on the mining lease.



Figure 1: Bukit Ibam processing plant site and crushed ore

## CORPORATE MATTERS

### *Cash Reserves*

The cash and cash assets of Grange at 31 December 2008 was \$12.8 million.

### *Issue of Shares and Options*

Following shareholder approval, 6.3 million options were issued to Directors' of the Company and 0.45 million options lapsed in accordance with their terms.

-ENDS-

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