



GRANGE
RESOURCES LIMITED
ABN 80 009 132 405

REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2008

HIGHLIGHTS

Merger with Australian Bulk Minerals

Agreed merger of Grange Resources Limited ("Grange") and Australian Bulk Minerals ("ABM").

This Merger transforms Grange into Australia's leading Magnetite producer.

Benefits of the merger include –

1. Strong strategic fit between production and development assets

- Becomes the largest Australian exporter of high value magnetite products
- Combines large resources with long production life and substantial expansion potential
- Incorporates substantial installed infrastructure with an estimated replacement value of >\$1b
- Absorbs experienced management team with operational expertise in magnetite
- Provides proven ABM planning and production model that can be adopted at the Southdown Project

2. Immediate cash generation with materially enhanced funding ability

- Provides Grange with a positive cashflow from 1 July 2008 on a pro forma basis
- Provides an enhanced financial platform to develop Southdown, which will better position the Company to deal with the recent financial market turmoil
- Incorporates a strategic Chinese shareholder providing access to potential new funding sources
- Reduces reliance on equity capital markets and minimises dilution to shareholders

3. Outstanding opportunity to maximise value for Grange Shareholders

- Enhanced scale and market position is expected to attract greater interest from institutional investors
- Grange will join the ranks of significant producers targeted by investors
- Only pellet exporter in Australia close to major growth markets
- Improves the risk profile of Grange through diversification

Southdown Magnetite & Kemaman Pellet Project

Sojitz agrees to buy 30% stake in Exploration Licence 70/2512 for \$13.4 million and a 0.3% royalty on production from the adjoining mining leases, bringing the total royalties payable by Sojitz to 3.8% of the value of its share of annual production.

10,000 metre in-fill diamond drilling program commenced during the quarter.

Bukit Ibam Project

Construction of the processing plant to produce 100,000 tonne of Magnetite concentrate per annum is well advanced and will be completed before the end of 2008.

MERGER WITH AUSTRALIAN BULK MINERALS ("ABM")

Grange announce on 25th September 2008 that it has entered into binding agreements to merge with ABM to create a leading mid-cap iron ore group with complementary production and development assets.

The merger will be effected through Grange acquiring 100% of the holding companies of ABM from Shagang International Holdings Limited ("SI"ⁱ), RGL Holdings Co. Ltd ("RH"ⁱⁱ), Pacific International Co., Pty Ltd ("PI") and Stemcor Pellets Ltd ("Stemcor") by issuing approximately 380 million Grange shares. SI is a wholly-owned subsidiary of Jiangsu Shagang Group Co., Ltd ("Shagang"), the largest private steel producer and the third largest steel producer in China in 2007.

The transaction is subject to a number of conditions. These include approval by Grange shareholders at a meeting expected to be held in December 2008, FIRB approval, approvals from relevant Chinese authorities, no material adverse change in Grange and ABM and an Independent Expert concluding the transaction is fair and reasonable to Grange shareholders. On completion of the Merger, Grange will be catapulted into the top ranks of the mid tier resources companies listed on the ASX. Existing shareholders of Grange will hold 24.8% of Grange on a fully diluted basis with the ABM Shareholders receiving 75.2%.

Key assets of the merged entity will be 100% of the Savage River magnetite mining and pellet operation in Tasmania – Australia's largest pellet producer – and 70% of the Southdown magnetite development project near Albany in Western Australia.

Savage River produces 2.3Mtpa of blast furnace pellets with plans to increase production to 2.9Mtpa. Savage River has resources of 323Mt of magnetite at a grade of 50.5% Fe and reserves of 131Mt of magnetite at a grade of 48.9% Fe. Its major customers are Shagang and BlueScope Steel.

Key financial information for the merged entity is outlined in the table below. ABM currently reports on a calendar year basis and actual results for the first half of the year are shown along with an estimate for the second half of the year based on assumptions which are uncertain in nature.

Revenue is expected to increase in the second half of 2008 primarily as a result of an increase in pellet prices. Tonnages are based on management plans for Savage River but may vary from those shown below. Expected EBITDA is approximately A\$80m to A\$90m for the second half, a significant increase over the first half.

MergeCo Calendar year (pro-forma)	Unit	H1 2008 (actual)	H2 2008 (forecast) ²
Pellets sold	Mt	1.1	1.1 to 1.2
Average price received	A\$/t	76.6	130 to 140
Pellet revenue	A\$m	83.3	155 to 165
Other Revenue ¹	A\$m	4.2	~ 15
Total Gross revenue	A\$m	87.5	170 to 180
EBITDA	A\$m	23.3	80 to 90

¹ Includes revenue from Grange and concentrate and chip sales

² Refer note regarding "Forward Looking Statements"

The Directors of Grange unanimously recommend that shareholders vote in favour of the transaction and intend to vote the shares they own in favour of the transaction, in both cases in the absence of a superior offer and subject to an Independent Expert concluding that the transaction is fair and reasonable to Grange shareholders.

Russell Clark will remain as the Managing Director and Chief Executive Officer of Grange. The Board of Directors of Grange will change to reflect the new shareholder ownership of the merged group. The Board will comprise 8 members including Russell Clark and Anthony Bohnenn from the current Grange Board, Dave Sandy (current Managing Director of ABM), Clement Ko, Bin Shen and Feng Gao as representatives of existing ABM shareholders and two independent non-executive directors who are yet to be appointed.

Grange will hold a shareholder meeting to vote on the merger in December 2008.

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

The following summary report is an update on progress achieved with the Southdown Magnetite Project to date.

Overview

Located approximately 90 kilometres northeast of the Port of Albany on the south coast of Western Australia (Figure 1), the Southdown Magnetite deposit is approximately 12 km in length and represents the largest known premium quality magnetite deposit of its kind in the southern portion of Western Australia.



Figure 1: Location of Southdown Magnetite Project, Albany WA

The development plan is to mine the Southdown Magnetite deposit using proven open pit mining methods with the magnetite mineralisation being crushed, ground, screened and then magnetically separated to produce a magnetite concentrate at a planned production rate of up to 7 Mtpa.

The magnetite concentrate will be pumped as slurry, approximately 100 km to a concentrate storage facility at the port of Albany before being loaded on to capsize vessels and shipped to an iron ore pellet plant to be located in Kemaman, Malaysia. Filtered water recovered from the slurry will be pumped back to the mine site for re-use in the concentrator via a return water pipeline buried beside the slurry pipeline.

At Albany Port, the construction of a new berth will be required and the Albany Port Authority will provide up to 9 hectares of land to accommodate a concentrate storage facility and ship loading infrastructure. Widening of the existing shipping channel into the Princess Royal Harbour and extending the channel into King George Sound is also proposed to facilitate the use of capsize vessels.

Grange has a Heads of Agreement with subsidiaries of Malaysian company IJM Corporation Bhd to secure the future use of infrastructure at Kemaman on the east coast of peninsular Malaysia, comprising an existing deep water wharf and 60 hectares of land for the pellet plant. The design capacity of the pellet plant is 6.8 Mtpa.

In September 2007 Grange completed a transaction with Rio Tinto Exploration Pty Ltd to acquire a 100% interest in Exploration Licence E70/2512 which contains the eastern 6km extension of the Southdown magnetite deposit.

On 1 October 2008 Grange completed a transaction with Sojitz whereby Sojitz will acquire a 30% interest in E70/2512. Sojitz will pay Grange a cash consideration of \$13.4 million and a revenue based royalty of 0.3%, payable on Sojitz's share of production from the three adjoining mining leases M70/433, M70/718 & M70/719. The royalty is additional to Sojitz's existing royalty with Grange, and based on current iron ore prices, would bring the total royalties payable by Sojitz to 3.8% of the value of its share of annual production. As a result of this sale Sojitz now have a 30% JV stake in the whole of the Southdown Magnetite Project.

Diamond Drilling

A 10,000 metre program of infill diamond drilling at Southdown commenced in late September 2008. The purpose of the drilling programme is to upgrade a substantial portion of the inferred resources located within the western portion of the deposit to measured resource status. In addition one 500 metre hole has been drilled within E70/2512 as part of the program.

Metallurgical Test Work

In January 2008 Grange announced the signing of a Memorandum of Understanding ("MOU") between the Company and Sojitz with Metso Minerals (Australia) Limited ("Metso") for the Project. Under the terms of the MOU Metso has been undertaking further extensive metallurgical test work on a 30 tonne bulk sample from the Southdown deposit in Australia, the United States and Europe to determine the optimum processing circuit for the project. This test work was largely completed during the year and has identified the preferred processing circuit.

The test work culminated in the production of approximately 4 tonnes of concentrate from a pilot plant facility in Perth. Prior to the pilot plant run final grind size bench test work was undertaken to determine the optimal grind size for the concentrate and confirmed that at a grind size of 34 microns the silica content of the concentrate could be reduced to less than 1%. Overall the bench test work produced the following excellent results.

Conc Sizing	Fe %	SiO ₂ %	Al ₂ O ₃ %	TiO ₂ %	MnO %	CaO %	P %	S %	MgO %	Cr ₂ O ₃ %
P80 34µm	69.87	0.80	1.39	0.400	0.042	0.059	0.002	0.210	0.14	0.026

The extensive metallurgical work undertaken over the past three years has lead to improvements to the process design flow sheet which has resulted in significant improvements to the quality of the concentrate being produced from the pilot scale plant.

Environmental Approvals

Australia The Environmental Protection Authority (EPA) publishing its Bulletin 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 those conditions and procedures. It is expected that a recommendation will be submitted to the Minister for the Environment before the end of 2008 and that the approvals process should be completed in early 2009.

The Albany Port Public Environmental Review document was released in September 2007 for its 8-week public comment phase. During the quarter the Albany Port Authority submitted a response report to the EPA addressing matters raised during the public comment phase.

Malaysia Environmental Approval for the Kemaman pellet plant has already been received from the Ministry of Natural Resources and Environment in late 2006. An application to extend the approval period for a further 2 years to November 2010 was received during the quarter.

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

The Bukit Ibam Project is located at the former Bukit Ibam iron ore mine, in Pahang State, Malaysia (see Figure 2). The mine operated from 1962 and produced approximately 22 million tonnes of haematite and magnetite ore before closure in 1970. Grange Minerals Sdn Bhd, a wholly owned Malaysian subsidiary, holds 51% project equity in a joint venture with a privately owned Malaysian mining company, Esperance Mining Sdn Bhd.



Figure 2. Location of Bukit Ibam project

Last quarter Grange announced Joint Venture capital expenditure approval to develop the Bukit Ibam iron ore mine. It is planned to commence production at a rate of 100,000 tonnes per year magnetite concentrate for sale on the spot market and shipping out of Kuantan Port.

Procurement and plant construction at the Bukit Ibam mine site is well advanced (see Figures 3). Fabrication of the reclaim tunnel, conveyor steelwork, DSM screens and secondary jaw crushers is 100% complete. Delivery and installation of the rod mills is expected to commence in November 2008.

The pit has been prepared for mining which, due to early monsoonal rain, is now scheduled to recommence in January 2009. The new concentrator plant is forecast to be commissioned by the end of 2008, initially treating the existing ore stockpiles on the mining lease.



Figure 3: Construction activity at the Bukit Ibam processing plant site.

FRESHWATER PROJECT (Barrick Gold of Australia Limited (“Barrick”) 100%; Grange - Production Royalty)

Barrick has advised that no processing of ore from the Freshwater section of the Plutonic East underground mine was undertaken during the September 2008 quarter.

RUSSELL CLARK
Managing Director

Forward-looking statements

Any forecasts and other forward-looking statements set out in this announcement are based on a number of estimates, assumptions and pro-forma adjustments that are subject to business, economic and competitive uncertainties and contingencies, with respect to future business decision, which are subject to change and in many cases outside the control of Grange and ABM. Any forecasts contained in this material may vary from actual financial results, and these variations may be material and, accordingly, neither Grange, nor their Directors can give any assurance that the forecast performance in any forecasts or any forward-looking statement contained in this material will be achieved. Neither Grange nor ABM undertakes to revise the material to reflect any future events or circumstances.

JORC Compliance Statement

The information in this material that relates to Mineral Resources or Ore Reserves at the Savage River Project is based on information compiled by Mr Ben Maynard, who is a Member of the Australasian Institute of Mining and Metallurgy and is employed by Australian Bulk Minerals Limited. Mr Maynard has sufficient experience to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’ (The JORC Code). Mr Maynard consents to the inclusion in this document of the matters based on this information in the form and context in which it appears.

CORPORATE MATTERS

Cash Reserves

The cash and cash assets balance of Grange at 30 September 2008 was \$6.417 million.

Issue of Shares and Options

During the quarter a total of 117,000 shares and 1,075,000 options at a variety of exercise prices were issued to employees of the company under the Grange Resources Limited Long Term Incentive Plan. Details of the options are shown in the attached Appendix 5B.

Shareholder Information

As at 30 September 2008 Grange had 1,650 shareholders and 115,318,099 shares on issue with the Top 20 shareholders holding 87.83% of the total issued capital.

For further information visit the Grange website at www.grangeresources.com.au or alternatively contact Neil Marston on + 61(8) 9321 1118.



NEIL MARSTON
Company Secretary

ⁱ Shagang International Holdings Limited is a newly formed company. At the date of the merger announcement the company name was in the process of being changed to Shagang International Holdings Limited from Great Period Limited

ⁱⁱ RGL Holdings Co. Ltd is a newly formed company. At the date of the merger announcement the company name was in the process of being changed to RGL Holdings Co. Ltd from Peak Scale Investments Limited

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Grange Resources Limited

ABN

80 009 132 405

Quarter ended ("current quarter")

30 September 2008

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	486	486
1.2 Payments for		
(a) exploration and evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) administration	-	-
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	141	141
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
1.7(i) Payment to directors and employees	(786)	(786)
1.7(ii) Payment for all other working capital	310	310
Net Operating Cash Flows	151	151
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(207)	(207)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
1.12(i) Payment for security deposit	-	-
1.12(ii) Proceeds from release of security deposit	-	-
1.12(iii) Payment for exploration, development and production	(2,882)	(2,882)
1.12(iv) Payment for Exploration Licence E70/2512	-	-
1.12(v) Deposit from Sojitz Corporation related to sale of Exploration Licence	2,000	2,000
1.12(vi) Payment for purchase of Southdown tenement land	-	-
Net investing cash flows	(1,089)	(1,089)
1.13 Total operating and investing cash flows (carried forward)	(938)	(938)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(938)	(938)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
1.19(i)	Payment for buy back of shares	-	-
1.19(ii)	Payment for share issue	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(938)	(938)
1.20	Cash at beginning of quarter/year to date	7,660	7,660
1.21	Exchange rate adjustments to item 1.20	(305)	(305)
1.22	Cash at end of quarter	6,417	6,417

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	391
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Refer to attachment 1

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Not applicable

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Sojitz Resources and Technology Pty Ltd agreed on 1 October 2008 to acquire a 30% interest in E70/2512, consideration for which includes a cash payment to the Company of \$13.4 million. This payment will be received in the December quarter and will be partly used to fund the increased exploration activity expenditure shown at Item 4.1 overleaf.

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	7,938
4.2 Development	-
Total	7,938

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	4,592	7,449
5.2 Deposits at call	0	Nil
5.3 Bank overdraft	Nil	Nil
5.4 Other (Cash held with Joint Ventures)	1,825	211
Total: cash at end of quarter (item 1.22)	6,417	7,660

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	L70/97-98 (Applications)	Relinquished	70%	Nil
	L70/100-101 (Applications)	Relinquished	70%	Nil
	E52/1482	Relinquished	100%	Nil
6.2 Interests in mining tenements acquired or increased				

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 *Ordinary securities	115,318,099	115,318,099		
7.4 Changes during quarter (a) Increases through exercise of options (b) Increases through issues	- 117,000	- 117,000	Nil cents	Nil cents
7.5 *Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	9,000,000 300,000 300,000 300,000 175,000	- - - - -	<i>Exercise price</i> 150 cents 205 cents 300 cents 350 cents 205 cents	<i>Expiry date</i> 28 Sept 2010 2 May 2012 2 May 2012 2 May 2012 30 June 2012
7.8 Issued during quarter ¹	300,000 300,000 300,000 175,000	- - - -	205 cents 300 cents 350 cents 205 cents	2 May 2012 2 May 2012 2 May 2012 30 June 2012
7.9 Exercised during quarter	-	-	-	-
7.10 Cancelled during quarter	8,500,000	-	195 cents	28 Sept 2008
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Neil Marston
(Company Secretary)

Date: 27 October 2008

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* applies to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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ATTACHMENT 1 TO APPENDIX 5B
PAYMENTS/LOANS TO DIRECTORS AND RELATED PARTIES AND ASSOCIATES OF DIRECTORS
AND RELATED PARTIES OF GRANGE RESOURCES LIMITED

Payments and loans during the quarter to directors and related parties, and associates of directors and related parties, of Grange Resources Limited total \$391,382 and include:-

- Directors' fees (inclusive of superannuation) of \$63,354 paid to non-executive directors of the Consolidated Entity.
- Fees of \$15,000 paid to Hendygwyn Holdings and Beheer b.v., of which a Grange non-executive director is a director and shareholder, under a marketing and public relations services agreement
- Executive directors' salaries (inclusive of superannuation and sign on bonus) of \$313,028.