



**GRANGE**  
RESOURCES LIMITED  
ABN 80 009 132 405

## REPORT FOR THE QUARTER ENDED 31 DECEMBER 2007

### HIGHLIGHTS

#### **Southdown Magnetite & Kemaman Pellet Project**

- Grange Resources Limited announced the signing of an Option Agreement with the West Australian Water Corporation to supply treated waste water to the project. The agreement provides the project with access to a minimum of 1.8 gigalitres of water per annum, which represents over two thirds of the total water requirements for the project.
- Grange announced the signing of a Memorandum of Understanding ("MOU") between the company and its joint venture partner Sojitz Resources and Technology Pty Limited ("Sojitz") with Metso Minerals (Australia) Limited ("Metso") for the Southdown Magnetite Project.
- The purchase of the freehold land at the Southdown site was settled in December 2007.
- In February 2007, after 2 years of work the Public Environmental Review for the Southdown mine and pipeline was lodged and advertised for public comment. Following our response to comments and requests for additional data, additional field surveys were undertaken during the quarter. Additional surveys in February 2008 should allow the final reports to be prepared and lodged in late March 2008.
- Public Environmental Review on the Albany port expansion was advertised for public comment in September 2007. Since the closing of the public comment phase on 19 November 2007 the environmental consultants have drafted a response document which should be ready for submission to the EPA in February 2008.
- The recruitment of a new Managing Director has been completed with an appointment due to be announced in February 2008. Mr Neil Marston, General Manager – Commercial and Company Secretary, has been appointed Acting Chief Executive Officer pending the appointment of the new Managing Director.

#### **Bukit Ibam Joint Venture**

- Since 2006 Grange and its joint venture partner have been actively redeveloping the old Bukit Ibam mine in preparation for production. Activities have included a substantial pit dewatering programme to access the lower levels of the pit, geological mapping and sampling, ground magnetics surveying, metallurgical testwork and drilling together with the construction of infrastructure including a crushing plant. During the quarter RC drilling commenced in the open pit to establish the magnetite resource remaining below the current pit levels, in the Main Mineralised Zone.
- Following successful metallurgical tests, work is nearing completion on the design and costing for a small upgrade plant at the mine site, to initially process 300,000 tonnes ore per year and produce 120,000 tonnes concentrate grading 60% Fe. The iron ore concentrate will be exported through Kuantan Port.

#### **Gold Royalties**

- Royalty payments of \$377,754 received from the Red Hill and Freshwater Projects during the quarter.

## SOUTHDOWN MAGNETITE & KEMAMAN PELLET PROJECT

(Grange 90%; Sojitz Resources & Technology Pty Ltd 25% - earning 30% of M70/433, 718 & 719)

(Grange 100% of E70/2512)

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 magnetite deposit of its kind in the southern portion of Western Australia.

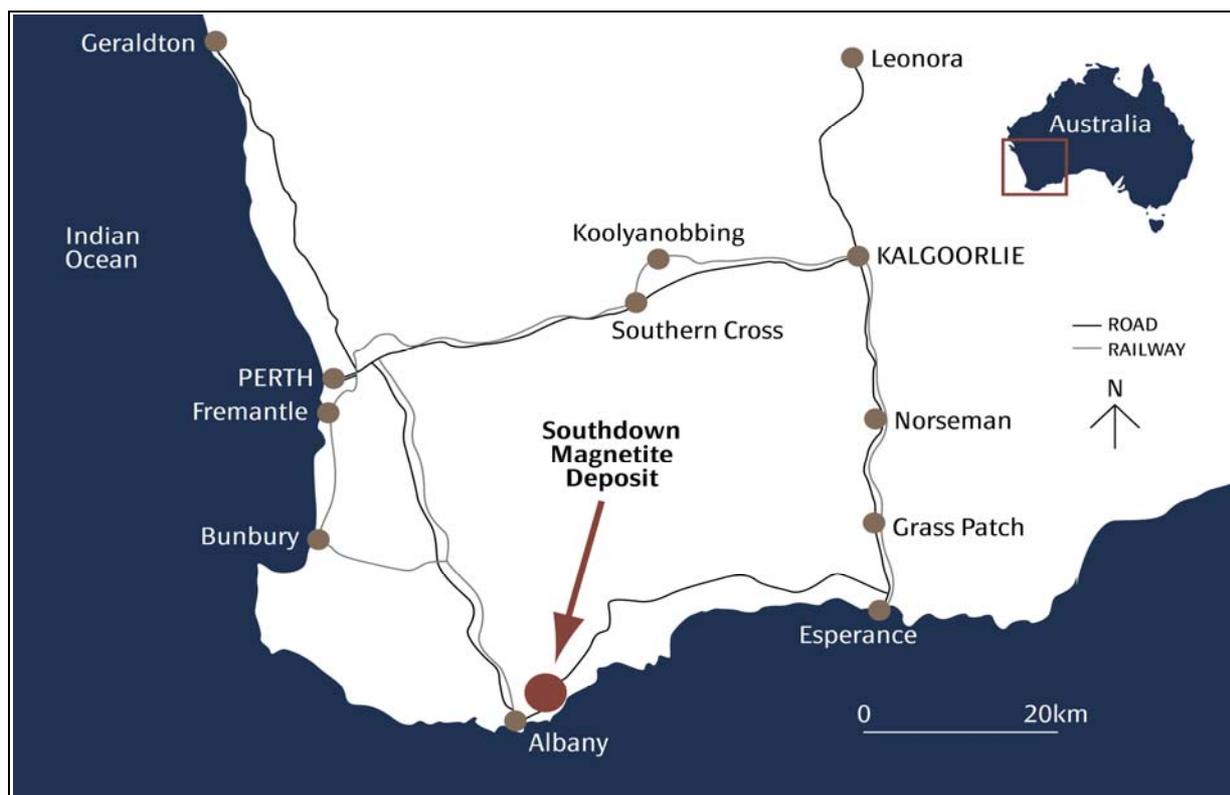


Figure 1: Location of Southdown Magnetite Project, Albany WA

Grange has previously reported a resource base of 479.1 million tonnes containing 37.3% magnetite grading 69.2% Fe within the western 6km section of the Southdown deposit.

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 6.6 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 (Berth 7) will be required and the Albany Port Authority will provide up to 9 hectares of land to accommodate a concentrate storage facility and shiploading 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 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 containing the eastern 6km extension of the Southdown magnetite deposit. Diamond drilling undertaken within the eastern portion of the deposit has shown that the quality of the magnetite is the same as that in the western portion of the deposit. Grange is currently planning a drilling programme to better define the mineral resource within the eastern portion of the deposit. The drilling is expected to commence during the 3<sup>rd</sup> quarter in 2008.

During September 2007 Grange announced that it had acquired the freehold farmland (2,317.ha) underlying the 3 mining leases which contain the western 6 kilometres of the Southdown magnetite deposit. Acquiring the freehold land is a pre-requisite to mining operations commencing on the land. The purchase of the land was settled during December 2007.

### ***Project Structuring***

Azure Capital, a Perth-based merchant banking firm, continue to assist Grange in the process of determining the most appropriate partners to participate with Grange in the development of the project and subsequently to work with Grange on the raising of debt and equity required for its investment in the project.

In June 2007 Grange entered into a Joint Venture Implementation Agreement with Sojitz Corporation whereby Sojitz has agreed to take a 30% joint venture interest in the Southdown Project. Sojitz will be paying a royalty in the future for their part of their 30% joint venture interest.

Grange and Azure Capital continue to negotiate with a number of significant international companies regarding participation in the project.

### ***Project Schedule***

Current indicative timetable for completion of key milestones are:

<b>Timetable</b>	<b>Date</b>
EPA Bulletin Published (Southdown)	Q2 2008
EPA Bulletin Published (Albany Port)	Q2 2008
Ministerial & Other Approvals (Southdown)	Q3 2008
Ministerial & Other Approvals (Albany Port)	Q4 2008
Decision to Proceed	Q4 2008
Commence Project Construction	Q1 2009
Commence Commissioning	Q4 2010
First Production Year (1 <sup>st</sup> pellets)	2011

### ***Metallurgical Test Work***

On 21 January 2008 Grange announced the signing of a Memorandum of Understanding ("MOU") between the company and its joint venture partner Sojitz Resources and Technology Pty Limited ("Sojitz") with Metso Minerals (Australia) Limited ("Metso") for the Southdown Magnetite Project.

Considered by the parties to be a first for the mining and minerals processing industry in Australia, this MOU allows Grange and Sojitz to access Metso's comminution, iron ore processing and pelletising design capabilities at the initial design phase of the project.

Metso is a leading global engineering and technology corporation with extensive credentials and track record in rock and minerals processing,

Comminution is the specialist mineral processing technique used in extractive metallurgy that reduces rocks into smaller particles or powder. Metso is a world leader in this field and accessing their expertise in the initial design phase of the project ensures that the processing plant will incorporate the latest technology to produce a high quality iron ore product.

On progression of the project, Metso's services will extend to the timely supply of major process plant equipment, supervision of installation and commissioning and training of operational personnel. Metso will also provide performance guarantees for the entire process route.

Metso is currently undertaking testwork on samples from Southdown in Australia, the United States and Europe to determine the optimum processing circuit for the project.

The in-plant basket tests of Southdown pellets at QASCO's plant in the Middle East were delayed during the quarter due to operational issues at the pellet plant. The tests should be completed in early 2008.

### ***Southdown Infrastructure***

Following extensive consultation with Western Power, Grange announced in October 2007 the preferred network solution for supplying power to the Mine. Two options had been under consideration, with either a route via Albany in conjunction with a planned upgrade of the town's general power supply or a direct route to Southdown.

The preferred solution is to supply the mine using a direct route option of a single circuit 220 kV line on lattice towers from Muja to Southdown via Kojonup and Gnowangerup.

On 28<sup>th</sup> November 2007 Grange announced it has signed an Option Agreement with the West Australian Water Corporation to supply treated waste water to the project. The agreement provides the project with access to a minimum of 5,000 kilolitres per day of water, which represents over two thirds of the total water requirements for the project. It is expected that the volume of waste water available will increase over time as the town of Albany grows.

A water treatment plant will be constructed as part of the project to upgrade the waste water quality to the appropriate level for use as industrial process water. The treated water will be pumped to the mine via the project's return water pipeline from Albany.

### ***Environmental Approvals***

Australia The Public Environmental Review (PER) document for the Southdown mine and pipeline was released in February 2007. In July 2007 the EPA advised that it required a number of additional reports to be lodged before it could conclude its assessment. Additional regional vegetation surveys were undertaken during the quarter and in early 2008. A further field survey to gather the last of the necessary data is now planned for February 2008 with the final report scheduled for lodgement in late March. Once the final report is lodged the EPA will commence its bulletin preparation phase which is expected to take a period of 10 weeks from that lodgement date.

The Albany Port PER was released on 24<sup>th</sup> September 2007 for its 8-week public comment phase. As part of this process a public meeting was held on 19<sup>th</sup> October 2007 in Albany. The response document to public comments received has been drafted and will be lodged with the EPA in the coming weeks.

Malaysia An Environmental Approval for the Kemaman pellet plant has already been received from the Ministry of Natural Resources and Environment in late 2006.

**RED HILL (Mining Lease M27/57)**  
**(Barrick (PD) Australia Limited ("Barrick PD"), a 100% subsidiary of Barrick Gold Corp.**  
**Grange - 4% Gross Revenue Royalty)**

Grange holds a 4% gross revenue royalty on all production after the first 85,000 ounces of gold produced from the Red Hill mining lease M27/57, which is located approximately 4 km north east of the Kanowna Belle Gold Mine owned and operated by Barrick PD.

Barrick PD has advised that no ore from Red Hill was processed during the December 2007 and consequently no royalty payments were received.

Total mined ore production from commencement of mining (February 2003) until 31 December 2007 is 6,097,265 tonnes @ 1.80g/t gold. Total ore processed during this period was 5,719,648 tonnes @ 1.75g/t gold.

Barrick has previously advised that mining operations were completed at Red Hill on 22<sup>nd</sup> May 2007.

During December Grange received a payment of \$350,000 from Barrick in return for Grange agreeing to release Barrick from any obligation to pay a royalty in respect of the sub economic low grade stockpiles currently on site at Red Hill. Barrick is proposing to utilise the Red Hill open pit for in pit tailings disposal. The obligation to pay a royalty continues to apply to the processing of remaining high grade stockpiles and any future ore production from Red Hill.

**FRESHWATER**  
**(Barrick Gold of Australia Limited ("Barrick") 100%; Grange - Production Royalty)**

Barrick has advised that mining and processing operations were undertaken at the Plutonic East underground mine during the December 2007 quarter, with 20,054 tonnes at a grade of 4.35 g/t gold being mined and processed from the Freshwater section of the mine, generating royalty income to Grange of \$27,753.64.

No underground development or exploration drilling was undertaken on the Freshwater tenements during the quarter.

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

The Bukit Ibam Project is located at the old Bukit Ibam iron ore mine, in Pahang State, Malaysia. 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.

Since 2006 Grange and its joint venture partner have been actively redeveloping the mine in preparation for production. Activities have included a substantial pit dewatering programme to access the lower levels of the pit, geological mapping and sampling, ground magnetics surveying, metallurgical testwork and drilling together with the construction of infrastructure including a crushing plant.

Reverse Circulation drilling was undertaken in the open pit during December to establish the magnetite resource remaining below the current pit levels, in the Main Mineralised Zone (see figure 2). Early visual indications are that

the magnetite mineralisation extends for a minimum strike length of 150m under the north wall, has variable widths of up to 70m and extends down to the 45m level or 25 to 100m below existing pit levels. By the end of the quarter 33 holes had been drilled for 1,412m and samples submitted for assay, the assay results are pending. The programme was completed in late January when a further 14 holes were drilled for 648m.

Following successful metallurgical tests, work is nearing completion on the design and costing for a small upgrade plant at the mine site, to initially process 300,000 tonnes ore per year and produce 120,000 tonnes concentrate grading 60% Fe. The iron ore concentrate will be exported through Kuantan Port.

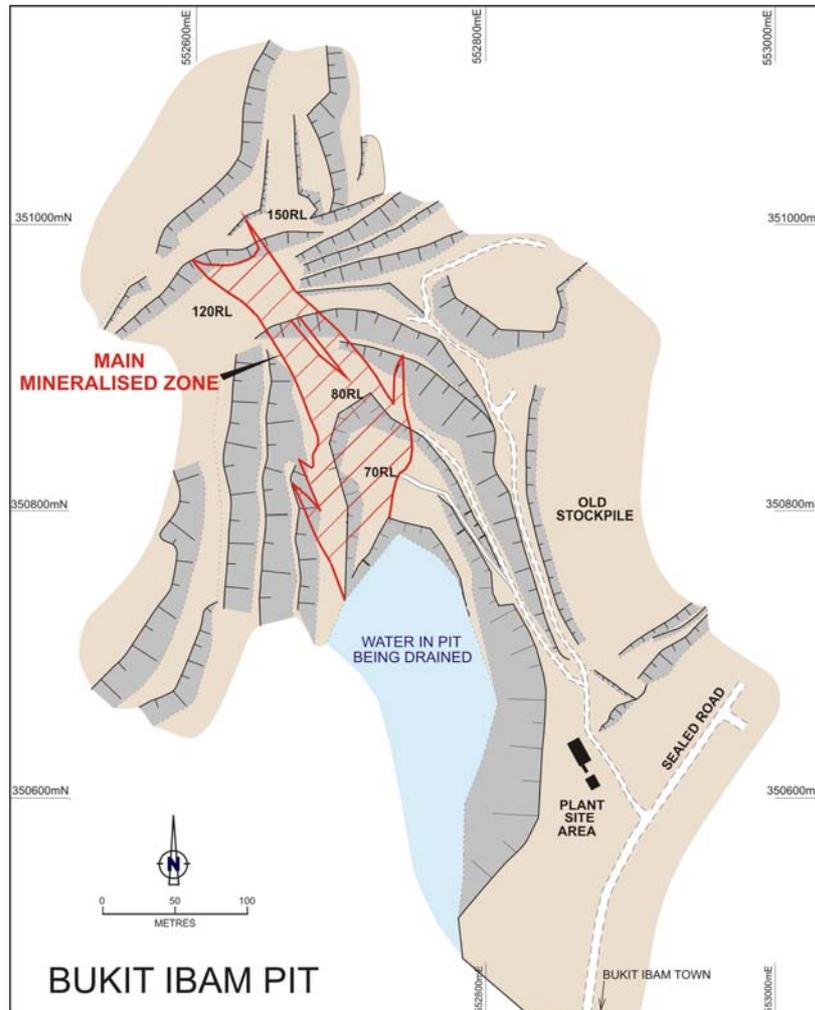


Figure 2

*Unless otherwise stated, the information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Alex Nutter who is a member of The Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Mr Nutter is a full-time employee of the company. Mr Nutter has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is 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' ('JORC Code'). Mr Nutter consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

**ALEX NUTTER**  
Technical Director

## CORPORATE MATTERS

### *Changes to Board of Directors*

On 23<sup>rd</sup> October 2007 the company announced the resignation of the Managing Director, Mr Geoff Wedlock with effect from 22 January 2008. Mr Neil Marston, General Manager – Commercial and Company Secretary, has been appointed Acting Chief Executive Officer pending the appointment of the new Managing Director.

On 25<sup>th</sup> October 2007 the company announced the appointment of Mr Douglas Stewart as a Non-executive Director.

On 3<sup>rd</sup> December 2007 the company announced the appointment of Mr David Macoboy as a Non-executive Director.

On 31<sup>st</sup> December 2007 the company announced the retirement of Mr Hans Rudolf Moser as a Non-executive Director.

### *Share Issues*

No shares issues occurred during the quarter

### *Cash Reserves*

The cash and cash assets balance of Grange at 31 December 2007 was \$16.48 million.

### *Shareholder Information*

As at 31 December 2007 Grange had 1,744 shareholders and 115,201,099 shares on issue with the Top 20 shareholders holding 86.41% of the total issued capital.

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



**NEIL MARSTON**  
Company Secretary

## 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")**

31 December 2007

**Consolidated statement of cash flows**

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	5,177	5,981
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	154	358
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	(466)	(948)
1.7(ii) Payment for all other working capital	(706)	(5,797)
<b>Net Operating Cash Flows</b>	<b>4,159</b>	<b>(406)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(32)	(45)
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	-	(300)
1.12(ii) Proceeds from release of security deposit	-	-
1.12(iii) Payment for exploration, development and production	(1,710)	(3,630)
1.12(iv) Payment for Exploration Licence E70/2512	(2,306)	(3,306)
1.12(v) Proceeds from Sojitz Corporation for 15% stake in the Southdown project	8,731	13,441
1.12(vi) Payment for purchase of Southdown tenement land	(5,912)	(5,912)
<b>Net investing cash flows</b>	<b>(1,229)</b>	<b>248</b>
1.13 Total operating and investing cash flows (carried forward)	2,930	(158)

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	2,930	(158)
<b>Cash flows related to financing activities</b>			
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	(21)	(30)
<b>Net financing cash flows</b>		<b>(21)</b>	<b>(30)</b>
<b>Net increase (decrease) in cash held</b>		<b>2,909</b>	<b>(188)</b>
1.20	Cash at beginning of quarter/year to date	10,639	13,479
1.21	Exchange rate adjustments to item 1.20	(76)	181
1.22	<b>Cash at end of quarter</b>	<b>13,472</b>	<b>13,472</b>

**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	257
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

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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

Not Applicable

### 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	1,586
4.2 Development	-
<b>Total</b>	<b>1,586</b>

### 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	13,269	1,089
5.2 Deposits at call	Nil	12,200
5.3 Bank overdraft	Nil	Nil
5.4 Other (Cash held with Joint Ventures)	203	190
<b>Total: cash at end of quarter (item 1.22)</b>	<b>13,472</b>	<b>13,479</b>

### 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			
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 <b>+Ordinary securities</b>	115,201,099	115,201,099		
7.4 Changes during quarter (a) Increases through exercise of options (b) Increases through issues	- -	- -		
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	1,500,000 1,000,000 8,500,000 9,000,000	- - - -	<i>Exercise price</i> 150 cents 250 cents 195 cents 150 cents	<i>Expiry date</i> 30 June 2008 30 June 2011 28 Sept 2008 28 Sept 2010
7.8 Issued during quarter <sup>1</sup>	-	-		
7.9 Exercised during quarter	-	-		
7.10 Cancelled during quarter	-	-		
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <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: 31 January 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 \$257,376 and include:-

- Directors' fees (inclusive of superannuation) of \$49,425 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) of \$192,951.