



GRANGE
RESOURCES LIMITED



Report for the Quarter Ended 30 June 2007

HIGHLIGHTS

SOUTHDOWN MAGNETITE & KEMAMAN PELLET PROJECT

- A subsidiary of Japanese trading company Sojitz Corporation agrees to take a 30% equity interest in the project by signing a binding Joint Venture Implementation Agreement.
- Patrick Ports and Grange enter an exclusive Memorandum of Understanding on the development of product handling infrastructure for Southdown.
- Grange continues negotiations with a number of significant international companies regarding participation in the project.
- Pipeline easement agreements progress towards conclusion, with 40 out of 48 different freehold/leasehold landowners signed up to definitive Agreements, whilst negotiations are well advanced with the remaining parties.
- Environmental review process progresses on Southdown mine and pipeline. During the quarter, the public comment period of the Southdown PER¹ finished with a limited number of submissions received, and Grange responded to submissions by detailing how it proposes to address the issues raised. It is anticipated that the public review of the PER for the Albany port will commence in the current quarter (Q3 2007).

GOLD ROYALTIES

- Royalty payments of \$346,217 received from the Red Hill and Freshwater Projects during the quarter.

¹ Public Environmental Review



OUTLOOK

The start of construction at the Southdown project will be a company making event for Grange. Management time and focus over the last 3 years has been overwhelmingly committed to the development of the Southdown Project.

These substantial investments of time, expertise and hard work by the management team are now very close to paying off. Substantial pre-development work at Southdown has now been done – including drilling, BFS studies and securing a project partner. The Company is now working towards project implementation and the commencement of construction.

With the impending realisation of the full value of the Southdown Project, Grange is positioning itself for further growth. The robust economics of the Southdown Project will form the foundation of shareholder value generation in the coming decades.

Grange will continue to investigate iron ore opportunities outside the Southdown Project with a view to seeking an additional growth path for shareholders.

SOUTHDOWN MAGNETITE & KEMAMAN PELLET PROJECT

(Grange 90%; Sojitz Resources & Technology Pty Ltd - 10% earning 30%)

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

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

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 capesize 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 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 capesize 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.

The magnetite resource within the Grange mining leases is sufficient to support the planned production rate for a period of 22 years. Known extensions to the magnetite deposit within adjacent tenements owned by Rio Tinto could extend the project life.

Figure 1: Location of Southdown Magnetite Project, Albany WA



PROJECT STRUCTURING

Grange has appointed Azure Capital, a Perth-based merchant banking firm, to assist 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.

On 1 June 2007, Grange announced that a wholly owned subsidiary of the Japanese trading company Sojitz Corporation (Sojitz Resources & Technology Pty Ltd) ("Sojitz") had entered into a binding Joint Venture Implementation Agreement ("JVIA") to become a 30% joint venture partner in the Southdown Project.

The key financial terms of the JVIA are:

- Sojitz has agreed to purchase an initial 10% stake in the Project for US\$4 million.

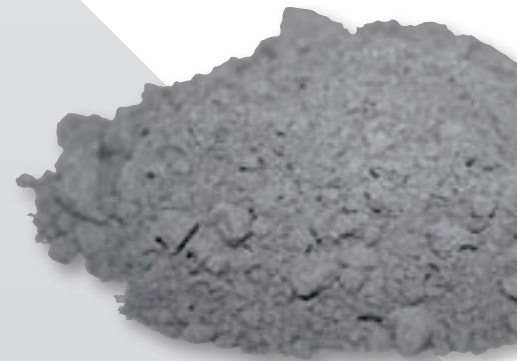
- Sojitz has agreed to spend a further US\$10 million on pre-commitment development expenditure, for which it will earn a further 20% interest.
- Upon production, a royalty will be payable by Sojitz on the sale of pellets produced from Sojitz's proportionate share of concentrate sourced from the Southdown tenements. The royalty will be payable where the average received FOB pellet price is at least US\$60.00 per tonne (indexed from 2010 in accordance with US CPI) and will be charged according to a sliding scale rate up to 3.5%, based on the average received FOB pellet price. The royalty will be subject to a cap equal to 50% of free cash flow.

Sojitz advised Grange on 25 July 2007 that it had received advice from the Australian Foreign Investment Review Board that it has no objection to the proposed acquisition by Sojitz

Resources & Technology Pty Ltd of a 30% interest in the Southdown Magnetite Project. This advice means that all of the conditions precedent of the JVIA have now been satisfied.

The involvement of Sojitz, a recognised worldwide leader in the iron ore pellet sector is expected to provide a significant boost to the Project, particularly via leveraging Sojitz' extensive global network throughout Asia, the Middle East, and other regions targeted by the Southdown/Kemaman Project.

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:

Timetable	Date
Public Environmental Review (Albany Port) commences (8 week period)	Q3 2007
EPA bulletin published (Southdown)	Q4 2007
EPA bulletin published (Albany Port)	Q1 2008
Ministerial & other approvals (Southdown)	Q1 2008
Ministerial & other approvals (Albany Port)	Q2 2008
Decision to proceed	Q2 2008
Commence project construction	Q3 2008
Commence commissioning	Q2 2010
First production year (1st pellets)	2010

BANKABLE FEASIBILITY STUDY

The Bankable Feasibility Study into the Project commenced in early 2005.

The technical aspects of the study have largely been completed confirming that a high-quality magnetite concentrate can be readily produced which is suitable for the production of both direct reduction "DR" and blast furnace "BF" pellets. The preliminary economics confirm the Project's robustness and viability based on NPV and IRR criteria.

A detailed capital and operating cost review on a staged development of 3.5 Mtpa initially with a step up to 6.6 Mtpa after a number of years is currently being undertaken. This work should be completed shortly.

METALLURGICAL TEST WORK

Preparation of iron ore pellets for in-plant basket tests is being completed at Kobelco's laboratory in Japan. The in-plant basket tests should be completed in August 2007.

SOUTHDOWN INFRASTRUCTURE

On 10 July 2007 Grange announced the signing of an exclusive Memorandum of Understanding ("MOU") with Patrick Ports ("Patrick") on the development of product handling infrastructure relating to the Southdown Magnetite Project at Albany in Western Australia.

Grange and Patrick have agreed that they will work together to explore an

appropriate contractual relationship to allow for the development, construction and operation of parts of the infrastructure required for the Project. A variety of contractual relationships are under consideration which could result in substantial up-front capital cost savings to the Project.

Elements of the infrastructure that are being considered under the MOU include the magnetite concentrate slurry and return water pipeline systems and all Albany Port infrastructure including the filter plant, storage shed, product handling conveyor systems, shiploader and jetty. Taken as a whole, the infrastructure elements being studied represent the entire mine-to-shipboard logistics chain. The current combined capital cost of this infrastructure is approximately A\$300 million.

Detailed design of the seawall for the reclaimed land at Berth 7 has been completed during the quarter.

A proposed pipeline will transport the magnetite concentrate in slurry form from the Southdown site into the Albany port area where it will be dewatered in the filter plant prior to stockpiling. The proposed pipeline alignment affects 48 different landowners and a number of government agencies. By the end of the June quarter, easement agreements had been signed by 40 landowners, whilst negotiations are well advanced with the remaining parties.

The proposed power solution for the project is to access grid power

from a new transmission line to Southdown to be constructed by Western Power Networks. During the quarter Western Power Networks commenced route selection work on a possible transmission line from Albany to Southdown. This work involves extensive community consultation and should identify preferred route options by the end of Q3 2007, allowing flora and fauna field surveys and affected landowner consultations to be undertaken shortly thereafter.

ENVIRONMENTAL APPROVALS

Australia

The Public Environmental Review (PER) document for the Southdown mine and pipeline was released in February 2007. The public comment period closed on 16 April 2007 and a total of 14 submissions were received. Grange lodged a response to submissions document with the EPA on 27th June 2007. The document has been reviewed and commented on by the EPA. Grange is addressing the comments raised by the EPA in order to conclude this part of the PER process as quickly as possible. Once this is achieved the EPA will commence its bulletin preparation phase which is expected to take a period of 10 weeks.

A draft of the Albany Port PER was commented on by the EPA in April 2007. Additional testwork and modelling was completed in response to the comments received by the EPA during the quarter. The revised draft of the PER has been prepared and will be re-submitted to the EPA in early August for approval.

Once approved, the document will be released and the 8-week public comment phase will begin.

Malaysia

An Environmental Approval for the Kemaman pellet plant has already been received from the Ministry of Natural Resources and Environment in December 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 mining and processing operations continued at Red Hill during the June 2007 quarter generating royalty income to Grange of \$253,692. Total mined ore production from within M27/57 for the quarter was 122,324 tonnes @ 1.42g/t. A total of 198,325 tonnes was hauled to the Paddington processing plant during the quarter.

A total of 192,240 tonnes at a grade of 1.37g/t was processed during the quarter, producing some 7,881 ounces of recovered gold. The total gold recovered from M27/57 at Red Hill as at 30 June 2007 amounts to 314,862 ounces.

Total mined ore production from commencement of mining (February 2003) until 30 June 2007 is 6,097,265 tonnes @ 1.80g/t gold. Total ore processed during this period was 5,456,162 tonnes @ 1.79g/t gold.

Barrick has advised that final mining operations were completed at Red Hill on 22nd May 2007 and that processing of residual high grade stockpiles of ore will continue during July 2007. Processing of remaining low grade stockpiles will be undertaken intermittently in the future.

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 June 2007 quarter, with 30,318 tonnes at a grade of 6.40 g/t gold being mined and processed from the Freshwater section of the mine generating royalty income to Grange of \$92,525.

Barrick also advised that development of the 25 level continued during the quarter. Resource definition drilling has been completed for the lower levels within Plutonic East and the majority of the intercepts have shown further mineralised zones below the Plutonic East 25 level.

No exploration drilling was undertaken during the quarter.



BUKIT IBAM (MALAYSIA)

(Grange Minerals Sdn Bhd earning 51%)

Grange Minerals Sdn. Bhd., a wholly owned Malaysian subsidiary of Grange Resources, is earning 51% equity in the Bukit Ibam iron ore project, by funding mine development work. Bukit Ibam is located in Pahang State, Malaysia. The mine operated in the late 1960s and produced approximately 22 million tonnes of iron ore before its closure.

Metallurgical test work has been successfully carried out and extensions to the process plant are being considered. An RC drill programme is planned for August to explore for extensions of the massive magnetite orebody below the current pit. First sales of direct shipping ore were made in the quarter.

WEMBLEY

(Grange 100%; Gleneagle Gold Limited ("Gleneagle") Earning 80%)

The Wembley Gold Project, located approximately 65km south east of Gleneagle's Fortnum Gold Project, hosts a resource of 568,000 tonnes at 2.3g/t gold (42,700 contained ounces) within the Durack and Outback deposits. The project consists of one granted mining lease and a mining lease application in which Gleneagle is earning an 80% interest by spending \$500,000 on exploration by July 2007.

Gleneagle appointed administrators on 3 May 2007 and Grange is awaiting advice from the administrators regarding the Wembley project joint venture.

ABERCROMBY WELL

(Grange 10% free carried interest, MPI Nickel Pty Ltd & Perilya Ltd 90%)

Grange holds a 10% free carried interest to a decision to mine, or expenditure of \$2 million, in the Abercromby Well Joint Venture with MPI Nickel Pty Ltd and Perilya Limited. The project tenement, M53/336, is located south of Wiluna in Western Australia.

MPI Nickel has advised that during the June quarter a diamond drill hole was completed to a depth of 251 metres to test a weak magnetic anomaly off the north eastern shoulder of the Honeymoon Well ultramafic complex. The hole intersected deeply weathered mafic volcanics to 77 metres depth before passing into a sequence of felsic rocks. The hole recorded an intersection of 5.95 metres grading 6.1 g/t gold (no top cut), or 5.95 metres grading 2.2g/t (10 g/t top cut), from a depth of 110.8 metres down hole. The drill core revealed a deep weathering profile that extended to a depth of 158 metres down hole.

OTHER PROJECTS

Grange Minerals Sdn. Bhd. has applied for Exploration Licences in the Malaysian State of Terengganu. The proposed Licence areas contain advanced gold and iron ore prospects. In order to meet newly established procedures these applications are being resubmitted as Prospecting Licence applications.

Grange has entered into a conditional agreement with Coziron Resources Ltd regarding the involvement of Grange in a joint venture for the development of the Inderapura coal tenements (KW05191BBI Inderapura and KW05192BBT Tapan) located in West Sumatra, Indonesia. Grange is continuing with its due diligence on the Inderapura coal deposits.

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

Share Issues

During the quarter a total of 1,500,000 employee options were converted to fully paid ordinary shares and a total of 25,500 fully paid ordinary shares were issued to pipeline landowners.

Cash Reserves

The cash and cash assets balance of Grange at 30 June 2007 was \$18.7 million.

Shareholder Information

As at 30 June 2007 Grange had 1,462 shareholders and 106,201,099 shares on issue with the Top 20 shareholders holding 85.93% 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.

A handwritten signature in black ink, appearing to read 'Neil Marston', with a horizontal line extending to the right.

NEIL MARSTON

Company Secretary

CORPORATE DETAILS

Principal & Registered Office

Level 11
200 St Georges Terrace
Perth, Western Australia 6000
Telephone: +618 9321 1118
Facsimile: +618 9321 1523
www.grangeresources.com.au

Stock Exchange Listing

Australian Stock Exchange
ASX Code: GRR

Board of Directors

Anthony Bohnenn (Chairman)
Geoff Wedlock (Managing Director)
Alex Nutter (Technical Director)
Richard Krasnoff (Non-Executive)
Hans-Rudolf Moser (Non-Executive)

Capital Structure

Ordinary Shares	106,201,099
\$1.50 Opts 6/08	1,500,000
\$2.50 Opts 6/11	1,000,000