



**GRANGE**  
RESOURCES LIMITED  
A.C.N. 009 132 405

## **REPORT FOR THE QUARTER ENDED 31 MARCH 2005**

### **HIGHLIGHTS**

#### **Southdown Magnetite**

- The Southdown bankable feasibility study is progressing with work being undertaken on most aspects of the project.
- Diamond drilling and resource evaluation continuing with 57 diamond drill holes aggregating 16,047 metres completed to date.
- Initial assay data indicates that a relatively uniform and high concentrate grade can be produced at a magnetite recovery of approximately 40%.
- Option agreement signed for the future use of infrastructure in Malaysia comprising a wharf and land for the pellet plant.

#### **Mt Windsor Joint Venture**

- 5,061 tonnes (Grange share 1,518 tonnes) of copper concentrate containing 25.00% copper and 0.8 g/t gold produced from the Reward Deeps project.
- Concentrate stocks of 4,116 tonnes held by Grange at 31 March 2005.
- Development work for mining Highway South from underground completed and ore extraction has commenced.

#### **Red Hill**

- Royalty payments of \$510,246 generated during the quarter.
- 23,717 ounces of gold recovered from the processing of 362,424 tonnes of ore grading 1.87g/t.

#### **Freshwater**

- Royalty payments of \$413,987 generated during the quarter.
- Mining undertaken from the Plutonic East underground mine and the Salmon open pit during the quarter.
- Underground ore reserves of 360,000 tonnes @ 6.5g/t Au containing 75,600 ozs gold and underground mineral resources of 3,644,000 tonnes @ 5.3g/t Au containing 620,200 ozs gold established as at 31 December 2004.
- Open pit ore reserves of 430,000 tonnes @ 2.2g/t Au containing 30,200 ozs gold and underground mineral resources of 600,000 tonnes @ 2.0g/t Au containing 39,400 ozs gold established as at 31 December 2004.

#### **Wembley**

- Gleneagle advise that preliminary pit design work has been completed for the Durack and Outback deposits.

#### **Horseshoe Lights**

- Murchison Copper Mines has exercised its option to acquire the Horseshoe Lights project from Grange.

**Financial**

- Cash and receivables at the end of the quarter totalling \$6.57 million.
- Stockpiles of copper concentrate from the Reward Deeps Project totalling 4,116 tonnes valued at \$2.54 million after allowing for selling costs.
- The final shipment of copper concentrate from the Reward Deeps Project is expected to be exported from Townsville in June 2005 and is forecast to generate gross revenue in excess of \$8.0 million and approximately \$5.0 million after costs based on the current ore reserves and mining schedule.

## **PROJECTS, MINING & EXPLORATION ACTIVITIES**

### **SOUTHDOWN MAGNETITE PROJECT (Grange 100%)**

The Southdown Magnetite Project is located 90km northeast of the Port of Albany on the south coast of Western Australia. The project comprises three granted mining leases covering an area of approximately 1700 hectares on freehold farming property. Grange Resources is undertaking a bankable feasibility on the development of the Southdown magnetite resource to produce iron ore pellets.

The project scope being studied is as follows:

#### **Mining and Concentration**

Magnetite ore would be mined at Southdown at an annual rate of approximately 17 million tonnes per year with a stripping ratio of about 2.6:1.0. The grade of the magnetite ore was assumed to be 36.6% based on 1986/7 drilling and Davis Tube test work, however initial 2004/05 drilling results indicate that this grade may be marginally higher. Annual production of magnetite concentrate at 69% Fe would be approximately 6.5 million tonnes produced via two stages of magnetic separation. Due to the nature of the Southdown magnetite mineralization, primary separation is expected to be made at a relatively coarse particle size (0.2mm), which significantly reduces fine grinding requirements.

#### **Transport**

The magnetite concentrate would be transported to the Port of Albany through a buried slurry pipeline. At the Port, the magnetite concentrate would be dewatered and stockpiled in an enclosed shed awaiting shipment overseas. Recovered water would be returned to the mine site through a return water pipe, also included in the slurry pipeline trench.

#### **Pelletisation**

Magnetite concentrate is the most suitable feed for the production of iron ore pellets due to the exothermic properties of magnetite in conversion to hematite during the pelletisation process. Pelletisation would be undertaken in a new plant to be constructed at Kemaman on the East coast of peninsular Malaysia.

### **Southdown Bankable Feasibility Study (BFS)**

The Southdown BFS is progressing with work being undertaken on most aspects of the project. Specific activities completed during the quarter were:

#### **Exploration and Resource Evaluation**

Diamond drilling to determine the size and grade of the magnetite deposit is continuing with four rigs working double shifts. To date 57 holes aggregating 16,047 metres have been completed. A further 80 holes aggregating 19,000 metres are planned in the current programme, which is expected to be completed during the third quarter of 2005. In addition to the resource drilling further holes are being planned for metallurgical samples and geotechnical data.

In addition to normal logging procedures magnetic susceptibility measurements are being undertaken on all drill core, which provides a good indication of the width and

grade of the magnetite mineralisation intersected. The interpreted results from this work are provided in Table 1

Interpretation of drilling data received to date indicates that the Southdown deposit consists of a gently east-plunging, overturned tightly folded syncline that is offset by northwest and northeast trending faults. The core of the syncline is occupied by intensely metamorphosed quartz-magnetite-clinopyroxene gneiss and garnet-biotite gneiss.

<b>TABLE 1</b>								
<b>SOUTHDOWN MAGNETITE PROJECT – DRILLING RESULTS</b>								
<b>SIGNIFICANT INTERSECTIONS OF MAGNETITE MINERALISATION</b>								
<b>Hole No</b>	<b>Easting</b>	<b>Northing</b>	<b>Azimuth</b>	<b>Dip</b>	<b>EoH m</b>	<b>From m</b>	<b>To m</b>	<b>Intersect m</b>
SDD 1	641630	6176952	353	60	303.9	27	46	19
						85	106	21
						120	141	21
SDD 2	641831	6176952	353	60	216.7	43	59	16
						68	91	23
						133	148	15
						164	193	29
SDD 3	641401	6176900	353	60	210.8	79	104	25
						124	143	19
SDD 4	641241	6176769	353	60	315.9	181	226	45
						234	258	24
SDD 5	640426	6176742	353	60	200.7	27	55	28
						65	153	88
SDD 6	640523	6176643	353	60	301.7	157	174	17
						190	260	70
SDD 7	640641	6176723	353	60	226.9	94	120	26
						128	153	25
						176	204	28
SDD 8	642047	6176884	353	60	406.7	226	263	37
						279	306	27
						324	363	39
SDD 9	641643	6176851	353	60	311.7	140	178	38
						194	268	74
SDD 10	640048	6176681	353	60	215	37	113	76
						141	149	8
SDD 11	639629	6176732	353	60	237.8	74	135	61
						208	216	8
SDD 12	639424	6176728	353	60	237.7	52	82	30
						87	139	52
						165	197	32
SDD 13	640259	6176580	353	60	310.2	189	270	81
SDD 14	639441	6176578	353	60	402.6	229	353	124
SDD 15	639249	6176601	353	60	330.7	161	225	64
						278	288	10
SDD 16	639254	6176552	353	60	378.7	217	297	80
						307	330	23
SDD 17	639428	6176679	353	60	297.6	113	182	69
						189	220	31

**TABLE 1 (CONTINUED)**  
**SOUTHDOWN MAGNETITE PROJECT – DRILLING RESULTS**  
**SIGNIFICANT INTERSECTIONS OF MAGNETITE MINERALISATION**

						242	250	8
SDD 18	639840	6176692	353	60	331.6	163	217	54
						262	274	12
						283	291	8
SDD 19	639637	6176680	353	60	310.6	136	172	36
						181	241	60
						283	296	13
SDD 20	639063	6176512	353	60	372.7	217	315	98
						329	340	11
SDD 21	638648	6176481	353	60	361.6		nil	
SDD 22	638360	6176601	353	60	408.5	237	351	114
SDD 23	638108	6176616	353	60	320.4	169	287	118
SDD 24	637874	6176507	353	60	357.2	242	317	75
SDD 25	638354	6176644	353	62	317.2	187	238	51
						248	256	8
						267	309	42
SDD 26	637624	6176512	353	60	325.6	175	185	10
						205	273	68
SDD 27	637630	6176462	353	60	346.8	230	288	58
SDD 28	637373	6176453	353	60	322.8	218	265	47
SDD 29	637378	6176399	353	60	394.8	266	325	59
SDD 32	636872	6176428	353	60	210.6	147	165	18
						184	193	9
						267	309	42
SDD 39	636996	6176438	353	60	279.6	155	207	52
SDD 40	637245	6176472	353	61	306	164	236	72
SDD 41	637366	6176498	353	62	256.6	161	233	72
SDD 42	637495	6176507	353	62	255.6	147	214	67
SDD 43	637742	6176560	353	62	273.5	142	198	56
						206	244	38
SDD 44	637867	6176553	353	62	303.3	182	210	28
						225	265	40
SDD 45	638095	6176712	353	60	209.7	55	187	132
SDD 46	638227	6176647	353	62	293.1	160	289	129
SDD 47	638852	6176544	353	60	361.2	180	265	85
						288	326	38
						336	348	12
SDD 48	638951	6176541	353	60	288.8	152	168	16
						180	234	54
						249	264	15
						275	284	9
SDD 50	639156	6176586	353	60	324.0	145	251	106
						261	270	9
SDD 51	639338	6176633	353	62	273.6	143	237	94
SDD 52	639438	6176630	353	60	327.6	168	229	61
						261	270	9
						291	299	8
SDD 53	639543	6176639	353	60	338.2	167	272	105

<b>TABLE 1 (CONTINUED)</b>								
<b>SOUTHDOWN MAGNETITE PROJECT – DRILLING RESULTS</b>								
<b>SIGNIFICANT INTERSECTIONS OF MAGNETITE MINERALISATION</b>								
						296	306	10
SDD 55	639740	6176658	353	60	322.6	186	239	53
						253	316	63
SDD 56	639836	6176742	353	60	223.3	97	172	75
						181	210	29
SDD 58	639953	6176591	353	60	390.7	303	381	78

Drill core is being cut on site and submitted to the laboratory for sample preparation and test work (Davis Tube Recovery) to determine the magnetite content. The magnetic fraction is then assayed by X-ray Fluorescence Spectroscopy to determine its iron content and quality. Davis Tube Recovery (DTR) and assays have been received for the first 8 diamond drill holes in the 2004/05 programme and these are summarised in Table 2.

<b>TABLE 2</b>								
<b>SOUTHDOWN MAGNETITE PROJECT</b>								
<b>DAVIS TUBE RECOVERY AND ASSAY DATA</b>								
<b>Hole No.</b>	<b>No of Samples</b>	<b>Length (m)</b>	<b>% Wt Recovery</b>	<b>Fe %</b>	<b>SiO<sub>2</sub> %</b>	<b>Al<sub>2</sub>O<sub>3</sub> %</b>	<b>P %</b>	<b>S %</b>
SDD1	24	65.2	39.4	68.5	2.5	1.3	0.005	0.4
SDD2	31	77.8	44.5	69.1	2.3	1.3	0.004	0.4
SDD3	27	67.4	40.2	69.5	1.9	1.3	0.004	0.3
SDD4	29	63.8	35.5	68.6	2.3	1.3	0.004	0.5
SDD5	39	99.1	37.1	68.5	2.0	1.4	0.004	0.9
SDD6	32	88.2	43.9	69.3	2.0	1.1	0.003	0.3
SDD7	34	86.7	38.4	68.7	2.2	1.6	0.004	0.5
SDD8	31	81.9	37.8	67.9	2.7	1.6	0.004	0.7
<b>Average</b>	<b>31</b>	<b>78.8</b>	<b>39.7</b>	<b>68.8</b>	<b>2.2</b>	<b>1.4</b>	<b>0.004</b>	<b>0.5</b>

These early results indicate a relatively uniform and high concentrate grade can be produced at a magnetite recovery of approximately 40%. Further grinding tests will be undertaken to determine the optimum concentrate grade.

Processing options to reduce the S content in the final pellet product are being assessed as part of the feasibility study and include selective mining, flotation to remove sulphur minerals from the magnetite concentrate and oxidation in the pelletisation process.

### **Infrastructure**

In February, Grange Resources entered into a Heads of Agreement with subsidiaries of Road Builder (M) Holdings Bhd for the future use of infrastructure in Malaysia comprising a wharf for future ship unloading/loading and land for the pellet plant at Kemaman on the East coast of peninsular Malaysia

**MT WINDSOR JOINT VENTURE  
(Grange Resources Limited (“Grange”) 30%  
Thalanga Copper Mines Pty Ltd (“TCM”) 70%)**

**Reward Deeps & Highway South Project**

During the March 2005 quarter 47,159 tonnes of ore grading 3.21% copper were processed through the Thalanga plant for the production of 5,061 tonnes of copper concentrate containing 25.00% copper and 0.8 g/t gold. Copper recovery was 83.6%.

Ore production for the quarter was 20,771 tonnes with approximately 65% of the ore being development ore from Highway South underground and the remainder being the final ore from Lower Reward Deeps.

Ore production was limited during the quarter primarily due to the impact of heavy rainfall during January 2005, which resulted in the mine being closed and development of the Highway South ore drives being halted whilst the water was pumped from the open pit. It had been anticipated that mining of ore from the upper level (1105mRL) of the Highway South mine would result in the underground workings breaking through into the Highway open pit and this occurred during April 2005.

Development of the two ore drives at Highway South (1105mRL and 1075mRL) were completed during March together with a second means of egress from the underground mine. Drainage works to prevent run off water from the open cut entering the working areas of the underground mining operations have also been established.

Plans are in hand to undertake a bulk blast on each of the two levels early in May 2005, which should simplify the ore extraction process and significantly reduce the time required to complete the mining operation.

The Thalanga mill operated intermittently during the quarter due to the interrupted supply of ore. At the end of the quarter Grange had concentrate stocks of 4,116 tonnes.

Based on the current ore reserves and mining schedule the Company expects to export its final shipments of approximately 12,000 tonnes of copper concentrate during May and June 2005 generating revenue in excess of \$8 million. The operation is scheduled to close during late May to early June 2005 following the exhaustion of ore reserves.

A summary of the production statistics for the Reward Deeps and Highway South project for the March 2005 quarter and project to 31 March 2005 is presented in Table 3.

**TABLE 3**  
**MT WINDSOR JOINT VENTURE**  
**REWARD DEEPS PROJECT – PRODUCTION STATISTICS**

	<b>June 2004 Quarter</b>	<b>Sept 2004 Quarter</b>	<b>Dec 2004 Quarter</b>	<b>Mar 2005 Quarter</b>	<b>Project to 31 03.05</b>
<b>Ore Mined (tonnes)</b>	144,058	68,541	72,067	20,771	1,314,782
<b>Ore Milled (tonnes)</b>	<b>153,923</b>	<b>73,717</b>	<b>44,945</b>	<b>47,159</b>	<b>1,279,975</b>
Head grade – (Cu %)	4.61	4.52	4.21	3.21	4.20
Copper Recovery (%)	88.07	90.78	91.54	83.6	89.08
<b>Concentrates Produced (t)</b>	<b>24,585</b>	<b>11,748</b>	<b>6,451</b>	<b>5,061</b>	<b>181,745</b>
<b>Concentrate Grade</b>					
- Copper (%)	25.43	25.72	26.89	25.00	26.36
- Gold (g/t)	0.8	0.8	0.8	0.8	0.8
- Silver (g/t)	17	17	17	17	17

**RED HILL (Mining Lease M27/57)**  
**(Placer Dome Asia Pacific (“PDAP”) 100%, 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 PDAP.

PDAP has advised that mining and processing operations continued at Red Hill during the March 2005 quarter generating royalty income to Grange of \$510,246. Total mined ore production from within M27/57 for the quarter was 460,167 tonnes @ 1.87 g/t. A total of 360,908 tonnes was hauled to the Paddington processing plant during the quarter.

A total of 362,424 tonnes at a grade of 1.87g/t was processed during the quarter, producing some 23,717 ounces of recovered gold. The total gold recovered from M27/57 at Red Hill as at 31 March 2005 is 147,133 ounces.

Total reconciled mined ore production from commencement of mining (February 2003) until 31 March 2005 is 2,772,036 tonnes @ 1.65g/t gold. Total dry tonnes hauled during this period were 2,483,221 tonnes and ore processed 2,458,282 tonnes @ 1.65g/t.

**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 and the Salmon open pit during the March 2005 quarter, generating royalty income to Grange of \$413,987.

24,623 tonnes at a grade of 7.22g/t gold were mined and processed from the Freshwater section of the Plutonic East underground mine generating royalty income

of \$92,944. 196,537 tonnes at a grade of 2.28g/t gold were mined and processed from the Salmon open pit generating royalty income of \$321,043.

Resource definition drilling was carried out at the Salmon prospect with 8 RC holes aggregating 777 metres being completed. The most significant assays received during the reporting period from this drilling programme were 2m @ 16.2g/t from 73m in FRC10281, 2m @ 2.9g/t from 28m in FRC 10277 and 2m @ 2.6g/t from 39m in FRC10276.

## Reserves and Resources

During the quarter Barrick provided statements of ore reserves and mineral resources for the Freshwater project as at 31 December 2004.

Ore reserves for the Plutonic East underground project and Salmon and Callop open pits are presented in Table 4 and underground and open pit mineral resources are presented in Table 5. It should be noted that the mineral resources in Table 5 are **exclusive** of those resources modified to estimate the ore reserves in Table 4.

<b>TABLE 4 FRESHWATER PROJECT STATEMENT OF ORE RESERVES AS AT 31 DECEMBER 2004</b>				
<b>Location</b>	<b>Category</b>	<b>Tonnes</b>	<b>Grade g/t Au</b>	<b>Contained Ounces</b>
<b>UNDERGROUND</b>				
Plutonic East	Probable	360,000	6.5	75,600
<b>Total Underground</b>		<b>360,000</b>	<b>6.5</b>	<b>75,600</b>
<b>OPEN PIT</b>				
Salmon	Probable	292,000	2.9	27,000
<b>Total Open Pit</b>		<b>292,000</b>	<b>2.9</b>	<b>27,000</b>
<b>STOCKPILES</b>				
Callop	Proved	20,000	0.7	400
Salmon	Proved	118,000	0.7	2,800
<b>Total Stockpiles</b>		<b>138,000</b>	<b>0.7</b>	<b>3,200</b>
<b>TOTAL FRESHWATER RESERVES</b>		<b>790,000</b>	<b>4.2</b>	<b>105,800</b>

### Assessment Criteria - Underground Reserves:

- Plutonic East Model 3
- Mining Methods – Mechanised room and pillar, Long Hole and Airleg
- Mining Recovery – Room and Pillar 90%, Long Hole 97%, Airleg 95%
- Dilution - variable @ 0.1g/t Au
- Metallurgical Recoveries – Primary 90%
- Cut off Grades – Lower 3.0g/t Au, Upper 70g/t Au
- Estimates at gold price of A\$550
- Density - Primary 2.8

### Assessment Criteria – Open Pit Reserves:

- Bench Height 3.0 metres
- Mining Method – Open Cut
- Dilution 5%
- Mining Recovery 95%
- Minimum Mining Width - 2metres
- Cut off Grades – Salmon - Lower 0.9g/t Au, Upper 15 - 40g/t; Callop
- Metallurgical recoveries - Laterite, Oxide & Transitional 92%, Primary 88%
- Estimates at gold price of A\$550

<b>TABLE 5 FRESHWATER PROJECT STATEMENT OF MINERAL RESOURCES AS AT 31 DECEMBER 2004</b>				
<b>Location</b>	<b>Category</b>	<b>Tonnes</b>	<b>Grade g/t Au</b>	<b>Contained Ounces</b>
<b>UNDERGROUND</b>				
Plutonic East	Indicated	564,000	5.2	94,800
	Inferred	3,062,000	5.3	521,600
Area 4	Indicated	12,000	6.8	2,600
	Inferred	6,000	6.3	1,200
<b>Total Underground</b>		<b>3,644,000</b>	<b>5.3</b>	<b>620,200</b>
<b>OPEN PIT</b>				
Salmon	Indicated	18,000	2.6	1,500
Barramundi	Indicated	494,000	2.0	32,400
	Inferred	88,000	1.9	5,500
<b>Total Open Pit</b>		<b>600,000</b>	<b>2.0</b>	<b>39,400</b>
<b>TOTAL MINERAL RESOURCES</b>		<b>4,244,000</b>	<b>4.8</b>	<b>659,600</b>

**Assessment Criteria - Underground Resources:**

- Resource Method – Sectional Interpretation and ID<sup>2</sup> grade interpolation constrained inside lodes
- Block Model – Plutonic East Model 3 and Area 4 Model 1
- Drilling up to 30 October 2003
- Dilution – no edge and contains up to 2 metres internal dilution
- Minimum width - 2metres
- Cut off Grades – Lower 3.0g/t Au, Upper 70g/t Au
- Density – Primary: 2.8
- Search Sphere – Indicated: 40m x 40m x 20m; Inferred: 80m x 80m x 40m
- Drill spacing – partly 10m, 20m x 20m and 20m X 40m:remainder 80m X 80m

**Assessment Criteria - Open Pit Resources**

- Resource Estimation Method – Salmon – Ordinary Kriging; Barramundi – ID3.
- Bench Height 3.0 metres
- Dilution – undiluted
- Mining Method – Open Cut
- Mining Recovery 95%
- Minimum Mining Width – Salmon 3metres; Barramundi 2metres.
- Cut off Grades – Salmon - Lower - 0.9g/t Au, Upper - 15, 40g/t; Barramundi - Lower - 0.9g/t Au, Upper – 10, 15g/t
- Densities – Salmon - Oxide - 1.6,1.7, Transitional - 1.7,1.8,2.0,2.1,2.3, Primary - 2.6; Barramundi – Laterite – 2.1, Oxide – 1.8, Transitional 2.2, Primary – 2.4.
- Drill spacing – Salmon 10m X 10m & 20m x 20m; Barramundi 20m X 20m

**Notes:**

- 1. Mineral Resources are exclusive of those Mineral Resources modified to estimate Ore Reserves.**
- 2. Open pit mineral resources are quoted as the resources remaining adjacent to mined pits within an A\$600/ounce optimised shell.**

*These reserve and resource statements have been prepared by Maurice Rowley, Manager Mine Geology for Barrick Gold of Australia Limited, who is a competent person as defined in the JORC Code. Mr Rowley is a full time employee of Barrick Gold of Australia Limited. Barrick Gold of Australia Limited has consented in writing to the information being included in the form and context in which it appears.*

## **WEMBLEY**

**(Grange 100%, Gleneagle Gold Limited (“Gleneagle”) Earning 80%)**

The Wembley Gold Project is located approximately 65km south east of Gleneagle’s Fortnum Gold Project and comprises one granted mining lease and a mining lease application. Gleneagle is earning an 80% interest in the tenements by spending \$500,000 on exploration.

The project contains the Durack and Outback deposits, which host a resource of 568,000 tonnes at 2.3g/t gold containing 42,700 ounces. Gleneagle reports that preliminary design work has been completed for this resource as part of the Fortnum recommissioning study, with a number of relatively shallow modest tonnage, medium grade open pits defined for the Durack and Outback deposits.

In addition to this work, geological mapping and re logging of drill holes at Durack were completed during the quarter to determine controls on mineralisation. It has been concluded from this updated geological data that there is a strong association between gold mineralisation and zones of silicification and increased quartz veining and that mineralisation is oblique to the main stratigraphic trend. This enhanced geological understanding of controls on mineralisation at Durack will assist in exploration of the greater Wembley Gold Project.

## **HORSESHOE LIGHTS**

**(Murchison Copper Mines 100%)**

Towards the end of the quarter Murchison Copper Mines Pty Ltd exercised its option to acquire the Horseshoe Lights project from Grange. The project is located approximately 140km north of Meekatharra in Western Australia and covers the Horseshoe Lights mine and infrastructure. Transfer of management of the project from Grange to Murchison is underway.

*Unless otherwise stated, technical information in this report on mining and exploration activities is based on, and accurately reflects, information compiled by Mr Alex Nutter, a full time employee of Grange Resources Limited who is a member of The Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists with more than 5 years experience in the field of activity in which he is reporting.*

**ALEX NUTTER**

**Technical Director**

## **CORPORATE MATTERS**

### **ISSUE OF SECURITIES**

During the March 2005 quarter the following options were exercised:

- employees of the Company exercised 855,000 options issued under the Grange Resources Limited Directors' and Officers' Option Plan and were converted to shares at an exercise price of \$0.12 per share;
- directors of the Company exercised 3,375,000 options issued under the Grange Resources Limited Directors' and Officers' Option Plan and were converted to shares at an exercise price of \$0.12 per share; and
- a director of the Company exercised 1,000,000 options and were converted to shares at an exercise price of \$0.50 per share.

### **RIGHTS ISSUE & \$5.0 MILLION SHARE PLACEMENT**

During the March quarter the Company announced its intention to undertake a pro rata non renounceable rights issue to shareholders ("**Rights Issue**") whereby the Company proposed to issue up to 10,821,322 shares on the basis of one share for every seven shares held at an issue price of \$1.25 per share. The Company engaged Patersons Securities Limited to underwrite the Rights Issue and BBY Limited to act as joint lead manager with Patersons.

On 26 April 2005 the underwriter to Rights Issue advised the Company that there had been a material deterioration in market conditions which had triggered a technical breach of the terms of the Underwriting Agreement. The directors therefore resolved to withdraw the Prospectus dated 23 March 2005 due to the uncertainty of completing the Rights Issue which is not fully underwritten.

Following the cancellation of the Rights Issue, the Company arranged a share placement of 5,000,000 fully paid ordinary shares at an issue price of \$1.00 to raise \$5.0 million. The share placement was made to a London based institution RAB Capital plc.

### **CASH POSITION**

During the March quarter, mining operations at the Reward Deeps Project continued however ore production from the Reward Deeps Project was limited during the due to the impact of the heavy rainfall during January 2005, which resulted in the mine being closed and development of the Highway South ore drives being halted whilst the water was pumped from the open pit. There was no shipment of copper concentrate from the Reward Deeps Project during the March quarter, which contributed to cash flow deficit of \$2.82 million from operating activities. The Company recorded a modest cash flow deficit from investment and financing activities. The resulting cash balance at 31 March 2005 was \$5.76 million.

The Company expects the final shipments of copper concentrate from the Reward Deeps Project to be exported from Townsville in May and June 2005. The shipment is forecast to generate gross revenue in excess of \$8.0 million and approximately \$5.0 million after costs. These estimates are based on the current ore reserves and mining schedule.

The Company anticipates generating sufficient working capital from its operations to fund the costs associated with the completion of the bankable feasibility study on the Southdown Magnetite Project.

**ALEC PISMIRIS**  
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
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**ABN**

80 009 132 405
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**Quarter ended ("current quarter")**

31 March 2005
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**Consolidated statement of cash flows**

	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	449	951
1.2 Payments for		
(a) exploration and evaluation	(1,074)	(1,673)
(b) development	-	-
(c) production	-	-
(d) administration	-	-
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	140	470
1.5 Interest and other costs of finance paid		(28)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
1.7(i) Payment to directors and employees	(320)	(891)
1.7(ii) Payment for all other working capital	(2,011)	(9,011)
<b>Net Operating Cash Flows</b>	<b>(2,816)</b>	<b>(10,182)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects		(100)
(b) equity investments	-	-
(c) other fixed assets	(130)	(165)
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	(1,075)	(1,122)
1.12(ii) Proceeds from release of security deposit	-	-
1.12(iii) Payment for exploration, development and production	-	-
<b>Net investing cash flows</b>	<b>(1,205)</b>	<b>(1,387)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(4,021)</b>	<b>(11,569)</b>

+ See chapter 19 for defined terms.

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

1.13	Total operating and investing cash flows (brought forward)	(4,021)	(11,569)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	1,002	1,099
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	-	-
	<b>Net financing cash flows</b>	<b>1,002</b>	<b>1,099</b>
	<b>Net increase (decrease) in cash held</b>	<b>(3,019)</b>	<b>(10,470)</b>
1.20	Cash at beginning of quarter/year to date	8,781	16,232
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>5,762</b>	<b>5,762</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	197
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

Not Applicable

+ 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	2,823
4.2 Development	-
<b>Total</b>	<b>2,823</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	838	398
5.2 Deposits at call	4,664	8,126
5.3 Bank overdraft	Nil	Nil
5.4 Other (Cash held with Joint Ventures)	260	254
<b>Total: cash at end of quarter (item 1.22)</b>	<b>5,762</b>	<b>8,781</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 *Ordinary securities	75,749,259	75,749,259		
7.4 Changes during quarter				
(a) Increases through exercise of options	5,230,000	5,230,000		
(b) Decreases through returns of capital, buy-backs	-	-		
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>	4,285,715	-	<i>Exercise price</i> 50 cents	<i>Expiry date</i> 28 November 2006
	3,500,000	-	50 cents	30 June 2007
7.8 Issued during quarter <sup>1</sup>				
7.9 Exercised during quarter	4,230,000	-	12 cents	30 June 2007
	1,000,000	-	50 cents	28 November 2006
7.10 Cancelled during quarter	-	-	-	-
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:            Alec Pismiris  
                              (Company secretary)

Date: 29 April 2005

## 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* apply 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 \$196,754 and include:-

- Directors' fees (inclusive of superannuation) of \$19,917 paid to non-executive directors of the Consolidated Entity.
- Executive directors' salaries (inclusive of superannuation) of \$176,837