



## Grange Resources Limited Australia's leading magnetite producer

Grange Resources Limited  
ABN: 80 009 132 405  
Level 11, 200 St Georges Terrace  
Perth Western Australia 6000  
PO Box 7025, Cloisters Square  
Perth Western Australia 6850  
T +61 8 9321 1118  
F +61 8 9321 1523  
info@grangeresources.com.au  
[www.grangeresources.com.au](http://www.grangeresources.com.au)

### REPORT FOR THE QUARTER ENDED 31 DECEMBER 2009

#### HIGHLIGHTS

- Company capital restructure completed, raising a total of \$153 million cash (before costs) resulting in stronger balance sheet; reduced ongoing deferred payments and positive net cash position.
- Business Improvement Plan results in significant operating cost reductions and productivity improvements realized at Savage River.
- Southdown project environmental permitting significantly progressed.

#### COMPANY SUMMARY

##### Restructuring

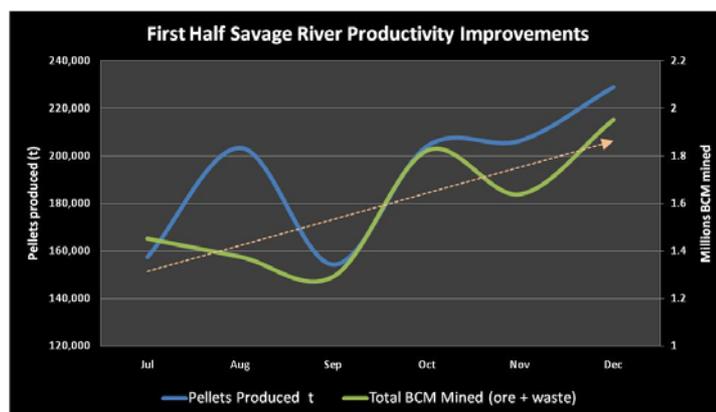
Grange Resources Limited (**Grange** or **Company**) is pleased to report a highly successful quarter which included the completion of the restructuring commenced in August 2009. The restructure included a capital raising, through a rights issue to all shareholders, a share placement to the cornerstone shareholders (Shagang International Holdings Limited, RGL Holdings Co. Pty Ltd and Pacific International Co. Pty Ltd) (**Cornerstone Shareholders**) and the restructuring of a deferred consideration payment to Stemcor Pellets Limited (**Stemcor**). A total of \$153 million cash (before costs) was raised, and the liability associated with the deferred consideration has been significantly reduced.

The Cornerstone Shareholders fully participated in the rights issue and further subscribed for a total of 99.8 million ordinary shares at \$0.29, showing a strong ongoing commitment to the success of the Company.

## Business Improvement Program

Direct operating costs for the quarter were \$64 per tonne of pellet produced, cash reserves were \$96 million (at 31 December) and the Company had no net debt at the end of the quarter.

When compared to the September quarter, mine production at Savage River increased with no increase in fleet size, and pellet production also increased with an associated reduction in production costs. These improvements are as a direct result of improved management processes that have been installed at the site following the merger of Grange with ABM in January of last year.



## North Pit Resources

At Savage River, two additional magnetite lenses were discovered in an area of pre-stripping. The lenses are located at the northern end of the current open pit. An infill drilling program is being undertaken to test the extent of the mineralisation and determine the relationship with the Main Ore Zone. These discoveries, in a shallow area of the mine, have the potential to increase mine life and reduce operating costs in the next 2-3 years. They will also allow access to a greater part of the Main Ore Zone at depth.

## Southdown Environmental Approvals

At Southdown, the Company's magnetite project near Albany in Western Australia, (70:30 joint venture with Sojitz Resources and Technology Pty Ltd), environmental approval for the mine, pipeline and port infrastructure was received from the West Australian Minister for the Environment. In addition, on 18 January 2010, the EPA issued the Environmental Bulletin for the Albany harbour works. The issuing of the permit and bulletin provides the Joint Venture (subject to approval) with the confidence required to complete the feasibility study.

## Other Significant Events of the Quarter

In its continuing efforts to focus on the core assets of the Company, namely Savage River and Southdown, Grange has recently completed an implementation agreement with Shergar Corporation Limited (Implementation Agreement) to divest its interests in Murchison Copper Mines Pty Ltd. In addition, Grange is in the final stages of divesting a number of Pilbarra tenements in Western Australia and its interests in Mt Samuel in the Northern Territory in return for future royalties.

The Company has completed 2009 as a less complicated and more focused organization. The divestment of non core assets, the elimination of future fixed consideration payments, and the re-structure of an onerous ongoing deferred payment at Savage River, leave the Company with a strong balance sheet, no hedged positions, a strong cash balance and the ability to leverage off the forecast increase in iron ore prices.

Whilst the annual iron ore price negotiations are yet to be completed, current iron ore spot prices are significantly higher (30-40%) than the benchmark prices agreed last year, leading commodity research analysts to conclude that there will be a reasonable rise in iron ore benchmark prices in March this year.

## **SAVAGE RIVER OPERATIONS**

### ***Production and costs***

	<b><i>December Quarter 2009</i></b>	<b><i>September Quarter 2009</i></b>	<b><i>July – December Half 2009</i></b>	<b><i>January - June half 2009</i></b>
Total BCM Mined	5,414,278	4,349,706	9,763,984	9,402,328
Total Ore BCM Mined	461,438	516,763	978,202	701,398
Concentrate Produced (tonnes)	644,432	550,681	1,195,113	1,036,463
Weight Recovery (Dry) (% DTR)	44.09	36.64	40.31	43.15
Pellets Produced (tonnes)	640,000	514,943	1,154,943	1,018,891
Pellets Shipped (tonnes)	599,347	619,428	1,218,775	1,034,840
Concentrate Shipped (tonnes)	22	110	132	12,495
Pellet Stockpile (tonnes)	216,407	175,747	216,407	280,262
Concentrate Stockpile (tonnes)	15,921	15,514	15,921	3,004
Direct Operating Cost A\$/tonne Pellet Produced	63.83	104.30	82.43	85.37

Note: Direct operating costs includes all costs associated with producing iron ore pellets, but excludes capital expenditure, including capitalized waste, financing costs, tax, royalties and corporate costs

Since Grange assumed ownership of the Savage River operations in January 2009, there has been an extensive effort to install comprehensive management systems into the business to improve focus on costs, efficiencies and productivity. As a result, operating costs at the mine have been significantly reduced, and record mine production of 1,822,844 BCM was achieved in October, and again in December with 1,952,829 BCM.

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

***Environmental Approvals***

Mine

On 25 November, the Minister for the Environment approved the environmental permit for the mine, pipeline and port facilities, following an extended period to assess a number of appeals.

Port

The Port of Albany has been undertaking the Environmental Approval process with respect to proposed works in Albany harbour.

On 18 January 2010, the EPA’s Services Unit issued the Environmental Bulletin, which provides the conditions under which the works can occur.

Grange recognises that with critical permits in place and an improved global economic outlook, the Southdown project provides the next big growth opportunity for the Company. It will be working with Sojitz to agree the final project parameters so that the PFS can be completed ahead of the DFS. The project team remains focused on high value activity, such as land access, ore body modelling and production rates, and water requirements.

**MURCHISON COPPER MINES (MCM) Grange ownership 79%**

On 4 January 2010, Grange entered an Implementation Agreement for the sale of its shares in MCM to Shergar Corporation Limited (Shergar) and subsequent IPO. Shergar has paid a non-refundable deposit of \$250,000 to secure exclusivity on the transaction. These funds will be applied to pay expenses associated with the MCM tenements until completion of the IPO.

Following successful completion of the IPO (anticipated by end April 2010) Grange will be repaid funds previously lent to MCM (approximately \$1 million) and will have the cash currently funding environmental bonds returned (approximately \$1 million). Grange will continue to hold a small percentage of listed shares in Shergar (which will have the MCM tenements as its asset).

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

The magnetite project in Bukit Ibam continues to operate and paid its first dividend of \$32,800 in November 2009.

Total concentrate production during the quarter was approximately 15,210 tonnes of concentrate, whilst ore milled was 38,025 tonnes.

The sale process with Ophir Mining and Exploration Sdn Bhd was terminated during the quarter and the Company is in discussions with other interested parties with respect to the sale of its interest in Bukit Ibam.

## **CORPORATE MATTERS**

### ***Issue of Shares***

Following shareholder approval at the Annual General Meeting in November, the placement of 99.8 million ordinary fully paid shares to the Cornerstone Shareholders was made at a price of \$0.29.

There are now 1,149,097,776 ordinary fully paid shares on issue.

### ***Cash Reserves***

The cash and cash assets of Grange at 31 December 2009 were \$96 million.

-ENDS-

For further information, please contact:

Russell Clark  
Managing Director & CEO  
Grange Resources Limited  
+ 61 8 9321 1118

Or visit [www.grangeresources.com.au](http://www.grangeresources.com.au)

### ***Competent Person Statement***

*The information in this release that relates to Exploration Results or Mineral Resources in relation to the Savage River Project is based on information compiled by Mr Ben Maynard, who is a Member of The Australasian Institute of Mining and is a full time employee of Grange Resources Limited. Mr Maynard has sufficient experience which is relevant to the style of mineralisation and type of deposit 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'. Mr Maynard consents to the inclusion in the release of the matters based on his information in the form and context in which it appears.*