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ASX: GRR



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 9327 7901
F +61 8 9327 7932
info@grangeresources.com.au
www.grangeresources.com.au

Grange Resources Limited **Australia's leading magnetite producer**

REPORT FOR THE QUARTER ENDED 30 JUNE 2010

HIGHLIGHTS

- **Iron ore price negotiations indicate a significant increase in forecast cash flow from Savage River.**
 - **An interim agreement is in place to increase the sales price of pellets to Shagang from US\$120/t to \$US150/t, from 1 July 2010.**
 - **Following the conclusion of the contract year (based on the Australian financial year) with BlueScope during which benchmark based prices were in force, an agreement is in place to increase the interim sales price of pellets to BlueScope to \$US150/t, from 1 July 2010.**
- **Southdown Project engineering review completed by AMEC Minproc. Project feasibility study to +/- 20% will be completed by the end of calendar year 2010.**
- **Strong cash position of A\$70 million, and no net debt at the end of the quarter.**
- **Improvements in productivity and cost control maintained at Savage River.**
- **Disposal of non core projects (MCM and Bukit Ibam) well advanced, allowing management to focus on the significantly larger assets of Savage River and Southdown.**

Grange Resources Limited ("Grange" or the "Company") Managing Director, Russell Clark, said that the Company's plan to restructure the business over the last 12 months was now reaping benefits and thanked all of Grange's employees for their significant contribution during what had been a challenging year.

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“Over the last year Grange has had to focus on changing two fundamental elements of the business – the operational performance at the combined Savage River and Port Latta iron ore operations and the underlying financial structure of the Company,” said Mr Clark.

“Operational performance and unit cost improvements at Savage River continue to be maintained, resulting in controlled costs and increased production. Productivity increases in mining operations saw the attainment of record efficiencies in ore and waste movement and crushing which resulted in the concentrator treating 8% more tonnes than ever before in its 40 year history.”

“We have successfully strengthened the balance sheet. The Fixed Consideration and Head Agreement components of our deferred consideration obligations to Stemcor have been finalised, the Bank of China financing facility has been repaid, low priced legacy sales contracts were concluded, contracts previously priced at Benchmark are now attracting the higher prices available in the market, and last year’s capital raising has improved the Company’s cash position. With the improvements made to the business, shareholders are realising the benefits of a rapid increase in iron ore prices, with an immediate and substantial rise in cash flow from the Savage River operations, which will help fund the exciting Southdown Magnetite development project in Western Australia.”

COMPANY SUMMARY

Grange Resources Limited is pleased to report a highly successful quarter which has resulted in further strengthening of the Company’s balance sheet and reduction of liabilities.

CASH RESERVES AND FUTURE SALES

The cash reserves of Grange at 30 June 2010 were A\$70 million, down from A\$82 million as at 31 March 2010 primarily due to a reduction of debt (US\$29 million) following the repayment of a funding arrangement with the Bank of China.

As a result of concluding the iron ore contract year (aligned with the Australian financial year) with BlueScope on 30 June 2010, all of the Company’s future production will attract the market price for iron ore, which will be based on market index iron ore pricing and shipping rates.

Discussions continue with all contracted customers in order to secure agreement to an ongoing sales pricing methodology, based on the iron ore index which is being used by major iron ore suppliers. Grange is working with its customers to finalise these discussions and agree the methodology as soon as is practicable.

SAVAGE RIVER OPERATIONS

Production

Safety performance saw a marked improvement with the number of Lost Time Injuries (“LTIs”) halving in the past 12 months, compared to the previous year, and the Total Recordable Injury Frequency Rate (TRIFR) also falling.

For the past quarter, ore and waste production was lower than the previous quarter as a result of inclement weather and a smaller fleet of equipment following the planned retirement

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of older and less productive equipment. Despite this, productivity increases derived through improved planning and scheduling processes in mining operations saw record efficiencies in ore and waste movement achieved in the past 12 months – more than for any other 12 month period in the Company's history. The concentrator treated 5.95 million tonnes of ore for the year, an 8% improvement on the previous best record for 12 months and produced 2.42 million tonnes of concentrate. The pellet plant produced 2.36 million tonnes of premium blast furnace pellets in the financial year.

Cost Management

In concert with the increased productivity efficiencies, disciplined operational cost control measures have been instilled which resulted in unit costs (Direct Operating Costs per tonne of pellet produced) reducing by 33% for the June Quarter year on year 2009 to 2010.

Production and Costs - June Quarter

	Production and Costs June Quarter 2010	Production and Costs June Quarter 2009	Financial Year ended 30 June 2010
Total BCM Mined	3,854,552	4,489,834	18,885,434
Total Ore BCM	313,077	464,707	1,612,844
Concentrate Produced (t)	640,719	522,495	2,425,045
Weight Recovery (Dry) (% DTR)	46.2	43.1	42.9
Pellets Produced (t)	639,334	557,095	2,360,133
Pellets Shipped (t)	581,357	379,752	2,388,009
Concentrate Shipped (t)	46	12,447	187
Pellet Stockpile (t)	243,640	280,262	243,640
Concentrate Stockpile (t)	8,798	4,039	8,798
Direct Operating Cost A\$/tonne Pellet Produced	62.01	93.62	65.81

Note : Direct operating costs includes all costs associated with producing iron ore pellets including deferred mining adjustments and ore stockpile movements but excludes royalties, depreciation and amortisation costs.

On 18 June, 2010, Grange advised that a rock slide had occurred on the eastern wall of the North Pit at the Savage River mine site. An estimated 140,000 bank cubic metres of material fell onto the pit floor. As a result of the geotechnical controls and standard operating procedures in place, the area had been cleared of personnel and no injuries were sustained. The geotechnical environment at Savage River is challenging but is well understood and managed. Grange is working on an "open book" basis with Work Safe Tasmania, and is re-scheduling mining activity to ensure that the area concerned is made safe and that the risk of similar occurrences is minimised and mitigated as much as possible in the future. A revised plan will be completed as soon as is practicable, recognising that a new plan will have to be endorsed by Work Safe Tasmania. Work on assessing the financial impact is continuing.

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All contracted shipments for the year were delivered and in June an additional spot cargo was sold, the first in many years.

RESOURCE, RESERVE UPDATE FOR SAVAGE RIVER

Grange is pleased to announce an update to the Mineral Resources and Ore Reserves for the Savage River magnetite deposit as at the end of May 2010. This includes addition of new ore lenses in the North Pit and allows for depletion as a result of mining activity over the past 12 months.

A summary of the Mineral Resource⁽¹⁾ is as follows:

Mineral Resource	2010		2009	
	Tonnes (Mt)	Grade (%DTR)	Tonnes (Mt)	Grade (%DTR)
Savage River Total				
Measured	86.4	54	88.0	53
Indicated	131.9	53	136.0	52
Inferred	87.8	49	92.2	47
Total	306.0	52	316.2	51

A summary of the Ore Reserve⁽¹⁾ is as follows:

Ore Reserve	2010		2009	
	Tonnes (Mt)	Grade (%DTR)	Tonnes (Mt)	Grade (%DTR)
Savage River Total				
Proved	50.6	51	52.4	50
Probable	67.9	51	72.0	49
Total	118.5	51	124.4	49

During 2009/10, a total of 3,400m of diamond drilling and 1,600m of reverse circulation percussion drilling were completed. The diamond drilling comprised 13 holes with the objective of testing newly discovered ore and upgrading areas of inferred resource within North Pit. While the ore tonnage has decreased, the new interpretations result in an increase in grade of approximately 4%, primarily as a result of the newly discovered ore in North Pit. Whilst 2.4mt of concentrate was produced this financial year, the quantity of contained magnetite in the reserve has dropped by only 0.5mt.

SOUTHDOWN MAGNETITE PROJECT

(Southdown; Grange 70%, Sojitz Resources and Technology Pty Ltd 30%)

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

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Southdown Project 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 one of the best premium quality magnetite deposits currently under development in Australia. With a location within 100km of existing port facilities, an orebody close to surface and a nearby major regional population centre, the deposit is favourably placed for development.

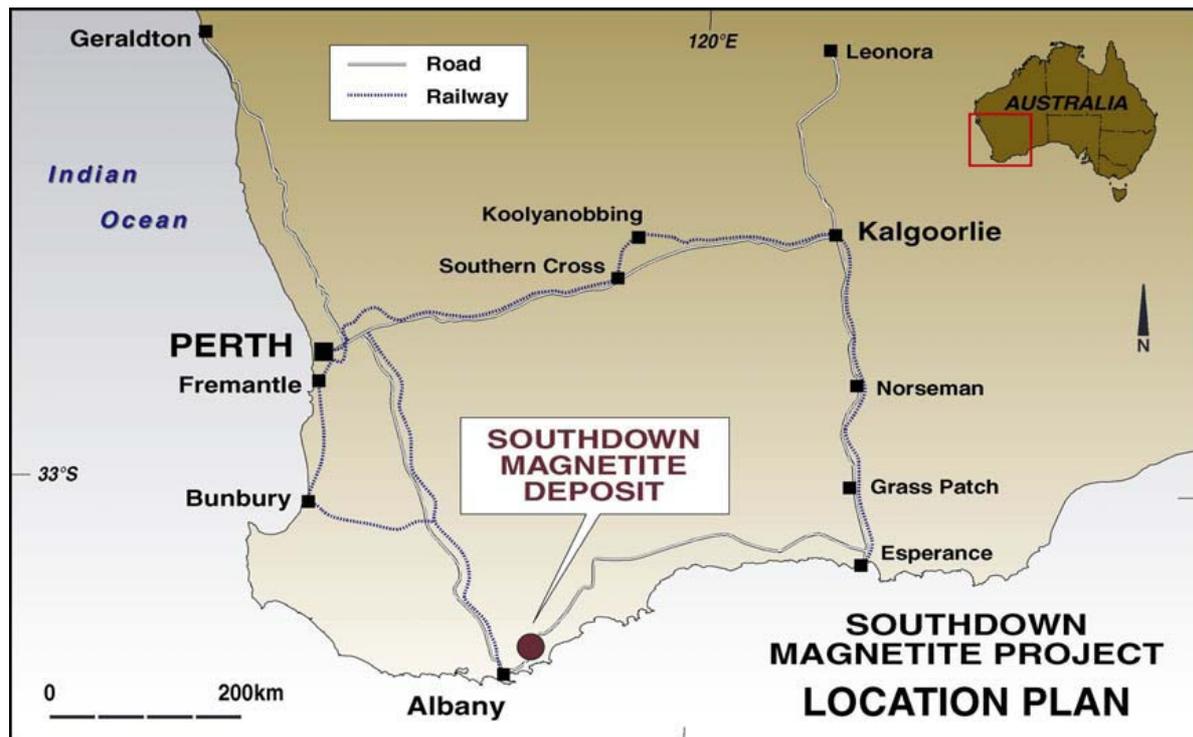


Figure 1: Location of Southdown Magnetite Project, Albany WA

The Southdown Magnetite deposit will be mined using standard open pit mining methods with the magnetite mineralisation being crushed, ground, screened and then magnetically separated to produce a magnetite concentrate. The magnetite concentrate will be pumped as slurry through a buried pipeline, approximately 100 km to a concentrate storage facility at the Port of Albany before being loaded on to cape size vessels and shipped to an iron ore pellet plant, currently planned 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 the Port of Albany, the construction of a new berth will be required and the Albany Port Authority will provide up to nine 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 cape size vessels.

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Resources and Reserves

The Resources and Reserves for the Southdown Project are as follows:

Southdown Mineral Resources (inclusive of reserves)		
	Tonnes (Mt)	Grade (%DTR)
Measured	220	37.4
Indicated	210	38.9
Inferred	224	33.4
Total	654	36.5

Southdown Ore Reserves		
	Tonnes (Mt)	Grade (%DTR)
Probable	388	35.5
Total	388	35.5

The resource estimate was classified in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2004).

Engineering Update

In April 2010, AMEC Minproc and GHD (working together as partners on the Southdown Magnetite Project) were appointed to conduct an engineering review of all project work previously undertaken, and to produce a scope of work and a budget to conclude a feasibility study to +/- 20% accuracy by the end of December 2010. This review has been completed and the necessary work identified is being undertaken.

In reviewing the project, the Project team has identified the opportunity to increase the output from the mine from the previously targeted 6.6 million tonnes per year of concentrate to approximately 10 million tonnes per year of concentrate. This will spread the significant infrastructure expenditure over more tonnes per annum, whilst increasing the infrastructure costs only marginally. The team will continue to work on the expanded project and is liaising with the necessary Government agencies to ensure the relevant approvals are in place.

The Joint Venture is considering “staging” the project, with plans to initially construct the Australian operations (mine, concentrator, power line, pipelines and port facilities) and establish magnetite concentrate production, prior to constructing a pellet plant. This approach would reduce the risks of the project significantly, reducing the capital expenditure initially required and eliminating the need to build two large facilities in two countries at the same time.

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The option over the land and wharf in Kemaman, Malaysia, was renewed for a further year, commencing 1 July 2010.

Mine Planning Update

The mine design for Southdown has had a significant review and has been optimised to allow for the planned increased concentrate production of 10 million tonnes per annum, while at the same time reducing the overall waste volume removed. The improved mine design was a direct result of in-house knowledge and experience available at the Savage River operation being applied to Southdown for the first time.

Metallurgical Test Work Update

Metallurgical test work required for the feasibility study is now complete. Information gained from the test work, combined with operational knowledge accumulated over 40 years at Savage River has resulted in a change to the concentrator flow sheet, such that it is a simpler design and reflects the planned increased output from the mine to produce 10 million tonnes per annum of high quality concentrate.

Environmental Approvals

The Public Environmental Review (PER) for the Southdown mine and pipeline has been completed and environmental approval of the project was received from the West Australian Minister for the Environment in November 2009. Grange is in the final stages of negotiating land offsets for the Carnaby Cockatoo's with the Commonwealth Department of Environment, Water, Heritage and Arts under the Environment Protection Biodiversity Conservation Act, 1999.

The Albany Port Authority has made application to both the Commonwealth and the West Australian State Government for the expansion of the Albany port and the channel access to the Port.

In June 2010, the Albany Port Authority received Commonwealth approval for the port expansion project associated with Grange's Southdown Magnetite project. The approval was issued by the Commonwealth Department of Environment, Water, Heritage and Arts under both the Environment Protection Biodiversity Conservation Act, 1999; and the Commonwealth Environment Protection (Sea Dumping) Act, 1981.

The Albany Port Authority has also made substantial progress with the State permit application, with the West Australian Environmental Protection Authority (EPA) publishing its Bulletin in January 2009. The release of the Bulletin was the culmination of extensive studies and submissions to the EPA and is a major milestone and another step forward in the development of the Southdown Project. The Bulletin provides advice and recommendations from the EPA on the proposed development of the Port of Albany. The EPA concluded that it is unlikely that its objectives would be compromised provided there is satisfactory implementation of its recommended conditions and procedures. The EPA has recommended approval of the project to the West Australian Minister for the Environment with those conditions and procedures. Grange is expecting an announcement from the West Australian Minister of the Environment in the near future.

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Malaysian Environmental Approval for the Kemaman pellet plant has already been received from the Ministry of Natural Resources and Environment in 2006 and Grange is currently in the process of extending the timeframe of the approval.

Power and Water

Grange has continued to work closely with Western Power during the quarter. The power transmission line alignment to the mine will use a single circuit 220 kV transmission line from Muja to Southdown via Kojonup and Gnowangerup. Public consultation on the preferred route was commenced by Western Power in 2009 and is ongoing during all phases of design and future construction.

With the planned increase in concentrate production, studies have been completed that reveal that power is not a constraint to the larger project. Detailed design work on all sectors from Southdown to Muja to Kojonup has commenced and commercial negotiations with Western Power on the Interconnected Works Agreement will continue in the next quarter.

Grange has also commenced discussion with potential power providers for the project.

In November 2007 Grange announced it had signed an Option Agreement with the Western 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 for the project. Negotiations with the Water Corporation on the Commercial Water Supply Agreement are in the final stages and will be complete by the end of 2010.

The potential increase in production to 10 million tonnes per annum of concentrate will require additional water and work has commenced on the possible use of a desalination plant situated near Cape Riche.

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

Grange has previously advised its intention to dispose its 51% share in a small magnetite mining operation at Bukit Ibam in Malaysia. It is expected to complete a sale of the interest (subject to conditions precedent) to Esperance Mining Sdn. Bhd for a MYR 10 million (~A\$3.5m*) cash payment during August 2010.

Grange has also reached an agreement for the sale of its 100% interest in the Malaysian Tailings Retreatment Project adjacent to the Bukit Ibam magnetite mine to Hoh Seng Fui Trading for a cash payment of MYR 3 million (~A\$1 million*). The execution of the sale and purchase agreement and payment of consideration is scheduled to be completed during the next quarter.

The returns from the sale of the Bukit Ibam projects exceed the investment in them and the funds will contribute to cash available to support the Southdown Project feasibility study.

* AUD 1 = RM 2.83

MURCHISON COPPER MINES

("MCM" – Grange Interest 79.3%)

During the quarter Grange has been negotiating the sale of its 79.3% share of MCM with Horseshoe Metals Limited ("Horseshoe Metals"). The sale was concluded in July 2010.

As a result of the sale Grange received 3,922,313 ordinary shares and 1,307,438 twenty cent options (expiring 30 June 2012) in Horseshoe Metals. In addition Horseshoe Metals has paid Grange approximately \$900,000, being debts owed to Grange by MCM. Horseshoe Metals has also put up the necessary bonds for the tenements, releasing \$1,066,500 worth of bonds back to Grange. The funds resulting from this transaction will contribute to cash available to support the Southdown Project feasibility study.

CORPORATE MATTERS

Stemcor Payment

As part of the legacy obligations arising from previous ownership changes in Australian Bulk Minerals ("ABM"), the fourth and final instalment of the Head Consideration payable by Grange Tasmania Holdings Pty Ltd (formerly Shagang Mining (Australia) Pty Ltd) to Stemcor under the Savage River Sale and Purchase Agreement. An amount of US\$6,288,974 was paid during the quarter.

Debt

In June 2009, Grange's major shareholder, Shagang, continued to show its support for the Company by arranging a US\$40.8 million Letter of Credit Financing Facility for working capital purposes. The Letter of Credit financing arrangement was repaid in full during the quarter, with US\$29m being repaid during the quarter.

The only debt remaining in the Company is for the leasing of mobile equipment (A\$47.7m) and a debt to the Tasmanian Government of A\$9.3m, for the Savage River Rehabilitation Plan (SRRP). Further detail on this can be found in the 2009 annual report.

Currency Hedge Book

Grange remains unhedged and monitors its currency hedging strategy regularly at its monthly treasury meetings.

Australian Resources Tax Proposals

During the past quarter Grange has been heavily engaged with the Federal Government as proposals for the implementation of a Resource Super Profits Tax (RSPT), and more recently a Mineral Resources Rent Tax (MRRT) have evolved. Grange has argued strongly that magnetite iron ore mining and processing is quite different to hematite iron ore mining and should be exempt from the tax, as are other minerals which require significant processing, such as gold, nickel, copper and other base metals.

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Issue of Shares

The Company issued 1,348,060 ordinary fully paid shares during the quarter. There are currently 1,151,778,896 shares on issue.

Share Register

The Company continues to see excellent liquidity in the trading of its shares. The number of shareholders on the Register has grown from 1,200 in January, 2009 to over 4,100 in June 2010. The Company now has a number of recognised institutional investors on the register, as opposed to the predominance of retail investors who formed the register in January 2009. Grange will continue its efforts to promote liquidity in the trading of its shares.

Board Changes During the Quarter

Mr Peter Stephens resigned from the Board on 7 April 2010 to take up a full time executive role with another company.

On 2 June, 2010 Mr John Hoon was appointed to the Board as a Non Executive Director. He is Chairman of the Audit Committee and a member of the Remuneration Committee.

-ENDS-

For more information, please contact:

Investors:

Russell Clark
Managing Director & CEO
Grange Resources Limited
+ 61 8 9327 7901

Media:

Shane Murphy
FD Third Person
+61 8 9386 1233 / +61 420 945 291
shane.murphy@fdthirdperson.com.au

Or visit www.grangeresources.com.au

⁽¹⁾ *Qualifying Statement*

The resource estimate for the first lens was classified in accordance with the guidelines provided in the JORC Code, 2004. The classification of Mineral Resources was considered appropriate on the basis of drill hole spacing, sample interval, geological interpretation and representativeness of assay data and was based on a number of factors:

- The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce the Ore Reserves. The Inferred Mineral Resources are, by definition, additional to the Ore Reserves.
- The estimation was constrained within the interpreted geological domain.
- The Ordinary Kriging and Inverse Distance interpolation methods were carried out on drilling data composited to 2m
- Oxidised material was not included in this statement of Mineral Resources
- Tonnages were estimated on a dry basis.
- Bulk density for samples taken from diamond drill core has been physically determined by the weight-in-air/weight-in-water method. Samples are unsealed during this process as most material is competent and/or of low porosity.
- A lower cut-off grade of 15% DTR was used in the calculation of both the Mineral Resources and Ore Reserves.
- The Ore Reserve was calculated using a 1.087 dilution factor and a mining recovery factor of 0.939. These factors are based on periodic reconciliation specific to mining areas.
- The survey surface used for reporting North Pit was the end-of-month May 2010 surface.

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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.

The information in this release which relates to the Mineral Resources of the Southdown Project is based on information compiled by James Farrell who is a full-time employee of Golder Associates Pty Ltd and a Member of the Australasian Institute of Mining and Metallurgy. James Farrell has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity for which he is undertaking to qualify as a Competent Person as defined in the JORC Code (2004). James Farrell consents to the inclusion of this information in this presentation in the form and context in which it appears.

The information in this release which relates to the Ore Reserves of the Southdown Project is based on information compiled by Mr Ross Bertinshaw who is a full-time employee of Golder Associates Pty Ltd and a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Bertinshaw has sufficient experience in Ore Reserve estimation relevant to the style of mineralisation and type of deposit under consideration and to the activity for which he is undertaking to qualify as a Competent Person as defined in the JORC Code (2004). Mr Bertinshaw consents to the inclusion in this presentation of the matters based on his information in the form and context in which it appears.

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