

19 July 2011

ASX:GRR



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Grange Resources Limited

Australia's leading magnetite producer

REPORT FOR THE QUARTER ENDED 30 JUNE 2011

HIGHLIGHTS

Grange has delivered another solid quarter to shareholders. Savage River continues to enjoy strong commodity prices with excellent cash generation and development of the Southdown project near Albany in Western Australia is progressing on schedule and under budget. Highlights for the June Quarter include:

- Continued excellent safety performance at Savage River.
- Strong cash and trade receivables position of \$183.7 million and no net debt at the end of the quarter.
- Pellet prices remained very strong during the quarter averaging US\$222 per tonne.
- Grange remains “on track” to produce approximately two million tonnes of pellets in 2011.
- Savage River east wall recovery plan proceeding to schedule.
- Year to date costs lower than budgeted.
- Southdown project definitive feasibility study funding approved, with completion due first quarter 2012.
- EPA approval granted to increase production at Southdown to 10 million tonnes of magnetite concentrate per annum.

Grange Managing Director, Mr Russell Clark, said “Our excellent safety performance continues with no Lost Time Incidents (LTIs) recorded for over 11 months. Our employees are to be congratulated, and I think this result is a great reflection of the improved management processes introduced to the site over the past two years.”

“As previously advised, Grange has agreed an IODEX based index pricing mechanism for pellet sales to its two major customers, Shagang and BlueScope Steel. We have received all the revenue associated with the interim pricing adjustment from last year and have averaged a pellet price of US\$ 222 per tonne for the June quarter, in line with expectations set in the last quarterly. Whilst global prices have reduced slightly in recent weeks, we expect the average price in September quarter to remain around US\$200 per tonne of pellets (FOB Port Latta).”

“Our guidance for the Savage River operations remains at two million tonnes of pellet production and sales in 2011.”

“The Savage River operations continue to perform well with the east wall cut back progressing to plan. As previously advised, we expect to be back mining the main ore body in North Pit in the fourth quarter of 2011, as this stage of the east wall cut back reaches its conclusion. Whilst the cut back is being undertaken, we are mining lower grade satellite pits, and have had the concentrator treating more tonnes to compensate. Costs incurred for the quarter were less than budgeted, contributing further to the improved cash position.”

“Grange is in discussions with several companies that have magnetite ore deposits within reasonable proximity to the Savage River mine. Whilst these companies are at differing stages of bringing their assets into production, we are working together with the aim of reaching agreement to use the Savage River downstream processing and distribution infrastructure to add value for the benefit of both Grange and the new producers. This has the potential to increase production at Savage River by between 200,000 and 300,000 tonnes per annum of magnetite concentrate as soon as 2012.”

“The Pre-Feasibility Study (PFS) for our growth project, Southdown, was completed in the March quarter. The strong iron ore price outlook, positive NPV and favourable returns forecasted at this stage provided the owners the confidence to approve the funding for the Definitive Feasibility Study (DFS). The DFS is targeted for completion in the first quarter of 2012, and Grange Resources will fund its 70% share of the study costs from existing cash reserves.”

CASH RESERVES AND FUTURE SALES

Cash and receivables for Grange at 30 June 2011 were A\$183.7 million, up from A\$156.2 million as at 31 March 2011. A total of \$6.9 million was incurred on the Southdown DFS during the quarter (Grange’s share).

Sales for the quarter continued using an “IODEX” index based pricing mechanism. The agreed pricing mechanism adopts the Platts Iron Ore Index price (“Platts IODEX”) which is published daily for a 62% Fe, iron ore fines product and is quoted on a US\$ per dry metric tonne CFR North China basis. The price paid by BlueScope Steel (“BlueScope”) and Shagang for Savage River pellets is based on the Platts IODEX and is adjusted for the higher iron content of the Savage River pellets (approximately 65% Fe). The price is converted to an FOB price per dry metric tonne by adjusting it for shipping freight costs. Finally, the price includes a premium which reflects differential in the quality of magnetite pellets vs iron ore fines and/or lump.

The average price received during the June quarter was US\$222 per tonne of pellets (FOB Port Latta).

Revenues received at Savage River are forecast to remain strong through the next quarter, with pellet prices expected to remain around \$200 per tonne.

SAVAGE RIVER OPERATIONS

Production and Costs - June Quarter

Grange continues to forecast approximately 2 million tonnes of pellet production and sales in 2011, rising to approximately 2.3 million tonnes in 2012 and 2013.

	Production and Costs June Quarter 2011	Production and Costs March Quarter 2011	Production and Costs June Quarter 2010
Total BCM Mined	4,103,863	4,098,752	3,854,552
Total Ore BCM	510,546	248,221	313,077
Concentrate Produced (t)	501,748	349,328	640,719
Weight Recovery (Dry) (% DTR)	32.3	38.10	46.2
Pellets Produced (t)	520,785	319,233	639,334
Pellets Shipped (t)	517,404	209,798	581,357
Concentrate Shipped (t)	40	124	46
Pellet Stockpile (t)	180,856	177,503	243,640
Concentrate Stockpile (t)	8,414	41,701	8,798
Direct Operating Cost A\$/tonne Pellet Produced	123.67	98.63	62.01

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

PRODUCTION

Safety performance saw continued improvement with no Lost Time Injuries (“LTI”) recorded for the third consecutive quarter. In the past 12 months the Total Recordable Injury Frequency Rate (TRIFR) has fallen from 22.5 (June 30, 2010) to 2.3 (June 30, 2011), a 90% improvement.

Grange has continued the remediation cut back of the east wall. This was always required but is being brought forward from 2012/13 as a result of the rock slide that occurred in June 2010. Whilst undertaking the cut back, ore has been sourced from satellite pits, with the result that lower ore grades have been experienced in the concentrator. These have been offset to some degree by the concentrator treating ore at record rates, made possible by the planned maintenance and upgrade work undertaken in the first quarter of the year.

Longer ore haulage distances, increased mining volumes, additional equipment and planned truck and shovel rebuilds have contributed to an increase in mining costs for the quarter. It is expected that mining will recommence at the bottom of the North Pit in the final quarter of the 2011 calendar year and ore grades are expected to improve significantly then as a result.

Unit costs (\$/tonne of pellet produced) in the second half of the year are forecast to reduce, as ore grades improve with a resulting increase in pellet production.

COST MANAGEMENT

Year to date, direct operating costs are lower than budgeted and are forecast to remain so. Grange forecasts operating expenditure at Savage River this year of \$215 million.

Unit costs for the quarter were higher than the previous quarter as a result of the ongoing truck rebuild program, lower weight recovery reflecting lower grade of ore and running costs of additional equipment in the fleet.

Capital costs for the quarter were \$9.4 million primarily for projects at Savage River. The major items were progress payments for the autogenous mill shell replacement, drape mesh for the pit walls, tailings dam development, and replacement trays for 789 dump trucks.

RESOURCES AND RESERVES – Savage River

The Mineral Resource and Ore Reserves at Savage River (100%) are as follows:

Mineral Resources			Ore Reserves		
Classification	Tonnes (Mt)	Grade (%DTR)	Classification	Tonnes (Mt)	Grade (%DTR)
Measured	81	54.2	Proved	48	51.6
Indicated	132	53.5	Probable	66	51.4
Inferred	87	48.8			
Total	300	52.3	Total	114	51.5

A \$2 million exploration program has commenced at the Long Plains deposit, which is located approximately 10km south of the Savage River ore bodies.

Historical diamond drilling, magnetic surveys, and more recent exploration in 2006/07 comprising costeaning, 6 RC drill holes and 1 diamond hole, and a ground magnetic survey over part of the Northern Zone have been used to plan an exploration program targeting more than 10MT of magnetite.

The quantity of the mineralisation at this stage is conceptual in nature and there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

Qualifying Statement

The resource estimate was classified in accordance with the guidelines provided in the JORC Code, 2004. 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 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 estimation was constrained within the interpreted geological domains.
- The Ordinary Kriging and Inverse Distance interpolation methods were carried out on drilling data composited to 2m as appropriate for the different parts of the deposit.
- 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 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 was the end-of-month June 2011 surface.

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.

SOUTHDOWN MAGNETITE PROJECT

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

Being an operator with extensive experience in magnetite mining and processing, and having cash flow generated from the Savage River operations places Grange in a unique position when compared to other magnetite project developers in Australia. Grange has the systems, processes, intellectual property (IP) and the people that, together, will help minimise the planning and execution risk of the Southdown project.

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

PROJECT OVERVIEW

Located approximately 90km north east of the Port of Albany on the south coast of Western Australia (Figure 1), the Southdown Magnetite deposit is approximately 12km 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, nearby power generation and ample water supply as well as close proximity to a major regional population centre, critical infrastructure solutions are in place and the deposit is

favourably placed for development. In addition a ready labour force is available in and around Albany and the project will not be competing for labour in the Perth market.

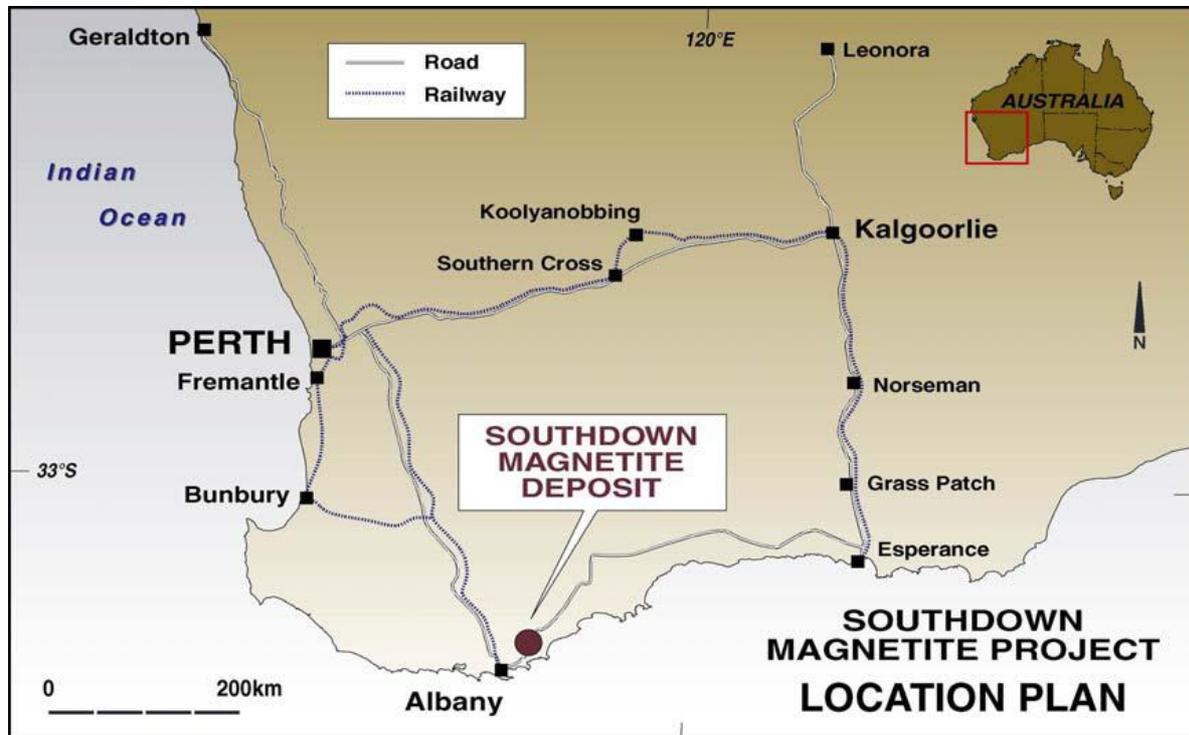


Figure 1: Location of Southdown Magnetite Project, Albany WA

The Southdown Magnetite deposit will be mined using standard open pit mining methods with the magnetite mineralisation being crushed, ground, screened and magnetically separated to produce a magnetite concentrate with a Fe content in excess of 68%. The concentrate will be pumped as slurry through a buried pipeline, approximately 100km to a concentrate storage facility at the Port of Albany before being loaded onto 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 and deepening of the existing shipping channel into the Princess Royal Harbour and extending the channel into King George Sound will be required to facilitate the use of cape size vessels.

RESOURCES AND RESERVES - Southdown

The Mineral Resource at Southdown (100%) is as follows:

Mineral Resources		
Classification	Tonnes (Mt)	Grade (%DTR)
Measured	219.7	37.4
Indicated	210.3	38.9
Inferred	224.4	33.4
Total	654.4	36.5

The Mineral Resource has been defined using geological boundaries and a cut-off grade of 10% DTR (Davis Tube Recovery) and includes minor internal dilution. All reported concentrate grades were weighted by DTR.

Since the commencement of the DFS in April 2011, three drill rigs have been drilling at the site undertaking a geotechnical and resource drill program. Initially the western resource is being drilled to target improved resource confidence and increased reserves. Drilling will also be undertaken in the eastern side of the deposit, targeted to increase the resource at Southdown and improve the confidence levels within the resource. Results from the drilling programs will be available towards the end of the calendar year.

Competent Person Statement - Resource

The information in this report 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 statement of Mineral Resources in the form and context in which it appears. The information in the above table is a summary of the Mineral Resource Estimate set out in Annexure 1. Full details of assumptions and methodology for the Mineral Resources were contained in the Company's announcement to the ASX dated 3 July 2009.

The Ore Reserve at Southdown (100%) at 10% DTR cut-off is as follows:

Ore Reserves			
Classification	Tonnes (Mt)	Grade (%DTR)	Concentrate Fe%
Probable	388.0	35.5	68.8

The Ore Reserve has been calculated using an earlier resource model from 2006 and as such does not directly relate to the resource statement above. Work currently underway as part of the feasibility study will update the ore reserve and will be reported later in the year.

Competent Person Statement

The information in this report which relates to the Ore Reserves of the Southdown Project is based on information compiled by Ross Bertinshaw who is a full-time employee of Golder Associates Pty Ltd and a Fellow of the Australasian Institute of Mining and Metallurgy. Ross Bertinshaw 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). Ross Bertinshaw consents to the inclusion of this information in this statement of Ore Reserves in the form and context in which it appears. Full details of assumptions and methodology for the Ore Reserves were contained in the Company's announcement to the ASX dated 28 July 2008.

ENGINEERING UPDATE

Engineering Work has commenced on the Definitive Feasibility Study (+/- 15% accuracy) with the appointments of MAGJV (AMEC and GHD JV), Ausenco PSI and JFA/SMEC JV to undertake the various engineering studies. The DFS is scheduled for completion in the first quarter of 2012. At the Port of Albany preliminary geotechnical and magnetometer investigations are in progress at the proposed location for the No.7 berth and harbour channel. Other engineering field studies are being undertaken to support the Definitive Feasibility Study. Discussions with potential Desalination Plant providers are ongoing as well as with suppliers of long lead equipment.

The project has continued to make significant progress and is well positioned to quickly proceed through the next stages of the development. Resources and reserves are in place and are targeted for improvement by year end. Major permits for the mine and port have been approved. Metallurgical test work has been completed and the process route for the concentrator has been finalised based on proven technology, similar to that in operation at Savage River. Land tenure required for the project is advanced, and the route for the power line has the required easements.

METALLURGICAL TEST WORK UPDATE

Metallurgical test work required for the feasibility study has been completed. Ongoing vendor testwork is continuing to enhance and support individual equipment selection.

ENVIRONMENTAL APPROVALS UPDATE

Environmental approval for the Southdown mine and pipeline was received from the West Australian Minister for the Environment in November 2009. In June 2011, the project received an S45C permit, increasing the production capacity allowed within the environmental permit to 10 million tonnes per annum of magnetite concentrate and enlarging the pre-existing footprint of the mine to accommodate the extra production facility requirements.

Grange is continuing negotiating land offsets for the Carnaby Cockatoos with the Commonwealth Department of Sustainability, Environment, Water, Population and Communities under the Environment Protection Biodiversity Conservation Act, 1999.

Environmental approval for the expansion of the Albany Port was received from both the Commonwealth Government and the West Australian State Government in 2010.

The planned increase in production to 10 million tonnes per annum of concentrate will require additional water supply. It's proposed to use a desalination plant, situated near the mine site, to provide the additional water requirements. An environmental permit application has been submitted to the EPA in with the expectation that this permit will be approved by the early 2012.

POWER SUPPLY UPDATE

Western Power continues to make good progress on the HV Transmission Line from Collie to the mine site with work being concentrated on social, environmental, technical and economic issues. A submission was presented to the Economic Regulation Authority of WA ("ERA") to obtain a determination from the ERA in regards to principles of the proposed agreement between Western Power and the Southdown Joint Venture for the building of the transmission line, final ownership and potential use by third parties.

Engineering for the proposed transmission line is well advanced with significant progress achieved by Western Power.

A number of electricity providers were approached and requested to submit non-binding proposals to supply energy for the project during Pre-feasibility study. Further discussions will take place during the DFS to finalize and identify potential power suppliers.

CORPORATE

Debt

The company continues to have no net debt. Total debt in the Company has reduced during the quarter, falling to A\$39.3 million (A\$28.9 million owing to a mobile equipment finance lease arrangement, A\$9.2 million owing to the Tasmanian Government, and A\$1.2 million owing on an insurance premium financing arrangement).

Hedge Book

Grange remains unhedged and monitors its currency hedging strategy regularly at its monthly treasury meetings. The Australian dollar fluctuated between \$1.03 and \$1.09 over the quarter. The strong Australian dollar continues to be offset by iron ore prices that have also remained strong over the quarter. A total of US\$69 million was converted to Australian dollars during the quarter at an exchange rate of \$1.06, to cover operating costs in Australian dollars.

Carbon Price effects

Following the recent announcement of the Australian Government's Climate Change Plan (the Plan), the company is undertaking a review of the potential impacts and is making a submission to support its eligibility as a business within an Energy-Intensive Trade-Exposed (EITE) industry. This would entitle it to transitional assistance under the Jobs and Competitiveness Program set out in the Plan.

Securities Information

A total of 334,763 shares were issued to employees under the Long Term Incentive Plan during the quarter and relate to performance for the six month financial year ended 31 December 2010

The Company continues to see excellent liquidity in the trading of its shares. The number of shareholders on the Register continues to grow and at 30 June 2011 there were over 4,200 shareholders.

-ENDS-

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ANNEXURE 1

TABLE 1 SOUTHDOWN MAGNETITE PROJECT MINERAL RESOURCE ESTIMATE				
Classification	Measured Resources	Indicated Resources	Inferred Resources	Total Resources
Tonnes (Mt)	219.7	210.3	224.4	654.4
DTC wt%	37.4	38.9	33.4	36.5
DTC Fe%	69.2	69.3	69.1	69.2
DTC SiO ₂ %	1.72	1.94	2.07	1.91
DTC Al ₂ O ₃ %	1.43	1.27	1.29	1.33
DTC S%	0.46	0.40	0.54	0.46
DTC LOI%	-3.04	-3.06	-2.96	-3.02