



REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2007

HIGHLIGHTS

Southdown Magnetite & Kemaman Pellet Project

- Grange Resources Limited acquired a 100% interest from Rio Tinto Exploration Pty Ltd in Exploration Licence E70/2512 containing the eastern 6km extension of the Southdown magnetite deposit.
- Grange purchased the freehold farmland covering an area of 2,317ha underlying the 3 mining leases which contain the western 6 kilometres of the Southdown magnetite deposit.
- Following extensive consultation with Western Power, Grange announced the preferred solution to supply power to the mine using a direct route option of a single circuit 220 kV line.
- Public Environmental Review on the Albany port expansion commenced.

Bukit Ibam Joint Venture

- The Bukit Ibam Joint Venture has acquired an additional Mining Lease, MC 7/2/0710 of 46.5 ha. This lease adjoins the original lease and contains low grade stockpiles from earlier iron ore mining activities from 1962 till 1970. The stockpiles will form an iron ore resource sufficient to support the expansion of the existing processing plant at Bukit Ibam. This material will be upgraded to approximately 60% Fe and sold on to the spot market.

Gold Royalties

- Royalty payments of \$332,732.57 received from the Red Hill and Freshwater Projects during the quarter.

SOUTHDOWN MAGNETITE & KEMAMAN PELLET PROJECT

(Grange 90%; Sojitz Resources & Technology Pty Ltd 10% - earning 30% of M70/433, 718 & 719)
(Grange 100% of E70/2512)

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

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 the largest known magnetite deposit of its kind in the southern portion of Western Australia.

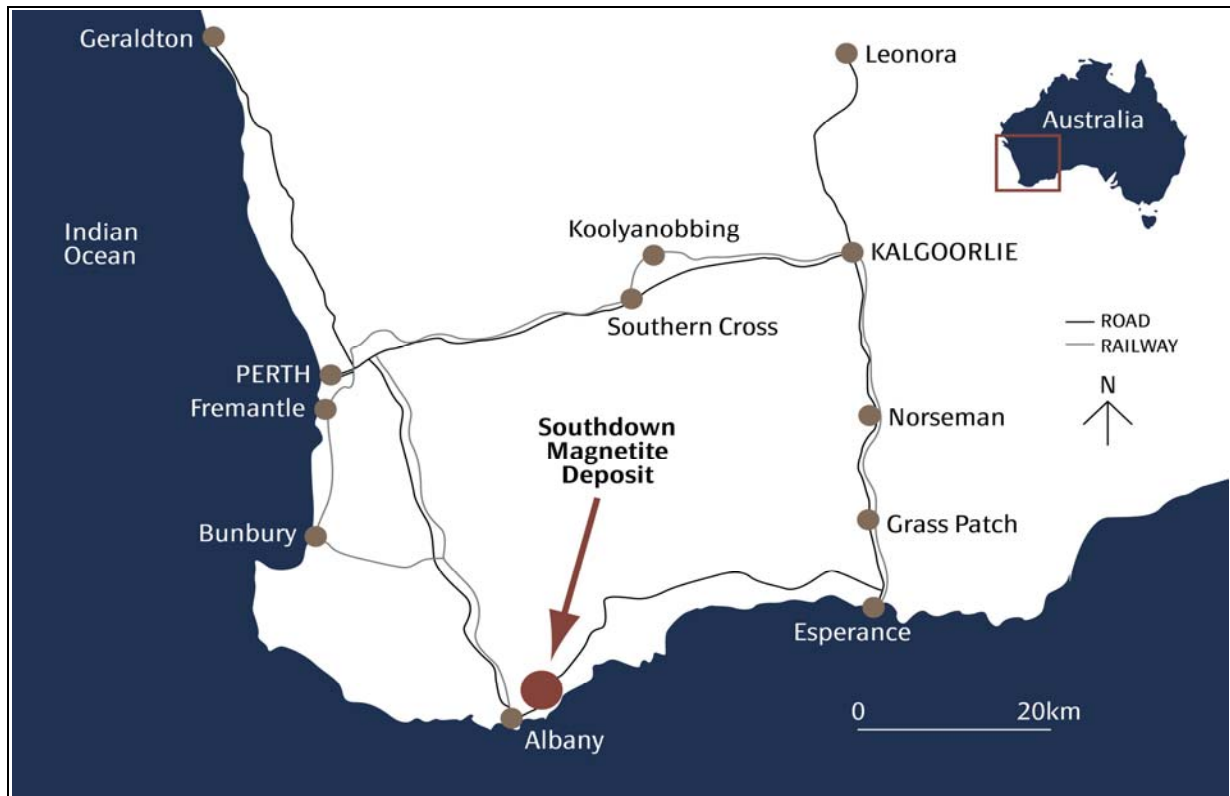


Figure 1: Location of Southdown Magnetite Project, Albany WA

Grange has previously reported a resource base of 479.1 million tonnes containing 37.3% magnetite grading 69.2% Fe within the western 6km section of the Southdown deposit.

The development plan is to mine the Southdown Magnetite deposit using proven open pit mining methods with the magnetite mineralisation being crushed, ground, screened and then magnetically separated to produce a magnetite concentrate at a planned production rate of 6.6 Mtpa.

The magnetite concentrate will be pumped as slurry, approximately 100 km to a concentrate storage facility at the port of Albany before being loaded on to capsize vessels and shipped to an iron ore pellet plant to be located in Kemaman, Malaysia. Filtered water recovered from the slurry will be pumped back to the mine site for re-use in the concentrator via a return water pipeline buried beside the slurry pipeline.

At Albany Port, the construction of a new berth (Berth 7) will be required and the Albany Port Authority will provide land to accommodate a concentrate storage facility and shiploading infrastructure. Widening of the existing shipping channel into the Princess Royal Harbour and extending the channel into King George Sound is also proposed to facilitate the use of capsize vessels.

Grange has a Heads of Agreement with subsidiaries of IJM Corporation Bhd to secure the future use of infrastructure at Kemaman on the east coast of peninsular Malaysia, comprising an existing deep water wharf and 60 hectares of land for the pellet plant. The design capacity of the pellet plant is 6.8 Mtpa.

On 28th September 2007 Grange completed a transaction with Rio Tinto Exploration Pty Ltd to acquire a 100% interest in Exploration Licence E70/2512 containing the eastern 6km extension of the Southdown magnetite deposit. Grange is targeting magnetite mineralisation within the eastern extension of the Southdown deposit in the order of 500 million tonnes of similar grade and quality to that within the western portion of the deposit, in other words in excess of 1 billion tonnes of mineralisation within the whole deposit. Diamond drilling undertaken within the eastern portion of the deposit has shown that the quality of the magnetite is the same as that in the western portion of the deposit. More drilling will be done to define the Mineral Resource in that zone.

The magnetite resource within the western section of the deposit is sufficient to support the planned production rate for a period of 22 years. The purchase of E70/2512 will substantially increase the total Southdown magnetite resource available for development and potentially extends the life of mining operations to over 35 years. A study will be undertaken to see whether the diameter of the pipeline can be increased so that a higher annual output can be produced than with the present production plan.

Project Structuring

Grange has appointed Azure Capital, a Perth-based merchant banking firm, to assist in the process of determining the most appropriate partners to participate with Grange in the development of the project and subsequently to work with Grange on the raising of debt and equity required for its investment in the project.

In June 2007 Grange entered into a Joint Venture Implementation Agreement with Sojitz Corporation whereby Sojitz has agreed to take a 30% joint venture interest in the Southdown Project. Sojitz will be paying a royalty in the future for their part of their 30% joint venture interest.

Grange and Azure Capital continue to negotiate with a number of significant international companies regarding participation in the project.

Project Schedule

Current indicative timetable for completion of key milestones are:

Timetable	Date
Public Environmental Review (Albany Port) commences (8 wk period)	Q3 2007
EPA Bulletin Published (Southdown)	Q4 2007
EPA Bulletin Published (Albany Port)	Q1 2008
Ministerial & Other Approvals (Southdown)	Q2 2008
Ministerial & Other Approvals (Albany Port)	Q3 2008
Decision to Proceed	Q4 2008
Commence Project Construction	Q4 2008
Commence Commissioning	Q4 2010
First Production Year (1 st pellets)	2010

Bankable Feasibility Study

The Bankable Feasibility Study into the Project commenced in early 2005 and the technical aspects of the study have largely been completed.

A detailed capital and operating cost review has been undertaken. The results of this review shows that capital costs have increased to US\$ 1,373M as at June 30, 2007. This represents an increase of 16.85% in US \$ terms and an 8.5 % increase in A\$ terms from the December 2005 forecast.

At 30 June 2007	Total US\$ (M)
Southdown	839
Kemaman	534
Total Project	1,373

A large part of this increase is due to increased contingency allowances and a relatively small increase in construction costs.

Operating costs have increased from US\$44.52/t pellets FOB Kemaman to US\$51.70/t pellets FOB Kemaman, largely due to the stronger Australian dollar, increased ocean freight rates (Albany to Kemaman) and increased W.A State Government royalties due to higher revenue assumptions. These operating cost increases will be more than offset by the forthcoming 2008 iron ore price settlement.

Metallurgical Test Work

Preparation of iron ore pellets for in-plant basket tests was completed in August 2007 at Kobelco's laboratory in Japan. The in-plant basket tests will be done at QASCO's plant in the Middle East and should be completed in the coming weeks.

Southdown Infrastructure

In July 2007 Grange announced the signing of an exclusive Memorandum of Understanding ("MOU") with Patrick Ports ("Patrick")¹ on the development of product handling infrastructure relating to the Southdown Magnetite Project at Albany in Western Australia.

Grange and Patrick have agreed that they will work together to explore an appropriate contractual relationship to allow for the development, construction and operation of parts of the infrastructure required for the Project. A variety of contractual relationships are under consideration which could result in substantial up-front capital cost savings to the Project.

Following extensive consultation with Western Power, Grange announced in October 2007 the preferred network solution for supplying power to the Mine. Two options had been under consideration, with either a route via Albany in conjunction with a planned upgrade of the town's general power supply or a direct route to Southdown.

A study of the capital costs of the two options has demonstrated that supplying power directly to Southdown from Muja is the superior option. The preferred solution is therefore to supply the mine using a direct route option of a single circuit 220 kV line on lattice towers from Muja to Southdown via Kojonup and Gnowangerup.

On 17 September Grange announced that it has acquired the freehold farmland (2,317.ha) underlying the 3 mining leases which contain the western 6 kilometres of the Southdown magnetite deposit. Acquiring the freehold land is a pre-requisite to mining operations commencing on the land.

Environmental Approvals

Australia The Public Environmental Review (PER) document for the Southdown mine and pipeline was released in February 2007. In July 2007 the EPA advised that it required a number of additional reports to be lodged before it could conclude its assessment. Most of these reports have now been lodged. Once the final report is lodged the EPA will commence its bulletin preparation phase which is expected to take a period of 10 weeks from that lodgement date.

The Albany Port PER was released on 24 September 2007 for its 8-week public comment phase. As part of this process a public meeting was held on 19th October 2007 in Albany.

Western Power received Environmental Protection Authority approval for the Muja to Southdown transmission line alignment in August 2007 after conducting the required environmental impact assessments.

Malaysia An Environmental Approval for the Kemaman pellet plant has already been received from the Ministry of Natural Resources and Environment in late 2006.

RED HILL (Mining Lease M27/57) (Barrick (PD) Australia Limited ("Barrick PD"), a 100% subsidiary of Barrick Gold Corp. Grange - 4% Gross Revenue Royalty)

Grange holds a 4% gross revenue royalty on all production after the first 85,000 ounces of gold produced from the Red Hill mining lease M27/57, which is located approximately 4 km north east of the Kanowna Belle Gold Mine owned and operated by Barrick PD.

Barrick PD has advised that processing operations of Red Hill ore continued during the September 2007 quarter generating royalty income to Grange of \$320,947.07. A total of 278,885 tonnes was hauled to the Paddington processing plant during the quarter.

A total of 263,486 tonnes at a grade of 1.09g/t was processed during the quarter, producing some 9,851 ounces of recovered gold. The total gold recovered from M27/57 at Red Hill as at 30 September 2007 amounts to 305,587 ounces.

Total mined ore production from commencement of mining (February 2003) until 30 September 2007 is 6,097,265 tonnes @ 1.80g/t gold. Total ore processed during this period was 5,719,648 tonnes @ 1.75g/t gold.

Barrick had previously advised that mining operations were completed at Red Hill on 22nd May 2007.

FRESHWATER (Barrick Gold of Australia Limited ("Barrick") 100%; Grange - Production Royalty)

Barrick has advised that mining and processing operations were undertaken at the Plutonic East underground mine during the September 2007 quarter, with 6,691 tonnes at a grade of 6.16 g/t gold being mined and processed from the Freshwater section of the mine generating royalty income to Grange of \$11,785.50.

During the September quarter Barrick provided updated statements for the resources and reserves within the Freshwater Project area as at 31 December 2006.

Ore Reserves and Mineral Resources for the Plutonic East and Area 4 underground project are presented in the table below. It should be noted that the mineral resources are **exclusive** of those resources modified to estimate the ore reserves.

FRESHWATER PROJECT PLUTONIC EAST & AREA 4 UNDERGROUND STATEMENT OF ORE RESERVES AND MINERAL RESOURCES AS AT 31 DECEMBER 2006					
Location	Category	Tonnes	Grade g/t Au	Contained Ounces	Recoverable Ounces
ORE RESERVES					
Plutonic East & Area 4	Proved	36,000	7.06	8,200	7,400
	Probable	124,000	6.49	26,000	23,400
Total Underground Ore Reserves		160,000	6.62	34,200	30,800
MINERAL RESOURCES					
Plutonic East & Area 4	Indicated	399,000	5.32	68,200	
	Inferred	2,110,000	5.99	406,400	
Total Underground Resources		2,509,000	5.89	474,600	

Open pit Ore Reserves and Mineral Resources are presented in the table below. It should be noted that the mineral resources are **exclusive** of those resources modified to estimate the ore reserves.

FRESHWATER PROJECT OPEN PIT PROJECTS STATEMENT OF MINERAL RESOURCES AS AT 31 DECEMBER 2006					
Location	Category	Tonnes	Grade g/t Au	Contained Ounces	Recoverable Ounces
ORE RESERVES					
Trout	Probable	676,000	2.40	52,200	47,500
Total Open Pit Ore Reserves		676,000	2.40	52,200	47,500
MINERAL RESOURCES					
Trout	Indicated	85,000	2.18	5,950	
	Inferred	11,000	1.92	650	
Total Open Pit Resources		96,000	2.15	6,600	

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

Barrick report that no exploration drilling was undertaken within the Freshwater area during the quarter.

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

The Bukit Ibam Project is located over the old iron ore mine at Bukit Ibam, in Pahang State, Malaysia. During the quarter Grange Minerals Sdn. Bhd. a wholly owned Malaysian subsidiary earned its 51% equity in the project by funding mine development work. The Bukit Ibam mine operated from 1962 and produced approximately 22 million tonnes of haematite and magnetite iron ore before its closure in 1970.

In 2006 a processing plant was constructed and earthworks were undertaken to clean up the old open pit in preparation for mining. A programme of mapping and sample drilling has outlined massive magnetite mineralisation on the 70m and 80m levels and mining has produced until now small tonnages for sale to the local pipe coating consumers. Metallurgical test work has been successfully carried out on the lower grade ore to upgrade the ore into a saleable concentrate and RC drilling is scheduled to be undertaken to establish the

resources remaining below the existing open pit. All this work is necessary before undertaking a plant expansion which will better exploit the magnetite resource. In the meantime sales of higher grade magnetite ore are covering operating costs.

The Bukit Ibam Joint Venture has recently acquired a Mining Lease (MC7/2/0710) nearby which contains low grade stockpiles from the previous mining operation and these will add to the resource base (see Figure 2 below). The stockpiles will form an iron ore resource sufficient to support the expansion of the existing processing plant at Bukit Ibam. This material will be upgraded to approximately 60% Fe and sold on to the spot market.

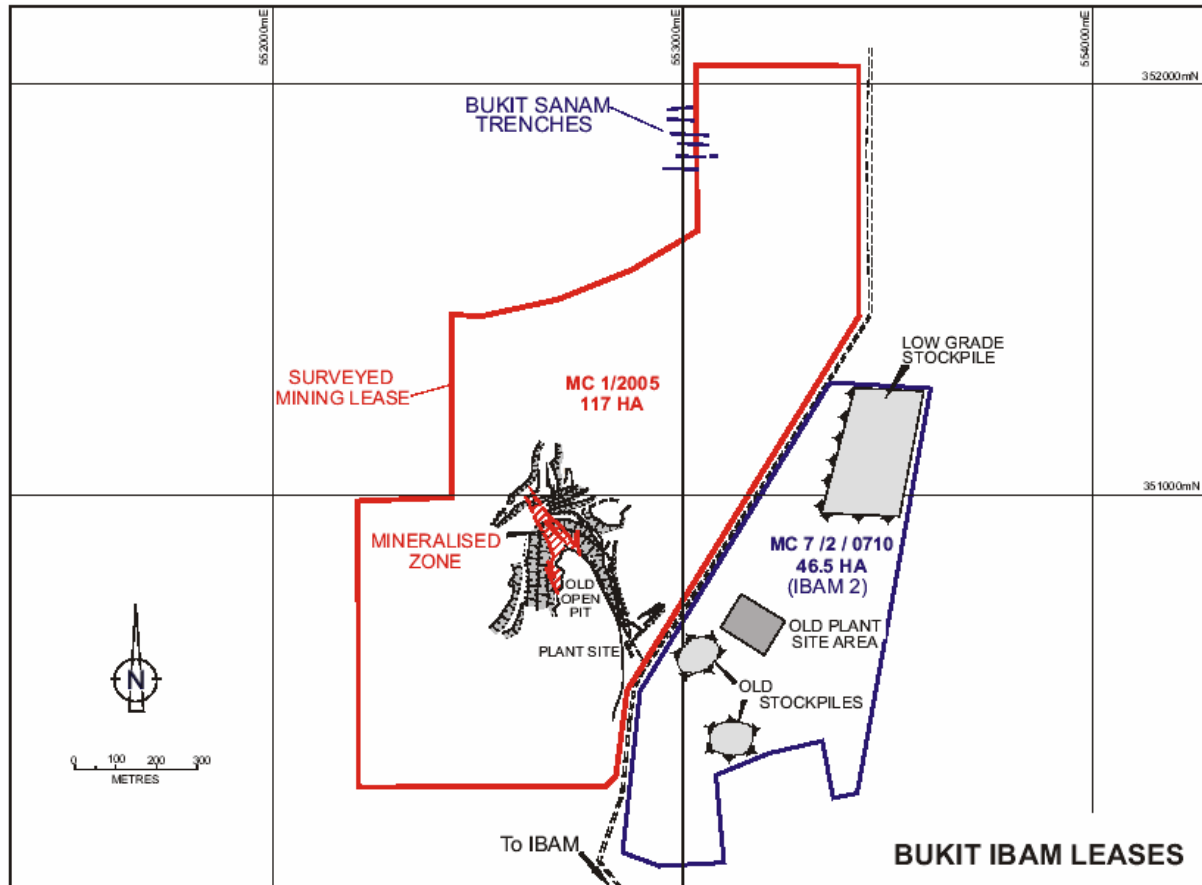


Figure 2 Bukit Ibam Leases

Unless otherwise stated, the information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Alex Nutter who is a member of The Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Mr Nutter is a full-time employee of the company. Mr Nutter has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ('JORC Code'). Mr Nutter consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

ALEX NUTTER
Technical Director

CORPORATE MATTERS

Share Issues

On 28th September 2007 Grange acquired E70/2512 from Rio Tinto Exploration Pty Ltd. The consideration for the acquisition was:

- A cash sum of A\$1 million; plus
- 9 million ordinary fully paid shares in Grange; plus
- 9 million unlisted Grange options exercisable at A\$1.50 and expiring three years after the date of issue; plus
- 8.5 million unlisted Grange options exercisable at A\$1.95 per share and expiring one year after the date of issue.

Cash Reserves

The cash and cash assets balance of Grange at 30 September 2007 was \$13.4 million.

Shareholder Information

As at 30 September 2007 Grange had 1,779 shareholders and 115,201,099 shares on issue with the Top 20 shareholders holding 85.97% of the total issued capital.

For further information visit the Grange website at www.grangeresources.com.au or alternatively contact Neil Marston on + 61(8) 9321 1118.



NEIL MARSTON
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

ABN

80 009 132 405

Quarter ended ("current quarter")

30 September 2007

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (12 months) \$A'000
1.1	Receipts from product sales and related debtors	804	804
1.2	Payments for (a) exploration and evaluation	-	-
	(b) development	-	-
	(c) production	-	-
	(d) administration	-	-
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	204	204
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
1.7(i)	Payment to directors and employees	(482)	(482)
1.7(ii)	Payment for all other working capital	(5,091)	(5,091)
Net Operating Cash Flows		(4,565)	(4,565)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	-	-
1.9	Proceeds from sale of: (a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	(13)	(13)
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	(300)	(300)
1.12(ii)	Proceeds from release of security deposit	-	-
1.12(iii)	Payment for exploration, development and production	(1,920)	(1,920)
1.12(iv)	Payment for Exploration Licence E70/2512	(1,000)	(1,000)
1.12(v)	Proceeds from Sojitz Corporation for the initial 10% stake in the Southdown project	4,710	4,710
Net investing cash flows		1,477	1,477
1.13	Total operating and investing cash flows (carried forward)	(3,088)	(3,088)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(3,088)	(3,088)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
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	(9)	(9)
	Net financing cash flows	(9)	(9)
	Net increase (decrease) in cash held	(3,097)	(3,097)
1.20	Cash at beginning of quarter/year to date	13,479	13,479
1.21	Exchange rate adjustments to item 1.20	257	257
1.22	Cash at end of quarter	10,639	10,639

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	213
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

On the 28 September 2007 a total of 9,000,000 fully paid ordinary shares at a deemed value of \$2.49 were issued to Hamersley Holdings Limited as part of the consideration for the acquisition by Grange of Exploration Licence 70/2512.

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	7,285
4.2 Development	-
Total	7,285

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	1,436	1,089
5.2 Deposits at call	9,000	12,200
5.3 Bank overdraft	Nil	Nil
5.4 Other (Cash held with Joint Ventures)	203	190
Total: cash at end of quarter (item 1.22)	10,639	13,479

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	115,201,099	115,201,099		
7.4 Changes during quarter (a) Increases through exercise of options (b) Increases through issues	- 9,000,000	- 9,000,000		
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>	1,500,000 1,000,000 8,500,000 9,000,000	- - - -	Exercise price 150 cents 250 cents 195 cents 150 cents	Expiry date 30 June 2008 30 June 2011 28 Sept 2008 28 Sept 2010
7.8 Issued during quarter ¹	17,500,000	17,500,000		
7.9 Exercised during quarter	-	-		
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:



Neil Marston
(Company Secretary)

Date: 31 October 2007

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* applies 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 \$213,168 and include:-

- Directors' fees (inclusive of superannuation) of \$32,781 paid to non-executive directors of the Consolidated Entity.
- Fees of \$15,000 paid to Hendygywn Holdings and Beheer b.v., of which a Grange non-executive director is a director and shareholder, under a marketing and public relations services agreement
- Executive directors' salaries (inclusive of superannuation) of \$165,387.

+ See chapter 19 for defined terms.