

REPORT FOR THE QUARTER ENDED 30 JUNE 2009

HIGHLIGHTS

- Grange remained as Australia's largest producer and exporter of high value magnetite products with 08/09 annual sales in excess of A\$350 million
- EBITDA guidance for FY09 of A\$115 – 125 million
- Mill repairs completed ahead of schedule and now producing at capacity
- Annual operating cost of US\$50 per tonne of pellets
- Significant debt reduction via repayment of BNPP working capital facility and close out of out of the money currency hedge book
- Paid US\$37 million Head Agreement payment to Stemcor, funded by a US\$40.8 million Letter of Credit facility with the Bank of China, facilitated by major shareholder Shagang
- New Enterprise Bargaining Agreement (**EBA**) finalised at Savage River
- Substantial increase in the *in situ* Mineral Resource at the Southdown Project
- Heads of Agreement entered into for the sale of Company's interest in Bukit Ibam

COMPANY SUMMARY

Grange Resources Limited (“Grange” or “the Company”) has had a successful quarter in many respects. Despite facing a number of challenges, including difficult trading conditions caused by one of the worst global recessions faced in many years, Grange remains the largest producer and exporter of magnetite pellets in Australia, achieving revenues of over A\$350 million in FY09.

Repairs to cracks identified in one of the autogenous mills in the concentrator (reported last quarter), were completed ahead of schedule and without incident, and the plant is again working at full capacity.

As a result of the mill repairs, concentrate production was in line with the previous quarter, and pellet production increased by 20%. Pellets shipped for the quarter were less than the previous quarter, a function of shipping dates, and demand remains strong even in the current economic environment.

Grange reduced debt by US\$40 million during the quarter via repayment of the BNP Paribas working capital facility and closed out its hedge book, eliminating an out of the money position.

In another sign of the strong ongoing support of Grange’s major shareholder, Chinese steel producer Shagang International Holdings (“Shagang”) arranged a US\$40.8 million Letter of Credit Facility with the Bank of China to fund the US\$37 million Head Agreement payment to Stemcor Holdings Limited (“Stemcor”) and provide working capital into the business.

Grange’s resources and reserves increased as a result of a 37% increase in the total Mineral Resource at the Southdown Project. In addition, 51% of the previous Indicated Resource was converted to Measured Resources, a key requirement for project financing and moving the project one step closer to development.

The Company announced that it had entered a Heads of Agreement to sell its 51% share of the Bukit Ibam mine in Malaysia, to focus its resources on the two large Australian projects.

CASHFLOW SUMMARY

Operating cashflow for the 12 month period was A\$128 million. Revenues were approximately A\$354 million and EBITDA for the merged group is expected to be between A\$115 – 125 million.

During the year, \$55.3 million was spent on the pre-stripping of waste in order to expose magnetite ore for the next stage of mining.

SAVAGE RIVER OPERATIONS

Production

	Sept Qtr	Dec Qtr	March Qtr	June Qtr	FY 2009
Total BCM Mined ('000)	4,406	4,030	4,342	4,490	17,268
Total Ore BCM Mined ('000)	155	165	130	465	915
Concentrate Produced ('000 tonnes)	665	620	633	522	2,440
Weight Recovery (Dry) (% DTR)	49.3	42.3	43.8	43.1	44.63
Pellets Produced ('000 tonnes)	619	583	572	557	2,331
Pellets Shipped ('000 tonnes)	556	648	496	381	2,081
Concentrate Shipped ('000 tonnes)	21	27	21	12	81
Pellet Stockpile ('000 tonnes)	265	208	294	280	280
Concentrate Stockpile ('000 tonnes)	33	6	30	4	4
Direct Operating Cost US\$/t Pellet Produced					50.06

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

On 6 March 2009 Grange announced that routine preventative maintenance procedures had identified that the No 1 Autogenous mill at Savage River had experienced some shell cracking and required repairs. Following recommissioning on 28 April, the mill has returned to its normal production rate of 2.5mtpa of magnetite concentrate. The repair work was completed ahead of schedule and without incident.

During the June quarter, ore mined at Savage River increased by 95% on the last quarter due to mining of ore from 2 areas of the mine, namely, extension 3 and extension 4 (previous quarter was only extension 3). Total mine movement at Savage River was lower than the previous quarter as the mill repairs resulted in less waste movement being required.

Concentrate production was greater than the previous quarter by 8,000 tonnes, but was impacted by down time associated with the mill repairs

Savage River sold 380,000 tonnes of pellet for the quarter and approximately 2.2 million tonnes for the financial year ended 30 June 2009, which generated in excess of A\$350 million in revenue.

Direct operating costs for the year were US\$50 per tonne of pellets produced. This figure excludes capital charges (including capitalized waste, finance charges and corporate costs).

As at May 2009, Savage River had Mineral Resources and Ore Reserves as follows:

Mineral Resources	Tonnes (Mt)	Grade (% DTR)
Measured	88.01	52.7
Indicated	135.96	51.7
Inferred	92.22	47.2
Total	316.20	50.7
Ore Reserves	Tonnes (Mt)	Grade (% DTR)
Proved	52.39	49.6
Probable	72.00	48.9
Total	124.40	49.2

The current mine plan has a 14 year life, with the potential to be extended for a further 10 years to mine out existing reserves.

Off Take Arrangements

A new offtake agreement with BlueScope Steel was entered into which commences with effect from 1 July 2009 and is for a period of 3 years. All offtake is now fully committed to Savage River's major customers, Shagang and Bluescope, with minor amounts of concentrate contracted to European steel trader Stemcor.

EBA Agreement

A renewal of the Collective Agreement with the Australian Workers Union (AWU) covering 211 employees occurred during the quarter and has been lodged with the Workplace Authority for approval.

The 4 year agreement was made prior to the implementation of the Fair Work Act and provides annual adjustments in the first year and an agreed mechanism to adjust rates in the subsequent years based on CPI and other factors including performance and responsibility requirements. The agreement provides an element of certainty within the context of the new Fair Work Act 2009 which substantially changes the focus of workplace bargaining

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

Substantial Resource Upgrade

In late September 2008, a 10,000 metre infill diamond drilling program commenced at Southdown with the objective of significantly increasing the measured resource in the western portion of the deposit. Drilling was completed in December 2008.

Modelling of this new data has been completed with a resultant resource upgrade. The total Mineral Resource has increased by **37%** from 479 million tonnes grading 37.3% magnetite to 654.4 million tonnes grading 36.5% magnetite.

SOUTHDOWN MAGNETITE PROJECT COMPARISON BETWEEN THE 2006 and 2009 IN SITU MINERAL RESOURCE ESTIMATES				
Classification	2009		2006	
	Tonnes (Mt)	Grade (DTC wt%)	Tonnes (Mt)	Grade (DTC wt%)
Measured	219.7	37.4	-	-
Indicated	210.3	38.9	427.3	38.2
Inferred	224.4	33.4	51.8	30.1
Total	654.4	36.5	479.1	37.3

This increase in mineral resources includes the substantial conversion of (51%) of Indicated Resources to Measured Resources. Measured resources are regarded as the minimum required for Project Finance providers as they can be ultimately converted to Proven Reserves, reducing the inherent geological risk of the deposit significantly.

There is further potential to increase the total Southdown magnetite resource by extending the drilling at closer spacing along strike within the eastern 6km portion of the deposit.

SOUTHDOWN MAGNETITE PROJECT IN SITU MINERAL RESOURCE ESTIMATE - 2009				
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

This Mineral Resource has been defined using geological boundaries and a cut-off grade of 10 wt% DTC and includes minor internal dilution. All reported concentrate grades were weighted by DTC.

Environmental Approvals

Mine

The Environmental Protection Authority (EPA) published its Bulletin for the Southdown mine environmental approvals on 30 June 2008. The release of the Bulletin was the culmination of extensive studies and submissions to the EPA by the Company over a number of years.

The EPA has recommended approval of the project to the Minister for the Environment with appropriate conditions and procedures.

The Southdown Joint Venture ("the Joint Venture") has appealed some of the conditions, as have other parties, and this is currently being reviewed by the Appeals Convenor.

It is anticipated that a final recommendation will be submitted by the Appeals Convenor to the Minister for the Environment during the September quarter. Once the Minister has approved the conditions recommended to it by the Appeals Convenor, the conditions are circulated to the relevant statutory authorities for a 6 week period to comment.

Port

The Port of Albany is currently undertaking the Environmental Approval process with respect to proposed works in Albany Harbour. The Public Environmental Review commenced in September 2008 and at this stage, the Joint Venture expects a final recommendation in the March quarter, 2010.

The Response to Submissions section has recently been completed and has been submitted to the EPA's Services Unit. The Joint Venture is currently waiting for the EPA's Services Unit to issue the Environmental Bulletin, which is now anticipated to occur during the September quarter.

With the volatility in the world financial markets and the depressed demand for most commodities, the project team is focused on high value activity, such as securing permits, land access ore body modelling and water requirements. Most of the project work is now being undertaken “in house” using the personnel and expertise acquired with the Savage River Operations.

Malaysia

The option on land suitable for a pellet plant at the port of Kemaman in Malaysia, was renewed for a period of 12 months, providing continuing optionality for the project.

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

The construction of the Bukit Ibam processing plant was completed in March 2009. The plant, during the ramp up period has experienced normal commissioning issues which are being addressed. Once running at full production the project will produce 100,000 tonnes of magnetite concentrate per year for sale on the spot market and shipping out of Kuantan Port.

In May, the Company reached a heads of agreement with Ophir Mining and Exploration Sdn Bhd, a Malaysian domiciled company, for Ophir to acquire its 51% interest in the Bukit Ibam Joint Venture and 100% of the Company's interest in a tailings area nearby on the following terms:

1. Within 60 days of execution of a sale and purchase agreement – A\$1,000,000;
2. Within 12 months of execution of a sale and purchase agreement – A\$1,000,000; and
3. For up to 1 million tonnes of concentrate sold, a royalty of:
 - If the price is less than US\$50/tonne – A\$2.00/tonne of concentrate sold;
 - If the price is greater than US\$50/tonne, but below US\$60/tonne – A\$2.50/tonne sold; and
 - If the price is greater than US\$60/tonne – A\$3.00/tonne sold; and
4. For in excess of 1 million tonnes sold, a royalty of A\$0.50/tonne.

The sale is subject to the parties finalising a sale and purchase agreement and Ophir granting a fixed and floating charge over its assets and undertakings to secure the deferred consideration.

It is expected that the sale and purchase agreement will be executed during the next quarter.

CORPORATE MATTERS

BNPP Working Capital Facility

In June 2008, Savage River entered into a US\$40 million working capital facility with BNP Paribas. The facility was to be repaid as a bullet repayment within 12 months. This facility was repaid in June out of cash reserves. The repayment of this facility reduces the Company's debt profile and also provides it with flexibility to seek a replacement working capital facility in the future if required.

Stemcor Payment

As part of the legacy obligations arising from previous ownership changes in Australian Bulk Minerals (“ABM”), Grange announced on 1 April 2009 that arrangements had been made, with

the support of Stemcor and Shagang, to repay the US\$37 million Head Agreement payment due to Stemcor. This payment was made on 9 June 2009 using the proceeds from the Bank of China Letter of Credit facility arranged by Shagang that is detailed below.

Bank of China Letter of Credit

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 Facility for Grange to meet the Stemcor payment detailed above and for working capital purposes. The Letter of Credit is repayable to Shagang in March 2010, unless otherwise agreed. The Company is in discussions with Shagang regarding a deferral of this repayment date.

Currency Hedge Book

The rapid appreciation of the Australian dollar in mid 2008 resulted in ABM establishing forward exchange contracts in order to manage exposures to fluctuations in the US\$ foreign exchange rate. As the Australian dollar depreciated in late 2008, the facility became significantly out of the money, resulting in ABM delivering into a higher US\$/A\$ rate than spot. ABM has delivered a total of US\$118 million into the hedge book and closed its positions. ABM is currently unhedged and is in a position to implement a well structured currency hedging strategy that allows it to insulate cashflows against future currency increases.

Cash Reserves

The cash and cash assets of Grange at 30 June 2009 were A\$33.4 million, down from A\$74.9 million as at 31 March primarily due to a reduction of debt (US\$40 million) following the repayment of the BNP Paribas working capital facility in June.

Issue of Shares

The Company issued 172,597 ordinary fully paid shares and 65,000 options during the quarter.

Board Changes

Mr Dave Sandy, a Non Executive Director, resigned from the Board during the quarter. Mr Sandy joined the Board following the merger with Australian Bulk Minerals on 2 January 2009 and resigned to pursue personal interests.

-ENDS-

For further information, please contact:

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Competent Person Statements

Southdown

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.

Savage River

The information in this report that relates to Mineral Resources or Ore Reserves 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. 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 report of the matters based on his information in the form and context in which it appears.

Qualifying Statements – Savage River

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.

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.