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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 31 MARCH 2010

HIGHLIGHTS

- **Iron ore price negotiations indicate a significant increase in forecast cashflow from Savage River.**
 - **An interim agreement is in place to increase the sales price of pellets to Shagang from US\$72/t to \$US120/t, from 1st April, 2010.**
 - **Development of a new market iron ore index based sales pricing mechanism is underway with Shagang, which will incorporate a price premium for pellet products. Increases under new pricing mechanism to be backdated to 1st April. Discussions are also underway with Bluescope to negotiate a similar index based pricing arrangement for their contract year beginning on 1st July 2010.**
- **Appointed AMEC Minproc to undertake a review of the Southdown project which will establish a scope of work to complete the project pre-feasibility study by the end of 2010.**
- **Low priced legacy sales contract at Savage River eliminated.**
- **Improvements in productivity and cost control maintained at Savage River.**

Grange Resources Managing Director, Russell Clark, said that the Company's efforts over the last twelve months to restructure the business were now reaching fruition.

"Over the last 12 months Grange has focused 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.

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“Operational performance and unit cost improvements at Savage River have now been maintained over a number of quarters, placing the business in an excellent position with controlled costs and increased production.”

“Importantly, this improvement at the mine face has been backed up with a restructuring of the balance sheet. With the elimination of low priced legacy sales contracts together with the capital restructure undertaken last year, shareholders will now see the benefits received from operational improvements flowing directly through to the Company’s balance sheet.”

“I am very pleased that we have been able to achieve these fundamental changes during a period of significant global financial uncertainty. With the improvements made to the business, shareholders will now be able to fully realise the benefits of a rapid increase in iron ore prices, with an immediate and substantial rise in cash flow from the Savage River operation.”

“In turn, this will allow Grange to far more readily pursue development of the significantly larger Southdown project, aided by both the cash flow and operational experience from Savage River,” said Mr Clark.

COMPANY SUMMARY

Grange Resources Limited (**Grange** or **Company**) is pleased to report a highly successful quarter which has resulted in the Company now being exposed to a significant increase in the iron ore price as the new Iron Ore Year commences in April, 2010.

Legacy Issues Eliminated

During the quarter the Company completed delivery of pellet product into a contract that has been in place for five years and which provided fixed price product at prices significantly below those available in the current iron ore market. As a result, all of the Company’s future production will now attract the market price for iron ore, which will be based on indexed iron ore pricing and shipping rates.¹

Under arrangements previously in place, from the sale of Savage River by Ivanhoe to Stemcor, Head Agreement payments have been made to Stemcor every March for the past 5 years. 2010 is the final year for this payment.

As a result of this, the restructuring of the company that was achieved last quarter, and the final delivery of pellets into legacy contracts, the Company’s obligations going forward are significantly simpler and all product sold will be at market prices. A 2% revenue royalty from 2012 until 2023 remains payable to Stemcor and its associates.

¹ The contract year for Shagang is April – March, the contract year for Bluescope is July – June. Current contract prices remain in place with Bluescope until 30 June, 2010.

Business Improvement Program

Direct operating costs for the quarter were A\$56.89 per tonne of pellet produced and cash reserves were A\$82 million as at 31 March 2010.

When compared to the December quarter, mine production at Savage River was maintained at similar levels. Concentrate and pellet production were lower than the previous quarter as a result of a major scheduled maintenance shut down which saw the Concentrator and Pellet

plant shut down for 12 and 7 days respectively. Cost management continues to be strong and the Company benefitted from actual costs consistently being lower than those budgeted for the quarter. These improvements are the direct result of improved management processes installed at the site following the merger of Grange with ABM in January of last year.

North Pit Resources

At Savage River, the two additional magnetite lenses discovered in the pre-stripping area last quarter have been drilled out. The lenses are located at the northern end of the current open pit and drilling has confirmed the presence of additional magnetite resource. Once resource modelling is completed during the next quarter, the Company will issue a new reserve statement and will include the additional tonnage in its ongoing production schedule.

Southdown Magnetite Project

The Company, with its JV partner, Sojitz Resources and Technology Pty Ltd, has appointed AMEC Minproc, an engineering consultancy with extensive magnetite experience, to undertake a review of all work completed to date. When this review is completed the JV partners will have an agreed scope of work to conclude the pre-feasibility study for the project by the end of 2010. The Joint Venture has also established its "owner's team", using personnel and experience from the Savage River operations in Tasmania.

On 18 January 2010, the Environmental Protection Agency released advice and recommendations to the Minister for Environment on the proposal to expand the Port of Albany. The normal appeals process is being undertaken and the Company expects that the final determination will be issued during the next quarter.

With the recent iron ore price increases, Grange is confident that the Southdown Project will form a major growth platform for the Company.

Other Significant Events of the Quarter

Increased Market Capitalisation

The company saw a 111% increase in its share price during the quarter, rising from \$0.27 at the end of December to close at \$0.57 at the end of the quarter, making it one of the best performing ASX stocks in the quarter. This has resulted from:

- Recognition in the market that the Company is a quality iron ore producer leveraged to the increased iron ore price;
- Recognition that with the restructure undertaken last year and the elimination of legacy issues, the Company is simpler to understand and is extremely well positioned to take advantage of increased iron ore prices; and
- The Company's stock liquidity improving following a sell down by Stemcor of its 82 million shares to a number of recognised Institutional investors.

Iron Ore Price Negotiations

The Company has agreed to a framework for establishing the "Fair Market Price" of pellet sales to Shagang, its major offtaker and shareholder. The Fair Market Price will be determined at regular intervals taking into consideration the index price for iron ore, the appropriate shipping index and recognition of a pellet premium.

CRU, a global commodities research and analysis group, has been engaged to provide an independent review of the framework to enable the Company's independent directors to ensure that the "Fair Market Price" has been negotiated on an arm's length basis.

As an interim measure Shagang has agreed to increase the price paid for pellets to US\$120/tonne, from April 1, 2010. When the pricing mechanism is agreed, an adjustment to sales post April 1 will be applied.

SAVAGE RIVER OPERATIONS

	<i>Production and Costs March Quarter 2010</i>	<i>Production and Costs March Quarter 2009</i>
Total BCM Mined	5,266,898	4,883,184
Total Ore BCM	321,566	236,691
Concentrate Produced (t)	589,213	513,968
Weight Recovery (Dry) (% DTR)	45.37	43.27
Pellets Produced (t)	565,851	461,796
Pellets Shipped (t)	590,690	650,443
Concentrate Shipped (t)	23	48
Pellet Stockpile (t)	191,617	104,825
Concentrate Stockpile (t)	14,939	58,745
Direct Operating Costs A\$/tonne Pellet Produced	56.89	75.88

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.

-ENDS-

For more information, please contact:

Investors:

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

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

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