



GRANGE
RESOURCES

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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 DECEMBER 2010

HIGHLIGHTS

- Continued excellent safety performance at Savage River.
- Grange Resources share price improved 280% in 2010.
- Strong cash position of \$91.9 million and no net debt at the end of the quarter.
- Revenue for the quarter \$89.2 million almost double that of the December 2009 quarter which was \$47.6 million.
- Grange admitted to S & P ASX 300 index.
- Albany port expansion permit approved for the Southdown project, concluding a five year process.
- Southdown project pre-feasibility study progressing well, with a report to the market expected in April 2011.

Grange Resources Limited ("Grange" or the "Company") is pleased to announce another strong quarter.

Grange Managing Director, Mr Russell Clark, said "This quarter Grange has sold its entire product at an interim price of **US\$150 per tonne**, as opposed to last year's bench mark price of **US\$72.32**. We have continued to see strong cash flow from the Savage River operations and expect to finalise the IODEX based index pricing mechanism negotiations with our contracted customers next quarter."

"The Savage River operations have been performing well, and we have seen the safety performance continue to improve, a great indicator of stable management and good planning and delivery processes. We have finalised a mining plan to mitigate the slip that occurred on the east wall last June, and will be accelerating the cut back of the east wall over the next 12 months, whilst we access ore from other smaller deposits on the mining lease."

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“Our growth project, Southdown, has progressed well through pre-feasibility and we have welcomed a number of senior personnel to the project team. In November, the Minister for the Environment approved the Albany Port expansion permit, a critical element of the Southdown Project. The Joint Venture has spent \$20.5m since the commencement of the pre-feasibility study in May 2010 and has produced a preliminary report which will be considered by the owners in the first quarter of 2011. We have been particularly encouraged by recent metallurgical test work which confirms the ore is amenable to autogenous grinding which will reduce operating costs, and as a result the process flow sheet is still being finalised.”

“Iron ore prices remain strong and we will continue to see the benefits of the cash generation at Savage River as we take the Southdown project to a further stage of development next year.”

COMPANY SUMMARY

Grange Resources Limited is pleased to report another successful quarter which has resulted in further strengthening of the Company’s balance sheet, continued reduction of liabilities and advancement of the Southdown project.

CASH RESERVES AND FUTURE SALES

The cash reserves of Grange at 31 December 2010 were A\$91.9 million, down from A\$96.9 million as at 30 September 2010. The closing cash balance was impacted by a timing difference on receipt of sales. A total of US\$24.1 million has been received since the end of the quarter in relation to pre 31 December 2010 shipments. A total of \$8.0 million was incurred on the Southdown PFS during the quarter (Grange’s share).

Sales for the quarter continued at an interim IODEX index based market price of US\$150/tonne. Negotiations on the IODEX index bases pricing mechanism will continue in January 2011, and it is expected that the average price for pellets sold in the next quarter will be aligned with the current IODEX price bases being paid in the market, forecasted to be in excess of US\$180/tonne.

Sales and revenue for the quarter, compared to the December quarter 2009 are as follows:

	December Quarter 2010	December Quarter 2009
Pellets Sold ‘000t	592,855	599,347
Average Price US\$/t	148.87*	72.34
Average Price A\$/t	150.46	79.40
Revenue A\$m	89.2	47.6

* Includes the effect of a product quality adjustments incurred during the quarter.

Revenues received at Savage River are forecast to remain strong through the next quarter, in spite of reduced production that will result from scheduled major shutdowns in the concentrator and pellet plant in February. The plants are shut down for planned maintenance every February.

Effective 1 January 2011, Grange will change its financial year to a calendar year. The period 1 July to 31 December 2010 will constitute a “short year” for the company as a result of this transition.

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SAVAGE RIVER OPERATIONS

Production and Costs - December Quarter

	<i>Production and Costs December Quarter 2010</i>	<i>Production and Costs December Quarter 2009</i>
Total BCM Mined	3,971,951	5,414,278
Total Ore BCM	361,781	461,438
Concentrate Produced (t)	447,404	644,432
Weight Recovery (Dry) (% DTR)	40.29	44.09
Pellets Produced (t)	442,427	640,000
Pellets Shipped (t)	592,855	599,347
Concentrate Shipped (t)	60	22
Pellet Stockpile (t)	68,850	216,407
Concentrate Stockpile (t)	10,562	15,921
Direct Operating Cost A\$/tonne Pellet Produced	91.37	63.83

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 continuing improvement with no Lost Time Injuries (“LTI”) or MTI’s recorded in the quarter, a first for Savage River. The Total Recordable Injury Frequency Rate (TRIFR) fell from 16.9 at the beginning of the quarter to 9.1 by the end of it, a 46.2% improvement.

Grange has previously advised, in June 2010, that a rock slide 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, temporarily sterilising the ore beneath it. 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.

Grange has developed mine plans to remediate the rock slide in order to gain long term access to the main ore zone for the balance of the mine life. A remediation cut back, always required but being brought forward from 2012/13, has commenced and once completed over the next 12 months, the strip ratio, ore quality and sales volumes will be very predictable. The plan has been approved by both Worksafe Tasmania and the Grange Board.

Ore and waste production was lower than the previous quarter as a result of production equipment being applied to the development of less central ore sources on the mining lease as the east wall cut back plan is implemented. Mining rates increased towards the end of the quarter as the four additional Caterpillar 789 trucks, purchased at the beginning of the quarter, were introduced to the fleet. Five older 785 trucks are scheduled to be refurbished in Q1 2011, bringing the fleet to capacity in order to complete the east wall cutback and, at the same time, mine ore from alternate sources in accordance with the remediation plan. The alternate ore

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supplies will be used to produce pellets for contracted sales until the East Wall cutback is completed and full access to the main ore zone is re-established.

Grange expects to produce approximately 2.2 million tonnes of concentrate in 2011, rising to approximately 2.5 million tonnes in 2012 and 2013 and will be able to maintain production of pellets to meet all contracted pellet sales requirements.

The process of concurrently maintaining supply from alternate ore supply locations and completing the East Wall cutback will see an increase in overall production volumes in 2011 through to early 2012.

Cost Management

Unit costs have risen primarily as a result of a reduction in the quantity of pellets produced. This in turn has been brought about by the need to access alternative ore supplies as a result of the east wall slip temporarily sterilising ore at the bottom of the main pit. The alternative ore sources are lower grade and have incurred greater haul distances to the crusher.

Unit costs per tonne of pellets will increase in 2011, as a result of lower pellet tonnes produced, longer haul distances to the alternate ore supplies and the need to start re-building the 789 fleet that was purchased in 2008.

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.

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 ore body close to surface and a nearby major regional population centre, the deposit is favourably placed for development.

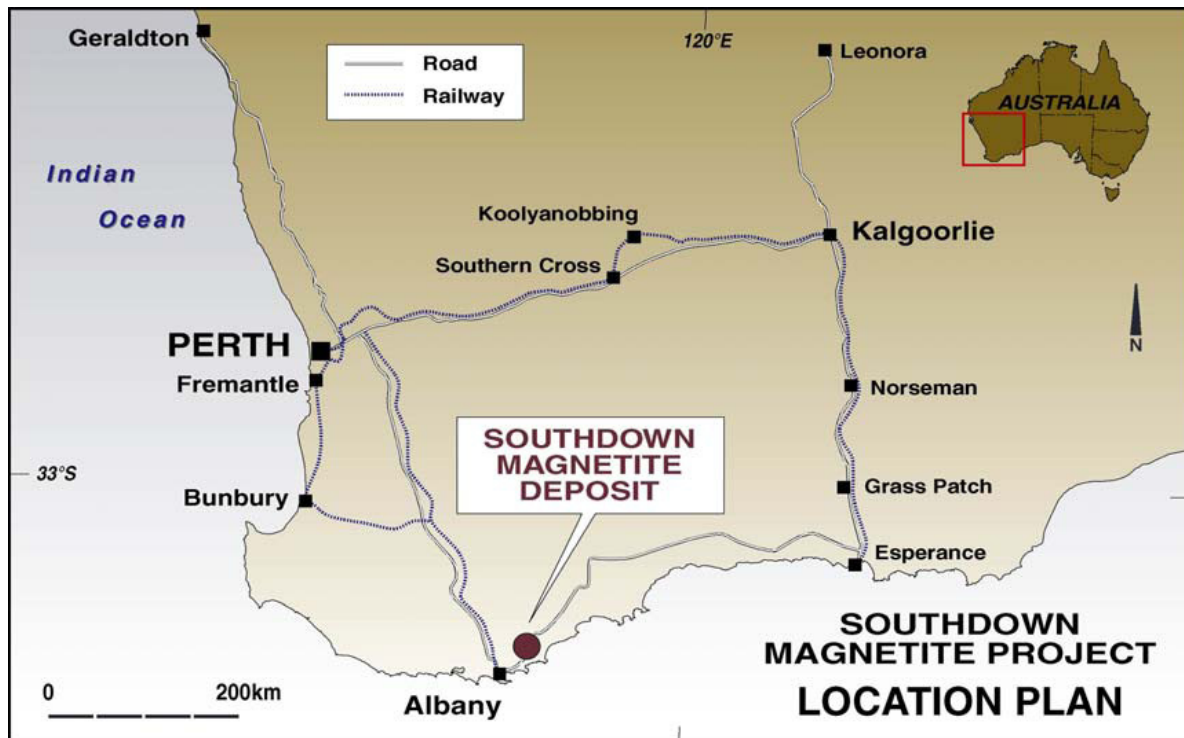


Figure 1: Location of Southdown Magnetite Project, Albany WA

The Southdown Magnetite deposit will be mined using standard open pit mining methods with the magnetite mineralisation being crushed, ground, screened and 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 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

Grange announced a substantial increase in the Mineral Resource at the Southdown Project on 3 July 2009. The Mineral Resource has remained unchanged since then:

Classification	Tonnes (Mt)	Grade (DTC wt%)
Measured	219.7	37.4
Indicated	210.3	38.9
Inferred	224.4	33.4
Total	654.4	36.5

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

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.

Engineering Update

Engineering Work on the pre-feasibility study (+/- 20% accuracy) has progressed to schedule with a preliminary report provided to the owners at the end of December. The owners will consider the report and the opportunities that it presents during the first quarter of 2011.

A number of trade-off studies have been conducted to optimise the project with the aim of enhancing the capital investment and improving operating conditions and a number of opportunities remain, which will be explored in greater detail during the first quarter of 2011.

Metallurgical test work has been undertaken during the quarter to further optimise the Concentrator flow sheet. In particular it has been established that the ore is suitable for autogenous grinding mills, which will have significant operating cost benefits.

The Engineering work has been developed for 10 million tonnes per year of concentrate production and 7 million tonnes per year of pellets, over four times the current production of Savage River.

Mine Planning Update

The mine design for Southdown has had a significant review and has been optimised for the planned concentrate production of 10 million tonnes per annum. The optimised design has reduced the overall waste volume removed (and hence the stripping ratio). The improved mine design came as a direct result of applying in-house knowledge and experience from Savage River to the Southdown ore body for the first time.

Metallurgical Test Work Update

Metallurgical test work required for the feasibility study is almost complete. Additional Metallurgical drilling was undertaken and information gained from the test work has been used to further optimise the flow sheet. Further work on the number of autogenous mills required and the suitability of isa mills versus ball mills for fine grinding will be undertaken during the first quarter of 2011.

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 negotiating land offsets for the Carnaby Cockatoos with the Commonwealth Department of Sustainability, Environment, Water, Population and Communities under the Environment Protection Biodiversity

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Conservation Act, 1999 and expects to progress these in the first quarter of 2011 as conservation reports on the proposed offset land become available.

Grange has submitted to the Environmental Protection Authority (“EPA”) a request to alter the existing mine permit to allow a production rate increase to 10 million tonnes per annum (previously 6.8 million tonnes per annum). Approval on the alteration is expected in the first quarter of 2011.

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.

In November 2010, the West Australian Minister of the Environment approved the environmental permit allowing the expansion of the Albany Port, encompassing the building of a new berth suitable for cape sized vessels and the widening and deepening of the channel into the Port to allow passage of these bigger ships.

The planned increase in production to 10 million tonnes per annum of concentrate will require additional water. Studies are being undertaken to assess the use of a desalination plant, situated near the mine site, to provide the additional water requirements. An environmental permit application is being finalised for submission to the EPA in the first quarter of 2011. The expectation is that this permit could be approved by the end of 2011.

Power Supply

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. Preliminary discussions were held jointly with Western Power and the Economic Regulation Authority of WA (“ERA”) to obtain guidance on the ERA approach to the principles of the proposed agreement between Western Power and the Southdown Joint Venture with regards the building of the transmission line, final ownership and potential use by third parties.

A number of electricity providers were approached and requested to submit non-binding proposals to supply energy for the project. Preliminary reviews were concluded and have been incorporated in the Pre Feasibility Study.

CORPORATE MATTERS

Debt

The only debt remaining in the Company is US\$35.9 million (A\$35.3 million) for the leasing of mobile equipment, an insurance premium financing arrangement of A\$2.5 million and a debt to the Tasmanian Government of A\$9.4 million, for the Savage River Rehabilitation Plan (“SRRP”). Further detail on this can be found in the 2010 Annual Report.

Hedge Book

Grange remains unhedged and monitors its currency hedging strategy regularly at its monthly treasury meetings. The strengthening Australian dollar experienced over the quarter was offset by a strengthening iron ore price, the benefit of which will be realised once the IODEX pricing negotiations have concluded.

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Australian Resources Tax Proposals

Throughout 2010 Grange was heavily engaged with the Federal Government as proposals for the implementation of a Mineral Resources Rent Tax ("MRRT") evolved. In November 2010 Grange presented to the PTG (Policy Transition Group) co-chaired by Mr Don Argus and Minister Martin Ferguson and 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. At the very least, Grange argued, the taxing point for the tax should be similar to the haematite industry, namely as near to the primary crusher as possible.

The PTG has delivered its report to the Government and has maintained that all iron ore and coal mining will be subject to the MRRT. It has, however, recommended that the taxing point should be at the point the resource leaves the Run of Mine ore stockpile, effectively protecting the "value add" downstream processing of magnetite from the effects of the tax. In addition all State royalties paid will be a credit to the MRRT.

As a result, and recognising that the MRRT has yet to become legislation (and that the Government is not compelled to accept the recommendations of the PTG), Grange anticipates the effect of the tax on the Company will be minimal.

Board of Directors

Mr Honglin Zhao, a non executive director, was appointed Managing Director of Southdown Project Management Pty Ltd, a wholly subsidiary of Grange Resources Limited during the quarter. Mr Zhao continues on the Grange Board as an executive Director.

Issue of Shares

No shares were issued during the quarter.

The September quarterly advised that 2,334,678 rights to shares were to be issued in the December 2010 quarter, as a result of allocations to employees under the long term incentive scheme. Due to share trust establishment and administration issues, this allocation of rights is expected to occur in the first quarter of 2011.

Share Register

The Company continues to see excellent liquidity in the trading of its shares. The number of shareholders on the Register has grown steadily from 1,200 in January, 2009. As at 31 December 2010 there are over 3,700 shareholders.

Grange was admitted to the S & P ASX 300 index in October, 2010.

Grange Resources was one of the best performing stocks on the ASX in 2010, rising from a share price of 27 cents at the beginning of the year and closing at 75.5 cents on December 31, 2010 - a 280% increase.

In addition to research coverage provided by Petra Capital, Patersons, Macquarie and Citi, Grange has had research coverage initiated by Southern Cross and Merrill Lynch during the quarter. The Royal Bank of Scotland commenced coverage in January 2011.

Change in Financial Year

Grange has previously advised that it will be changing its financial year to a calendar year, commencing 1 January 2011. As a result the quarter ending 31 December 2010 is the final period in the current, shortened financial year.

The preliminary final results for the financial year ending 31 December 2010 (which covers the period 1 July 2010 to 31 December 2010) will be released by 28 February 2011.

Annual General Meeting

The 2011 AGM will be held in Perth on Tuesday 10 May, following the change in financial year, and annually thereafter.

-ENDS-

For more information, please contact:

Investors:

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

Media:

Eliza Gee
Buchan Consulting
+61 3 9866 4722/ +61 432166431
egee@bcq.com.au

Or visit www.grangeresources.com.au

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

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