GRANGE
RESOURCES LIMITED

QUARTERLY REPORT

FOR THE PERIOD ENDING 30 JUNE 2006

CORPORATE DETAILS

Board of Directors
Anthony Bohnenn (Chairman)
Geoff Wedlock (Managing Director)
Alex Nutter (Technical Director)
Richard Krasnoff (Non-Executive)
Hans-Rudolf Moser (Non-Executive)

Capital Structure
Ordinary Shares 95,034,974
$0.50 Opts 6/07 1,500,000
$1.25 Opts 6/07 1,500,000
$1.50 Opts 6/08 1,500,000
$2.50 Opts 6/11 1,000,000

Stock Exchange Listing
Australian Stock Exchange
ASX Code: GRR

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JUNE QUARTER HIGHLIGHTS

Southdown Magnetite and Kemaman Pellet Project

- Diamond drilling complete, resources expected to total 500Mt with 450Mt classified as Indicated Resources.
- Both Direct Reduction (DR) and Blast Furnace (BF) pellets successfully produced in metallurgical test work. Further DR test work to be undertaken.
- Project capital and operating costs determined from BFS.
- Draft Public Environmental Review (PER) for Southdown lodged with EPA in July 2006
- Revised Option Agreement for slurry pipeline given to landowners in July 2006.
- Application to the Malaysian Industrial Development Authority (MIDA) for investment incentives made in April 2006. Response expected in August 2006.
- Detailed Environmental Impact Assessment (DEIA) for Kemaman Pellet Plant published for public review.
- International tender process for project participants proceeding. Due Diligence phase commenced.
- Strong market growth expected for DR pellets in the Gulf and South East Asia.
- Feasibility study expenditure of A$23M to the end of June 2006.

Gold Royalties

- Royalty payments from Red Hill and Freshwater of $787,763 generated in the quarter

New Projects

- Mining Certificate granted over the previously mined Bukit Ibam iron ore mine in Malaysia. Preparation for the resumption of mining commenced.

PROJECT, MINING & EXPLORATION ACTIVITIES

SOUTHDOWN MAGNETITE AND KEMAMAN (MALAYSIA) PELLET PROJECT (Grange 100%)

The following summary report is an update on progress achieved with the project to date. Some of the information has been presented in previous quarterly reports but is repeated here for completeness.

BACKGROUND

Grange Resources Ltd acquired the Southdown mining leases in November 2003 and immediately commenced a review of previous exploration work. This led Grange to undertake a new ground magnetic survey and investigate a number of essential development requirements, including a harbour and shipping channel sea floor probing survey at Albany. The results of this work culminated in a prefeasibility "Scoping Study" which considered the following project components:

- Mining at an annual rate of 17.8 million tonnes with a stripping ratio of around 2.6 to 1.0.
- Annual production of 6.6 million tonnes per annum of magnetite concentrate at 69% Fe.
- Transportation of the magnetite concentrate to the Port of Albany via a buried slurry pipeline.
- Establishing a large-scale pellet plant in South East Asia to process the Southdown concentrate into high grade iron ore pellets to produce 6.8 million tonnes of pellets per annum.
- Potential markets for pellets in direct reduction and blast furnaces located in the Gulf and South East Asia.
- Assessment of the economics of the project including capital expenditure on infrastructure in Australia and South East Asia.

The key findings from the scoping study included:

- A potentially significant resource was indicated of sufficient size to support large scale mining, concentrating and pelletisation operations.
- The mineralisation appeared to be amenable to coarse magnetic separation.
- Close proximity to road and port facilities in Western Australia and Malaysia.
- Competitive mining and processing costs.
- The mining tenements were located on freehold land in Western Australia with no Native Title issues outstanding.
- Two products were proposed namely Direct Reduction ("DR") and Blast Furnace ("BF") pellets.
- Establishment of a pellet plant in Malaysia, near key markets including:
    - Direct Reduction - steel producers in Malaysia, Indonesia, and the Middle East; and
    - Blast Furnace - steel producers in China, Japan, South Korea and Taiwan.

Following the completion of the scoping study and some preliminary drilling in late 2004 Grange announced in January 2005, the commencement of a full Bankable Feasibility Study (BFS) for the Southdown Magnetite and Kemaman Pellet Project.

Grange has engaged the following consultants to assist with the preparation of the BFS:

- ProMet Engineers to undertake and supervise the engineering and metallurgical work, including concentrator, pipelines, ports and pellet plant.
- Golder Associates to undertake the resource estimation, mine planning and scheduling, geotechnical engineering and hydrology.
- Ecologia to undertake environmental studies and prepare the documents necessary for the project approvals process.
- JFA Australia to supervise the work relevant to the Albany Port, shipping channel and dredging.
- Rockwater to search for a water supply.

- Perunding Utama to undertake the environmental work necessary for the development of the pellet plant and associated infrastructure in Malaysia.

Results of the study as at 30 June 2006 are presented below.

DEVELOPMENT PLAN

It is proposed 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. Coarse production waste (tailings) will be dewatered and deposited as solid tailings while finer material will be deposited in a slurry form into a tailings storage facility. Overburden is to be placed in waste rock dumps for the first 5 years of production following which progressive backfilling of the pit with both waste rock and tailings is planned.

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 capesize vessels and shipped to an iron ore pellet plant located in 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 will be required and the Albany Port Authority will provide land to accommodate a concentrate storage facility and ship loading 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 access of capesize vessels.

Grange Resources has entered into a Heads of Agreement with subsidiaries of Road Builder (M) Holdings Bhd to secure the future use of infrastructure in Malaysia comprising an existing wharf and up to 60 hectares of land for the pellet plant at Kemaman on the east coast of peninsular Malaysia. The design capacity of the pellet plant is 6.8 Mtpa.

The magnetite resource within the Grange mining leases is sufficient to support the planned production rate for a period of 22 years. Known extensions to the magnetite deposit within an adjacent tenement owned by Rio Tinto could extend the project life considerably.

SOUTHDOWN MAGNETITE PROJECT

The Southdown Magnetite Project is located approximately 90 kilometres northeast of the Port of Albany on the south coast of Western Australia (figure 1).

The project comprises three granted mining leases M70/433, M70/718 and M70/719 covering an area of 1700 hectares and a General Purpose Lease G70/217 covering 172 hectares on freehold farming property (figure 2) over which the Company holds an option to purchase.

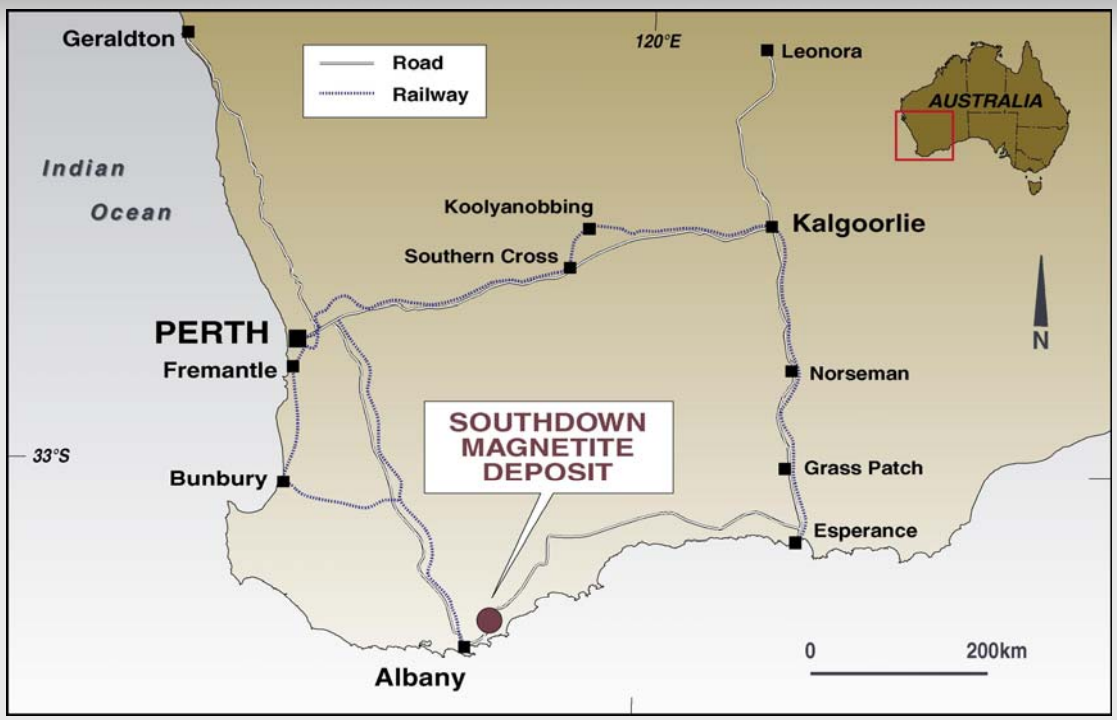

Figure 1: Location of Southdown Magnetite Project, Albany WA

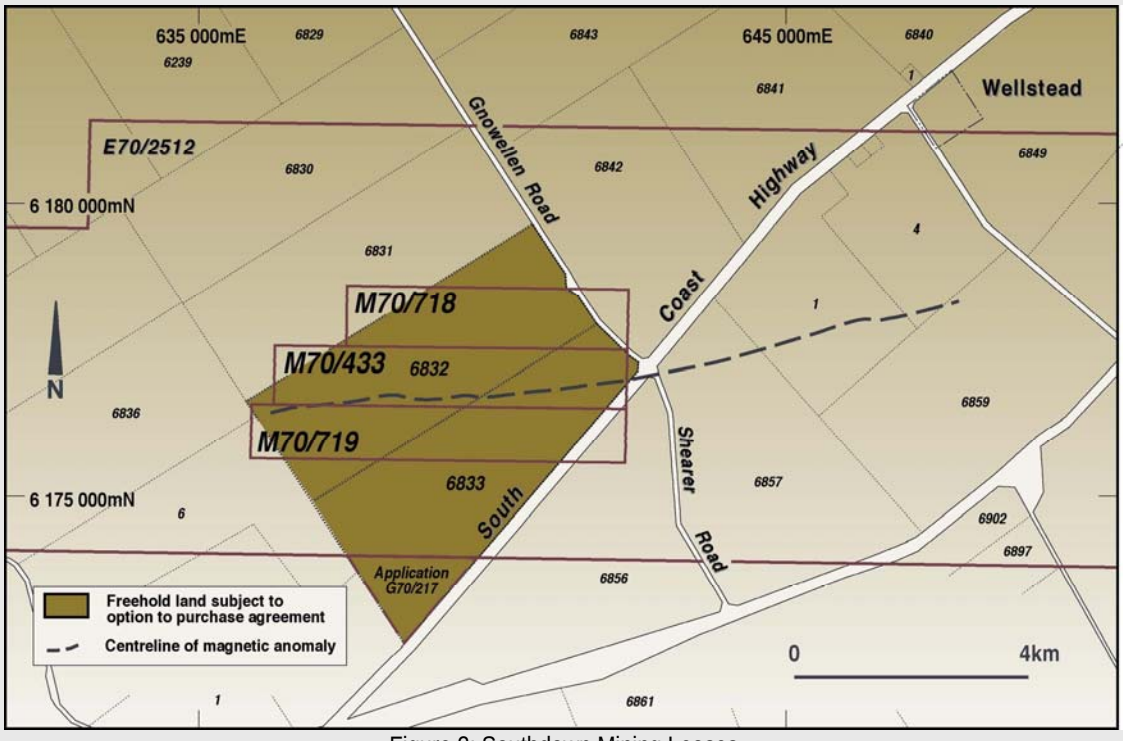

Figure 2: Southdown Mining Leases

Resource Evaluation

The Company's mining leases cover the western portion of a deposit of magnetite mineralisation that was first recognised in the early 1980s. The deposit has strike length of approximately 13km and Grange's three mining leases cover the western 6km of the deposit.
The eastern section of the deposit is held by Rio Tinto within exploration licence E70/2512. The aeromagnetic signature of the deposit (figure 3) indicates an increasing depth of cover over the magnetite mineralisation as the deposit extends from Grange's mining leases further to the east. Rio Tinto carried out reconnaissance diamond drilling to evaluate the nature and extent of the deposit within its exploration licence during the period October 2005 to March 2006.

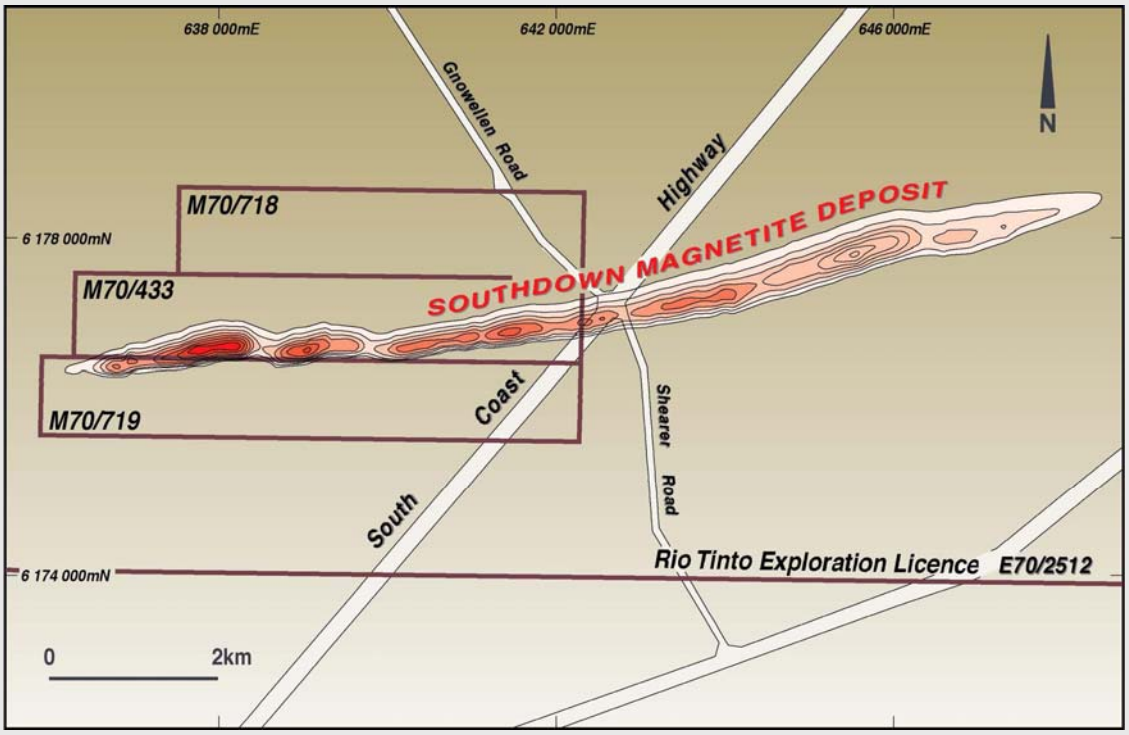

Figure 3: Aeromagnetic Signature of the Southdown Magnetite Deposit and Location of Mining Leases

Resource Drilling and Resource Estimate

In November 2004 Grange Resources commenced diamond drilling to evaluate the nature and strike and depth extent of the Southdown magnetite deposit within its mining leases. The resource drilling programme was designed to provide sufficient data to establish a resource that could be classified as Indicated in accordance with the Australasian Code for the Reporting of Identified Mineral Resources and Ore Reserves (JORC Code, 2004). Drill holes were spaced at 50 metres intervals on traverses 200 metres apart along the 6km strike length. The initial drilling programme was completed during November 2005 by which time 157 resource holes (43,000 metres) had been completed.

In addition to the resource drill holes, 9 geotechnical holes aggregating 2300 metres and 6 metallurgical holes aggregating 1600 metres were completed during the initial programme. Drill core was cut on site and submitted to the Amdel laboratory in Perth for sample preparation and test work (Davis Tube Recovery) to determine the magnetite content. The magnetic fraction was assayed by X-ray Fluorescence Spectroscopy to determine its iron content and quality. By the end of the initial resource drilling programme 7091 samples from the 157 resource drill holes and 892 samples from 39 drill holes from resampling of the 1986/87 drill core had been submitted for analysis.

Golder Associates have completed a resource model using all geological and assay data available as at 10 January 2006 and prepared a mineral resource estimate, which was announced in January 2006 as part of the December 2005 quarterly report to the ASX. The resource estimate was classified in accordance with the Australasian Code for the Reporting of

Identified Mineral Resources and Ore Reserves (JORC Code, 2004). The magnetite deposit within the Company's mining leases has a strike length of 6,000 metres and a vertical depth ranging from 50 to 500 metres. The available data has allowed Golder Associates to estimate the resource contained within 5700 metres of strike with variable depths ranging from 50 to 480 metres below surface. Based on the above criteria Golder Associates estimated the Southdown deposit contains 458 million tonnes grading 36.9% magnetite of which 347 million tonnes grading 38.1% magnetite are classified as Indicated Resources and 111 million tonnes grading 33.1% magnetite are classified as Inferred Resources.

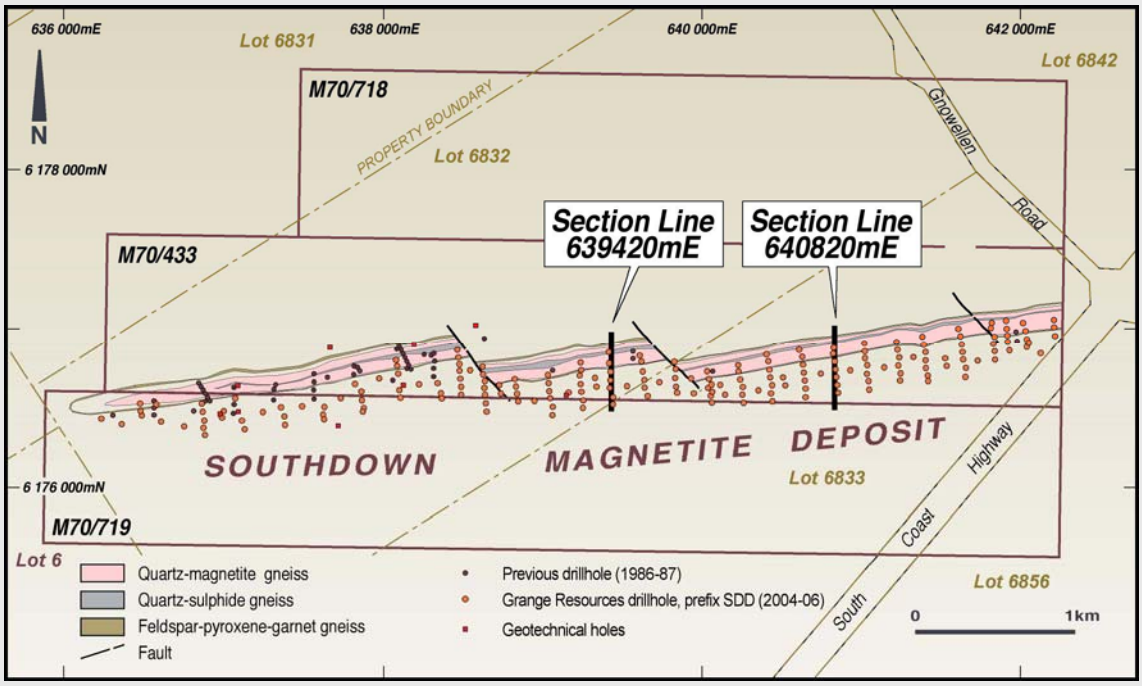

Figure 4: Interpreted Geology and Drill Hole Location Plan

Local flooding during the winter of 2005 prevented access to several drill sites, consequently during January 2006 diamond drilling recommenced with the aim of completing infill holes to achieve the drill pattern of 50 metres by 200 metres along the 6km strike length of the deposit within the Grange mining leases. This infill drilling programme, involving 38 additional resource holes aggregating 9,800 metres and a further 1,520 samples for Davis Tube Recovery test work was completed during May 2006. The target of this drill programme is to increase the Indicated Resource to approximately 450 million tonnes and the total Indicated and Inferred Resource to approximately 500 million tonnes.

Congestion at assay laboratories has resulted in delays to the receipt of analytical data. As a consequence of this the revised resource model and resource estimate are now expected to be completed during August 2006.

The location of all drill holes completed to date is shown on figure 4. Since the commencement of the evaluation of the Southdown magnetite deposit in November 2004, Grange has completed 213 diamond drill holes aggregating approximately 57,000 metres and submitted over 9,500 samples for DTR/XRF analysis.

Geology

Interpretation of drilling data indicates that the Southdown deposit consists of a gently east-plunging, overturned tightly folded syncline that is offset by northwest and northeast trending faults (figure 4). The core of the syncline is occupied by intensely metamorphosed quartz-magnetite-clinopyroxene gneiss and garnet-biotite gneiss. The interpreted vertical depth to the keel of the syncline is approximately 50 metres at the western end of the deposit and increases to a vertical depth in excess of 500 metres in the eastern portion of the deposit. The thickness of the deposit ranges from 40 to 110 metres and averages 85 metres.

Typical cross sections of the deposit are shown in figures 5 and 6 and the locations of the sections are shown in figure 4.

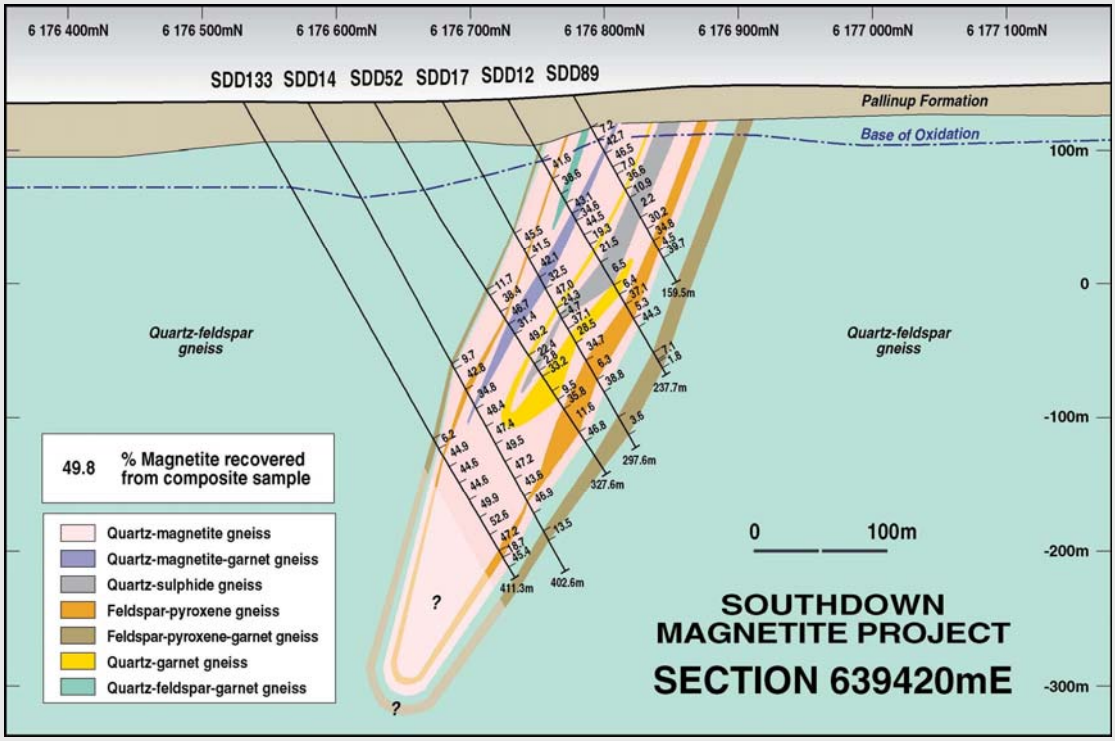

Figure 5: Interpreted Cross Section 639420mE

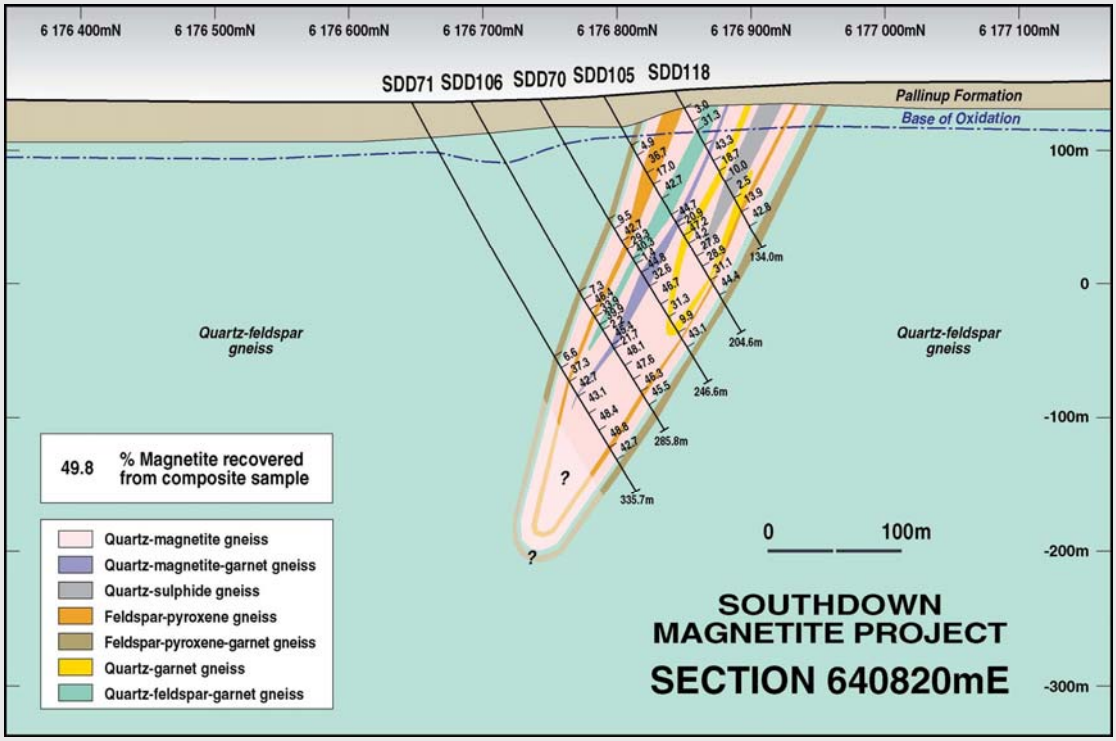

Figure 6: Interpreted Cross Section 640820mE

Mine Planning

Preliminary pit optimisation and mine planning work has been carried out based on the geological and resource model developed in January 2006. The work was undertaken in order to develop preliminary mining schedules and a layout for the open pit, waste rock dumps and tailings storage facilities. Based on the results of the study Grange is confident that the deposit contains sufficient mineralisation to support an open pit mining project producing 6.6Mtpa of magnetite concentrate for a period of approximately 22 years. The study developed a concept of co-disposal of approximately 50% of the backfill and tailings into the excavated pit.

More detailed mine planning and scheduling is to be undertaken following the completion of the current resource drilling programme and the subsequent update of the resource model in June 2006. Hydrogeological and geotechnical studies are also being undertaken to provide data for mine design and scheduling.

The main objectives of the preliminary mine scheduling process was to:

- formulate mining method strategies and test the practicality of these strategies;
- assess whether or not the nominated concentrate production rate of 6.6Mdmtpa is achievable;
- estimate potential mining quantities for input to the mining equipment selection and cost estimation process; and
- provide preliminary "ore" grade and tonnage profiles over the life of the mine for input to the treatment plant design process.

It is envisaged that the long narrow Southdown pit will be mined in a series of blocks commencing at the western end of the deposit and progressing to the east throughout the mine life. The proposed pit will have a footprint of approximately 400ha, a strike length of 6,000 metres and a depth of approximately 300 metres. Figure 7 illustrates the likely mining sequence. Figure 8 is a long section along the east-west axis of the pit and shows the strip design and strip block nomenclature used.

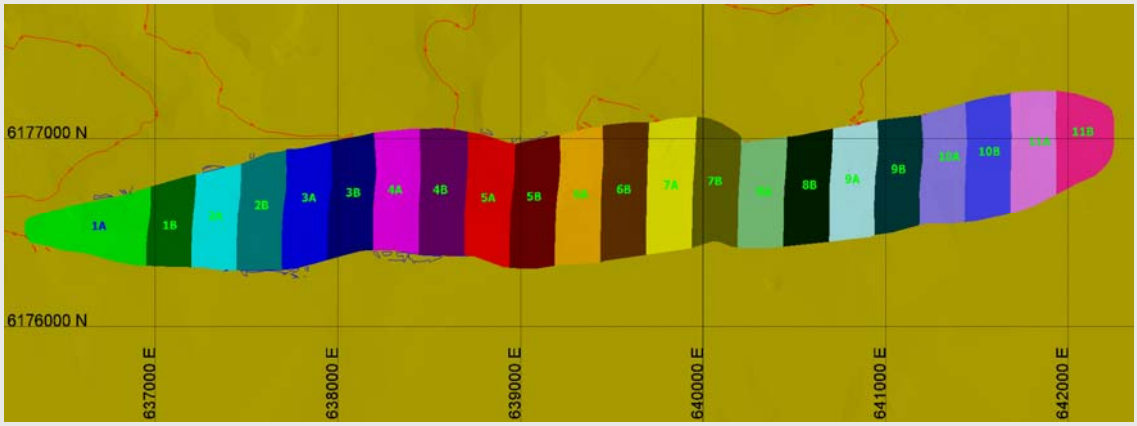

Figure 7: Conceptual open pit showing likely mining sequence

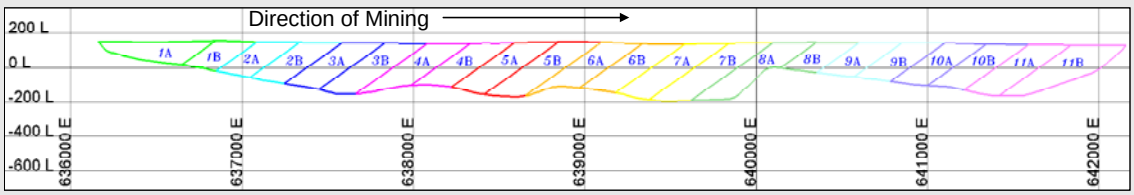

Figure 8: Conceptual open pit - long section looking north showing possible strip layout

The pit optimisation study developed a backfill dumping scenario with a portion of the waste being returned to the mine on a progressive basis. The conceptual dumping schedule showed that approximately 50% of the waste rock would be able to be placed in the excavated pit with backfilling commencing from Year 5 onwards.

The pit optimisation study also investigated the co-disposal of tailings in the backfill and concluded that from Year 7 onwards this would be practical. The concept is to create basins within the waste for filling with plant tailings. Approximately half the tailings would be able to be placed in the backfill. The tailings would be progressively covered by a layer of oxide material to seal them from the atmosphere.

Following the completion of the revised resource model and resource estimate during August 2006, detailed mine planning will be undertaken with the aim of producing a final mining schedule by the middle of October 2006.

Mining Method and Costs

The project update announced to the ASX on 13 February 2006 provided operating cost estimates for the Project which included mining cost estimates, based on a contract mining quote. Grange commissioned Australian Mining Consultants (AMC) to conduct an owner mining study, which was completed in April 2006. The study concluded that owner mining was feasible based on leased mining equipment and that the forecast cost (in December 2005 dollars) was lower than the contract mining quote. This resulted in a revision of the average life of mine operating cost of pellets to US$39.4 per tonne, FOB Kemaman.

The Company has also commissioned AMC to conduct further studies to evaluate potential improvements to this cost, including the use of alternate mining equipment (electric shovels) and procedures (potential of in pit crushing and conveying) utilising the attractive electric power supply for the project. This work continues and results are expected in the September quarter.

Site investigation

A programme of test pitting and shallow geotechnical drilling was completed during the March 2006 quarter to investigate the footprints of the tailings storage facility, the waste rock dump and the proposed water dam (Figure 9). Test bore holes were logged for soil and rock type and were tested for geotechnical parameters. Piezometers to test for water levels were installed in all the test bores. The aims of the site investigation work were to:

- characterise the geotechnical and hydro-geological conditions at the proposed tailings storage facility and water dam sites for use in stability and seepage analyses;
- install piezometers in the boreholes to enable future monitoring of groundwater levels and water quality;
- assess the suitability and quantity of near surface soil material for use as borrow material in construction works; and
- collect representative soil samples for laboratory testing.

During the June quarter three HQ size 300 metre deep vertical core holes were drilled within the outline of the pit. Each of the holes has been equipped with vibrating wire piezometers to provide information on hydraulic gradients and hydraulic pressures in support of the geotechnical pit design.

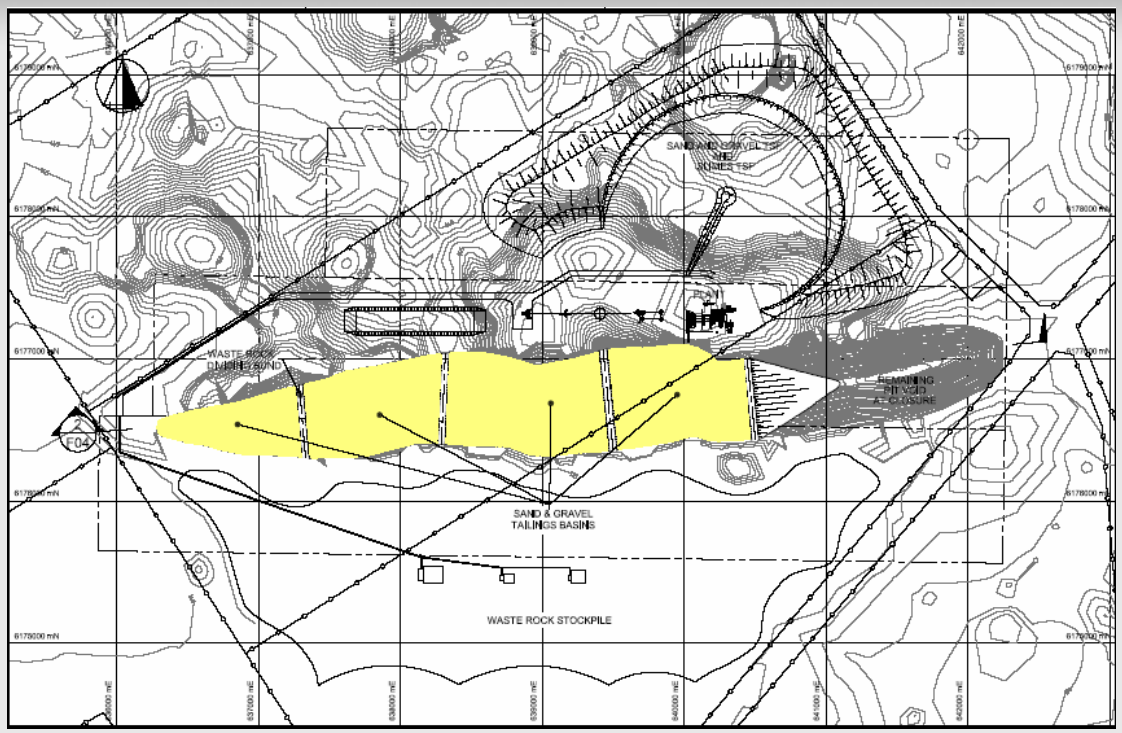

Figure 9: Conceptual site layout plan of surface and in-pit tailings storage facilities

Metallurgical Test Work

A comprehensive test work programme has been conducted on representative samples of "ore" from the Southdown magnetite deposit and has demonstrated that a high quality magnetite concentrate can readily be produced suitable for the production of both direct reduction (DR) and blast furnace (BF) pellets.

The test work has established that multistage grinding and separation allows the production of a DR grade concentrate at a P_{80} of 34 microns and a BF grade concentrate at a grind as coarse as a P_{80} of 40 to 45 micron. The concentrate contains low levels of silica and phosphorus and other contaminants all of which typically reduce with further grinding. The concentrate has a relatively high sulphur content of 0.7%S which can be readily reduced to below 0.2%S by reverse flotation. Expected DR and BF concentrate qualities are presented in Table 2.

A 22 tonne bulk sample of mineralisation from drill core has been processed through a pilot plant set up in a metallurgical laboratory in Perth and approximately 6.0 tonnes of magnetite concentrate has been produced for test work on pellet production, slurry characteristics, thickener operation and filtration.

Approximately 1.5 tonnes of concentrate were forwarded to Outokumpu Technology (Lurgi) in Germany in November 2005 to determine the suitability of the concentrate to make pellets using Outokumpu's Straight Grate technology. Approximately 2.0 tonnes of concentrate were forwarded to Kobelco Corporation in Japan during February 2006 to determine the suitability of the concentrate to make pellets utilising Kobelco's Grate Kiln technology.

Both Outokumpu and Kobelco have successfully produced good quality pellets from the concentrate utilising their respective technologies. The concentrate processed by both companies contained relatively high sulphur (0.7%S) and further pelletising tests are to be undertaken on a low sulphur concentrate (<0.2%S) produced by reverse flotation. Information being generated by Outokumpu and Kobelco will determine the operating conditions for the future pellet plant to be established at Kemaman.

The expected qualities of concentrate (prior to the removal of the sulphur by flotation) and DR and BF pellets based on the results of testwork undertaken to date by both Outokumpu and Kobelco are presented in Table 2.

TABLE 2
SOUTHDOWN MAGNETITE PROJECT
EXPECTED CONCENTRATE & PELLET QUALITY

Parameter	DR	BF	DR Pellets			BF Pellets	
	Concentrate	Concentrate	Target	Estimated	Target	Acid	Fluxed
Fe %	69.89	67.70	>67.5	67.21		65.60	62.71
FeO %	28.60	28.60		0.50		0.50	0.50
SiO_2 %	0.97	3.01	<2.0	1.19	<5.0	3.33	3.38
Al_2O_3 %	1.34	1.51		1.36	<2.0	1.58	1.58
CaO %	0.07	0.20		0.76		0.20	2.65
MgO %	0.15	0.35		0.16		0.35	1.47
TiO_2 %	0.37	0.38		0.36	<1.0	0.37	0.35
Cr_2O_3 %	0.06	0.06		0.06		0.06	0.05
Na_2O/K_2O %	0.01	0.07		0.02		0.09	0.09
Mn %	0.03	0.03		0.03		0.03	0.03
P %	0.01	0.01		0.00	<0.07	0.00	0.00
S % (1)	0.65	0.43		0.01		0.01	0.01
LOI %	-2.71	-2.60					
B4 (2)	0.10	0.12		0.36		0.11	0.83
B2 (3)	0.07	0.07		0.64		0.06	0.78
MgO/CaO	2.14	1.75		0.21		1.72	0.56
SiO_2/Al_2O_3	0.72	1.99		0.87		2.11	2.14
80% Passing	34 - 38 micron	42 – 45					
Blaine m^2/kg	200 - 230	180 – 200					
CCS (4)			>250	265 – 287	>250		
Abrasion Index %			<4.0	3.7 – 3.9	<4.0		
Tumble Index %			>95.0	96.1 – 97.2	>95.0		
%<5mm			<3.0		<3.0		
%>5<16mm			>93.0		>93.0		
RDI % (5)			>90.0	92.8 – 93.7	>90.0		
Linder Reduction			>92.0	96.1			
% Metallisation							
Reduction Degree				95.4			

Notes:

1. The sulphur content of the concentrate is expected to be reduced to 0.2% following reverse flotation.
2. B4 = $\frac{CaO + MgO}{SiO_2 + Al_2O_3}$
3. B2 = $\frac{CaO}{SiO_2}$
4. CCS = Cold Compression Strength.
5. RDI = Reduction Disintegration Index.

The metallurgical test work programme consisted of three principal sections:

1. Bench scale work to establish the overall metallurgical characteristics and behaviour of the material.
2. Pilot plant runs to confirm the bench scale work and generate samples of magnetite concentrate and tailings for further testwork.
3. Specific tests to optimise design and equipment selection.

The results of the work established that multistage grinding and magnetic separation allows the production of both DR and BF grade concentrate. Dry magnetic separation was found to be of benefit by enabling a large reduction in feed to subsequent grinding steps for a minimal loss of magnetite. High pressure grinding roll testwork has shown that the Southdown material responds well to high pressure comminution and has provided data for the selection of appropriately sized machines.

The further pelletisation test work being undertaken will also include the laboratory production of 200kg of pellets for basket tests at both Midrex and HYL direct reduction shaft furnaces.

Southdown Infrastructure

Slurry Pipeline Alignment

A proposed pipeline will transport the magnetite concentrate in slurry form from the Southdown site into the Albany port area where it will be dewatered in the filter plant prior to stockpiling (see Figure 10).

The proposed pipeline alignment affects 55 different landowners including government agencies. Wherever possible the proposed pipeline alignment is sited across cleared land and along property boundaries. An independent valuation of all of the freehold and leasehold land affected by the proposed pipeline has been completed. The valuations have formed the basis of offers made to landowners for the purpose of securing an option to acquire the pipeline easement. Follow-up meetings and negotiations with landowners have been undertaken. As a result of these meetings, revised agreements were despatched to affected landowners in July 2006 and follow up meetings with individual landowners are planned for August 2006.

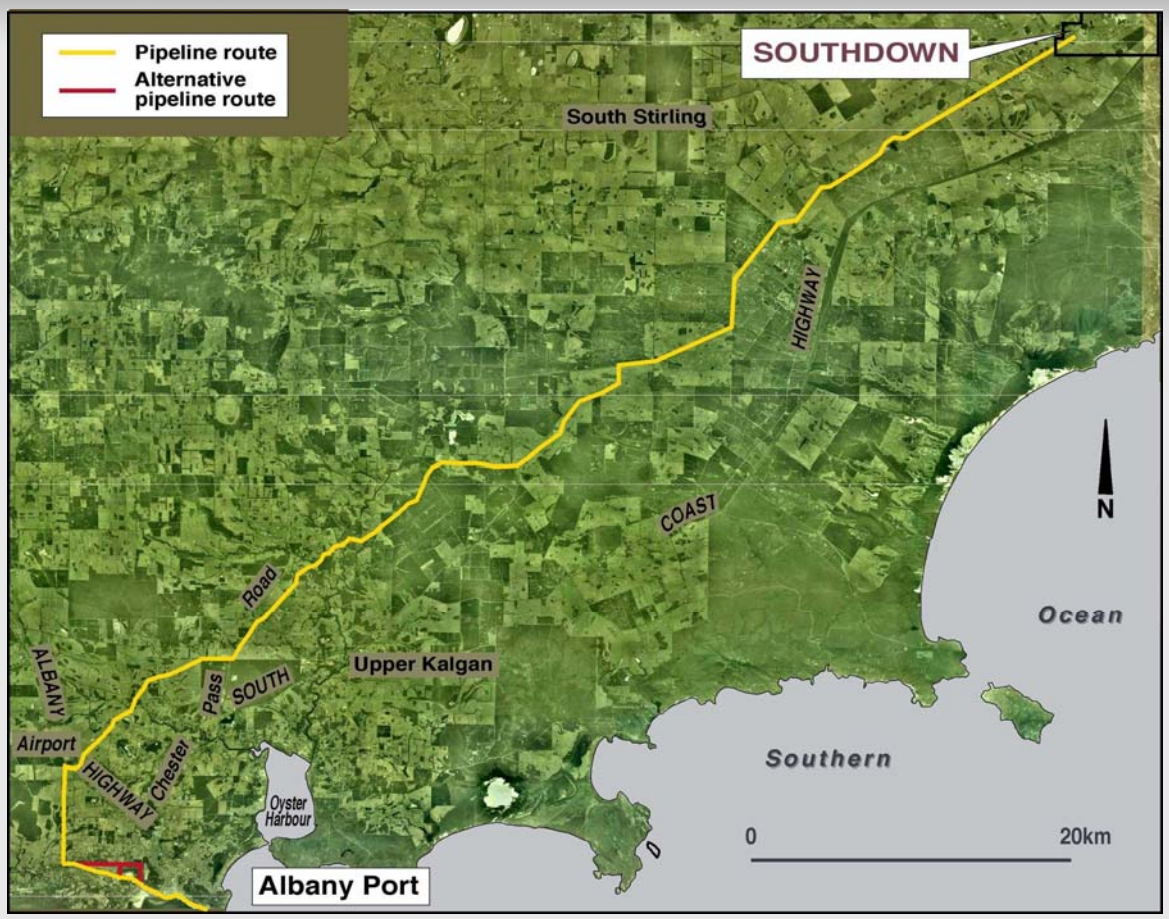

Figure 10: Proposed Slurry Pipeline Route

Power Supply

Grange will require a reliable power supply for the concentrator, slurry pipeline pumps, mine site facilities, concentrate filtration plant at Albany, Albany material handling facilities, and return waterline pumps.

Western Power has completed a study to evaluate the optimum transmission line for the supply of electricity to the Southdown mine and concentrator. A new 220kV transmission line from Muja to Kojonup and then to Southdown has been proposed. This line is expected to have a capacity of approximately 150MW, well in excess of the Project's requirement of approximately 75MW. This power line will also add significantly to regional power infrastructure and is expected to improve power supply to many existing consumers.

Grange has contracted Western Power to obtain the easement for this transmission line and formal landowner and stakeholder consultation in respect to the easement alignment commenced in July 2006.

The Southdown Project will be classed as a contestable customer so Grange will be able to negotiate electricity supply terms and price from market participants. Grange has recently contacted potential power suppliers to update likely supply and costs.

Water Supply

Significant effort has been recently undertaken to define process water solutions for the project. Process design work has determined that the annual make-up water requirement will be 2.7 Gigalitres (2.7×10^9 litres) per annum (i.e. approximately 85 litres/second).

Potential make-up water supply sources include:

- Pit dewatering from groundwater and rainfall inflows;
- On-site rain water runoff capture;
- On/off-site groundwater extraction, and
- Treated waste water from the Water Corporation's Albany Tree Farm.

A Site-wide Water Balance Study and Water Management Plan undertaken for Grange's Feasibility Study has identified that from year 5 of mining onwards pit dewatering and rain water runoff from impacted areas on site such as the waste dump, tailings storage facility and other mining affected areas could provide up to 77 litres/second of water which represents about 90% of the total make-up water requirements. This study is being extended to determine the water that could be available from capture on land adjacent to the project site as it appears that appropriate water harvesting could provide the total make up water requirements for the project.

Preliminary indications are that the entire water requirements for the project can be sourced from the site and surrounding land.

The Water Corporation has advised that at least 3,000 Kilolitres/day (35 litres/second) of treated waste water could be supplied to the project if required.

Albany Port

During the quarter the following work has been completed:

- All environmental studies required for the submission of the Public Environmental Review (PER).
- Under keel clearance modelling to ascertain the required channel depth for the likely ship type.
  Two channel depths are being considered; 15.0m with average high tides to give a vessel loading of 15.8m and 16.0m with average high tides to give a vessel loading of 16.8m.
- A preferred tenderer has been identified for the conduct of a Magnetometer Survey of the existing and proposed shipping channel within Princess Royal Harbour and King George Sound to determine the location of Unexploded Ordnance. The aim of this survey will be to identify within the survey area any Unexploded Ordnance fired from the old coastal defence batteries that operated up until the 1960's or dumped at sea after the end of the Second World War. The survey will be completed before the commencement of dredging for the port expansion.
- Tenders received for the design of the seawall at berth 7
- Expressions of interest received for the design and construction of berth 7.

Southdown Environmental Approvals

Grange and APA have respectively engaged Ecologia to facilitate the environmental approval process including:

- Liaising with government, public stakeholders and contractors.
- Undertaking environmental impact studies.
- Providing specialist technical advice.
- Preparing environmental documentation required to be submitted to regulatory authorities.

The final Environmental Scoping Document was approved by the EPA on 12th April 2006. The draft Public Environmental Review (PER) document was submitted to the EPA and other government agencies for comment on 4th July 2006.

Allowing for the mandatory review and response periods, environmental approval for the Project is expected in the second quarter of 2007, subject to any appeals.

KEMAMAN (MALAYSIA) PELLET PROJECT

In February 2005, Grange Resources announced that it had entered into a Heads of Agreement with Road Builder (M) Holdings Bhd, a publicly listed Malaysian company, to acquire up to a maximum of 60 hectares of land in an industrial estate adjacent to the port of Kemaman to build a magnetite pellet plant and secure port facilities (West Wharf). The Kemaman Pellet Plant will use concentrate shipped from the Southdown Magnetite Project to produce high quality iron ore pellets. The Kemaman site was selected as the preferred location for a number of reasons including the following:

- Availability of competitively priced energy supplies including natural gas and electricity.
- Close proximity to potential off-take parties and markets.
- Very competitive export sea freight.
- Access to port infrastructure with low operating costs.
- Availability of a skilled construction and operating workforce.
- The potential granting of government incentives including tax benefits and the exemption from import and export duties.
- Ability to expand through the provision of additional pellet plants.

The key components of the Kemaman Pellet Project comprise the following:

- The pellet plant.
- Stockyards for pellets and concentrate with mobile stackers and reclaimers;
- A ship loader (nominally 4,000 tph) capable of loading iron ore pellets into capesize vessels.
- Two ship-unloaders (nominally 2,000 tph each) capable of unloading magnetite concentrate from capesize vessels.
- Conveyor systems between the ship-unloaders and ship loader and the concentrate and pellet stockyards.
- Office, maintenance, laboratory and other facilities as necessary.
- The provision of services from water, natural gas and electricity providers.

Provision has been made in the infrastructure for the future construction of additional pellet plants on the Kemaman site.

Kemaman Pellet Plant

The Kemaman Pellet Plant facility will be designed for a capacity of 6.8 Mtpa. This capacity achieves the optimum economies of scale for a single pellet plant using existing technology. There are a number of plants operating at this scale around the world.

Testing of the ground conditions at the Pellet Plant site was completed during the March quarter. Results of the tests indicate that pre-loading of areas on the site will need to be undertaken as soon as the project commences.

Kemaman West Wharf

The West Wharf consists of an existing jetty with a concrete deck approximately 510 metres long by 29 metres wide, sufficient to berth a Capesize and Panamax vessel concurrently. The depth of the berth pocket was originally dredged to 18 metres although parts of the turning basin had not been fully dredged at the time of the agreement. Under the terms of the Heads of Agreement, Road Builder is required to provide for vessels with a draft of 16m and during July 2006, dredging of the turning basin at Kemaman commenced.

Power Supply

Tenega Nasional Berhad (TNB) is the national electricity provider for Malaysia. High voltage power is available from a TNB substation immediately next to the pellet plant site. TNB have indicated that they would be able to supply power to an agreed location within the pellet plant site via a 132kV line. Discussions have commenced with TNB to seek the best possible power price and terms for the project.

Natural Gas Supply

Natural Gas for the pellet plant is available from the national supplier, Petronas Gas via a pipeline that runs along a road adjacent to the pellet plant site. Petronas Gas would supply the gas to the pellet plant site via a new lateral from the pipeline to a designated supply point on the pellet plant site. A formal application for the supply of gas has been made to Petronas Gas.

Conveyor Corridor

The survey of the conveyor corridor to locate existing services has been completed. A pipe conveyor system has been designed for the transport of imported Southdown concentrates and the export of Kemaman iron ore pellets.

Malaysian Investment Incentives

In April 2006, Grange Developments Sdn Bhd (GDSB), a wholly owned subsidiary of Grange Resources Limited, lodged an Application For Pre-Packaged Incentive for the Kemaman Pellet Plant and associated infrastructure with the Malaysian Industrial Development Authority (MIDA). The application seeks "Pioneer Status" for GDSB, which if accepted by the Malaysian Government, would provide a number of significant investment incentives including a 100% tax relief for a period of 15 years. Exemptions for Withholding Tax, Stamp Duties and Indirect Taxes are also being sought. Response to the application is expected in August 2006.

Kemaman Environmental Approvals

Perunding Utama Sdn Bhd (PU) is the environmental consultant for the Project in Malaysia.

The review panel meeting for assessing the Terms of Reference for the Detailed Environmental Impact Assessment (DEIA) for the pellet plant at Teluk Kalong Industrial Estate, Kemaman was held on the 14th November 2005.

Issues raised by the review panel meeting have been addressed in the updated Project Terms of Reference which was submitted by PU to the Department of Environment (DoE) on 7th February 2006 and approved on the 5th May 2006.

The DEIA report was completed and lodged with the DoE on 14th June 2006 and has been published for public comment. No significant issues are anticipated and Malaysian environmental approval is expected in the fourth quarter of 2006.

PROJECT CAPITAL COST

The project capital cost estimate in December 2005 dollars was estimated at US$1,175M including contingencies. This estimate was compiled as follows:

Southdown

- Owner leased mining equipment
- A provisional sum for prestripping
- Equipment lists for the Southdown concentrator based on the flow sheet developed from the pilot plant test work
- Vendor quotes for the equipment
- Electrical costs based on the installed equipment and installation based on similar work being undertaken on other current projects
- Construction costs based on other current construction projects
- Construction and operating infrastructure based on current project costs
- Slurry pipeline estimate by Pipeline Systems Incorporated (PSI)
- Land based port facilities based on vendor quotes and current construction costs
- Engineering costs and owners costs (including land purchases, insurances, overheads, employer training, etc)

Kemaman

- Pellet Plant cost estimate provided by Outokumpu for Malaysian installation
- Infrastructure based on vendor quotes and Malaysian construction
- Civil works based on site investigations and Malaysian costs for piling and preload

The breakdown of capital costs in various currencies is Euro (16%), Malaysian Ringgit (16%), US$ (13%) and A$ (55%).

This cost estimate compares with the published capital cost of the new Samarco development of a mine expansion, concentrator and pellet plant in Brazil (7.6Mtpy) at an estimated cost of US$1,200M

PROJECT STRUCTURE

Grange anticipates new participants will be introduced into the project and is providing specific BFS information to a number of companies that have registered their interest through confidentiality agreements. Grange has appointed Azure Capital to assist in the process of determining the most appropriate partners capable of facilitating the financing and development of the project.

On 27 March 2006 Grange announced the commencement of an international tender process for joint venture partners. The first key milestone date under the process was for non-binding expressions of to be submitted by 8 May 2006. An Information Memorandum has been compiled and an on line data room established to provide interested parties with relevant information.

Grange has since extended the deadline for lodgement of expressions of interest to 29 May, 2006. The three week extension had been requested by a number of international groups that have indicated they require more time to prepare their submission.

Current Status

The directors of Grange Resources Limited are pleased with the non binding EOI's that have been submitted and with the various groups that have commenced the detailed due diligence phase. As expected, EOI's have been submitted in accordance with the IM development template along with a number of other alternatives. Interest has come from all the growth pellet demand areas in the world, as well as from existing producers and general investors. Due to the complexity of interest and the extent of due diligence, Grange is now targeting the last quarter of 2006 for resolution of the ownership structure for the Project.

DIRECT REDUCTION AND BLAST FURNACE PELLET DEMAND

Over the past year but particularly the last quarter, Grange Resources and Azure Capital have contacted or visited pellet consumers in the competitive sea freight proximity of Kemaman. Figure 11 highlights the freight advantage of Kemaman which can be summarised as follows:

- South East Asian DR pellet consumers within one days sailing of Kemaman. Perwaja Steel is located adjacent to the pellet plant and could be serviced by road or an overland conveyor.
- Middle East DR pellet consumers with sea freight of approximately US$7.7/t in panamax vessels.
- North Asian BF pellet consumers with sea freight of approximately US$5.7/t in panamax vessels.
- Chinese BF pellet consumers, located on the Yangtze River at US$12.7/t in handymax vessels.
- Australian BF pellet consumers with sea freight of approximately US$6.0/t in panamax vessels.

These freight costs compare to current pellet supply mostly from Brazil of approximately US$20/t or higher.

Additional market potential is being investigated in Indonesia, Thailand and India.

Figure 11: Projected iron ore pellet markets for the Kemaman Pellet Plant

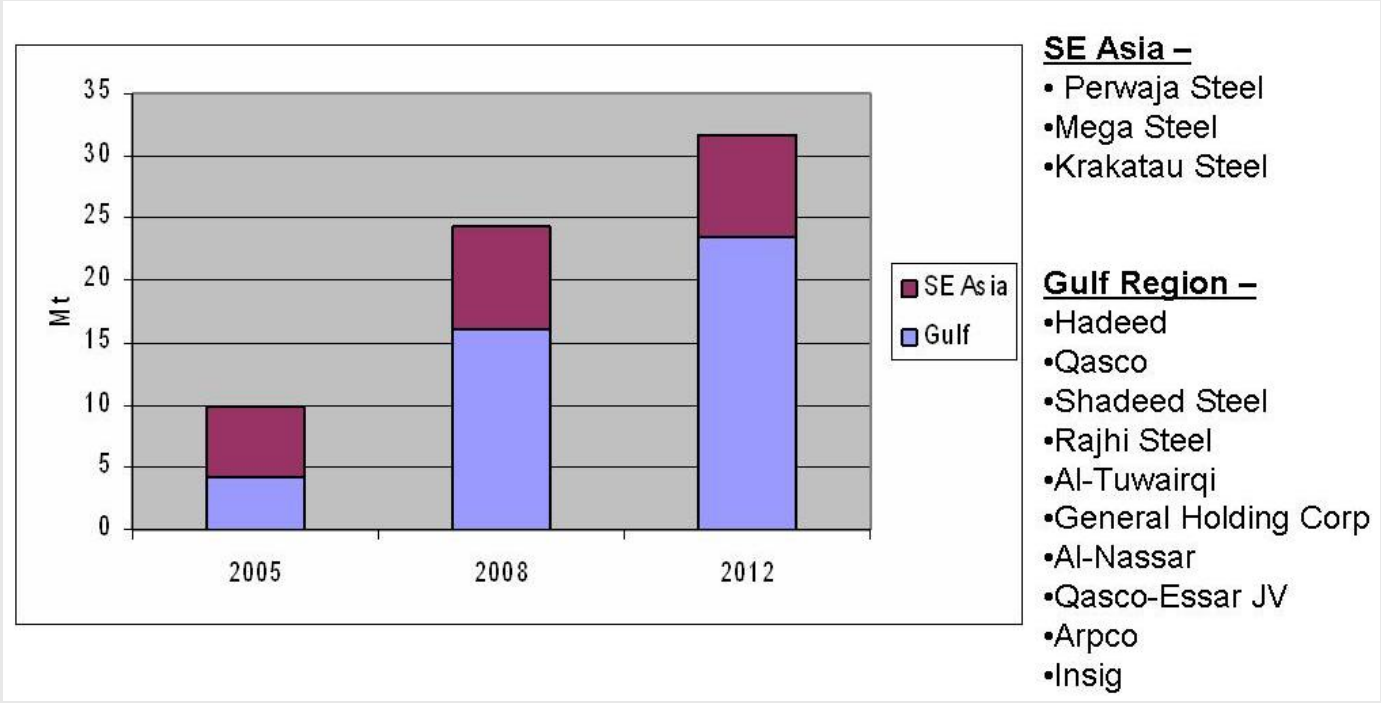

Figure 12: Projected DR Pellet demand

RED HILL (Mining Lease M27/57)
(Barrick (PD) Australia Limited ("Barrick PD") 100%;
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 mining and processing operations continued at Red Hill during the June 2006 quarter generating royalty income to Grange of $733,865.46. Total mined ore production from within M27/57 for the quarter was 553,395 tonnes @ 2.18g/t. A total of 388,263 tonnes was hauled to the Paddington processing plant during the quarter.

A total of 345,010 tonnes at a grade of 2.13g/t was processed during the quarter, producing some 22,143 ounces of recovered gold. The total gold recovered from M27/57 at Red Hill as at 30 June 2006 is 233,754 ounces.

Total reconciled mined ore production from commencement of mining (February 2003) until 30 June 2006 is 5,156,077 tonnes @ 1.79g/t gold. Total ore processed during this period was 4,012,087 tonnes @ 1.76g/t.

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

Barrick Gold has advised that mining and processing operations were undertaken at the Plutonic East underground mine during the June 2006 quarter, with 30,173 tonnes at a grade of 5.73g/t gold being mined and processed from the Freshwater section of the mine generating royalty income to Grange of $53,897.96.

Barrick Gold also reported that development drilling was undertaken in the Trout area during the quarter. 94 RC holes aggregating 8,224 metres were drilled to test the continuity of the Main lode grade west of the existing pit within the $700 shell. 37 of the holes returned significant intersections of gold mineralisation (>5g/t Au x metres) with the most significant being 7m @ 24.73g/tAu from 14m in FRC10394, 2m @ 47.18g/t Au from 97m in FRC10358, 2m @ 14.84g/t Au from 60m in FRC10353, 2m @ 11.72g/tAu from 79m in FRC10328 and 4m @ 5.72g/tAu from 85m in FRC10336. Further drilling is planned.

WEMBLEY
(Grange 100%; Gleneagle Gold Limited ("Gleneagle") Earning 80%)

The Wembley Gold Project, located approximately 65km south east of Gleneagle's Fortnum Gold Project, hosts a resource of 568,000 tonnes at 2.3g/t gold (42,700 contained ounces) within the Durack and Outback deposits. The project consists of one granted mining lease and a mining lease application in which Gleneagle is earning an 80% interest by spending $500,000 on exploration.

Gleneagle has advised that a program of RAB and RC drilling was completed during the June 2006 quarter. The RC drilling (11 holes for 803m) was designed to test for extensions to mineralised zones within the resource and to increase the geological understanding of the mineralised system. Better intersections from this program include 4m @ 2.26g/t Au from 70m and 8m @ 2.19g/t Au from 78m in DURC 025 and 2m @ 3.95g/t Au from 82m in DURC 026.

The resource will be upgraded to incorporate the new drilling, with pit optimisation work to then be carried out on the updated resource.

The RAB drilling, consisting of 15 holes for 803m, was conducted on a single traverse to test magnetic targets within the Durack – Outback mineralised corridor. This drilling did not intercept any significant mineralised or altered zones, with a better intersection of 1.0m at 3.43g/t from 39m in DURB007.

MT WINDSOR JOINT VENTURE
(Grange Resources Limited ("Grange") 30%; Thalanga Copper Mines Pty Ltd ("TCM") 70%)

Reward Deeps & Highway South Project

Rehabilitation of the Highway and Reward mine site was completed during the June 2006 quarter. An external audit of the work completed has been undertaken and the audit report is awaited.

OTHER PROJECTS

New Projects

On the 21st June 2006, the Mining Certificate for Bukit Ibam was approved by the Pahang State Executive Council. This now allows construction work to commence on the processing plant to produce iron ore for use in the coating of undersea gas pipelines. In addition Grange and joint venture partner Esperance Mining Sdn. Bhd. intend to undertake further exploration on the lease with the aim of producing iron ore for export. Office accommodation and workshop areas for the Bukit Ibam joint venture have been secured in Kuantan and the building is being prepared for occupation on September 1.

A proposal for a more extensive Exploration Licence over the Bukit Ibam district is being prepared, the district has been a significant producer of iron ore and the proposal covers known prospects and old mine areas.

Grange Resources, through its wholly owned Malaysian subsidiary Grange Minerals Sdn. Bhd., has applied for Exploration Licences in the Malaysian States of Kelantan and Terengganu. The proposed Licence areas contain advanced gold and iron ore prospects.

Grange Resources continues to pursue other prospects and projects overseas and in Australia.

Unless otherwise stated, technical information in this report on mining and exploration activities is based on, and accurately reflects, information compiled by Mr Alex Nutter, a full time employee of Grange Resources Limited who is a member of The Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists with more than 5 years experience in the field of activity in which he is reporting.

ALEX NUTTER
Technical Director

CORPORATE MATTERS

Cash Reserves

The resulting cash and cash assets balance at 30th June 2006 was $11.74 million.

Shareholder Information

As at 30th June 2006 Grange had 1,129 shareholders and 95,034,974 shares on issue with the Top 20 shareholders holding 89.63% 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

Rule 5.3

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	Quarter ended ("current quarter")
80 009 132 405	30 June 2006

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		877	10,963
1.2	Payments for	(a) exploration and evaluation	(4,410)	(16,114)
		(b) development	(52)	(2,282)
		(c) production	-	-
		(d) administration		-
1.3	Dividends received		-	-
1.4	Interest and other items of a similar nature received		211	634
1.5	Interest and other costs of finance paid		(2)	(77)
1.6	Income taxes paid		-	-
1.7	Other (provide details if material)		-	-
1.7(i)	Payment to directors and employees		(551)	(1,904)
1.7(ii)	Payment for all other working capital		(383)	(2,981)
	Net Operating Cash Flows		(4,310)	(11,761)
	Cash flows related to investing activities			
1.8	Payment for purchases of:	(a)prospects	-	-
		(b)equity investments	-	-
		(c)other fixed assets	(27)	(616)
1.9	Proceeds from sale of:	(a)prospects	-	-
		(b)equity investments	-	-
		(c)other fixed assets	-	-
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		-	(142)
1.12(ii)	Proceeds from release of security deposit		-	-
1.12(iii)	Payment for exploration, development and production		-	-
	Net investing cash flows		(27)	(758)
1.13	Total operating and investing cash flows (carried forward)		(4,337)	(12,519)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(4,337)	(12,519)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	12,942
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	-	(662)
	Net financing cash flows	-	12,280
	Net increase (decrease) in cash held	(4,337)	(239)
1.20	Cash at beginning of quarter/year to date	12,837	8,739
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	8,500	8,500

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	199
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

Not Applicable

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	1,927
4.2	Development	-
	Total	1,927

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	2,087	2,924
5.2	Deposits at call	6,000	9,500
5.3	Bank overdraft	Nil	Nil
5.4	Other (Cash held with Joint Ventures)	413	413
	Total: cash at end of quarter (item 1.22)	8,500	12,837

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.

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 *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	+Ordinary securities	95,034,974	95,034,974		
7.4	Changes during quarter (a) Increases through exercise of options (b) Increases through issues	-	-		
7.5	+Convertible debt securities (*description)*				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options *(description and conversion factor)*	1,500,000 1,500,000 1,500,000 1,000,000	- - - -	*Exercise price* 50 cents 125 cents 150 cents 250 cents	*Expiry date* 30 June 2007 30 June 2007 30 June 2008 30 June 2011
7.8	Issued during quarter [1]	-	-		
7.9	Exercised during quarter	-	-		
7.10	Cancelled during quarter	-	-		
7.11	Debentures *(totals only)*				
7.12	Unsecured notes *(totals only)*				

+ 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: 28 July 2006

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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+ See chapter 19 for defined terms.

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 $199,222 and include:-

- Directors' fees (inclusive of superannuation) of $16,626 paid to non-executive directors of the Consolidated Entity.

- Executive directors' salaries (inclusive of superannuation) of $182,596.