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Grange Resources Limited

Australia's leading magnetite producer

MARKET UPDATE

Grange Resources ("Grange" or "the Company") provides this update in response to the recent downward movement in the global price of iron ore and to provide an update on the impact of re-sequencing production at the Savage River mine following the rock slide in July 2012.

Company updates as at the date of this announcement include:

- **Outstanding safety performance at Savage River continues with no Lost Time Injuries recorded since July 2010 (775 days LTI free).**
- **Grange remains on track to sell approximately 2.3 million tonnes of iron ore pellets during 2012. Savage River pellets continue to attract a premium price relative to daily 62% Fe iron ore fines prices.**
- **Revisions to the 2012 Savage River mine plan following the July 2012 rock slide are now complete. Approximately 2.1 million tonnes of premium 65+% iron ore pellets will be produced full year 2012.**
- **Targeting C1 cash operating costs of approximately A\$110 per tonne of pellets produced for 2012.**
- **Regular pellet shipments continue according to plan at prices in excess of targeted C1 cash operating costs for 2012. Current stockpiles are at low levels (approximately 170,000 tonnes) emphasising that production is being sold into the market.**
- **Cash position remains strong with cash and term deposits in excess of \$200 million.**
- **Gearing remains low with borrowings of \$38 million and no net debt.**
- **Interim dividend of 1.0 cent per share (unfranked) to be paid on 2 October 2012 providing an attractive dividend yield to shareholders at current share prices.**
- **Work is progressing with Deutsche Bank to secure a strategic partner for the Southdown Project. Site visits by interested strategic parties have commenced.**
- **Shagang and Pacific Minerals substantial ownership interests in Grange remain unchanged.**

Grange will provide a full operational update in its Quarterly Report for the three months ending 30 September 2012 to be released in mid-October 2012.

Savage River Rock Slide Update

On 20 July 2012, Grange advised that a rock slide had occurred on the eastern wall of the North Pit at its Savage River mine.

Mine planning specialists have now completed their review of the 2012 Savage River mine plan and have developed re-sequencing schedules and plans to remediate the rock slide whilst maintaining ore supply and production.

The completion of the redesign and rescheduling work has allowed limited mining operations to recommence in the unaffected areas of the North Pit. It is expected that these mining operations will be expanded to further locations in September 2012 and beyond. The continuation of mining operations will ensure an ongoing supply of high-grade ore and allow the Company to sell approximately 2.3 million tonnes of premium iron ore pellets during 2012.

High quality geotechnical controls and site operating procedures remain in place at the site to ensure safe mining operations continue. The geotechnical environment at Savage River is complex but well understood and rock slides are expected to occur from time to time. Grange has the necessary procedures and experience to successfully manage the impacts of rock slides and remains focussed on ensuring that there is no risk to personnel nor material adverse effects on operations.

At this stage no major challenges in delivering the revised mine plan and schedules are expected. Grange remains of the view that the slip is not expected to have a material adverse effect on the operation. The market will be informed if there is a change to that view.

-ENDS-

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