



EL 30/2003 Nine Mile Creek

Annual Report

19 June 2009

to

18 June 2010

Michael Everitt
June 2010

copies: (1) MRT
(1) Grange Savage River

TABLE OF CONTENTS

1	INTRODUCTION	4
2	TENURE	5
3	LOCATION	7
4	PROJECT HISTORY	8
5	GEOLOGY	9
6	EXPLORATION HISTORY	11
7	2009/10 EXPLORATION PROGRAM	13
7.1	Devil Den Survey	13
7.2	Track Refurbishment.....	15
8	2009/10 EXPENDITURE	17
9	FUTURE WORK PLANS	17

LIST OF FIGURES

Figure 1	Grange Tenure Plan
Figure 2	Long Plains Project Locations
Figure 3	Long Plains Regional Geology
Figure 4	Regional Total Magnetic Intensity Oblique Image
Figure 5	Tasmanian Devil Habitat
Figure 6	Planned Access Upgrade for EL30/2003
Figure 7	Long Plains Project Proposed 5 Year Plan

LIST OF TABLES

Table 1	2009/10 Expenditure for EL30/2003
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LIST OF Appendices

Appendix 1	Tasmanian Devil Den Survey and Habitat Assessment
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1 INTRODUCTION

Exploration Lease EL 30/2003 “Nine Mile Creek” was transferred to Goldamere Pty Ltd on 6th February 2008. Australian Bulk Minerals (ABM) was a wholly owned subsidiary of Goldamere and managed and conducted all exploration activities on this lease. ABM merged with Grange Resources Ltd (Grange) on the 1st January 2009 resulting in a name change for Goldamere to Grange Resources (Tasmania) Pty Ltd. Grange also manages the operation of the magnetite mine and concentrator at Savage River, and the pelletising plant and ship loading facilities at Port Latta on the North West coast.

Grange’s interest is focussed on the Long Plains magnetic anomaly for a potential future source of magnetite ore as a feed material for its Savage River concentrator. EL30/2003 contains the far southern end of the magnetic anomaly and lies immediately adjacent to the east of the remainder. Exploration activities centred on the magnetic anomaly will extend on to this lease. Future mining activities will certainly encroach on this lease and substantial exploration work will eventually be undertaken to “sterilise” the areas currently recognised as anomalous for gold which will be affected by proposed mining infrastructure, including haul roads, waste dumps and tailings storage.

The following report summarises exploration activities completed at Nine Mile Creek during the sixth year (2009/10) of tenure.

This document will report all activities using the MGA94 datum.

2 TENURE

Grange's Long Plains Prospect is held under a collection of three exploration leases, EL19/2005, EL46/2007 and EL30/2003 as shown in figure 1 below.

EL19/2005 comprises an area of 10km². The lease comprises three parts located around what was formerly a collection of mine leases and a retention lease formerly held by another party. Two of the parts are peripheral to the Long Plains magnetic anomaly, but the third is centred on the North Zone of the anomaly. All activities to date have been conducted on this part.

Grange was granted EL46/2007 on the 26th November 2007. This lease comprises two parts covering the former mine and retention leases. The two leases (EL19/2005, EL46/2007) encompass the majority of the Long Plains magnetic anomaly and provide continuous leasehold connecting all parts of EL19/2005 and the Savage River Mine Lease 2M/2001.

Grange successfully applied to transfer EL30/2003 to Goldamere after negotiating with the holders, Gregory and Thorne. This transfer was granted on the 6th February 2008. It completes the coverage of the anomaly and incorporates ground adjacent to the anomaly necessary for extended exploration activities and potential mine infrastructure.

In May 2009 Grange successfully applied for a 12 month extension upon the expiry of the original 5 year term.

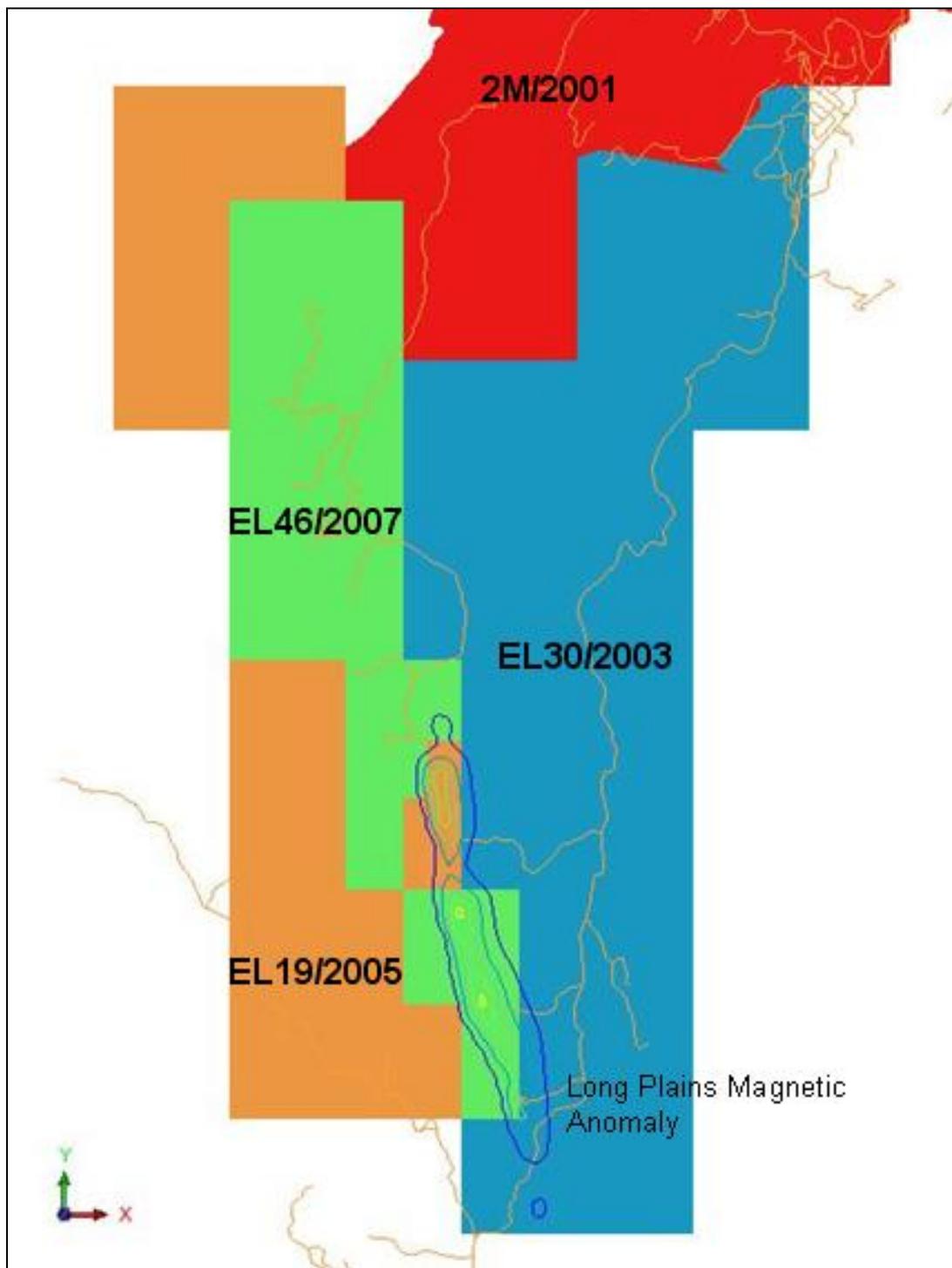


Figure 1: Land Tenure

3 LOCATION

The Long Plains Prospect is located approximately 10km south by road of the Savage River Mine and concentrator. Savage River is located approximately 100km south west by sealed road from Burnie (Figure 2). The lease is accessed by the all-weather gravel road between Savage River and Corinna, and then by a bush track of approximately 2km.

Local topography surrounding the lease is rugged, with incised valleys and steep hills. The North Zone of the anomaly is located on top of a prominent north-south trending ridge. The west flowing Bowry Creek is the main drainage in the area and runs past the northern boundary of the lease area before joining with Main Creek which drains much of the northern portion of the lease.

Regional vegetation includes undisturbed rain forest, wet eucalypt, acacia and open heath land. The immediate area of the prospect has previously been logged extensively approximately 20 years ago, with almost no mature trees present in the working area. A bush fire not long after this time devastated the remaining vegetation, leaving the present vegetation as thick regrowth dominated by eucalypts with several rainforest species. Climate is wet temperate with an average annual rainfall of 1,950mm and mean monthly temperatures ranging from 3-19°C.



Figure 2: Savage River Project Location

4 PROJECT HISTORY

Ironstone outcrops on the Savage River were first discovered by State Government surveyor C.P. Sprent in early 1877 during one of his exploration journeys through western Tasmania. The deposits were first reported as a possible source of iron ore in 1919. Modern, systematic exploration techniques were employed by the Australian Bureau of Mineral Resources during 1956 that included ground and airborne magnetic surveys. The largest magnetic anomaly was detected at Savage River with two smaller anomalies being detected at Long Plains and Rocky River further to the south.

In 1965, Savage River Mines Ltd, a joint venture of Australian, Japanese and American interests was formed to develop the Savage River Project. This Project was operated for the full term of a thirty-year lease by PMI (Pickands Mather International – managers of the joint venture). At the end of March 1997, ABM purchased the assets of the Savage River Project from the Tasmanian Government. ABM has continued mining since 1997 with a series of cut-backs on existing pits and has developed the South Deposit.

A 15 year mine life extension project was approved during 2007. This is based on a further cutback on North Pit. Further studies on mine life extensions and production expansions are evaluating the potential of additional ore sources including redeveloping South Deposit and Centre Pit. Long Plains was identified as having potential to yield ore quickly with mineralisation practically outcropping at surface. However the long haul to the Savage River site for processing has restricted the development of the prospect. It was recognised that significant information needs to be obtained from Long Plains before a meaningful evaluation can be carried out and the potential for supplying ore to the mill determined.

Grange focussed much of its exploration/development activities in the last 12 months on defining additional ore to the north of North Pit. This has resulted in a significant re-optimisation of the pit design with a substantial increase in the pit size and depth. This has had a hugely beneficial effect on the companies short to medium term cash flow and production profile. Total expenditure on this drilling was just short of \$1M.

5 GEOLOGY

The Long Plains magnetite deposit lies within and near the eastern margin of the Proterozoic Arthur Metamorphic Complex in north-western Tasmania. The complex is exposed along a northeast-southwest trending structural corridor, the Arthur Lineament, which separates Proterozoic sedimentary rocks to the northwest from a variety of Palaeozoic rocks to the southeast (Figure 3).

The magnetite deposits at Long Plains represent a series of elongate, discontinuous magnetite lenses that extend over a three kilometre strike length (Figure 4). The deposit has been separated into three distinct zones on the basis of total magnetic intensity termed the Northern, Central and Southern Zones. The oblique view of the total magnetic intensity in Figure 4 illustrates the broad geometry of the Zones.

The magnetite zones are sub-vertical to strongly east dipping and hosted within ultramafic and mafic schists. A suite of late metabasalt and metadolerite intrusive dykes occur sub-parallel to the ore zones. Vein magnesite is developed at the western magnetite boundary with the contact marked by the strong weathering and the development of surface clays (Griffith, 2000, Internal memorandum).

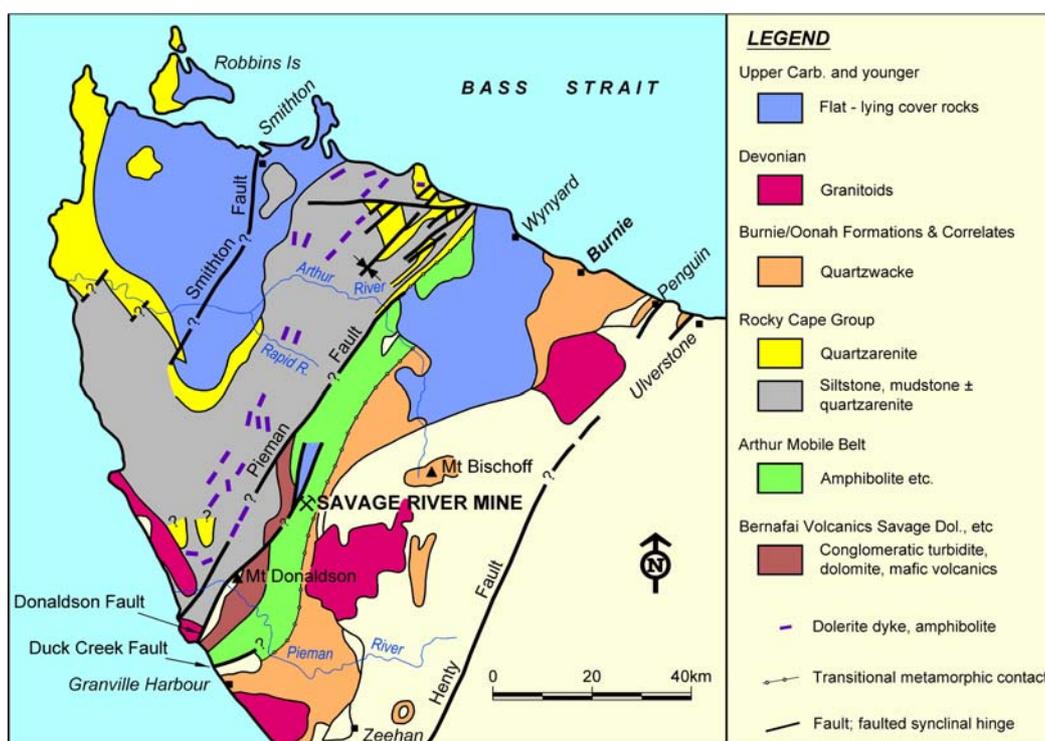


Figure 3: Regional Geology

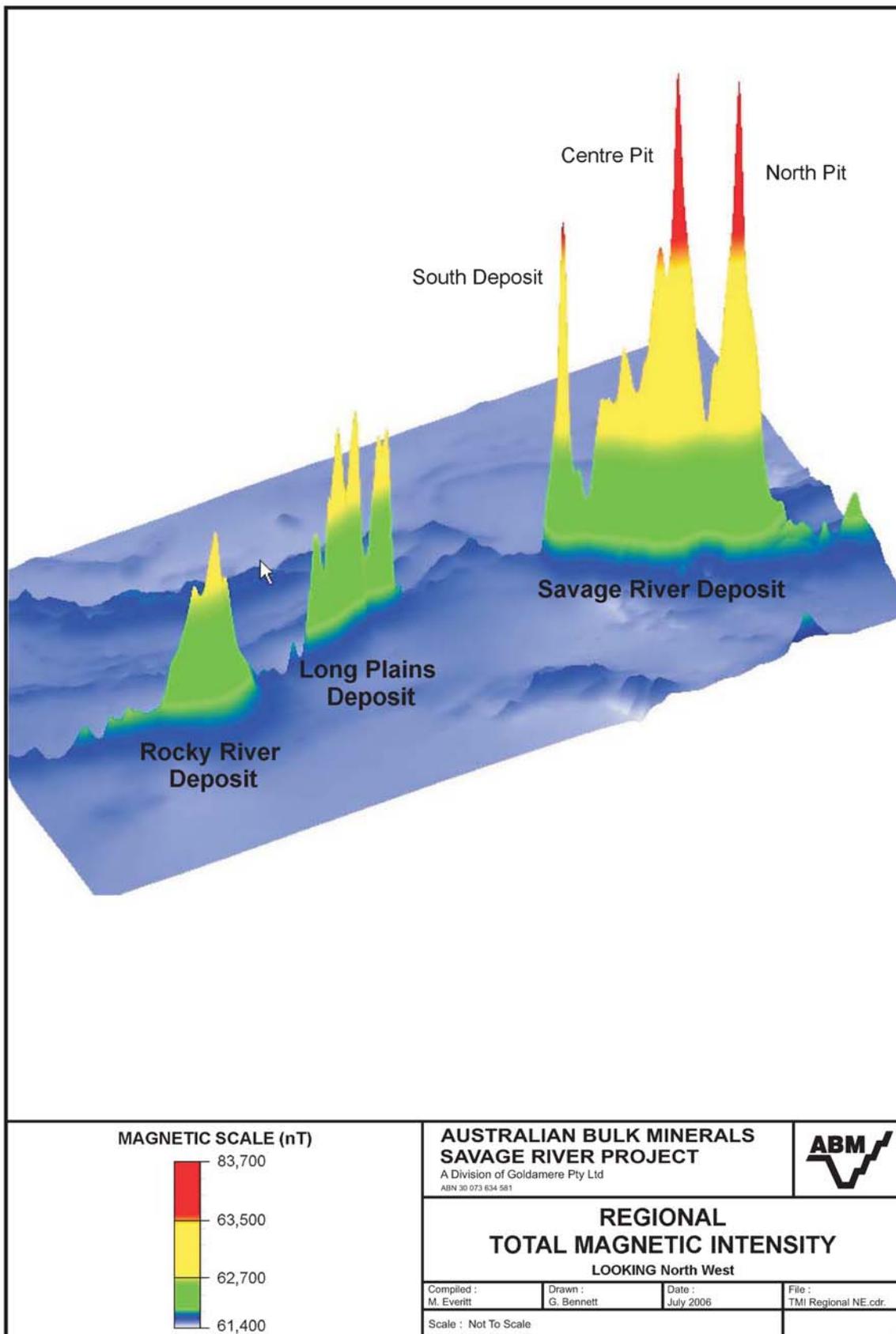


Figure 4

6 EXPLORATION HISTORY

The Long Plains magnetite deposit was first investigated during the late 1950's by the Bureau of Mineral Resources (BMR), as part of a regional magnetic study of the Savage River area. A ground magnetics survey was completed in 1962 across the area (Eadie, 1962). The contour map produced for that report has been digitised and converted into AMG66 co-ordinates to be combined with other data.

Diamond drilling and ground magnetic surveys were undertaken by Rio Tinto Australia Exploration (RTAE) Pty Ltd during the early 1960's. One diamond drill hole RTAE-1 totalling 195.0 metres was drilled in the northern end of the deposit.

Ownership of the deposit was transferred to Industrial and Mining Investigations (IMI) Pty Ltd during the 1960's, who completed broadly spaced diamond drilling at Long Plains. A total of seven diamond drill holes (IMI28-30; IMI33-35 and IMI46) totalling 1,135.07 metres were drilled in the northern and southern areas of the deposit.

No further significant exploration was completed at the deposit until 1994 when Savage Resources Pty Ltd completed four diamond drill holes (LPDDH100-103) in the north of the deposit. The program totalling 525 metres was designed to provide a complete cross section through the deposit in an area of moderate grade magnetite development lying between drill holes RTAE 1 and IMI 29.

Some weak gold anomalies were identified on the lease by the Goldstream Mining/ Titan Resources JV during 1996/97. No further work was undertaken on these anomalies. Extensive historic gold workings are located in the north of the lease in the Golden Ridge area and on the adjacent mine lease 2M/2001.

An initial program in 2006 was devised to develop a geological model. This involved

- relogging historic core,
- costeaning across the mineralisation (1505 meters),
- logging the costeans,
- establishing survey control points

A follow-up program in 2007 completed 6 RC drill holes and 1 diamond hole, and completed a ground magnetic survey over part of the Northern Zone.

Since February 2008, the following work was completed specifically on this lease:

- review of historic data
- review of Goldstream helimag data
- a preliminary mining infrastructure plan
- inspection of overgrown access tracks

The Global Financial Crisis and its effect on Grange restricted activities during 2008/09 to desktop work including a financial model on the potential impact of the deposit and detailed planning to develop a 5 year plan.

7 2009/10 EXPLORATION PROGRAM

Field work commenced late in the season due to putting the final touches to the financial model and the 5 year plan (5YP). This was presented to senior management who approved the commencement of the plan with the establishment of access across EL30/2003 to support work on the 3 licences in the following year. The ongoing work in the 5YP will be subject to board approval through the budgetary process.

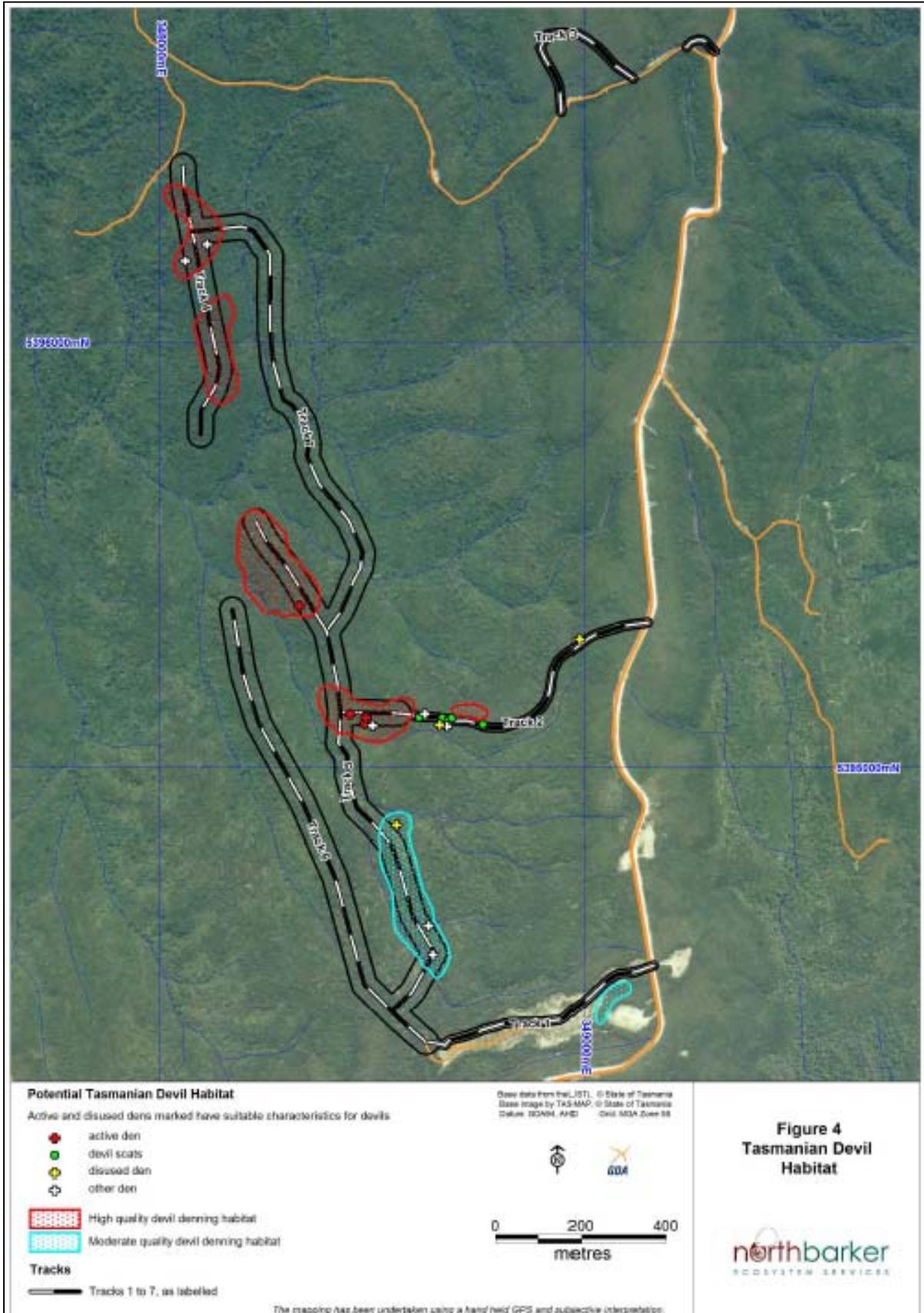
7.1 Devil Den Survey

With management approval of the initial stage in February 2010, North Barker were appointed to undertake a devil den survey of the proposed routes for the access to the anomaly. This survey was required as a condition imposed by MRT prior to commencing track work.

North Barker undertook the survey from the 16th to the 19th March 2010. The report was delivered on the 14th April 2010 and is included as Appendix 1. The recommendations are reproduced below as well as the Habitat Plan (refer to the Appendix for more detail).

Recommendations:

- 1. To protect the Tasmanian devil denning habitat, all active dens should be protected with a 30 metre buffer zone. From July to February this zone should be extended to 50 metres with work time being restricted to avoid dawn and dusk.*
- 2. Proposed roads should be re-routed to avoid areas marked as high quality devil denning habitat. Where feasible moderate quality devil denning habitat should also be avoided.*
- 3. Mature trees should be retained where practical.*
- 4. Best practice vegetation clearance practices should be used (see Section 5).*
- 5. A weed and plant pathogen (for Phytophthora and myrtle wilt) management plan should be developed in accordance with recognised protocols to limit the risk of introducing or spreading them to currently uninfected sites (see Section 5).*



**Figure 4
Tasmanian Devil
Habitat**

northbarker
ECOSYSTEM SERVICES

Figure 5: Tasmanian Devil Habitat

This report was submitted to MRT for assessment, and clearance to undertake limited track work was granted on the 27th May 2010.

This work was limited to the reopening of the existing Central and Southern Access tracks and realignment of the north Access as no significant Devil activities were noted in the report (Figure 6). Establishing this access will assist in the further assessment of active dens and high quality devil habitat found to be common on the ridge tops were several new tracks were planned for the future.

7.2 Track Refurbishment

With only three weeks left before the anniversary date after the clearance was received, reasonable efforts were made to co-ordinate contractors to undertake the refurbishment of the existing tracks. Unfortunately this coincided with a busy period where our contractors were working on the Savage River Tailings Storage and have been unable to commit equipment.

Efforts will continue to get the work done during favourable weather before the next field season to allow the new track routes to be fully assessed and finalised.

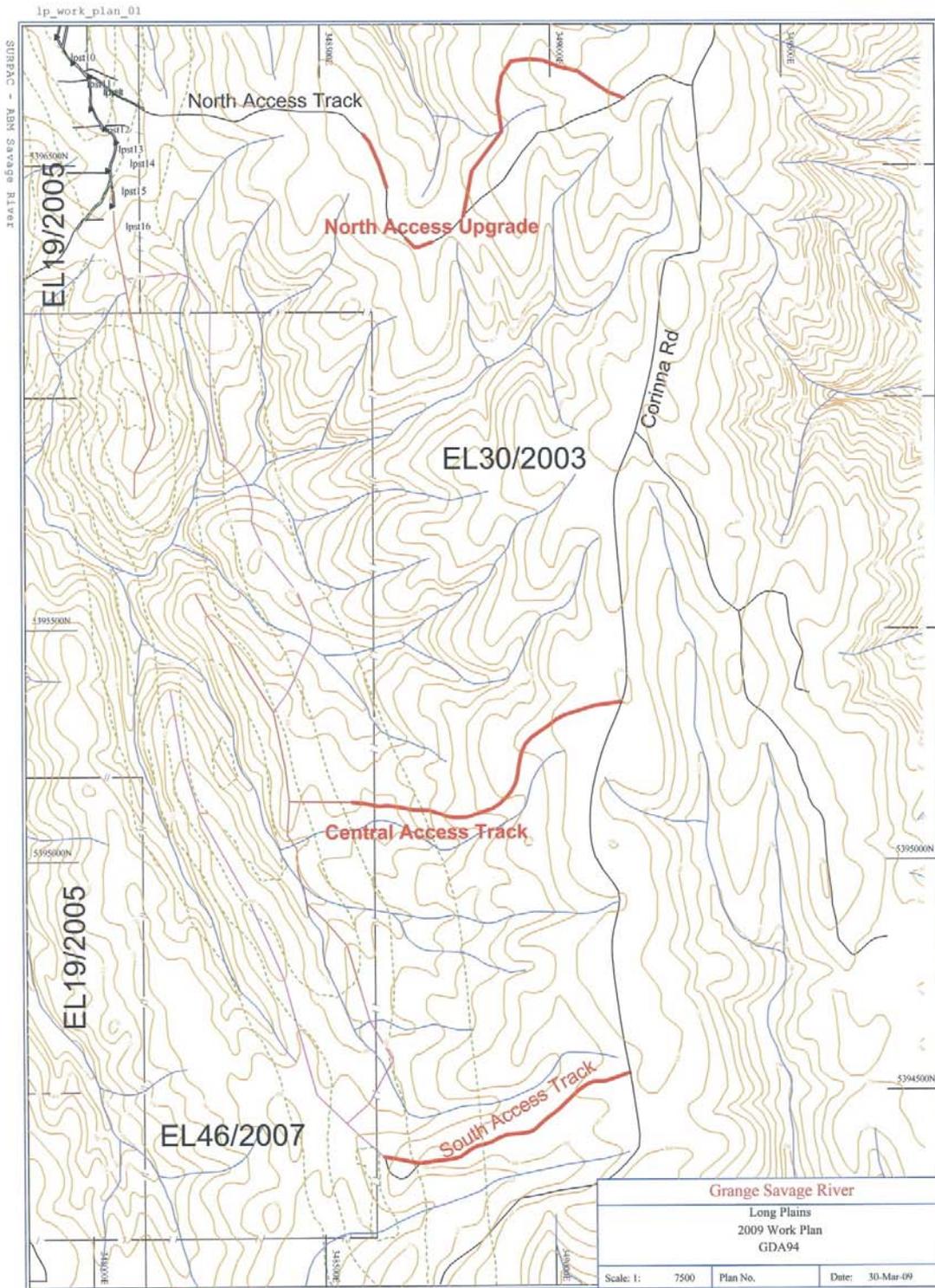


Figure 6: Planned Access Upgrade for EL30/2003

8 2009/10 EXPENDITURE

The following table details expenditure on the lease up to the 15th June 2010.

Cost Area		Cost Estimate
15-19/3/10	Devil den survey - North Barker	\$12,200.00
15-19/3/10	Devil den survey - Supervision Ivan	\$ 1,397.50
15-19/3/10	Devil den survey - Supervision vehicle	\$ 660.00
10/03/2010	Program planning - M.Everitt	\$ 1,064.00
	Total	\$15,321.50

Table 1: 2009/10 Expenditure for EL30/2003

This expenditure fell short of the commitment of \$33,000 for this period by \$17,678.50. Had the planned track works been completed this commitment would have been met.

9 FUTURE WORK PLANS

Grange intends to apply for a further 12 month extension for this lease. Despite not achieving the required commitment, Grange believes it undertook all reasonable efforts to complete the planned work. We are keen to still complete this work as soon as possible to allow further devil den surveys to be carried out before the next field season and avoid any future delays to the commencement of field work.

With the granting of a further 12 month extension, Grange plans to undertake the following work related to EL30/2003:

- Apply to amalgamate the 3 exploration licenses at Long Plains
- Complete the access refurbishment and realignment including installation of security gates
- Undertake track cutting on the portion of the anomaly
- Complete a ground magnetic survey

At the same time access construction, track cutting and ground magnetic will be undertaken on the adjoining licenses EL19/2005 and EL46/2007. In total this planned work is expected to exceed \$300,000. Figure 7 below illustrates the 5YP and summarises its objectives.

Objective – Maintain leases in good standing

Plan – Undertake meaningful exploration to progress development with only moderate - low expenditure

Long Plains 5 Year Plan - Base Case Minimum expenditure, maintain leases, define resource, apply for ML

Year	2004				2005				2006				2007				2008				2009				2010				2011				2012				2013				2014				2015											
Quarter	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4																
EL30/2003	Yr 1				Yr 2				Yr 3				Yr 4				Yr 5				Ext Yr 1				Ext Yr 2																															
Req Expenditure													\$26.5k				\$30.7k				\$33k				\$33k?																															
Act Expenditure													\$15.8k				\$18.5k				33				60																															
EL19/2005					Yr 1				Yr 2				Yr 3				Yr 4				Yr 5				Ext Yr 1																															
Req Expenditure					\$10k				\$10k				\$10k				\$10k				\$10k				\$10k																															
Act Expenditure					\$75.4k				\$141.4k				\$57.4k				\$17.2k								25																															
EL46/2007									Yr 1				Yr 2				Yr 3				Yr 4				Yr 5																															
Req Expenditure									\$860k				\$860k				\$10k				\$10k				\$10k																															
Act Expenditure									\$5k				\$5.5k								90				182				50																											
Combined Leases																													Combined Yr1				Combined Yr2				Combined Yr3				Mine Lease?															
Status																																																								
Req Expenditure																																																								
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Expenditure (000's)																																																								
Task Schedule																																																								
Ground Mag Surveys																																																								
NZ Inferred Resc (RC)																																																								
CZ/SZ/TZ Expl DH																																																								
Mine Lease Application																																																								

Notes:

Delivers minimum information by EOY 2014/15 to make informed decision on future of project

Figure 7: Long Plains Project Proposed 5 Year Plan

