EL 46/2007 Bowry Creek

Annual Report

26 November 2009

to

25 November 2010

David Gibbons
Oct 2010

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

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This annual report comprises this document only, there are no appendices.

1 INTRODUCTION

Exploration Licence EL46/2007 “Bowry Creek” was granted to Goldamere Pty Ltd (*Goldamere*) on 26th November 2007. Exploration activities were conducted and managed by Goldamere’s wholly owned subsidiary, Australian Bulk Minerals (*ABM*).

In January 2009, ABM merged with Grange Resources Pty Ltd and the combined entity continues to trade as Grange Resources (*Grange*). As such, Grange now conducts and manages exploration activities on EL46/2007.

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 are focussed on the Long Plains magnetic anomaly as a potential future source of magnetite ore as a feed material for the Savage River concentrator, which is the same interest ABM had when the licence was granted. EL46/2007 contains the southern two thirds of the magnetic anomaly as well as covering the host sequence between Long Plains and Savage River.

The following report summarises exploration activities completed at Bowry Creek during Grange’s third year of tenure.

Historically, work done on EL46/2007 was done using the AGD66 map datum. Current work and any plans, maps or figures in this report use the GDA94 map datum.

2 TENURE

Grange's Long Plains prospect has been covered by a collection of three exploration licences (being EL19/2005, EL46/2007 and EL30/2003) as shown in figure 1 below.

EL19/2005 comprises an area of 10km^2. The licence comprises three parts located around what was formerly a collection of mine leases and a retention licence 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. Most activities to date have been conducted on this part.

ABM was granted EL46/2007 on the 26th November 2007. This licence comprises two parts covering the former mine lease and retention licences. The two licences (EL19/2005, EL46/2007) encompass almost the entire Long Plains magnetic anomaly and provide continuous licence holding connecting all parts of EL19/2005 and the Savage River Mine Licence 2M/2001.

ABM successfully applied to transfer EL30/2003 to Goldamere after negotiating with the holders, Gregory and Thorne. This licence completes the coverage of the anomaly and incorporates ground adjacent to the anomaly necessary for extended exploration activities and potential mine infrastructure.

Recently, application was made to MRT to amalgamate these three separate licences into one. This has been approved in-principle, with some paperwork remaining to be completed. Both EL46/2007 and EL19/2005 are being amalgamated into EL30/2003. The total area held under licence remains the same.

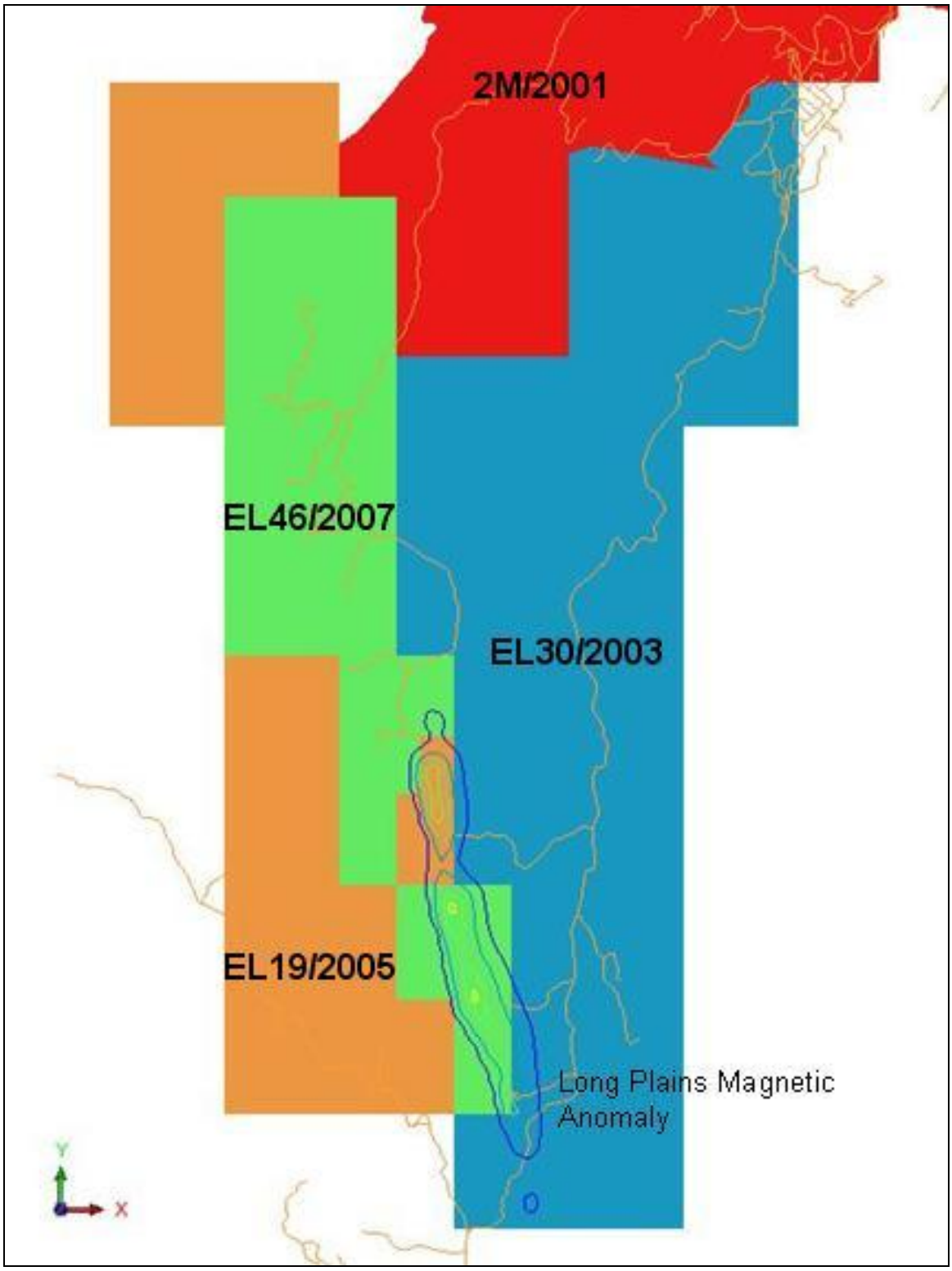

Figure 1: Land Tenure

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 licence is accessed by the all-weather gravel road between Savage River and Corinna, and then by bush tracks approximately 2km west of the Corinna Road.

Local topography surrounding the licence 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 end of the anomaly before joining with Main Creek.

Regional vegetation includes undisturbed rain forest, wet eucalypt, acacia and open heath land. The North Zone of the prospect has been extensively logged 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 3-19ºC.

Figure 2: Long Plains 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 licence by PMI (Pickands Mather International – managers of the joint venture). In early 1997, PMI ceased mining activities at Savage River, transferring ownership of the Savage River Project to the Tasmanian Government on March 26 1997. At the end of March 1997, ABM purchased the assets of the Savage River Project from the Tasmanian Government. ABM commenced mining in 1997 with a series of cut-backs on existing pits and developed South Deposit.

A 15 year mine life extension project was commenced during 2007 based on a further cutback on North Pit and mining of this 15-year pit is continuing under Grange. 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.

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.

5 GEOLOGY

The Long Plains magnetite deposit lies within 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 main 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 steeply dipping and hosted within mafic schists. A suite of later metabasalt and metadolerite intrusives occur sub-parallel to the ore zones. Carbonates including magnesite occur at or adjacent to the western magnetite boundary with the contact marked by strong weathering and the development of surface clays.

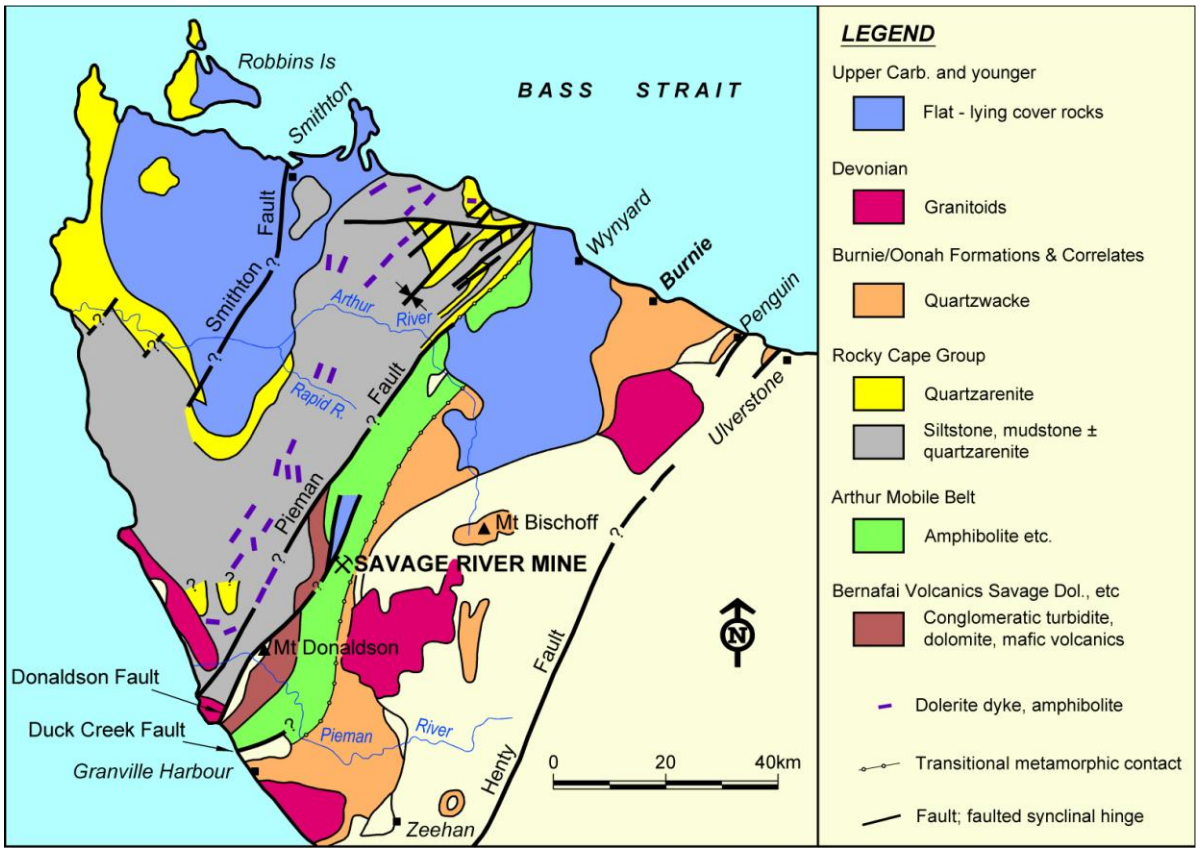

Figure 3: Regional Geology

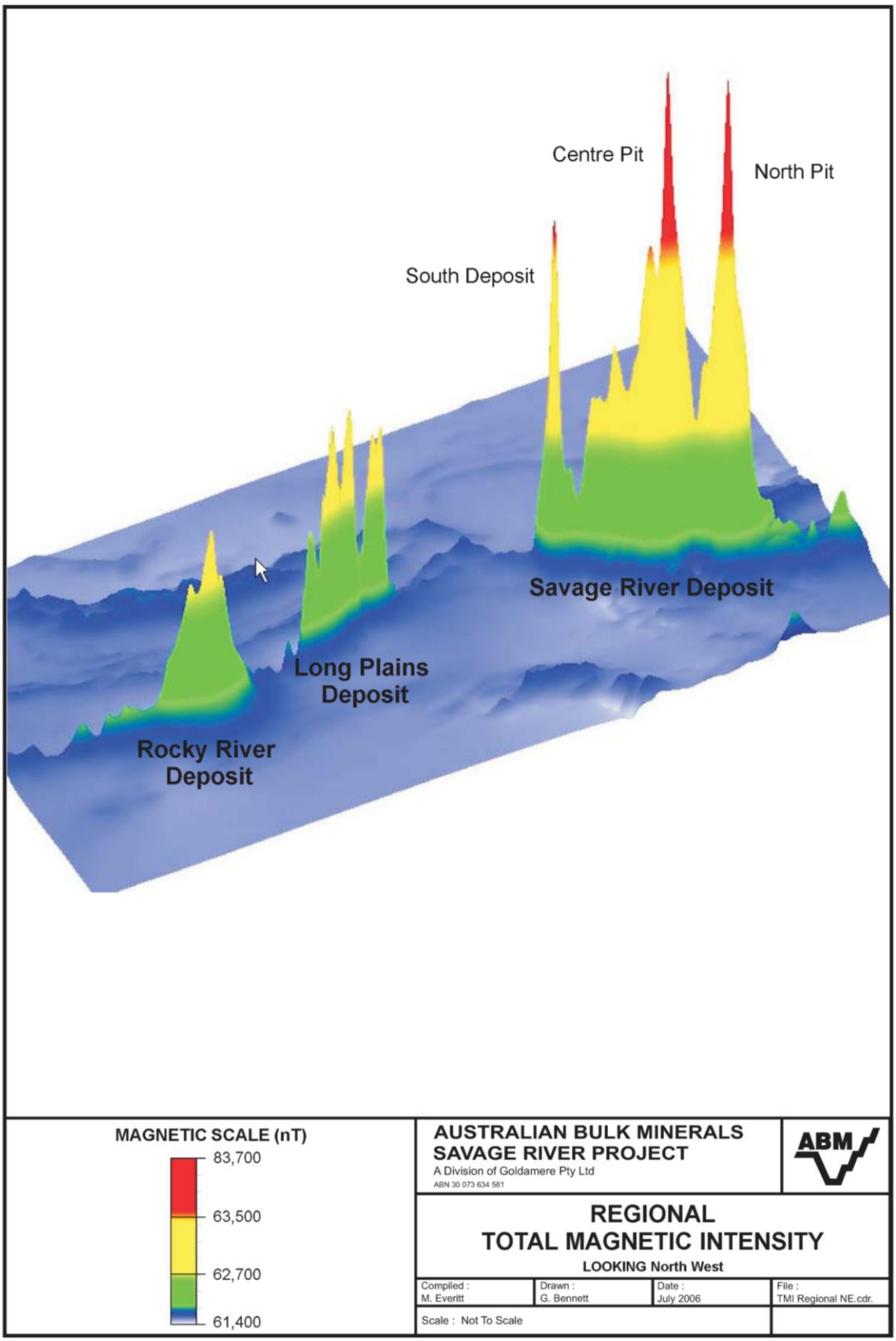

Figure 4: Regional Total Magnetic Intensity Oblique Image

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 metres were drilled in the northern and southern areas of the deposit. IMI33 and IMI34 are the only holes drilled on EL46/2007.

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.

7 PREVIOUS WORK BY ABM/GRANGE

There has been no significant field work undertaken on this licence area since the drilling of the IMI holes in 1966. In 2007 ABM undertook the following activities on the adjacent North Zone on EL19/2005:

- access & survey control
- Costeaning and mapping of exposures
- Track-cutting and completion of a ground magnetic survey
- 6 RC holes and 1 diamond hole

Year 1 (2008)

No field work was undertaken on EL46/2007 during the first year due to ABM's commitment to the expenditure on the mine life expansion project at Savage River. Detailed design and planning was undertaken for future work on the licence including:

- Construction of vehicle tracks along the entire strike length of the anomaly to allow access for track cutting and drilling
- Track cutting and ground magnetics on the central and southern zones
- Multiple stages of diamond and RC drilling to bring the entire deposit up to the measured resource category

Year 2 (2009)

No field work was undertaken on the licence during the second year due to the impact of the economic conditions of the time. Significant commodity price reductions and tightening in the market forced Grange to maintain strict controls on spending.

A preliminary mining options study was commenced using Grange personnel. A financial model was developed and the options were assessed against this model to assist in developing a long term strategy for the deposit.

Year 3 (2010)

No field work was undertaken on the licence during the third year due to the continuing impact of economic conditions, and then, as conditions improved, the substantial failure of the east wall of the North Pit at Savage River Mine. This failure, and recovering from it, has occupied much of the focus of the Grange technical services team and has restricted funding for works that are non-critical from an operational viewpoint.

The proposed works involved track cutting and ground magnetics on the central and southern parts of the anomaly were reviewed.

Final touches to the financial model and the 5 year plan (5YP) were completed. 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 years. The ongoing work in the 5YP will be subject to board approval through the budgetary process and the first stage is outlined in point 10, below.

8 2009/10 EXPENDITURE

The following table details expenditure on the licence up to the 25th November 2011.

Cost Area		Cost Estimate
Quarter 1	Geological input to scoping study	$ 1,130.50
Quarter 4	Program planning – D. Gibbons	$ 1,113.00
	Total	$ 2,243.50

Table 1: 2010 Expenditure for EL46/2007

Clearly, this amount falls short of the required expenditure. Significantly more substantial expenditure is planned for the upcoming field season (see below).

9 FUTURE WORK PLANS

As mentioned, application has been made to amalgamate the three licences into one. A work plan for the 2010/11 summer field season has been submitted to MRT for consideration. Although this work is nominally on EL30/2003 (the combined licence), much of it is actually on the old EL46/2007.

For the 2010/11 summer field season, the proposed work is vehicle track construction, magnetic survey grid cutting and ground magnetic data acquisition with an estimated cost of approximately $285,000.

Future work (e.g. 2011/12 and beyond) will involve drilling to establish a resource and ultimately reserve.