GRANGE RESOURCES LIMITED

ABN 80 009 132 405

AND CONTROLLED ENTITIES

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2008

GRANGE RESOURCES LIMITED
ABN 80 009 132 405
ANNUAL REPORT 2008

CORPORATE DIRECTORY

BOARD OF DIRECTORS	**Anthony Bohnenn** (Non-Executive Chairman) **Russell StJohn Clark** (Managing Director) **Alexander Henry Nutter** (Technical Director) **Richard Krasnoff** (Non-Executive Director) **David Michael Macoboy** (Non-Executive Director) **Douglas Haig Stewart** (Non-Executive Director)
SENIOR MANAGEMENT	**Wayne Bould** (General Manager – Business Readiness) **Neil Marston** (General Manager - Commercial & Company Secretary) **Len Skotsch** (General Manager - Geology)
REGISTERED OFFICE	Level 11, QBE House 200 St George's Terrace PERTH WA 6000 Telephone: + 61 (8) 9321 1118 Facsimile: + 61 (8) 9321 1523
SHARE REGISTRY	**Computershare Investor Services Pty Limited** Level 2 45 St George's Terrace PERTH WA 6000
AUDITORS	**Ernst & Young** 11 Mounts Bay Road PERTH WA 6000
SOLICITORS	**Clayton Utz** QV1 Building 250 St George's Terrace PERTH WA 6000
PRINCIPAL BANKERS	**Westpac Banking Corporation Limited** 109 St George's Terrace PERTH WA 6000 **Investec Bank (Australia) Limited** Level 21 140 St George's Terrace PERTH WA 6000
STOCK EXCHANGE	Grange Resources Limited is listed on the ASX Limited (ASX Code: GRR) and the "OTC" Markets in Berlin, Munich, Stuttgart and Frankfurt in Germany (Code: WKN. 917447)
WEBSITE	**www.grangeresources.com.au**

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CHAIRMAN'S REPORT

On behalf of your Board of Directors, I have pleasure in presenting the Annual Report and Financial Statements of Grange Resources Limited ("Grange" or "the Company") and its controlled entities for the financial year ended 30 June 2008.

Grange recorded a consolidated operating profit after tax of $0.931 million for the financial year ended 30 June 2008 compared to an operating after tax loss of $0.773 million in the previous financial year. The result was achieved on revenue of $1.667 million which compared to $3.694 million in the previous financial year.

2008 has been a year of substantial change and major progress for Grange as it advances the Southdown Project towards implementation. Your company is being transformed with the addition of new management and a project team in preparation for project start-up.

In March we welcomed our new Managing Director and CEO Russell Clark to the company. Russell came to Grange from Newmont Mining Corporation, one of the world's largest gold mining companies. His experience and knowledge in project implementation is a welcome boost to the company at this crucial stage and results delivered by his team to date vindicate his appointment to the position.

Our relationship with our 30% Joint Venture partner Sojitz Corporation of Japan is strengthening as we work closely together on the Southdown project. Grange looks forward to a long and prosperous future working with Sojitz as we bring the project into production.

Grange and Sojitz recently appointed global banking group Standard Chartered Bank to act as Financial Advisor. Standard Chartered Bank has commenced developing a financing plan for the Joint Venture and will work with us to secure overall project finance next year.

Metso Minerals (Australia) Limited have been working closely with Grange and Sojitz during the year to determine the optimum processing circuit for the Southdown project. This work has resulted in significant improvements in the quality of magnetite concentrate and confirms that we will be able to produce a high quality Direct Reduction grade iron ore pellet.

Grange prides itself on the low impact nature of its development plans at Southdown and in Malaysia. We have spent 3 years working on ensuring the project has the lowest possible environmental impact with strategies such as using recycled waste water at the processing plant being adopted in order to minimise our draw on water from the existing environment. These strategies have paid off with the Western Australian Environmental Protection Authority recently recommending approval of the project.

In Malaysia Grange continues to build up its presence with capital expenditure approval and the commencement of processing plant construction at the Bukit Ibam iron ore mine. This project has the potential to quickly generate a positive cashflow. The ability to expand production at Bukit Ibam exists and will be evaluated once initial iron ore concentrate production starts in late 2008.

On behalf of the Board of Directors, I congratulate our Managing Director & CEO, Russell Clark, senior management, the project team and all employees at Grange Resources for their achievements and successes during the past year.

To all our shareholders I extend our appreciation for your continued support.

ANTHONY BOHNENN
Chairman

HIGHLIGHTS

The Company's highlights since the last annual report are:

- ✓ Sojitz Corporation of Japan funded its acquisition of a 30% stake in the western portion of the Southdown Magnetite deposit.
- ✓ Grange completed the acquisition from Rio Tinto Exploration Pty Ltd of Exploration Licence 70/2512 which covers the eastern extension of the Southdown Magnetite deposit.
- ✓ 388 million tonnes of Magnetite ore converted from previously announced Minerals Resources to Ore Reserves in the Southdown Magnetite deposit.
- ✓ Standard Chartered Bank was appointed to act as Financial Advisors to Grange and Sojitz with a mandate to secure project finance for the Southdown Magnetite and Kemaman Pellet Plant Project.
- ✓ The Environmental Protection Authority recommended approval for development of the Southdown Magnetite Project.
- ✓ Metallurgical testwork confirms that DR quality pellets can be produced from the Southdown Magnetite deposit.
- ✓ Government of Western Australia allocates $180 million in its budget towards the construction of 220Kv transmission line to Southdown.
- ✓ The Company approved funding its 51% share of capital expenditure on a new processing plant at the Bukit Ibam iron ore mine in Malaysia.
- ✓ Russell Clark appointed as Managing Director and Chief Executive Officer in March 2008.
- ✓ David Macoboy and Douglas Stewart appointed as non-executive directors of the Company.

REVIEW OF OPERATIONS AND ACTIVITIES

SOUTHDOWN MAGNETITE AND KEMAMAN PELLET PLANT PROJECT

(Grange 70%, Sojitz Resources & Technology Pty Ltd ("Sojitz") 30%)

OVERVIEW

The Southdown Magnetite and Kemaman Pellet Plant Project is a long term iron ore mining and processing joint venture that will see the development of a regional supply of premium iron ore pellets.

The key elements of the project are:

- Open pit mining of the Southdown magnetite (iron ore) deposit;
- Concentrating the magnetite ore at Southdown via a crushing and magnetic separation plant to produce up to 7 million tonnes per annum of magnetite concentrate grading over 69% Fe;
- Pumping the magnetite concentrate as slurry to Albany Port and filtering before shipping;
- Shipping the magnetite concentrate from the deepened Albany Port in Capesize vessels to Kemaman Port in Malaysia;
- Processing the magnetite concentrate at Kemaman Port through a new pelletizing plant to produce about 7 million tonnes per annum of high quality iron ore pellets, and
- Selling the iron ore pellets to regional steel plants which are currently supplied from Brazil and other distant suppliers.

PROJECT LOCATION

Southdown

The Southdown Magnetite Deposit 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 the western end of the Southdown Magnetite deposit. These mining leases are subject to the joint venture between Grange and Sojitz.

In addition in September 2007 Grange acquired a 100% interest in Exploration Licence E70/2512 from Rio Tinto Exploration Pty Ltd. This licence covers the eastern half of the Southdown Magnetite deposit.

Figure 1: Location of Southdown Magnetite Project, Albany WA

Kemaman

Kemaman Port is located on the east coast of peninsular Malaysia in the state of Terengganu. The Pellet plant site is located on land close to the existing deep water port (figure 2).

Kemaman Port is an ideal location from which to service local Direct Reduction Iron (DRI) or Hot Briquetted Iron (HBI) plants. In Malaysia Ansteel has a 0.65Mtpa capacity HBI plant located on Labuan Island and Megasteel has built a new 1.54Mtpa capacity DRI plant at Banting, south of Kuala Lumpur. Perwaja Steel has a 1.5 Mtpa DRI plant on land at Kemaman Port, adjacent to Grange's planned pellet plant. In nearby Indonesia PT Krakatau Steel have 2 DRI modules with a combined capacity of 3.03Mtpa. Kemaman Port is a central location from which to service other Asian and Persian Gulf state DR grade pellet consumers.

Figure 2: Location of Kemaman Port.

RESOURCES & RESERVES

The Southdown Magnetite deposit is approximately 12 km long. The three mining leases cover the western 6 km of the deposit, with the eastern 6 km located within exploration licence E70/2512 (figure 3).

In September 2006, following the completion of a detailed diamond drilling programme, a resource estimate within the mining leases of 479.1 million tonnes containing 37.3% magnetite grading 69.2% Fe was announced (see Table 1)

TABLE 1
SOUTHDOWN MAGNETITE PROJECT
IN SITU MINERAL RESOURCES (Cut-off 10% DTR)

Resource Classification	Tonnes (Mt)	DTR%	Conc. Fe%	Conc. SiO_2%	Conc. Al_2O_3%	Conc. TiO_2%	Conc. S%	Conc. P%
Indicated	427.3	38.2	69.2	1.9	1.40	0.37	0.42	0.002
Inferred	51.8	30.1	69.0	2.0	1.30	0.44	0.63	0.003
Subtotal	479.1	37.3	69.2	1.9	1.30	0.37	0.44	0.002

The information in Table 1 is based on information compiled by Mr Richard Gaze who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Gaze is employed by Golder Associates Pty Ltd. Mr Gaze has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (The JORC Code). Mr Gaze consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

In May 2008 Golder Associates updated the pit optimisation for the Southdown Project based on revised mining and processing costs and developed an Ore Reserve within the designed pit (Table 2). Run of Mine (ROM) tonnes are the estimated tonnes that would be delivered to the plant. The concentrate tonnes and grade are the estimated tonnes and concentrate grades produced by the plant based on the DTR analysis protocol.

TABLE 2
SOUTHDOWN MAGNETITE PROJECT
ORE RESERVE WITHIN DESIGNED PIT (Cut-off 10% DTR)

Reserve Classification	ROM (Mt)	DTR%	Conc. (Mt)	Conc. Fe%	Conc. SiO_2%	Conc. Al_2O_3%	Conc. TiO_2%	Conc. S%	Conc. P%
Probable	388	35.5	131	68.8	2.06	1.41	0.45	0.55	0.003

The information in Table 2 is based on information compiled by Mr Ross Bertinshaw who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Bertinshaw is employed by Golder Associates Pty Ltd. Mr Bertinshaw has sufficient experience in Ore Reserve estimation relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (The JORC Code). Mr Bertinshaw consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Notes relating to Ore Reserves:

1. Mineral Resource Estimate for Conversion to Ore Reserves
   The Mineral Resource model for Southdown Deposit has been developed by Golder Associates as part of an on-going Feasibility Study for Grange Resources Limited. The stated Mineral Resource (Table 1) is inclusive of the Ore Reserve (Table 2).
2. Cut-off Parameters
   A cut-off grade of 10% Davis Tube Concentrate Mass Recovery (DTR) has been used for reporting which is above the marginal cut-off of 7% DTR.
3. Mining Factors or Assumptions
   The mining block model includes an allowance for likely mining dilution based on a regularisation of the geological model. The dilution has added approximately 8% tonnage at a grade of 5.8% DTR. A mining loss of 5% has been allowed for.
   The Ore Reserves are reported within a detailed pit design which is based on open pit optimisation. The optimisation was carried out on the Indicated Mineral Resource using a gross FOB pellet price at Kemaman of US$104/t.
   The overall pit slopes used for the design and optimisation are based on detailed geotechnical studies by Golder.
4. Metallurgical Factors or Assumptions
   The metallurgical recoveries are based on DTR assay results with a 0.95 factor applied to adjust laboratory recovery and a 3% increase in tonnes for conversion of concentrate to pellets due to pelletising additives.
5. Cost and Revenue Factors
   Costs include allowances for royalties, concentrate production, transport to Albany, shipping to Kemaman, pellet conversion, loading of pellets onto ships for onward transportation plus administration in Australia and Malaysia.
6. Market Assessment
   A production rate of 6.6 Mtpa concentrate at the mine site has been assumed giving a potential pellet production of 6.8 Mtpa. Pricing assumptions are based on an estimated price in 2010 and compared to a possible CVRD pellet price in SE Asia at that time.
7. Classification
   There are no Measured Resources. All Indicated Resources have been converted to Probable Ore Reserves contained within the pit design.

The Ore Reserve defined above is sufficient to support the planned production rate for a period of approximately 20 years. Additional diamond drilling planned for late 2008 is expected to increase the Ore Reserve within the mining leases. Diamond drilling and aeromagnetic surveys have confirmed that the mineralisation continues for a further 6 km within E70/2512 and importantly analytical work has shown the quality of the magnetite to be the same as that within the western portion of the deposit. The known extensions to the magnetite deposit within the exploration licence should extend the project life considerably.

Figure 3: Southdown Magnetite Deposit and Location of Mining Tenements

DEVELOPMENT PLAN

The deposit will be mined using conventional mining methods to develop an open pit approximately 300 metres deep. Mining will commence at the western end of the deposit and progressively extend eastwards over the life of the mine. Overburden will to be placed in waste rock dumps for the first few years of production following which progressive backfilling of the pit with both waste rock and tailings is planned.

Mined ore will be processed by being crushed, ground, screened and magnetically separated to produce a magnetite concentrate at a planned production rate of about 6.6 Mtpa. The magnetite concentrate will be pumped as slurry through a buried pipeline, approximately 100 km to the port of Albany before being loaded on to capesize vessels and shipped to Malaysia. At Albany Port the magnetite concentrate slurry will be processed through a filtration plant to remove most of the water before being stockpiled in a large shed. Filtered water recovered from the slurry will be pumped back to the mine site for re-use via a return water pipeline buried beside the slurry pipeline.

The magnetite concentrate will be conveyed from the storage shed to the new ship loader whenever loading of the capesize ships is required. Widening and extending of the existing shipping channel into Albany Port is required to facilitate the access of capesize vessels for the project.

At Kemaman Port the capesize vessels will be unloaded with the magnetite concentrate transported to the Pellet Plant site by conveyors, where it will be stored ready for use.

Pelletizing the magnetite concentrate produces hardened spheres of iron ore typically 8 to 18 mm diameter. The process combines agglomeration and thermal treatment to convert the magnetite concentrate into the hard pellets with physical and chemical characteristics appropriate for use in steel making. Following pelletisation the pellets will be stockpiled ready for shipment to customers.

The pellet plant will use proven technology in all aspects of its process.

SOUTHDOWN INFRASTRUCTURE

The Southdown Magnetite Project will require access to significant infrastructure as detailed below.

Power Supply

The project will require a reliable power supply of about 80 Megawatts at the mine and Albany Port. Network access will involve the construction of a new 220kV transmission line for the supply of electricity to the Southdown mine.

Grange has contracted the network operators, Western Power to secure the transmission line easement in readiness for construction. The State Government of Western Australia announced in its budget an allocation of $180 million towards the construction of the new 220Kv transmission line to Southdown.

Pipelines

It is planned to transport the magnetite concentrate in slurry form by buried pipeline from the Southdown mine site into Albany port. A return water pipeline will be buried alongside the slurry pipeline to transport recycled water back to the mine. The pipelines will be about 100 km each in length and generally run through rural freehold land.

Water Supply

Securing sustainable water supplies is a key to project success. Recycling water is an important part of the project process and is made possible via the construction of the return water pipeline. Nonetheless water losses will occur and the expected annual make-up water requirement for the project will be approximately 3.4 Gigalitres (3.4 x 10^9 litres).

The preferred water supply sources (in order) are:

- Treating about 1.8 Gigalitres of waste water from the town of Albany and pumping it to site via the return water pipeline;
- Pit dewatering from groundwater and rainfall inflows;
- On-site rain water runoff capture, and
- On/off-site groundwater extraction.

The Company is working closely with the Water Corporation to finalise a suitable supply contract for the off-take of the waste water.

Albany Port

The Company continues to work closely with the Albany Port Authority (APA) with respect to port infrastructure requirements.

To facilitate the access of Capesize vessels to Albany Port the Albany Port Authority intends to create a new berth within Princess Royal Harbour as well as deepening, widening and extending the existing channel (Figure 4). A portion of dredged material will be used for land reclamation with the excess material placed in deep water at an offshore disposal site. The proposed land reclamation will be used to accommodate Grange's new facilities.

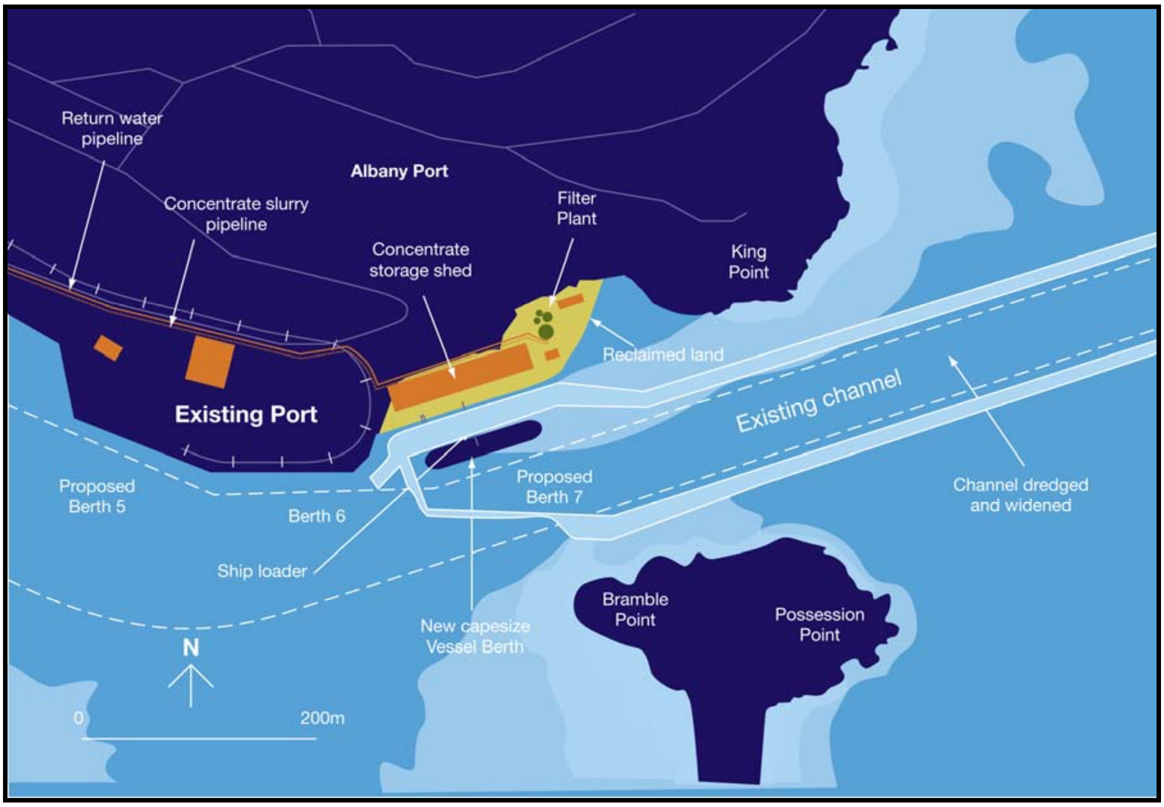

Figure 4: Albany Port Infrastructure

SOUTHDOWN APPROVALS

Environmental Approvals - Mine and Pipeline

Grange is responsible for the environmental approvals relating to the Southdown mine and pipelines.

The Public Environmental Review (PER) culminated on 30 June 2008 with the Environmental Protection Authority (EPA) recommending that the project be approved subject to a number of proposed conditions. An approval from the Minister of Environment for the Southdown mine and pipelines is expected in due course.

The recommendation for approval by the EPA is a strong endorsement for the project after three years of environmental surveys and impact studies completed by the Company.

Environmental Approvals - Albany Port

APA is responsible for the environmental approvals relating to the Albany Port Expansion including dredging of a new berth and deepening the shipping channel.

The PER document for the Albany Port Expansion was published in September 2007 for public comment. An approval from the Minister of Environment for the Albany Port Expansion is expected in 2009.

KEMAMAN INFRASTRUCTURE

Infrastructure requirements for the Kemaman Pellet Plant are substantially in place as detailed below.

Pellet Plant Site

The Kemaman Pellet Plant site is located on 60 hectares of industrial land located 3 kilometres from the Kemaman Port (see Figure 5). The Kemaman site was selected as the preferred location for a number of reasons including the following:

- Access to natural gas and electricity infrastructure.
- Close proximity to potential off-take parties and markets.
- Access to deep water port infrastructure with low operating costs.
- Availability of a skilled construction and operating workforce.

The ground conditions of the site have been assessed and the results indicate that ground improvement of selected areas on the site will need to be undertaken prior to plant construction.

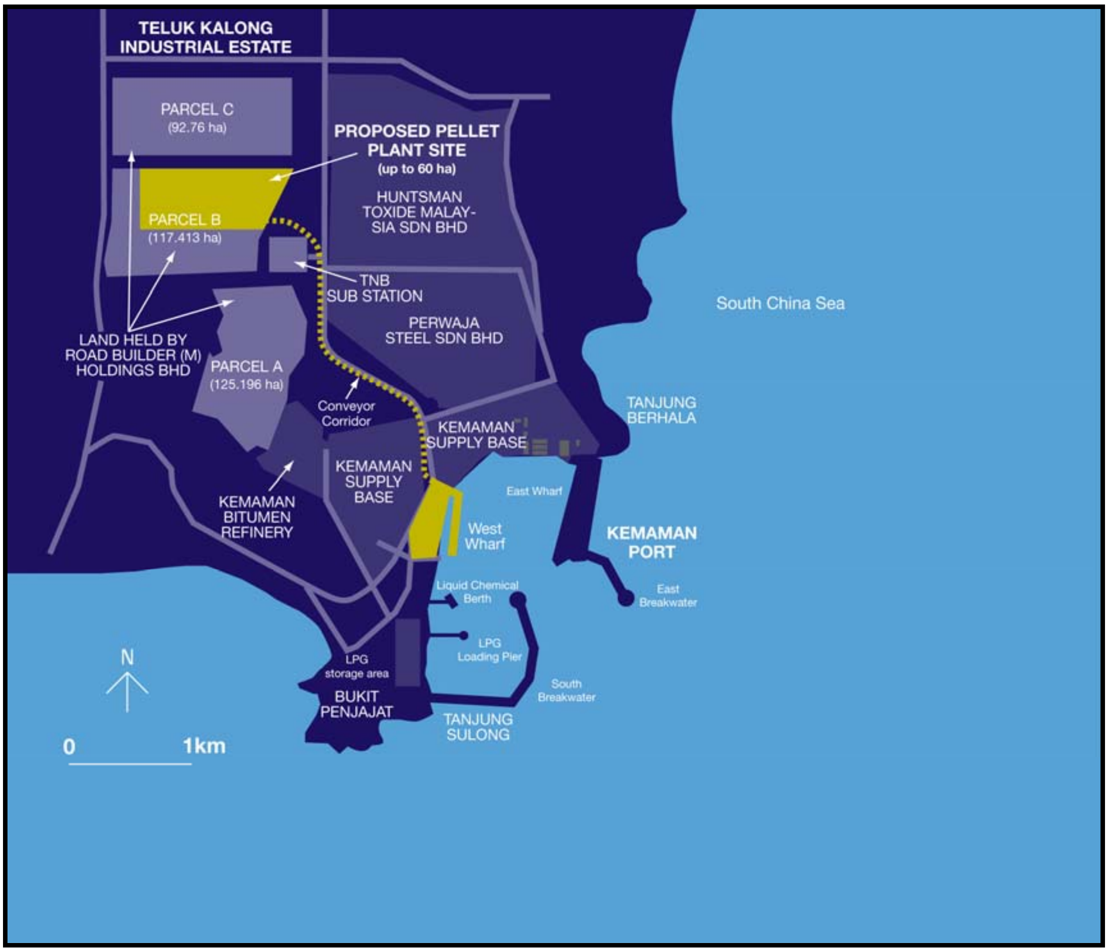

Figure 5: Kemaman Port Infrastructure

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.

Under the current arrangements with the wharf owners the Project will have priority access to the West Wharf until November 2055.

Power Supply

Tenega Nasional Berhad (TNB) is the national electricity provider for Malaysia. High voltage power is available from a TNB substation located immediately next to the pellet plant site (see Figure 5). TNB have indicated that they would be able to supply power to an agreed location within the pellet plant site via a 132kV feeder line.

Natural Gas Supply

Natural Gas for the pellet plant passes the site, via a pipeline that runs along the infrastructure corridor. 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 but not yet approved by Petronas Gas.

Conveyor Corridor

An infrastructure corridor exists between the West Wharf and the pellet plant site (see Figure 5). A pipe conveyor system has been designed for the transport of imported Southdown concentrates and the export of Kemaman iron ore pellets. This pipe conveyor would be sited within or adjacent to the infrastructure corridor.

KEMAMAN APPROVALS

Environmental Approval for the Kemaman Pellet Plant was granted by the Ministry of Natural Resources and Environment in November 2006. As this licence is for 2 years an extension of the licence has been applied for.

A Manufacturing Licence for the pellet plant was issued by the Ministry of International Trade and Industry of Malaysia in December 2006.

PRODUCT QUALITY

In January 2008 Grange announced the signing of a Memorandum of Understanding ("MOU") between the Company and Sojitz with Metso Minerals (Australia) Limited ("Metso") for the Project.

Under the terms of the MOU Metso has been undertaking further extensive metallurgical test work on a 30 tonne bulk sample from the Southdown deposit in Australia, the United States and Europe to determine the optimum processing circuit for the project. This test work was largely completed during the year and has identified the preferred processing circuit.

The test work culminated in the production of approximately 4 tonnes of concentrate from a pilot plant facility in Perth. Prior to the pilot plant run final grind size bench test work was undertaken to determine the optimal grind size for the concentrate and confirmed that at a grind size of 34 microns the silica content of the concentrate could be reduced to less than 1%. Overall the bench test work produced the following excellent results.

Conc Sizing	Fe %	SiO_2 %	Al_2O_3 %	TiO_2 %	MnO %	CaO %	P %	S %	MgO %	Cr_2O_3 %
P80 34µm	69.87	0.80	1.39	0.400	0.042	0.059	0.002	0.210	0.14	0.026

Further test work will be done by Metso during the second half of 2008.

The extensive metallurgical work undertaken over the past three years has lead to improvements to the process design flow sheet which has resulted in significant improvements to the quality of the concentrate being produced from the pilot scale plant.

PROJECT FINANCE

In June 2008 Grange, together with Sojitz, appointed Standard Chartered Bank to act as Financial Advisor in relation to Project Finance. The appointment of Standard Chartered Bank followed a rigorous selection process which attracted quality submissions from a number of international banks.

BUKIT IBAM PROJECT

Grange Minerals Sdn. Bhd. 51%

The Bukit Ibam Project is located at the former Bukit Ibam iron ore mine, in Pahang State, Malaysia (figure 6). The mine operated from 1962 and produced approximately 22 million tonnes of haematite and magnetite ore before closure in 1970. Grange Minerals Sdn Bhd, a wholly owned Malaysian subsidiary, holds 51% project equity in a joint venture with a privately owned Malaysian mining company, Esperance Mining Sdn Bhd.

Figure 6: Location of Bukit Ibam project

Following successful resource drilling, metallurgical test work and viability studies Grange announced Joint Venture capital expenditure approval to develop the Bukit Ibam magnetite mine in June 2008.

All statutory approvals for the project are in place and work is well advanced on procurement and construction. The pit has been prepared for mining which is scheduled to recommence in 2008. The new processing plant is forecast to be commissioned before the end of 2008 with a planned initial production rate of 100,000 tonnes per year magnetite concentrate. This concentrate will be sold on the spot market and shipped out of Kuantan Port.

The plant is designed to allow for future expansion to treat other potential resources located on nearby Joint Venture leases and other areas.

In June 2008, Grange Minerals received approval from the Department of Forestry in Pahang to extract and process iron ore tailings located in a Forest Reserve Area and to rehabilitate the area in the process. The tailings were generated during mining operations between the years 1962 to 1970 and are contained in a storage dam located 1.5kms east of the plant being constructed at Bukit Ibam. This 'tailings re-treatment' project has the potential to significantly increase the production capacity of the current project at minimal cost.

The surface area of the tailings is approximately 60 hectares and the tailings are estimated to be on average 4 metres deep giving a volume of 2.5 million cubic metres which will convert into approximately 4 to 5 million tonnes of tailings within the approved area.

There has been insufficient sampling conducted to date to identify the likely grade of iron ore in the tailings however other parts of the tailings dam outside of the Forest Reserve Area are currently being processed by other parties using a simple magnetic separator to produce a marketable iron ore concentrate.

However it must be noted that the quantity of tailings stated above is conceptual in nature. There has been insufficient evaluation work completed to date to define a Mineral Resource and it is uncertain if further evaluation work will result in the determination of a Mineral Resource.

FRESHWATER PROJECT

Grange - Sliding Scale Production Royalty
Barrick Gold of Australia Limited ("Barrick") 100%

The Freshwater project is located adjacent to and to the east of the Plutonic Gold Mine located approximately 180km north east of Meekatharra in Western Australia. The project is owned and operated by Barrick Gold of Australia Limited. The Company holds a sliding scale royalty based on grade, tonnage and type of ore milled on all production from the Freshwater leases.

Total royalty income earned for the year ended 30 June 2008 amounted to $63,938 from underground ore.

RED HILL PROJECT

Grange 4% Gross Revenue Royalty
Barrick (PD) Australia Limited ("Barrick PD") 100%

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 4km north east of the Kanowna Belle Gold Mine, 20km north east of Kalgoorlie. The project is owned and operated by Barrick PD.

Mining operations were completed at Red Hill in May 2007. During the financial year royalty payments from ore processing activities totalled $670,947. Royalty income from the commencement of operations in February 2003 to 30 June 2008 amounts to $7,064,196.

OTHER EXPLORATION PROJECTS

The **Horseshoe Lights** Project is located approximately 130 km north of the town of Meekatharra in Western Australia. The project covers the Horseshoe Lights copper/gold mine which the company operated up until its closure in 1994. During 2004 Grange entered into an option to purchase agreement with Murchison Copper Mines Pty Ltd over the Project, which has been exercised. Subsequent to entering into the option agreement a plaint was lodged over the main mining lease at Horseshoe Lights which was resolved in the Company's favour by the High Court of Australia in April 2008. The transfer of ownership and management of the project to Murchison Copper Mines Pty Limited (now a 79.2% subsidiary of the Company) is in progress.

Substantial resources of low-grade copper bearing material are present at Horseshoe Lights in stockpiles, dumps, tailings and in-situ hard rock resources.

The **Wembley** Project is located in the Murchison district, approximately 12km south of the former Peak Hill Gold Mine and comprises one granted mining lease and a mining lease application. The granted mining lease covers the Durack and Outback prospects, which host a modest gold resource of 568,000 tonnes grading 2.3g/t gold (42,700 contained ounces). The resource comprises an indicated resource of 390,000 tonnes grading 2.2g/t gold containing 27,600 ounces and an inferred resource of 180,000 tonnes grading 2.6g/t gold containing 15,100 ounces.

In May 2008 Grange reached an agreement with Montezuma Mining Company Ltd for Montezuma to acquire an 85% interest in granted mining lease M52/801 which contains the Durack gold deposit. Montezuma has agreed to spend $500,000 on exploration and development over the next four years to earn an 85% interest in the mining lease.

The **Mt Windsor** project is located approximately 37 km south of Charters Towers in North Queensland and is an unincorporated joint venture between BML Holdings Pty Ltd (BML) 30% (a wholly owned subsidiary of Grange) and Thalanga Copper Mines Pty Limited ("TCM") 70%, the manager. The joint venture operated the Reward and Highway open pit mines during 1998-2002 and the Reward Deeps and Conviction underground mine until the cessation of mining activities in 2005, producing a copper concentrate for export. The project area remains prospective for gold and base metals mineralisation.

In the Wiluna district of Western Australia the Company holds a 10% free carried interest to a decision to mine or expenditure of $2 million in the **Abercromby Well Joint Venture** with MPI Nickel Pty Ltd. The tenement is prospective for gold mineralisation.

The Company holds equity in several tenements in the **Tennant Creek** region in the Northern Territory. The most prospective area with potential to host a high-grade gold, copper, bismuth resource is the **Mt Samuel** prospect located approximately 6km south of Tennant Creek. Access to the Mt Samuel property is currently not available due to the presence of an Aboriginal sacred site.

DIRECTORS' REPORT

Your Directors submit their report with respect to the results of Grange Resources Limited ("Grange" or "the Company") and its controlled entities (the "Group") for the year ended 30 June 2008 (the "Balance Date").

Directors

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Anthony Clemens Maria Bohnenn
Non-executive Chairman

Mr Bohnenn was appointed as a director of Grange in November 2001 and subsequently elected as Chairman on 1 July 2002. Mr Bohnenn has more than 25 years experience in the investment banking and financial services industries, with an emphasis in research and funds management. Mr Bohnenn is based in the Netherlands and his main focus has been identifying investment opportunities in Australia, China and Asia. Mr Bohnenn is chairman of the Remuneration Committee.

Russell StJohn Clark BSc, ARSM, MIMM, MAusIMM, CE, JP
Managing Director and Chief Executive Officer

Mr Clark was appointed as Managing Director of Grange on 6 March 2008. Mr. Clark holds a Mining Engineering degree (BSc Hons) from the Royal School of Mines, London, UK and a Graduate Diploma from the Securities Institute of Australia. In addition he has undertaken a number of Executive Development programs in Australia and the USA. Prior to joining Grange, Mr Clark worked for Renison Goldfields for over 18 years and with Newmont for the past 8½ years. He has over 30 years of mining experience in Africa, Papua New Guinea, the USA and throughout Australia, in technical, project management, general management and executive positions.

Richard Krasnoff BA (Cornell), MBA (Harvard), GAICD
Non-executive Director

Mr Krasnoff was appointed as a director of Grange on 16 June 2005. Mr Krasnoff's previous roles have included an executive position with Wesfarmers Limited and as a management consultant with McKinsey & Company for a period of ten years. Mr Krasnoff is a graduate of the Australian Institute of Company Directors and has completed a Master of Business Administration from the Harvard Business School. Mr Krasnoff is a member of the Audit and Compliance Committee and Remuneration Committee. During the past three years he has also served as a director of the following listed companies:

Conquest Mining Limited* - Appointed 28 October 2004

* denotes current directorship

David Michael Macoboy BEc, BCom, FAICD, CPA
Non-executive Director

Mr Macoboy was appointed as a director of Grange on 30 November 2007. Mr Macoboy has a wealth of business and corporate finance experience. Mr Macoboy holds degrees in economics and finance. He has held a number of senior positions through his career including Executive Director of Finance & Corporate with Portman Limited, Group Treasurer with Australian Capital Equity, Vice President, Investment Banking with Merrill Lynch and General Manager, Treasury & Capital Markets with Challenge Bank. Mr Macoboy is chairman of the Audit & Compliance Committee. During the past three years he has also served as a director of the following listed companies:

Ammtec Limited* - Appointed 11 September 2007
Global Construction Services Limited* - Appointed 1 July 2007
Ironclad Mining Limited* - Appointed 1 July 2007
Territory Resources Ltd – Appointed 28 December 2005; Resigned 9 August 2007
Monarch Gold Ltd – Appointed March 2002; Resigned 30 June 2007.
Consolidated Minerals Ltd – Appointed 1998; Resigned 31 December 2006.

DIRECTORS REPORT (CONTINUED)

Croesus Mining Ltd - Appointed 12 January 2006; Resigned 26 June 2006.

* denotes current directorship

Alexander Henry Nutter BSc, MSc, DIC, FAusIMM, MAIG
Technical Director

Mr Nutter was appointed as a director of Grange on 27 November 2001. Mr Nutter is a geologist and holds degrees from Southampton, Leeds and London universities. He has over 30 years experience in mineral exploration, resource evaluation and mining geology in Australia, West Africa and the Asia-Pacific region. He has held senior positions in the mining industry and has been responsible for the discovery and/or acquisition of several mineral resources for both international and Australian public companies.

Douglas Haig Stewart BSc, FAusIMM, FAIG
Non-executive Director

Mr Stewart was appointed as a director of Grange on 23 October 2007. Mr Stewart has over 37 years experience in the mining industry in a variety of geological and engineering roles. His experience covers a wide range of commodities. Mr Stewart has had management responsibilities on mining operations in Africa, Canada and New Zealand in both open pit and underground mines. Mr Stewart was formerly an Associate Director of N M Rothschild & Sons (Australia) and Managing Director of Territory Resources Limited. Mr Stewart is a member of the Audit & Compliance Committee. During the past three years he has also served as a director of the following listed companies:

Conquest Mining Limited* - Appointed 30 November 2007
Territory Resources Limited – Appointed 4 March 2005; Resigned 25 July 2007

* denotes current directorship

Interest in the shares and options of the company and related bodies corporate

As at the date of this report, the interest of the directors in the shares and options of Grange Resources Limited were:

	Number of Ordinary Shares	Number of Options over Ordinary Shares
A.C.M. Bohnenn	13,774,338	Nil
R.S. Clark	Nil	Nil
D.M. Macoboy	65,000	Nil
R. Krasnoff	68,000	Nil
D.H. Stewart	Nil	Nil
A.H. Nutter	944,999	Nil

Company Secretary

Neil Andrew Marston BCom, ACIS
Company Secretary

Mr Marston was appointed Company Secretary and Chief Financial Officer of Grange on 21 July 2006. Mr Marston has a Bachelor of Commerce, obtained from Curtin University of Technology, WA. He has over 15 years experience in the mining/exploration industry together with 13 years experience in a broad range of administration and management positions in several other industry sectors.

DIRECTORS REPORT (CONTINUED)

Directors' Meetings

The number of meetings of the directors (including meetings of committees of directors) held during the year and the number of meetings attended by each Director was:

Director	Directors' Meetings		Audit & Compliance Committee		Remuneration Committee	
	Number eligible to Attend	Number Attended	Number eligible to Attend	Number Attended	Number eligible to Attend	Number Attended
A C M Bohnenn	10	10	2	2	1	1
R S Clark	3	3	-	-	-	-
R Krasnoff	10	10	2	2	1	1
D M Macoboy	5	5	-	-	-	-
H R Moser+	6	-	-	-	-	-
A H Nutter	10	10	-	-	-	-
D S Stewart	5	5	-	-	-	-
G L W Wedlock*	6	6	-	-	-	-

+ Mr Moser resigned 31 December 2007

* Mr Wedlock resigned 22 January 2008

As at the date of this report, the Company had an Audit and Compliance Committee and a Remuneration Committee of the Board of Directors.

Members acting on the committees of the board during the year were:

Audit & Compliance Committee	Remuneration Committee
A C M Bohnenn (chairman)	A C M Bohnenn (chairman)
R Krasnoff	R Krasnoff

Principal Activities

The principal activities during the year of entities within the Group were:

- development of the Southdown Magnetite and Kemaman Pellet Project;
- development of the Bukit Ibam Iron Ore Project
- royalty income from production of gold;
- investment of cash assets; and
- administration of the Group.

There were no changes to the principal activities of the Group during the year.

Review of Operations

Overview

This financial year saw significant progress on the core assets of the Company being the Southdown Magnetite project in south Western Australia and the Bukit Ibam Iron Ore Project in Pahang state, Malaysia.

Southdown Magnetite Project
Southdown Project activities were focussed on advancing the project towards implementation. The environmental approvals process was advanced to the point where the Environmental Protection Authority issued its bulletin recommending project approval on 30 June 2008. Other activities centred on progressing the establishment of port, power and water infrastructure to support the Project.

DIRECTORS REPORT (CONTINUED)

Bukit Ibam Iron Ore Project
Bukit Ibam activities were focussed on the design and construction of a processing plant at the Bukit Ibam Iron Ore mine in Pahang state Malaysia. Construction activities were well advanced as at the date of this report and the plant is scheduled to be in production before the end of this year.

More detailed information on the Company's operations is contained in the Review of Operations and Activities located on page 4.

Financial Position

All dollar amounts shown in this report are in Australian dollars unless otherwise indicated.

The net assets of the Group have increased by $49,389,410 since 30 June 2007 to $95,114,802 on 30 June 2008. This increase is mainly as a result of increased cash together with exploration and evaluation expenditure capitalised.

Consolidated Results

The consolidated operating profit of the Group after providing for income tax amounted to $931,136 (2007: loss $772,733). The result included the following items of significance:

- Gain on sale of asset (30% interest in the Southdown Magnetite Project) of $4,245,192

Shareholder Returns

The earnings per share of the company over the past 5 years is shown in the table below

	2008	**2007**	**2006**	**2005**	**2004#**
Earnings ($million)	0.93	(0.77)	1.94	(5.27)	5.00
Basic earnings per share (cents)	0.82	(0.76)	2.04	(7.02)	7.3
Diluted earnings per share (cents)	0.82	(0.76)	2.04	(7.02)	7.3

2004 and prior years accounted for under Australian Accounting Standards applicable prior to 1 January 2005, and for 2005 onwards, Australian Accounting Standards applicable after 1 January 2005.

Earnings of the Group were modest during the year and reflect the current development phase of the business. The Company's share price performance from the beginning ($2.01) to the end ($1.70) of the year represent a 15.4% drop over the period, a trend experienced by most stocks and indices during the year.

Dividends

Since the end of the previous financial year, no amount has been paid or declared by the Company by way of a dividend.

Significant Changes in State Of Affairs

Total equity of the group increased $49,389,410 or 60% during the financial year from $45,725,392 to $95,114,802. Factors contributing to this increase included the following:

- the issue of 9,000,000 fully paid ordinary shares at an issue price of $2.49, and
- the profit from ordinary activities of $931,136.

Significant Events After the Balance Date

On 5 September 2008, the Company cancelled 6,300,000 director options. The cancellation was required by ASX Limited because the options were issued more than one month after the issue of them was approved by shareholders. The relevant shareholders' meeting was held on 20 May 2008 and the options were issued on 9 July 2008. Under the ASX Listing Rules the latest date for issue of these options was 20 June 2008. The Company intends to seek shareholder approval for the issue of an equivalent number of replacement options

DIRECTORS REPORT (CONTINUED)

to directors, with the same exercise prices and with some minor changes to the other terms, at the Company's next general meeting.

Likely Developments and Expected Results

In general terms the Company intends to progress its major project activities being the Southdown Magnetite Project and the Bukit Ibam Iron Ore Project.

Specific details of the likely developments in the operations of the Company, prospects and business strategies and their expected results in future financial years have not been included in this report as inclusion of such information is likely to result in unreasonable prejudice to the Company.

Environmental Regulation and Performance

The mining and exploration tenements held by the Group contain environmental requirements and conditions that the entities must comply with in the course of normal operations. These conditions and regulations cover the management of the storage of hazardous materials and rehabilitation of mine sites. There have been no significant known breaches of the Group's environmental obligations.

Indemnities and Insurance of Officers

During or since the financial year, the Company has paid premiums totalling $26,620 in respect of Directors' and Officers' Liability Insurance and Company Reimbursement policies, which cover all directors and officers of the Group to the extent permitted under the Corporations Act 2001. The policy conditions preclude the Group from any detailed disclosures.

Proceedings on behalf of the Company

No person has applied to the court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company of all or any part of those proceedings. No proceedings have been brought or intervened in or on behalf of the Company with leave of the court under section 237 of the *Corporations Act 2001*.

Non-audit Services

The following non-audit services were provided by the Company's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service means that auditor independence was not compromised.

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 28.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

	$
Tax compliance and advisory services	149,490
Other advisory services	134,950
	284,440

Remuneration Report (audited)

The Remuneration Report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report, Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the five executives in the parent and the Group receiving the highest remuneration.

For the purposes of this report, the term 'executive' encompasses the chief executive, senior executives, general managers and secretaries of the Company and the Group.

Details of key management personnel (including the five highest executives of the Company and the Group)

(i) Directors

A.C.M. Bohnenn	Chairman (Non-Executive)
R. S Clark	Managing Director and Chief Executive Officer – appointed 6 March 2008
A.H. Nutter	Technical Director
R. Krasnoff	Director (Non-Executive)
D.M. Macoboy	Director (Non-Executive) – appointed 30 November 2007
H.R. Moser	Director (Non-Executive) – resigned 31 December 2007
D.H. Stewart	Director (Non-Executive) – appointed 23 October 2007
G.L.W. Wedlock	Managing Director – resigned 22 January 2008

(ii) Executives

L.W. Bould	General Manager – Business Readiness – appointed 1 May 2008
S. Hall	General Manager – Business Development – resigned 15 August 2008
R.W.S. Hill	Financial Controller – appointed 23 June 2008
N.A. Marston	General Manager – Commercial & Company Secretary
M. Muirhead	Financial Controller – resigned 2 May 2008
L. Skotsch	General Manager – Geology

Other than the resignation of S. Hall, there have been no changes to the CEO or KMP after reporting date and before the date the financial report was authorised for issue.

Remuneration Committee

The remuneration committee of the board of directors of the Company is responsible for determining and reviewing remuneration arrangements for the directors and executives.

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality executive team by remunerating directors and executives fairly and appropriately with reference to relevant market conditions. To assist in achieving this objective, the Board attempts to link the nature and amount of executives' emoluments to the Company's performance. The outcome of the remuneration structure is:

- the retention and motivation of key executives;
- attraction of quality personnel with appropriate expertise; and
- performance incentives that allow executives to share the rewards of the success of Grange.

Remuneration philosophy

The performance of the Company largely depends upon the quality of its directors and executives. To prosper the Company must be able to attract, motivate and retain highly skilled directors and executives. To achieve this, the Company adheres to the following principles in formulating its remuneration framework:

- provide competitive rewards to attract high calibre executives;
- link executive rewards to shareholder value; and
- establish appropriate, demanding performance hurdles for variable executive remuneration.

The company does not have a board policy in relation to directors and executives limiting his or her exposure in relation to shares and options issued as elements of remuneration.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and senior executive remuneration is separate and distinct.

Non-executive director remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Constitution and ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The latest determination was at the General Meeting held on 30 November 2007 when shareholders approved an aggregate remuneration of $300,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed annually. The board considers advice from external consultants as well as fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each non-executive director receives a base fee of $60,000 for being a director of the Company. The non-executive chairman receives a base fee of $90,000 per annum. An additional fee may be payable for each board committee on which a director sits which recognises the additional time required by directors who serve on one or more committees. At this time there are no additional fees paid to directors who serve on committees.

In addition the issue of 1,800,000 Director Options was approved by shareholders in May 2008 to non-executive Directors to act as an incentive for these Directors to align themselves with the Company's strategic plan focusing on optimising performance with the benefits flowing through to enhanced Shareholder returns. There are no specific performance conditions attached to the non-executive director options however the exercise prices have been set at prices of $2.05, $3.00 and $3.50 which are all well above the closing share price of $1.60 on the approval date.

The earnings per share of the company over the past 5 years is shown in the table below:

	2008	**2007**	**2006**	**2005**	**2004#**
Earnings ($million)	0.93	(0.77)	1.94	(5.27)	5.00
Basic earnings per share (cents)	0.82	(0.76)	2.04	(7.02)	7.3
Diluted earnings per share (cents)	0.82	(0.76)	2.04	(7.02)	7.3

2004 and prior years accounted for under Australian Accounting Standards applicable prior to 1 January 2005, and for 2005 onwards, Australian Accounting Standards applicable after 1 January 2005.

Earnings of the Group were modest during the year and reflect the current development phase of the business. The Company’s share price performance from the beginning ($2.01) to the end ($1.70) of year represent a 15.4% drop over the period, a trend experienced by most stocks and indices during the year.

The remuneration of non-executive directors for the period ending 30 June 2008 and 30 June 2007 is detailed in Table 1& 2 respectively of this report.

Executive remuneration

Objective

The Group aims to reward executives with a level and combination of remuneration commensurate with their position and responsibilities within the Group so as to:

- reward executives for Group and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders; and
- ensure total remuneration is competitive by market standards.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Structure

In determining the level and components of executive remuneration, the Remuneration Committee considers recommendations from senior management which are based upon the prevailing labour market conditions. In addition independent advice is sought from external consultants as needed in the form of reports detailing market levels of remuneration for comparable executive roles.

Remuneration consists of the following key elements:

- Fixed remuneration (base salary, superannuation and non-monetary benefits)
- Variable remuneration
  - short term incentive
  - long term incentive

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives) for each executive is set out in Table 1.

Fixed Remuneration

Objective

Fixed remuneration is reviewed annually by the Remuneration Committee. The process consists of a review of Group and individual performance, relevant comparative remuneration externally and internally and, where appropriate, external advice on policies and practices. As noted above, the Remuneration Committee has access to external consultant's advice independent of management.

Structure

Executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits. It is intended that the manner of payment chosen is optimal for the recipient without creating any undue cost for the Group.

Variable Remuneration – Short Term Incentive (STI)

Objective

The objective of the STI program is to link the achievement of the Group's operational targets with the remuneration received by the executives responsible for meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the executive to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

Structure

Actual STI payments granted to each executive depend on overall performance and include the extent to which specific operating targets set from time to time are met. The operational targets may consist a number of key performance indicators (KPIs) covering both financial and non-financial, corporate and individual measures of performance. Currently, the STI targets and performance indicators are linked to the operational performance of the Group, in particular the achievement of project milestones and financial performance relative to budget.

KPIs that are monitored are:

- Budget vs Actual expenditure
- Project delivery vs timetable

The Group sets performance standards with each executive that must be met in order to trigger payments under the STI scheme. On an annual basis, after appropriate assessment of performance against KPIs, the Remuneration Committee, in line with their responsibilities, determine the amount, if any, of the short term incentive to be paid to each executive. This process usually occurs in the first three months of the calendar year.

The aggregate STI payments available for executives are subject to the approval of the Remuneration Committee with payments usually made as a 10% cash bonus. The maximum STI cash bonus for the 2008 financial year is $75,300. The minimum amount of the STI cash bonus assuming that no executives meet their respective KPIs for the 2008 financial year is nil.

REMUNERATION REPORT (AUDITED) (CONTINUED)

STI bonus for 2007 and 2008 financial years

For the 2007 financial year, a total of $465,000 in STI cash bonuses was paid in March 2007 to executives. For the 2008 financial year, a total of $37,650 in STI cash bonuses was paid in May 2008 to executives.

Variable Remuneration – Long Term Incentive (LTI)

Objective

The objective of the LTI program is to reward executives in a manner that aligns remuneration with the creation of long term shareholder wealth. As such participation in the LTI program is only made to executives who are able to influence the generation of shareholder wealth and thus have an impact on the Group's performance against the relevant long term performance hurdle.

Structure

In August 2007 Grange Resources Limited implemented the Grange Resources Limited Long Term Incentive (LTI) Plan. Under the LTI Plan, the board may, from time to time at its discretion grant Options or Rights, or both, under the Plan to Eligible Employees. The quantity and nature of share options or performance rights issued to executives varies depending upon each executive's remuneration classification.

-2007 Employee Rights Plan

Subsequent to the approval of the LTI Plan, the company issued rights to selected eligible employees, the vesting conditions of which were dependent upon individual performance milestones and corporate comparable shareholder return.

- Individual Milestones

Individual performance milestones covered such key targets as project acquisitions, stakeholder agreements and project approvals. These performance milestones were chosen due to their relevance to the ongoing success of the Company. The milestones chosen were clearly measurable and were objectively determined by the Remuneration Committee in March 2008.

-Corporate Comparable Shareholder Return

Corporate comparable shareholder return is measured by comparing the Company's Total Shareholder Return ('TSR') (share price appreciation plus dividends reinvested) with a group of peer companies over the respective calendar year. In assessing whether the TSR hurdle for each grant has been met, the Company receives independent data from an external advisor, who provides both the Company's TSR growth from the commencement of the measurement period and that of the pre-selected peer group. This group below presently reflects the Company's 10 closest competitors for capital and talent.

Company	ASX Code	Company	ASX Code
Murchison Metals Limited	MMX	Australasian Resources Limited	ARH
Sundance Resources Limited	SDL	Territory Resources Limited	TTY
Gindalbie Metals Limited	GBG	Western Plains Resources Limited	WPG
Midwest Corporation Limited	MIS	Centrex Metals Limited	CXM
Atlas Iron Limited	AGO	Sphere Investments Limited	SPH

The group of peer companies for the 2008 year is subject to board review as at the date of this report.

Employment Contracts

Russell Clark - Managing Director and Chief Executive Officer

The Managing Director and Chief Executive Officer, Mr Clark is employed under contract. The current employment contract commenced on 6 March 2008 and terminates on 6 March 2011, at which time the Group may choose to enter into a new employment contract with Mr Clark.

- Mr Clark receives fixed remuneration of $545,000 per annum.
- Pursuant to his employment contract and following shareholder approval on 20 May 2008, Mr Clark was granted the following option package:
  (i) 1,500,000 options vesting on 6 March 2009 and exercisable at $2.05 on or before 6 March 2012.
  (ii) 1,500,000 options vesting on 6 March 2010 and exercisable at $3.00 on or before 6 March 2012.
  (iii) 1,500,000 options vesting on 6 March 2011 and exercisable at $3.50 on or before 6 March 2012.

REMUNERATION REPORT (AUDITED) (CONTINUED)

- Pursuant to his employment contract and following shareholder approval, Mr Clark was granted the following bonus package on 20 May 2008:

  (i) One-off payment of $1,000,000 (less applicable tax) upon the Board being satisfied that the Company has, as part of the Southdown Magnetite and Kemaman Pellet Plant Project, achieved commercial production of magnetite concentrate (subject to any applicable law or regulatory policy).
  (ii) One-off payment of $1,000,000 (less applicable tax) upon the Board being satisfied that the Company has, as part of the Southdown Magnetite and Kemaman Pellet Plant Project, achieved commercial production of iron ore pellets (subject to any applicable law or regulatory policy).
- Mr Clark may resign from his position and thus terminate his employment agreement by providing three months written notice. On the serving of written notice all unvested options will immediately lapse.
- The company may terminate this employment agreement by providing three months written notice or by providing payment in lieu of giving notice, the agreement will then terminate upon such payment being made. On the serving of written notice all unvested options will immediately lapse.
- The company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the Managing Director is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause any unvested options will immediately lapse.

Other Executives

The following executives are employed under contracts of employment:

- A Nutter (Technical Director)
- L Bould (General Manager – Business Readiness)
- S Hall (General Manager – Business Development) (resigned 15 August 2008)
- N Marston (General Manager – Commercial and Company Secretary)
- L Skotsch (General Manager – Geology)
- R. Hill (Financial Controller)

The employment contracts include:

- Participation in the Grange STI Scheme being a share of the bonus pool as determined by the Remuneration Committee and Board of the Company.
- The Director or Executive may resign from their position and thus terminate their employment agreement by providing three months written notice.
- On resignation any options will be forfeited.
- The company may terminate the employment agreement by providing three months written notice or the unexpired period of the agreement in lieu of giving notice, the agreement will then terminate upon such payment being made.
- The company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the Director or Executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause any unvested options will immediately be forfeited.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration of key management personnel and the five highest paid executives of the Company and the Group

Table 1: Remuneration for the year ended 30 June 2008

	Short-term				Post Employment		Long-term		Share-Based Payment	Total	Performance Related
	Salary & Fees	Cash Bonus	Non-monetary benefits	Other	Super-annuation	Retirement benefits	Incentive Plans	Long Service Leave	Options		
Non-Executive Directors	$	$	$	$	$	$	$	$	$	$	%
A C M Bohnenn	77,203	-	-	-	6,948	-	-	-	13,428	97,579	-
R Krasnoff	-	-	-	-	55,325	-	-	-	13,428	68,753	-
D M Macoboy	20,000	-	-	-	-	-	-	-	13,428	33,428	-
D H Stewart	-	-	-	-	39,461	-	-	-	13,428	52,889	-
H R Moser	11,677	-	-	-	-	-	-	-	-	11,677	-
Sub-total Non-Executive Directors	**108,880**	**-**	**-**	**-**	**101,734**	**-**	**-**	**-**	**53,712**	**264,326**	**-**
Executive Directors											
R S Clark	153,612	-	4,537	-	54,019	-	-	-	134,280	346,448	-
A H Nutter	140,215	-	7,459	-	97,094	-	-	-	-	244,768	-
G L W Wedlock*	263,471	-	4,217	-	22,898	-	-	-	(343,887)	(53,301)	-
Other key management personnel											
L W Bould	25,182	-	2,971	-	11,085	-	-	-	-	39,238	-
S Hall	136,995	11,000	7,459	-	116,364	-	-	-	-	271,818	4.05%
N A Marston	225,365	10,750	7,459	-	44,808	-	-	-	-	288,382	3.73%
M Muirhead	108,310	6,000	-	-	9,273	-	-	-	-	123,583	4.86%
L Skotsch	200,730	9,900	7,459	-	17,948	-	-	-	-	236,037	4.19%
Sub-total executive KMP	**1,253,880**	**37,650**	**41,561**	**-**	**373,489**	**-**	**-**		**(209,607)**	**1,496,973**	**2.52%**
Total	**1,362,760**	**37,650**	**41,561**		**475,223**				**(155,895)**	**1,761,299**	**2.14%**

*Note: Unvested Options held by G L W Wedlock automatically lapsed upon his resignation on 22 January 2008. This resulted in a reversal of the share based payment expense during the period.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Table 2: Remuneration for the year ended 30 June 2007

	Short-term				Post Employment		Long-term		Share-Based Payment	Total	Performance Related
	Salary & Fees	Cash Bonus	Non-monetary benefits	Other	Super-annuation	Retirement benefits	Incentive Plans	Long Service Leave	Options		
Non-Executive Directors	$	$	$	$	$	$	$	$	$	$	%
A C M Bohnenn	70,000	-	-	-	-	-	-	-	-	70,000	-
R Krasnoff	-	-	-	-	49,050	-	-	-	-	49,050	-
H R Moser	23,000	-	-	-	-	-	-	-	-	23,000	-
Sub-total Non-executive Directors	**93,000**	**-**	**-**	**-**	**49,050**	**-**	**-**	**-**	**-**	**142,050**	**-**
Executive Directors											
G L W Wedlock	396,461	400,000	-	-	35,682	-	-	-	(354,193)	477,950	9.58%
A H Nutter	120,311	15,000	-	-	98,573	-	-	-	-	233,884	6.41%
Other key management personnel											
S Hall	78,568	20,000	-	-	135,876	-	-	-	-	234,444	8.53%
N A Marston	166,567	20,000	-	-	36,246	-	-	-	-	222,813	8.98%
M Muirhead	87,915	10,000	-	-	8,076	-	-	-	-	105,991	9.43%
L Skotsch	85,573	-	-	-	7,702	-	-	-	-	93,275	-
M Smith	-	-	-	-	8,717	-	-	-	-	8,717	-
Sub-total executive KMP	**935,395**	**465,000**	**-**	**-**	**330,872**	**-**	**-**	**-**	**(354,193)**	**1,377,074**	**8.05%**
Total	**1,028,395**	**465,000**	**-**	**-**	**379,922**	**-**	**-**	**-**	**(354,193)**	**1,519,124**	**7.29%**

REMUNERATION REPORT (AUDITED) (CONTINUED)

Table 3: Compensation Options: Granted and vested during the year (Consolidated)

		Terms and conditions of each Grant						Vested	
30 June 2008	Granted No.	Grant Date	Fair Value per option at grant date ($) (note 20)	Exercise Price per option ($) (note 20)	Expiry date	First Exercise Date	Last Exercise date	No.	%
Directors									
A C M Bohnenn	150,000	20 May 2008	0.48	2.05	6 Mar 2012	6 Mar 2009	6 Mar 2012	-	-
	150,000	20 May 2008	0.34	3.00	6 Mar 2012	6 Mar 2010	6 Mar 2012	-	-
	150,000	20 May 2008	0.27	3.50	6 Mar 2012	6 Mar 2011	6 Mar 2012	-	-
R S Clark	1,500,000	20 May 2008	0.48	2.05	6 Mar 2012	6 Mar 2009	6 Mar 2012	-	-
	1,500,000	20 May 2008	0.34	3.00	6 Mar 2012	6 Mar 2010	6 Mar 2012	-	-
	1,500,000	20 May 2008	0.27	3.50	6 Mar 2012	6 Mar 2011	6 Mar 2012	-	-
R Krasnoff	150,000	20 May 2008	0.48	2.05	6 Mar 2012	6 Mar 2009	6 Mar 2012	-	-
	150,000	20 May 2008	0.34	3.00	6 Mar 2012	6 Mar 2010	6 Mar 2012	-	-
	150,000	20 May 2008	0.27	3.50	6 Mar 2012	6 Mar 2011	6 Mar 2012	-	-
D M Macoboy	150,000	20 May 2008	0.48	2.05	6 Mar 2012	6 Mar 2009	6 Mar 2012	-	-
	150,000	20 May 2008	0.34	3.00	6 Mar 2012	6 Mar 2010	6 Mar 2012	-	-
	150,000	20 May 2008	0.27	3.50	6 Mar 2012	6 Mar 2011	6 Mar 2012	-	-
D H Stewart	150,000	20 May 2008	0.48	2.05	6 Mar 2012	6 Mar 2009	6 Mar 2012	-	-
	150,000	20 May 2008	0.34	3.00	6 Mar 2012	6 Mar 2010	6 Mar 2012	-	-
	150,000	20 May 2008	0.27	3.50	6 Mar 2012	6 Mar 2011	6 Mar 2012	-	-
Total	6,300,000							-	

		Terms and conditions of each Grant						Vested	
30 June 2007	Granted No.	Grant Date	Fair Value per option at grant date ($) (note 20)	Exercise Price per option ($) (note 20)	Expiry date	First Exercise Date	Last Exercise date	No.	%
Directors Nil									
Total	-							-	

REMUNERATION REPORT (AUDITED) (CONTINUED)

Table 4: Options granted as part of remuneration

	Value of options granted during the year $	Value of options exercised during the year $	Value of options lapsed during the year $	Remuneration consisting of options for the year %
A C M Bohnenn	163,500	-	-	13.76
R S Clark	1,635,000	-	-	38.75
R Krasnoff	163,500	-	-	19.53
D M Macoboy	163,500	-	-	40.17
D H Stewart	163,500	-	-	25.39
G L W Wedlock	-	-	-	N/A

There were no alterations to the terms and conditions granted as remuneration since their grant date.

There were 2,500,000 options forfeited on 22 January 2008.

Table 5: Shares issued on exercise of compensation options (consolidated)

30 June 2008	**Shares issued No.**	**Paid per share (note 17) $**	**Unpaid per share $**
Directors			
Nil	**-**	**-**	**-**
Total	**-**		
30 June 2007			
Directors			
G L W Wedlock	1,500,000	0.50	-
Total	**1,500,000**		

Signed in accordance with a resolution of the directors.

Russell StJohn Clark
Managing Director

22nd day of September 2008

Independence declaration from EY

ERNST & YOUNG

Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
www.ey.com/au

Auditor's Independence Declaration to the Directors of Grange Resources Ltd

In relation to our audit of the financial report of Grange Resources Ltd for the financial year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

P McIver
Partner
Perth
22 September 2008

Liability limited by a scheme approved
under Professional Standards Legislation

PMI:KT:GRANGE:024

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Grange Resources Limited is responsible for the corporate governance of the Group. The Board guides and monitors the business affairs of Grange Resources Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

The table below summarises the Company's compliance with the Corporate Governance Council's Recommendations.

	Recommendation	Comply Yes / No	Reference / Explanation
1.1	Formalise and disclose the functions reserved to the Board and those delegated to management.	Yes	Page 31
2.1	A majority of the Board should be independent directors.	No	Page 32
2.2	The chairperson should be an independent director.	No	Page 32
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	Yes	Page 32
2.4	The Board should establish a nomination committee.	No	Page 33
3.1	Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to: • the practices necessary to maintain confidence in the Company's integrity; • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	Page 33
3.2	Disclose the policy concerning trading in Company securities by directors, officers and employees.	Yes	Page 33
4.1	Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.	Yes	Page 33
4.2	The Board should establish an audit committee.	Yes	Page 33
4.3	Structure the audit committee so that it consists of: • only non-executive directors; • a majority of independent directors; • an independent chairperson, who is not chairperson of the Board; • at least three members.	Yes	Page 33
4.4	The audit committee should have a formal charter.	Yes	Page 33
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	Yes	Page 34
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	Yes	Website

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

6.2	Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.	Yes	Page 34
7.1	The Board or appropriate Board committee should establish policies on risk oversight and management.	Yes	Page 34
7.2	The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the Board in writing that: • the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; • the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.	Yes	Page 34
8.1	Disclose the process for performance evaluation of the Board, its committees and individual directors, and key executives.	Yes	Page 34
9.1	Provide disclosure in relation to the Company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.	Yes	Page 35
9.2	The Board should establish a remuneration committee.	Yes	Page 35
9.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	Yes	Page 35
9.4	Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.	Yes	Page 35
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.	Yes	Page 35

Except for where noted above Grange Resources Limited's corporate governance practices were in place throughout the year ended 30 June 2008.

Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by Grange Resources Limited, refer to our website:

www.grangeresources.com.au

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Principle 1: Lay Solid Foundations for Management and Oversight

The Board's primary role is the protection and enhancement of shareholder value.

The key responsibilities of the Board include:

- developing long-term corporate objectives and strategy with management and approving plans, new investments, major capital and operating expenditures and major funding activities proposed by management;
- defining and setting performance expectations for the Company and monitoring actual performance;
- appointing and reviewing the performance of the Managing Director and senior management;
- assuring itself that there are effective health, safety, environmental and operational procedures in place;
- assuring itself that there is effective budgeting and financial supervision;
- assuring itself that appropriate audit arrangements are in place;
- satisfying itself there are effective reporting systems that will assure the Board that proper financial, operational, compliance, risk management and internal control processes are in place and functioning appropriately;
- satisfying itself that the annual financial statements of the Company fairly and accurately set out the financial position at year end, and the financial performance during the year;
- assuring itself that the Company has adopted a Code of Corporate Ethics and that Company practice is consistent with that Code; and
- reporting to and advising shareholders.

The responsibility for the operation and administration of the Company is delegated, by the Board, to the CEO and the executive management team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the CEO and the executive management team.

Whilst at all times the Board retains full responsibility for guiding and monitoring the Company, in discharging its stewardship it makes use of sub-committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the Board.

To this end the Board has established the following committees:
- Audit & Compliance
- Remuneration

The roles and responsibilities of these committees are discussed throughout this Corporate Governance Statement.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risk identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved including:
- Board approval of a strategic plan designed to meet stakeholders' needs and manage business risk;
- ongoing development of the strategic plan and approving initiatives and strategies designed to ensure that continued growth and success of the entity; and
- implementation of budgets by management and monitoring progress against budget – via the establishment and reporting of both financial and non financial key performance indicators.

Other functions reserved to the Board include:
- approval of the annual and half-yearly financial reports;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- ensuring that any significant risks that arise are identified, assessed, appropriately managed and monitored;
- reporting to shareholders.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Principle 2: Structure the Board to Add Value

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report. Directors of Grange Resources Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement.

Independence
In the context of director independence, 'materiality' is considered from both the Group and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the director in question to shape the direction of the Group's loyalty.

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of Grange Resources Limited are considered to be independent:

Name	**Position**
R Krasnoff	Non-executive Director
D M Macoboy	Non-executive Director
D H Stewart	Non-executive Director

The Company has not been compliant in respect to Corporate Governance Council's Recommendation 2.1 for the entire year.

During the year the Board composition was:

Period	Independent Directors	Non-independent Directors	Total Number of Directors	Compliant with Recommendation 2.1
1 July – 22 October 2007	2	3	5	No
23 October - 29 November 2007	3	3	6	No
30 November – 31 December 2007	4	3	7	Yes
1 January – 22 January 2008	3	3	6	No
23 January – 5 March 2008	3	2	5	Yes
6 March – 30 June 2008	3	3	6	No

The Company's approach differs from the recommendation due to the fact that during the year it had 2 executive directors who are not independent and the non-executive Chairman is not independent due to his substantial shareholder status. However the intent of the Company has to been to be compliant or at least to have an equal number of independent Non-Executive directors to non-independent directors on the Board. This approach has resulted in 2 new Non-Executive directors joining the Board during the year with the relevant expertise to ensure that independent judgement is applied to all Board decisions.

There are procedures in place, agreed by the Board, to enable directors in furtherance of their duties to seek independent professional advice at the Company's expense.

The term in office held by each director in office at the date of this report is as follows:

Name	**Term in Office**
A C M Bohnenn	7 years
R S Clark	6 months
R Krasnoff	3 years
D M Macoboy	10 months
A H Nutter	7 years
D H Stewart	11 months

For additional details regarding Board appointments, please refer to our website.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Nomination Committee
Due to the small size of the Company's Board, it has not formally established a Nomination Committee for the purposes of managing the selection, review and appointment practices for Board members. Nonetheless Board processes are in place to address the issues normally considered by the Nomination Committee as they arise.

Principle 3: Promote ethical and responsible decision making

The Board and all employees are expected to uphold high levels of integrity and professionalism in their relationships with all the Group's stakeholders. Summarised below are the core codes and policies which apply and have been reviewed during 2008. Further detail on these codes and policies is available from the company website.

Code of Conduct
The Code of Conduct describes the standard for appropriate ethical and professional behaviour for all Directors, employees and contractors working for the Group. The Code of Conduct requires all Directors, employees and contractors to conduct business with the highest ethical standards, including compliance with the law, and to report or avoid conflict of interest situations. Compliance with the Code of Conduct is mandatory with breaches taken seriously.

Trading Policy
To safeguard against insider trading, the Company's Securities Trading Policy prohibits an executive or Director from trading in any securities of the Company at any time when they are in possession of unpublished, price-sensitive information in relation to those securities.

Before commencing to trade, an executive must first obtain the approval of the Company Secretary to do so and a Director must first obtain approval of the Chairman.

Only in exceptional circumstances will approval be forthcoming outside of the period which is four weeks after:
- one day following the announcement of the half yearly and full year results as the case may be;
- one day following the holding of the Annual General Meeting;
- one day after any other form of earnings forecast update is given to the market.

As required by the ASX Listing Rules, the Company notifies the ASX of any transaction conducted by Directors in the securities of the Company.

Principle 4: Safeguard integrity in financial reporting

The Managing Director and Chief Financial Officer have each declared in writing to the board that the financial records for the Company for the year have been properly maintained and present a true and fair view of the Company's financial condition and operating results, in accordance with the Corporations Act and the relevant accounting standards.

Audit and Compliance Committee
The Board has established an Audit and Compliance Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the Group. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated responsibility for establishing and maintaining a framework of internal control and ethical standards to the Audit and Compliance Committee.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the Audit and Compliance Committee are non-executive directors being:

A C M Bohnenn (committee chairman to June 08)
R Krasnoff
D M Macoboy (committee chairman from June 08)
D H Stewart (appointed June 08)
N A Marston (attending role only)

N A Marston is the current Chief Financial Officer of the Group.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Principle 5: Make timely and balanced disclosure

Grange is committed to providing relevant up-to-date information to its shareholders and the broader investment community in accordance with its continuous disclosure obligations under the ASX Limited Listing Rules and the Corporations Act.

The Board has implemented a Continuous Disclosure Policy to ensure that information considered material by the Company is immediately reported to the ASX Limited. Other information such as company presentations is also disclosed to the ASX and on the company website.

The Company website provides access to all current and historical information, including ASX announcements, financial reports and other releases.

Principle 6: Respect the rights of shareholders

In adopting a Continuous Disclosure Policy the Board ensures that shareholders are provided with up-to-date information.

Communication to shareholders is facilitated by the production of the annual report, quarterly and half yearly reports, public announcements and the posting of all ASX announcements and other information on the Company's website.

Shareholders are encouraged to attend and participate in the Annual General Meeting of the Company. Shareholders may raise questions at the AGM and the external auditor is in attendance at such meetings to address any questions in relation to the conduct of the audit.

Principle 7: Recognise and manage risk

The Board determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. A summary of the Company's Risk Management Policy is available on the Company's website.

The Board oversees an annual assessment of the effectiveness of risk management and internal compliance and control. The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required by the Board to assess risk management and associated internal compliance and control procedures and report back on the efficiency and effectiveness of risk management by benchmarking the Company's performance to the Australia/New Zealand Standard on Risk Management (AS/NZ 4360).

The Chief Executive Officer and Chief Financial Officer have provided a written statement to the Board that:

- their view provided on the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board; and
- that the Company's risk management and internal compliance and control system is operating effectively in all material respects.

Principle 8: Encourage enhanced performance

The performance of the Board was not formally assessed during the reporting period due to the substantial number of board changes which occurred during the year. However a policy of formal assessment of board member performance has been established by the Company and is available on the Company's website.

The performance of key executives is reviewed regularly against both measurable and qualitative indicators. During the reporting period, the Remuneration Committee conducted performance evaluations that involved an assessment of each key executive's performance against specific and measurable qualitative and quantitative performance criteria. The performance criteria against which executives are assessed are aligned with the financial and non-financial objectives of the Company.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Principle 9: Remunerate fairly and responsibly

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Remuneration Committee links the nature and amount of executive directors' and officers' remuneration to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

- retention and motivation of key executives;
- attraction of high quality management to the Company; and
- performance incentives that allow executives to share in the success of Grange Resources Limited.

Board Remuneration
The total annual remuneration paid to non-executive directors may not exceed the limit set by the shareholders at an annual general meeting (currently $300,000).

In addition 1,800,000 Director Options were granted by shareholders in May 2008 to non-executive Directors to act as an incentive for these Directors to align themselves with the Company's strategic plan focusing on optimising performance with the benefits flowing through to enhanced Shareholder returns.

The Board acknowledges the grant of Director Options to the non-executive Directors is contrary to ASX Corporate Governance Principles and Recommendations. However, the Board considers the grant of Director Options to be reasonable in the circumstances, given the necessity to attract the highest calibre of professionals to the Company, whilst maintaining the Company's cash reserves.

There is no scheme to provide retirement benefits to non-executive directors.

Executive Remuneration
For a full discussion of the Company's remuneration philosophy and framework and the remuneration received by directors and executives in the current period please refer to the Remuneration Report, which is contained within the Directors' Report.

For details on the number of meetings of the Remuneration Committee held during the year and the attendees at those meetings, refer to the Directors Report.

Principle 10: Recognise the legitimate interests of stakeholders

Grange has established a Code of Conduct which provides Directors, employees and contractors with guidance on compliance with legal and other obligations to legitimate stakeholders.

More information on Grange's Code of Conduct is available from the Company's website.

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INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2008

		Consolidated		Grange Resources Limited	
	NOTE	**2008**	**2007**	**2008**	**2007**
		$	**$**	**$**	**$**
Sale of iron ore		153,654	-	-	-
Royalties		734,882	2,856,211	670,947	2,633,510
Finance revenue		778,887	837,591	778,887	837,591
Revenue from continuing operations	3(a)	1,667,423	3,693,802	1,449,834	3,471,101
Cost of sales	3(b)	(312,747)	-	-	-
Gross profit		1,354,676	3,693,802	1,449,834	3,471,101
Other income	3(c)	25,108	132,510	21,316	129,346
Gain on Sale of Asset	3(d)	4,245,192	-	4,245,192	-
Administrative expenses	3(e)	(2,160,999)	(2,483,393)	(1,620,238)	(2,033,742)
Employee benefits expense	3(f)	(2,260,932)	(1,816,000)	(2,139,051)	(1,741,780)
Other expenses	3(g)	(199,765)	(299,652)	-	-
Profit / (loss) from continuing operations before tax and borrowing costs		1,003,280	(772,733)	1,957,052	(175,075)
Borrowing costs	3(h)	(4,544)	-	-	-
Profit / (loss) from continuing operations before income tax		998,736	(772,733)	1,957,052	(175,075)
Income tax expense	4	-	-	-	-
Profit / (loss) from continuing operations after income tax expense		998,736	(772,733)	1,957,052	(175,075)
Attributable to:					
- Minority interest		67,600	-	-	-
- Members of the Parent		931,136	(772,733)	1,957,052	(175,075)
Basic earnings / (loss) per share (cents per share)	23	0.82	(0.76)		
Diluted earnings / (loss) per share (cents per share)	23	0.82	(0.76)		

The above Income Statement should be read in conjunction with the accompanying notes.

BALANCE SHEET

AS AT 30 JUNE 2008

	NOTE	Consolidated 2008 $	Consolidated 2007 $	Grange Resources Limited 2008 $	Grange Resources Limited 2007 $
ASSETS					
Current Assets					
Cash and cash equivalents	5	7,659,988	13,492,474	7,085,996	13,109,925
Trade and other receivables	6	1,009,966	2,948,032	1,186,513	627,935
Prepayments		50,208	60,945	50,208	60,945
Total Current Assets		8,720,162	16,501,451	8,322,717	13,798,805
Non-Current Assets					
Trade and other receivables	7	5,225,231	2,705,231	6,770,224	4,115,204
Other financial assets	8	-	480,975	5,242,301	5,242,301
Property, plant & equipment	11	5,926,062	912,908	4,854,395	610,123
Exploration and evaluation	12	80,994,463	30,140,366	78,219,209	29,088,659
Total Non-Current Assets		92,145,756	34,239,480	95,086,129	39,056,287
TOTAL ASSETS		100,865,918	50,740,931	103,408,846	52,855,092
LIABILITIES					
Current Liabilities					
Trade and other payables	13	1,324,514	1,354,261	1,248,860	1,143,893
Provisions	14	387,923	3,661,278	157,911	726,149
Loans and borrowings	16	-	-	32,769,653	32,546,868
Total Current Liabilities		1,712,437	5,015,539	34,176,424	34,416,910
Non-Current Liabilities					
Provisions	15	4,038,679	-	584,603	-
Total Non-Current Liabilities		4,038,679	-	584,603	-
TOTAL LIABILITIES		5,751,116	5,015,539	34,761,027	34,416,910
NET ASSETS		95,114,802	45,725,392	68,647,819	18,438,182
EQUITY					
Equity attributable to equity holders of the parent					
Contributed equity	17(a)	86,048,017	63,662,384	86,048,017	63,662,386
Reserves	18	29,763,948	3,903,283	29,779,753	3,912,799
Accumulated losses	18	(20,909,139)	(21,840,275)	(47,179,951)	(49,137,003)
Total Parent Entity Interest in Equity		94,902,826	45,725,392	68,647,819	18,438,182
Minority Interests		211,976	-	-	-
TOTAL EQUITY		95,114,802	45,725,392	68,647,819	18,438,182

The above Balance Sheet should be read in conjunction with the accompanying notes.

STATEMENT OF RECOGNISED INCOME AND EXPENSE

FOR THE YEAR ENDED 30 JUNE 2008

	NOTE	Consolidated 2008 $	Consolidated 2007 $	Grange Resources Limited 2008 $	Grange Resources Limited 2007 $
Foreign currency translation	18	(6,290)	(9,516)	-	-
Net income / (expense) recognised directly in equity		(6,290)	(9,516)	-	-
Profit / (loss) for the year		998,736	(772,733)	1,957,052	(175,075)
Total recognised income / (expense) for the year		992,446	(782,249)	1,957,052	(175,075)
Total recognised income / (expense) for the year is attributable to:					
Members of Grange Resources Limited		924,846	(782,279)	1,957,052	(175,075)
Minority Interest		67,600	-	-	-
		992,446	(782,249)	1,957,052	(175,075)

CASHFLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2008

		Consolidated		Grange Resources Limited	
	NOTE	2008	2007	2008	2007
		$	$	$	$
Cash flows from operating activities					
Receipts from customers		827,506	3,123,629	322,443	2,984,556
Payments to suppliers and employees		(4,736,166)	(4,482,933)	(3,183,460)	(3,624,362)
Interest received		778,887	837,591	778,887	837,591
Borrowing costs		-	-	-	-
Receipt of government grants		-	32,211	-	32,211
Net cash flows from / (used in) operating activities	5	(3,129,773)	(489,502)	(2,082,130)	229,996
Cash flows from investing activities					
Payment for exploration and evaluation		(12,357,821)	(6,645,520)	(11,476,120)	(5,565,470)
Payments for property, plant and equipment		(5,845,073)	(32,413)	(5,845,073)	(31,136)
Payment for convertible note & investments		-	(480,975)	-	(661,163)
Proceeds from sale of property, plant and equipment		15,835,999	-	15,835,999	-
Proceeds from / (payment of) security deposit		(300,000)	137,500	(300,000)	137,500
Net cash flows from / (used in) investing activities		(2,666,895)	(7,021,408)	(1,785,194)	(6,120,269)
Cash flows from financing activities					
Proceeds from borrowings from controlled entities within wholly owned group		-	-	-	-
Loans to controlled entities within wholly owned group		-	-	(2,132,235)	(1,793,766)
Proceeds from issue of fully paid shares	17	-	12,350,000	-	12,350,000
Payment for share costs		(29,527)	(393,238)	(24,370)	(393,238)
Proceeds from exercise of share options	17	-	750,000	-	750,000
Net cash flows from / (used in) financing activities		(29,527)	12,706,762	(2,156,605)	10,912,996
Net increase / (decrease) in cash and cash equivalents		(5,826,195)	5,195,852	(6,023,929)	5,022,723
Net foreign exchange differences		(6,291)	(9,515)	-	-
Cash and cash equivalents at beginning of the financial year		13,492,474	8,306,137	13,109,925	8,087,202
Cash and cash equivalents at end of the financial year	5	**7,659,988**	**13,492,474**	**7,085,996**	**13,109,925**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. CORPORATE INFORMATION

The financial report of Grange Resources Limited (the Company) for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the directors on 22 September 2008.

Grange Resources Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group is mining and exploration.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards.

The financial report has been prepared on a historical cost basis.

The financial report is presented in Australian dollars and all values are in whole dollars.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) and the Urgent Issues Group that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2007. The adoption of these new and revised Standards and Interpretations did not have any effect on the financial position or performance of the Group.

Applicable Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2008. These are outlined in the table below:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB Int. 12 and AASB 2007-2	Service Concession Arrangements and consequential amendments to other Australian Accounting Standards	Clarifies how operators recognise the infrastructure as a financial asset and/or an intangible asset – not as property, plant and equipment.	1 January 2008	Unless the Group enters into service concession arrangements or public-private-partnerships (PPP), the amendments are not expected to have any impact on the Group's financial report.	1 July 2008
AASB Int. 4 (Revised)	Determining whether an Arrangement contains a Lease	The revised Interpretation specifically scopes out arrangements that fall within the scope of AASB Interpretation 12.	1 January 2008	Refer to AASB Int. 12 and AASB 2007-2 above.	1 July 2008
AASB Int. 129	Service Concession Arrangements: Disclosures	Requires disclosure of provisions or significant features necessary to assist in assessing the amount, timing and certainty of future cash flows and the nature and extent of the various rights and obligations involved. These disclosures apply to both grantors and operators.	1 January 2008	Refer to AASB Int. 12 and AASB 2007-2 above.	1 July 2008
AASB Int. 13	Customer Loyalty Programmes	Deals with the accounting for customer loyalty programmes, which are used by companies to provide incentives to their customers to buy their products or use their services.	1 July 2008	The Group does not have any customer loyalty programmes and as such this interpretation is not expected to have any impact on the Group's financial report.	1 July 2008
AASB Int. 14	AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Aims to clarify how to determine in normal circumstances the limit on the asset that an employer's balance sheet may contain in respect of its defined benefit pension plan.	1 January 2008	The Group does not have a defined benefit pension plan and as such this interpretation does not have an impact on the Group's financial report.	1 July 2008
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New standard replacing AASB 114 *Segment Reporting*, which adopts a management reporting approach to segment reporting.	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements, although it may indirectly impact the level at which goodwill is tested for impairment. In addition, the amendments may have an impact on the Group's segment disclosures.	1 July 2009

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	These amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial report.	1 July 2009
AASB 101 (Revised) and AASB 2007-8	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Group has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 July 2009
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	The Group has share-based payment arrangements that may be affected by these amendments. However, the Group has not yet determined the extent of the impact, if any.	1 July 2009
AASB 2008-2	Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation	The amendments provide a limited exception to the definition of a liability so as to allow an entity that issues puttable financial instruments with certain specified features, to classify those instruments as equity rather than financial liabilities.	1 January 2009	These amendments are not expected to have any impact on the Group's financial report as the Group does not have on issue or expect to issue any puttable financial instruments as defined by the amendments.	1 July 2009

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 3 (Revised)	Business Combinations	The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered into – to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	The Group has not yet assessed the impact of early adoption, including which accounting policy to adopt.	1 July 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction.	1 July 2009	If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or a loss in the Group's income statement.	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127.	1 July 2009	Refer to AASB 3 (Revised) and AASB 127 (Revised) above.	1 July 2009

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
Amendments to International Financial Reporting Standards	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to IAS 27 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.	1 January 2009	Recognising all dividends received from subsidiaries, jointly controlled entities and associates as income will likely give rise to greater income being recognised by the parent entity after adoption of these amendments. In addition, if the Group enters into any group reorganisation establishing new parent entities, an assessment will need to be made to determine if the reorganisation meets the conditions imposed to be effectively accounted for on a 'carry-over basis' rather than at fair value.	1 July 2009
Amendments to International Financial Reporting Standards	Improvements to IFRSs	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.	1 January 2009 except for amendments to IFRS 5, which are effective from 1 July 2009.	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009
IFRIC 15	Agreements for the Construction of Real Estate	This interpretation proposes that when the real estate developer is providing construction services to the buyer's specifications, revenue can be recorded only as construction progresses. Otherwise, revenue should be recognised on completion of the relevant real estate unit.	1 January 2009	The Group does not enter into agreements to provide construction services to the buyer's specifications and as such this interpretation is not expected to have any impact on the Group's financial report.	1 July 2009

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	This interpretation proposes that the hedged risk in a hedge of a net investment in a foreign operation is the foreign currency risk arising between the functional currency of the net investment and the functional currency of any parent entity. This also applies to foreign operations in the form of joint ventures, associates or branches.	1 January 2009	The Interpretation is unlikely to have any impact on the Group since it does not significantly restrict the hedged risk or where the hedging instrument can be held.	1 July 2009

Adoption of new accounting standard
The Group has adopted AASB 7 *Financial Instruments; Disclosures* and all consequential amendments which became applicable on 1 January 2007. The adoption of this standard has only affected the disclosure in these financial statements. There has been of affect on profit and loss or the financial position of the entity.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Grange Resources Limited and all of its controlled entities. Control exists where Grange Resources Limited has the capacity to dominate the decision making relative to the financial and operating policies of another entity so that the other entity operates with Grange Resources Limited to achieve the objectives of Grange Resources Limited.

A list of controlled entities is contained in note 9 to the accounts. The financial statements of the controlled entities are prepared for the same reporting period as the parent company, using consistent accounting policies. All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation.

Where controlled entities have entered or left the Group during the year, their operating results have been included from the date control was obtained or until the date control ceased.

(d) Segment reporting

A business segment is a distinguishable component of the Company that is engaged in providing products or services that are subject to risks and returns that are different to those of other business segments.

A geographical segment is a distinguishable component of the Company that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different than those of segments operating in other economic environments.

(e) Foreign currency translation

Functional and presentation currency

Both the functional and presentation currency of Grange Resources Limited and its Australian subsidiaries are Australian dollars ($). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

All exchange differences in the consolidated financial report are taken to profit and loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss. On disposal of a foreign operation, the cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the foreign operations, Grange Minerals Sdn Bhd and Grange Developments Sdn Bhd, is Malaysian ringgit (MYR).

As at the reporting date the asset and liabilities of these subsidiaries are translated into the presentation currency of Grange Resources Limited at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rate for the year.

The exchange differences arising on the translation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit and loss.

(f) Significant accounting judgements, estimates and assumptions

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The accounting policies have been consistently applied by each entity in the Group.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, using the assumptions detailed in note 20.

Provision for decommissioning and restoration costs

Decommissioning and restoration costs are a normal consequence of mining, and the majority of this expenditure is incurred at the end of a mine's life. In determining an appropriate level of provision consideration is given to the expected future costs to be incurred, the timing of these expected future costs (largely dependent on the life of the mine), and the estimated future level of inflation

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The ultimate cost of decommissioning and restoration is uncertain and costs can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other mine sites. The expected timing of expenditure can also change, for example in response to changes in reserves or to production rates.

Changes to any of the estimates could result in significant changes to the level of provisioning required, which would in turn impact future financial results.

(g) Revenue recognition and other income

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the arrangements.

Interest revenue

Interest revenue is recognised as the interest accrues using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying value amount of the financial asset.

Other income - Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

(i) Leases

Leases are classified as either operating or finance leases based on the economic substance of their agreement so as to reflect the risks and benefits incidental to ownership.

Leases that effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Group are capitalised at the present value of the minimum lease payments and disclosed as property plant and equipment. A lease liability of equal value is also recognised. Lease payments are apportioned between finance charges and the reduction of the lease liability so as to achieve a consistent rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the Income Statement.

Capitalised lease assets are depreciated over the shorter of the estimated useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the Income Statement as an integral part of the total lease expense.

(j) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(k) Trade and other receivables

Trade and other receivables are recognised and carried at the original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. Bad debts are written off when identified.

Trade terms are determined by contractual agreement or otherwise on a 14 day basis.

(l) Inventories

Inventories comprise broken ore, work in progress and concentrate which are carried at the lower of cost and net realisable value.

Costs represent weighted average cost and include direct costs and an appropriate portion of fixed and variable overhead expenditure, including amortisation.

Net realisable value is the amount estimated to be obtained from sale of the item of inventory in the normal course of business, less any anticipated costs to be incurred prior to its sale.

(m) Income tax

Current income tax and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

(i) where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except:

(i) where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

(ii) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation

Grange Resources Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2002.

The head entity, Grange Resources Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, Grange Resources Limited also recognised the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreement with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(n) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

a. when GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

b. receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(o) Interests in jointly controlled assets

The Group’s interest in its jointly controlled assets are accounted for by recognising the Group’s assets and liabilities from the joint venture, as well as expenses incurred by the Group and the Group’s share of income earned from the joint venture, in the consolidated financial statements.

Where part of a joint venture interest is farmed out in consideration of the farm-in party undertaking to incur further expenditure on behalf of both the farm-in party and the entity in the joint venture area of interest, exploration expenditure incurred and carried forward prior to farm out continues to be carried forward without adjustment, unless under the terms of the farm out it is considered excessive based on the diluted interest retained. A provision is then made to reduce exploration expenditure to its recoverable amount. Any cash received in consideration for farming out part of a joint venture interest is treated as a reduction in the carrying value of the related mineral property.

(p) Property, plant and equipment

Plant and equipment are brought to account at cost less, where applicable, any accumulated depreciation, amortisation or impairment in value.

Land and buildings are measured at cost less, where applicable, any accumulated depreciation, amortisation or impairment in value.

Property, plant and equipment are depreciated to their residual value at rates based upon the life of the individual asset or the life of the mine, whichever is considered shorter. Depreciation rates used are as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Buildings	10% straight line per annum
Furniture and fittings	14% straight line per annum
Computer equipment	27% straight line per annum
Mining plant and equipment	27% straight line per annum

The assets residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, at each financial year end.

Impairment

The carrying amount of property, plant and equipment is reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs unless the asset's value in use can be estimated to be close to its fair value. If any indication of impairment exists, and where the carrying values exceed the estimated recoverable amount, the asset or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(q) Mineral exploration and evaluation expenditure

Mining tenements and capitalised exploration expenditure (including acquisition costs) are stated at cost, less, where applicable, any accumulated amortisation. The carrying amount of deferred mineral exploration and evaluation expenditure is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets.

The future recoverability of capitalised exploration expenditure is dependent on a number of factors, including the level of proved, probable and inferred mineral resources, future technological changes that could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

Costs arising from the acquisition, exploration and evaluation relating to an area of interest are carried forward provided that rights to tenure of the area of interest are current and provided further that at least one of the following conditions is met:

(i) such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or
(ii) exploration and evaluation activities in the area of interest have not at balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

To the extent that capitalised exploration expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

Ultimate recoupment of these costs is dependent on the successful development and commercial exploitation or sale, of the respective areas of interest.

(r) Development properties

Development expenditure incurred by, or on behalf of, the entity is accumulated separately for each area of interest in which economically recoverable reserves have been identified to the satisfaction of the directors.

Once a development decision has been taken, all past and future exploration and evaluation expenditure in respect of the area of interest is aggregated with the costs of development and classified under non-current assets as "Development Properties".

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The future recoverability of development properties is dependent on a number of factors, including the level of proved, probable and inferred mineral resources, future technological changes that could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

All expenditure incurred prior to the commencement of commercial levels of production from each development property is carried forward to the extent to which recoupment out of revenue to be derived from the sale of production from the relevant development property, or from the sale of that property, is reasonably assured.

To the extent that capitalised mine development expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

No amortisation is provided in respect of development properties until they are reclassified as "Production Properties" following a decision to commence mining.

(s) Production properties

Production properties represent the accumulation of all exploration, evaluation and development expenditure incurred by, or on behalf of, the entity in relation to areas of interest in which mining of a mineral resource has commenced.

Where further development expenditure is incurred in respect of a production property after the commencement of production, such expenditure is carried forward as part of the cost of that production property only when substantial future economic benefits are thereby established, otherwise such expenditure is classified as part of the cost of production.

Costs on production properties in which the Group has an interest are amortised over the life of the area of interest to which such costs relate on the production output basis.

The net carrying value of each production property is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets.

(t) Provisions for site restoration

The Group records the present value of the estimated cost of legal and constructive obligations (such as those under the Group's Environmental Policy) to restore operating locations in the period in which the obligation is incurred. The nature of restoration activities includes dismantling and removing structures, rehabilitating mines, dismantling operating facilities, closure of plant and waste sites and restoration, reclamation and revegetation of affected areas.

Typically the obligation arises when the asset is installed at the production location. When the liability is initially recorded, the estimated cost is capitalised by increasing the carrying amount of the related mining assets. Over time, the liability is increased for the change in the present value based on the discount rates that reflect the current market assessments and the risks specific to the liability. Additional disturbances or changes in rehabilitation costs are recognised as additions or changes to the corresponding asset and rehabilitation liability when incurred.

The unwinding of the effect of discounting on the provision is recorded as a finance cost in the income statement. The carrying amount capitalised is depreciated over the life of the related asset.

(u) Investments and other financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified in the following categories where appropriate: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the profit and loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(v) Investments in associates

The Group's investment in its associates is accounted for using the equity method of accounting in the consolidated financial statements. The associates are entities over which the Group has significant influence and that are neither subsidiaries nor joint ventures.

Under the equity method, investments in the associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates.

The Group's share of its associates post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

(w) Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset including capitalised exploration and evaluation and capitalised development expenditure may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in the income statement.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have deceased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(x) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(y) Borrowings

All borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(z) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(aa) Employee entitlements

Wages, salaries, annual, sick and long service leave

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, sick leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Share-based payment transactions

The Group provides benefits to employees (including directors) in the form of share-based payment transactions, whereby employees render services in exchange for share rights or options (“equity-settled transactions”).

The current plan in place is the Grange Resources Limited Long Term Incentive Plan.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using the enhanced trinomial method.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Grange Resources Ltd (“market conditions”).

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (“vesting date”).

The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects:

(i) the extent to which the vesting period has expired and;

(ii) the number of awards that, in the opinion of the Board of the Group, will ultimately vest.

This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of those conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where an equity-settled award is modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modifications, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(bb) Earnings per share (EPS)

Basic earnings per share is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effects of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses;
- other non-discretionary changes in revenue or expenses during the period that would result from the dilution of potential ordinary shares;

Divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(cc) Contributed equity

Ordinary share capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction, net of tax, of the share proceeds received.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3. REVENUES, OTHER INCOME & EXPENSES

	Consolidated		Grange Resources Limited	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Revenue and expenses from continuing operations				
(a) Revenue				
Revenue from sale of iron ore	153,654	-	-	-
Revenue from royalties	734,882	2,856,211	670,947	2,633,510
Finance revenue	778,887	837,591	778,887	837,591
	1,667,423	3,693,802	1,449,834	3,471,101
Breakdown of finance revenue:				
Interest received from other persons / corporations	778,887	837,591	778,887	837,591
	778,887	837,591	778,887	837,591
(b) Costs of sales				
Included in cost of sales:				
Amortisation of deferred exploration, evaluation and development costs	11,728	-	-	-
Production costs	301,019	-	-	-
	312,747	-	-	-
(c) Other income				
Government grants	-	32,211	-	32,211
Sundry income	25,108	100,299	21,316	97,135
	25,108	132,510	21,316	129,346
(d) Gain on Sale of Asset				
Sale of 30% interest in the land relating to the Southdown Magnetite Project	4,245,192	-	4,245,192	-
	4,245,192	-	4,245,192	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Consolidated		Grange Resources Limited	
	2008	2007	2008	2007
	$	$	$	$
(e) Administration expenses				
Included in administrative expenses:				
Audit	76,329	67,032	65,555	59,075
Consultants	455,999	382,401	183,208	188,640
Contractors	107,251	90,545	84,731	40,105
Depreciation	97,797	84,556	84,661	81,415
Freight	22,021	21,549	885	19,473
Insurance	77,549	70,010	65,720	64,466
Investor relations	46,364	44,695	46,364	44,694
Legal	206,206	400,256	119,694	283,412
Minimum lease commitments – operating lease	109,787	101,840	109,787	101,840
Public relations	79,077	109,887	79,077	109,887
Rent outgoings	226,509	86,159	215,720	86,159
Travel	261,268	424,950	205,871	420,452
Other	394,842	599,513	358,965	534,124
	2,160,999	2,483,393	1,620,238	2,033,742
(f) Employee benefits expenses				
Payroll cost	2,240,316	2,045,346	2,126,128	1,976,405
Defined contribution plan expense	176,511	124,847	168,818	119,568
Share-based payments expense	(155,895)	(354,193)	(155,895)	(354,193)
	2,260,932	1,816,000	2,139,051	1,741,780
(g) Other expenses				
Horseshoe expenses (i)	199,765	299,652	-	-
	199,765	299,652	-	-

(i) Horseshoe expenses are the ongoing care and maintenance costs of the Horseshoe Gold Mine that ceased production in May 1994.

	Consolidated 2008 $	Consolidated 2007 $	Grange Resources Limited 2008 $	Grange Resources Limited 2007 $
(h) Borrowing costs				
Interest paid to non-related entities	4,544	-	-	-
	4,544	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4. INCOME TAX EXPENSE

		Consolidated		Grange Resources Limited	
		2008	**2007**	**2008**	**2007**
		$	**$**	**$**	**$**
(a)	Major components of income tax expense for the years ended 30 June 2008 and 2007 are:	-	-	-	-
	Income Statement				
	Current income tax				
	Current income tax charge / (benefit)	(14,676,293)	(3,109,031)	(11,247,747)	(1,877,372)
	Deferred income tax				
	Relating to origination and reversal of temporary differences	14,919,153	1,468,892	14,315,173	1,754,346
	Utilisation of previously unrecognised tax losses	(242,860)	-	(3,067,426)	-
	Timing differences not recognised	-	1,640,139	-	123,026
	Income tax expense reported in income statement	-	-	-	-
		-	-	-	-
	Statement of changes in equity				
	Income tax liability reported in equity	-	-	-	-
(b)	A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the years ended 30 June 2008 and 2007 is as follows:				
	Accounting profit / (loss) before tax	931,136	(772,733)	1,957,052	(175,075)
	At statutory income tax rate of 30% (2007: 30%)	279,341	(231,820)	587,116	(52,523)
	Non-deductible / (non-assessable) items	(36,481)	(44,845)	(37,101)	(44,845)
	Non-deductible provision for non-recovery of loan to controlled entity	-	-	-	-
	Over / under adjustment	-	(1,396,738)	-	(25,658)
	Non-deductible decrement in carrying value of assets	-	-	-	-
	Deductible research & development claim	-	-	-	-
	(Utilisation of previously unrecognised tax losses) / unrecognised tax losses	(242,860)	1,673,403	(550,015)	123,026
	Income tax expense reported in income statement	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(c) Deferred income tax

Deferred income tax at 30 June relates to the following:

	Balance Sheet		Income statement	
	2008	2007	2008	2007
	$	$	$	$
CONSOLIDATED				
Deferred tax liabilities				
Accrued income	(27,757)	(111,917)	(84,160)	(149,211)
Accelerated deductions for tax purposes	-	-	-	-
Other receivable	(688,491)	(666,000)	22,491	(791)
Deferred mining exploration	-	-	-	-
Exploration	(23,557,771)	(8,633,992)	14,923,779	1,601,844
	(24,274,019)	(9,411,909)		
Deferred tax assets				
Accelerated depreciation for tax purposes	162,490	162,490	-	-
Foreign exchange	(1,907)	20,424	22,331	(5,817)
Accrued expenses	9,000	11,265	2,265	16,632
Provision for employee entitlements	47,374	42,464	(4,910)	(885)
Blackhole costs	78,170	105,609	27,439	-
Provision for rehabilitation	605,607	380,920	(224,687)	7,120
Provision for restoration	675,000	675,000	-	-
Retirement Asset	(234,605)	-	234,605	
Carried forward losses	28,481,310	13,805,017	(14,676,293)	-
Deferred tax assets not bought to account as	-	-		
realisation is not regarded as probable	(5,548,420)	(5,791,280)	(242,860)	-
	24,274,019	9,411,909		
Deferred tax expense			-	1,468,892
Net deferred tax recognised in the balance sheet	-	-		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Balance Sheet		Income statement	
	2008	2007	2008	2007
	$	$	$	$
PARENT				
Deferred tax liabilities				
Accrued income	-	(83,845)	(83,845)	82,709
Accelerated deductions for tax purposes	-	-	-	-
Deferred mining	-	-	-	-
Exploration	(23,133,215)	(8,726,596)	14,406,619	1,659,353
	(23,133,215)	(8,810,441)	14,322,774	1,742,062
Deferred tax assets				
Accelerated depreciation for tax purposes	-	-	-	-
Foreign exchange	50,465	20,424	(30,041)	(5,817)
Accrued expenses	9,000	8,911	(89)	18,986
Provision for employee entitlements	47,374	42,464	(4,910)	(885)
Blackhole costs	78,170	105,609	27,439	-
Provision for rehabilitation	175,381	175,381	-	-
Carried forward losses	26,775,762	15,528,015	(11,247,747)	-
Deferred tax assets not bought to account as	-	-		
realisation is not regarded as probable	(4,002,937)	(7,070,363)	(3,067,426)	-
	23,133,215	8,810,441		
Unrecognised deferred tax assets			-	-
Deferred tax expense			-	1,754,346
Net deferred tax recognised in the balance sheet	-	-		

Deferred tax assets attributable to tax losses of $5,548,420 (2007: $5,791,280) carried forward have not been brought to account at 30 June 2008 because directors do not believe it is appropriate to regard realisation of the future tax benefit as probable. These benefits will only be obtained if:

(i) the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the loss to be realised;

(ii) the Group continues to comply with the conditions for the deductibility imposed by law; and

(iii) no changes in tax legislation adversely affect the Group in realising the benefit from the deduction for the loss.

(d) Tax Consolidation

The Company and its 100% owned subsidiaries are a tax consolidated group as of 1 July 2002. Members of the group have agreed to enter into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries. The agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote. The head entity of the tax consolidated group is Grange Resources Limited. Entities within the tax-consolidated group have entered in to a tax funding arrangement with the head entity. Under the terms of the tax funding arrangement, Grange Resource Limited and each of the entities of the tax

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Assets or liabilities arising under tax funding agreement with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

NOTE 5. CASH AND CASH EQUIVALENTS

		Consolidated		Grange Resources Limited	
		2008	2007	2008	2007
		$	$	$	$
Cash at bank and in hand	(i)	7,449,146	1,089,294	7,085,996	909,925
Short term deposits	(ii)	-	12,200,000	-	12,200,000
Cash at bank and in hand - Joint Ventures	(iii)	210,842	203,180	-	-
		7,659,988	13,492,474	7,085,996	13,109,925

(i) Cash at bank earns interest at floating rates based on daily bank deposit rates.

(ii) Short-term deposits are made for varying periods depending on the cash requirements of the Group, and earn interest at the respective short-term deposit rates.

(iii) Joint Venture cash at bank represents Mount Windsor Joint Venture, Reward, Highway and Reward Deeps / Conviction cash calls paid by Grange Resources Limited but not yet used by the joint ventures to pay creditors.

Reconciliation to Cash Flow Statement

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June:

Cash at banks and in hand	7,449,146	1,089,294	7,085,996	909,925
Short term deposits	-	12,200,000	-	12,200,000
Cash at banks and in hand - Joint Ventures	210,842	203,180	-	-
	7,659,988	13,492,474	7,085,996	13,109,925

Reconciliation of net profit / (loss) after tax to net cash flows from operations

Net profit / (loss) after income tax	931,136	(772,733)	1,957,052	(175,075)
Adjustments for:				
Amortisation	12,053	-	-	-
Profit on Sale of Assets	(4,245,192)		(4,245,192)	
Depreciation	97,799	84,556	84,661	81,415
Share based payment expense	(155,896)	(354,193)	(155,896)	(354,193)
Minority Interest	211,976	-	-	-
Changes in assets and liabilities				
(Increase) / decrease in trade and other receivables	(281,934)	480,989	(558,578)	561,807
(Increase) / decrease in prepayments	10,737	(7,751)	10,737	(7,751)
(Increase) / decrease in retirement asset	(782,018)	-	-	-
(Decrease) / increase in trade and other payables	306,242	100,414	808,721	120,842
(Decrease) / increase in provisions	765,324	(20,784)	16,365	2,951
Net cash from operating activities	(3,129,773)	(489,502)	(2,082,130)	229,996

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 6. TRADE AND OTHER RECEIVABLES (CURRENT)

		Consolidated		Grange Resources Limited	
		2008	2007	2008	2007
		$	$	$	$
Trade receivables	(i)	4,065	373,060	2,065	279,484
Other debtors	(ii)	930,931	77,908	917,661	71,387
Other receivables	(iii)	74,970	2,497,064	266,787	277,064
		1,009,966	2,948,032	1,186,513	627,935

(i) Trade receivables are all non-interest bearing and are generally on 14 day terms.

(ii) Other debtors relate to GST receivable from the Australian Taxation Office and amounts receivable from the Sojitz Corporation.

(iii) Other receivables include amounts receivable from Esperance Mining Sdn. Bhd.

NOTE 7. TRADE AND OTHER RECEIVABLES (NON-CURRENT)

		Consolidated		Grange Resources Limited	
		2008	2007	2008	2007
	NOTE	$	$	$	$
Related party receivables					
Loans to controlled entities	25	-	-	16,414,101	14,059,081
Provision for doubtful recovery	25	-	-	(11,078,949)	(11,078,949)
		-	-	5,335,152	2,980,132
Other receivables					
Security deposits	(i)	3,005,231	2,705,231	1,435,072	1,135,072
Insurance Receivable	(ii)	2,220,000	-	-	-
		5,225,231	2,705,231	6,770,224	4,115,204

Terms and conditions

(i) Security deposits earn interest at prevailing term deposit rates and include amounts with:

a. Perth Diocesan Trustees for the office lease expiring 19 July 2010;

b. Road Builder (M) Holdings Bhd to acquire land in the Malaysian port city of Kemaman and secure port facilities. The deposit is repayable twelve months from termination or expiry of the agreement;

c. Minister for Mines and Energy for the States of Queensland and Western Australia for performance bonds in relation to the rehabilitation of Highway Reward and Horseshoe Lights mine, repayable upon satisfactory completion of rehabilitation.

(ii) It is virtually certain that insurance compensation will be received for the Gregory Development Road. Refer note 14 and 15(i). The receivable is the Group's 30% share. The receivable has been reclassed to non current at 30 June 2008.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Provision for Doubtful Recovery

Movement in the provision for doubtful recovery were as follows:

		Consolidated		Grange Resources Limited	
		2008	2007	2008	2007
	NOTE	$	$	$	$
At 1 July 2007	25	-	-	(11,078,949)	(11,078,949)
Change for year		-	-	-	-
At 30 June 2008		-	-	(11,078,949)	(11,078,949)

NOTE 8. OTHER FINANCIAL ASSETS

		Consolidated		Grange Resources Limited	
		2008	2007	2008	2007
	NOTE	$	$	$	$
Investments in controlled entities – at cost		-	-	29,028,111	28,547,136
Provision for impairment		-	-	(23,785,810)	(23,785,810)
	9	-	-	5,242,301	4,761,326
Convertible note – at cost	(i)	-	480,975	-	480,975
		-	480,975	5,242,301	5,242,301

(i) In the year ended 30 June 2007 the Group had a 35.51% ownership interest in an associate, Murchison Copper Mines Pty Ltd (MCM), which was involved in mining exploration in Australia. The directors had previously determined that the original investment in MCM was fully impaired and as a result it was written off.

On the 31st July 2007 the convertible note issued by MCM to Grange Resources Limited matured, resulting in the conversion of the note to 4,809,750 fully paid shares in MCM. The conversion results in Grange, together with Horseshoe Gold Mine Pty Ltd, now holding 79.18% (2007: 35.51%) of MCM. The acquisition of the controlling interest in MCM does not constitute a business combination.

The principal activity of MCM in the year ended 30 June 2008 was care and maintenance of the Horseshoe Gold Mine.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 9. INTERESTS IN CONTROLLED ENTITIES

	Percentage of equity interest held by the Group		Investment	
	2008	2007	2008	2007
Name	%	%	$	$
Grange Developments Sdn Bhd	100	100	1	1
Grange Minerals Sdn Bhd	100	100	180,180	180,180
Grange Capital Pty Ltd	100	100	2	2
Tribune Development Pty Ltd	100	100	-	-
Barrack Mines Pty Ltd	100	100	4,581,143	4,581,143
Bamine Pty Ltd	100	100	-	-
BML Holdings Pty Ltd	100	100	-	-
Horseshoe Gold Mine Pty Ltd	100	100	-	-
Surfboard Securities Pty Ltd	100	100	-	-
Murchison Copper Mines Pty Ltd	79.18	35.51	480,975	-
			5,242,301	4,761,326

With the exception of Grange Developments Sdn Bhd and Grange Minerals Sdn Bhd which are subsidiaries incorporated in Malaysia, the Company and all other subsidiaries are incorporated in Australia. Grange Resources Limited is a company limited by shares and domiciled in Australia.

NOTE 10. INTERESTS IN JOINT VENTURE OPERATIONS AND BUSINESS UNDERTAKINGS

At 30 June 2008 the Group was participant in the following joint ventures:

	Consolidated		Grange Resources Limited	
	% Interest	% Interest	% Interest	% Interest
Name of Joint Venture	2008	2007	2008	2007
Production Joint Ventures:				
Reward - Copper / Gold	31.15	31.15	-	-
Highway – Copper	30.00	30.00	-	-
Development Joint Ventures:			-	-
Reward Deeps / Conviction - Copper	30.00	30.00	-	-
Bukit Ibam (Malaysia) – Iron Ore	51.00	-	-	-
Exploration Joint Ventures:			-	-
Mt Samuel - Exploration Gold	85.00	85.00	42.50	42.50
Abercromby Well - Exploration Gold / Nickel	10.00	10.00	-	-
Mt Windsor - Exploration Gold / Base Metals	30.00	30.00	-	-

The joint ventures are not separate legal entities. They are contractual arrangements between the participants for the sharing of costs and output and do not in themselves generate revenue and profit.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Group's direct interests in joint venture net assets, as summarised below, are included in the corresponding balance sheet items in the Group accounts.

	Consolidated	
	2008	**2007**
Current Assets		
Cash and cash equivalents	210,842	230,180
Trade debtors and other receivables	-	2,220,000
Total Current Assets	210,842	2,450,180
Non-Current Assets		
Trade debtors and other receivables	2,220,000	-
Property, plant and equipment	262,742	262,742
Total Non-Current Assets	2,482,742	262,742
Total Assets	**2,693,584**	**2,712,922**
Current Liabilities		
Trade and other payables	68,468	119,072
Provisions	230,012	2,935,129
Total Current Liabilities	**298,480**	**3,054,201**
Non-Current Liabilities		
Provisions	2,250,000	-
Total Non-Current Liabilities	2,250,000	-
Total Liabilities	**2,548,480**	**3,054,201**
NET ASSETS / (LIABILITIES) EMPLOYED IN JOINT VENTURE OPERATIONS	**145,104**	**(341,279)**

The net contributions of joint venture operations (inclusive of resultant revenues) to the Group operating profit before income tax and abnormal items was a loss of $129,436 (2007: loss $440,466).

The parent entity does not hold ownership in any operating joint ventures.

Contingent liabilities in relation to joint ventures are disclosed in Note 21.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 11. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED							GRANGE RESOURCES LIMITED						
	Freehold land and buildings	*Plant and equipment*	*Computer Equipment*	*Pastoral lease*	*Furniture and fittings*	Restoration *Asset*	*Total*	*Freehold land and buildings*	*Plant and equipment*	*Computer equipment*	*Pastoral lease*	*Furniture and fittings*	Restoration *Asset*	*Total*
	$	$	$	$	$	$	$	$	$	$	$	$	$	$
Year ended 30 June 2008														
At 1 July 2007, net of accumulated depreciation and impairment	383,964	17,288	77,005	262,742	171,909	-	912,908	383,964	2,529	51,721	-	171,909	-	610,123
Additions	6,064,560	1,199	63,283	-	19,261	782,018	6,930,321	6,064,560	1,200	63,281	-	19,261	-	6,148,302
Disposals	(1,819,368)	-	-	-	-	-	(1,819,368)	(1,819,368)	-	-	-	-	-	(1,819,368)
Depreciation charge for the year	(14,234)	(6,905)	(44,654)	-	(32,006)	-	(97,799)	(14,234)	(1,006)	(37,416)	-	(32,006)	-	(84,662)
Impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 30 June 2008, net of accumulated depreciation and impairment	4,614,922	11,582	95,634	262,742	159,164	782,018	5,926,062	4,614,922	2,723	77,587	-	159,164	-	4,854,395
At 1 July 2007														
Cost or fair value	412,431	61,065	188,162	262,742	224,458	-	1,148,858	412,431	2,588	164,306	-	224,458	-	803,783
Accumulated depreciation and impairment	(28,467)	(43,777)	(111,157)	-	(52,549)	-	(235,950)	(28,467)	(58)	(112,586)	-	(52,549)	-	(193,660)
Net carrying amount	383,964	17,288	77,005	262,742	171,909	-	912,908	383,964	2,530	51,720	-	171,909	-	610,123
At 30 June 2008														
Cost or fair value	4,657,623	62,265	251,444	262,742	243,719	782,018	6,259,811	4,657,623	3,788	225,439	-	243,719	-	5,130,569
Accumulated depreciation and impairment	(42,701)	(50,684)	(155,809)	-	(84,555)	-	(333,749)	(42,701)	(1,065)	(147,853)	-	(84,555)	-	(276,174)
Net carrying amount	4,614,922	11,582	95,634	262,742	159,164	782,018	5,926,062	4,614,922	2,723	77,586	-	159,164	-	4,854,395

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	CONSOLIDATED							GRANGE RESOURCES LIMITED						
	Freehold land and buildings	*Plant and equipment*	*Computer Equipment*	*Pastoral lease*	*Furniture and fittings*	Restoration *Asset*	*Total*	*Freehold land and buildings*	*Plant and equipment*	*Computer equipment*	*Pastoral lease*	*Furniture and fittings*	Restoration *Asset*	*Total*
	$	$	$	$	$	$	$	$	$	$	$	$	$	$
Year ended 30 June 2007														
At 1 July 2006, net of accumulated depreciation							-							-
and impairment	128,102	18,586	91,813	262,742	193,713	-	694,956	128,102	-	68,492	-	193,713	-	390,307
Additions	270,095	3,865	19,328	-	9,220	-	302,508	270,095	2,588	19,328	-	9,220	-	301,231
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge for the year	(14,233)	(5,163)	(34,136)	-	(31,024)	-	(84,556)	(14,233)	(58)	(36,100)	-	(31,024)	-	(81,415)
At 30 June 2007, net of accumulated depreciation														
and impairment	383,964	17,288	77,005	262,742	171,909	-	912,908	383,964	2,530	51,720		171,909	-	610,123
At 1 July 2006														
Cost or fair value	142,336	57,200	168,834	262,742	215,238	-	846,350	142,336	-	144,978	-	215,238	-	502,552
Accumulated depreciation and impairment	(14,234)	(38,614)	(77,021)	-	(21,525)	-	(151,394)	(14,234)	-	(76,486)	-	(21,525)	-	(112,245)
Net carrying amount	128,102	18,586	91,813	262,742	193,713	-	694,956	128,102	-	68,492	-	193,713	-	390,307
At 30 June 2007														
Cost or fair value	412,431	61,065	188,162	262,742	224,458	-	1,148,858	412,431	2,588	164,306	-	224,458	-	803,783
Accumulated depreciation and impairment	(28,467)	(43,777)	(111,157)	-	(52,549)	-	(235,950)	(28,467)	(58)	(112,586)	-	(52,549)	-	(193,660)
Net carrying amount	383,964	17,288	77,005	262,742	171,909	-	912,908	383,964	2,530	51,720	-	171,909	-	610,123

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The useful life of the assets was estimated as follows for 2007 and 2008:

Buildings	10% straight line per annum
Furniture and fittings	14% straight line per annum
Computer equipment	27% straight line per annum
Mining plant and equipment	27% straight line per annum

No item of property, plant and equipment has been pledged as security for the Group's liabilities.

NOTE 12. EXPLORATION & EVALUATION EXPENDITURE

	Consolidated		Grange Resources Limited	
	2008	2007	2008	2007
	$	$	$	$
Exploration & evaluation properties (at cost)	79,368,932	30,140,366	78,219,209	29,088,654
Production properties (at cost)	2,853,145	1,215,562	-	-
Accumulated amortisation of production properties	(1,227,615)	(1,215,562)	-	-
	80,994,463	30,140,366	78,219,209	29,088,654
Movement:				
Exploration & Evaluation Properties				
Balance at beginning of year	30,140,366	23,440,495	29,088,659	23,557,476
Current year expenditure	11,833,913	6,699,871	10,772,368	5,531,183
Receipts from Sojitz	(10,074,667)	-	(10,074,667)	-
Value of options issued to Hamersley Holdings Limited as part consideration for the purchase of Exploration Licence 70/2512	26,022,849	-	26,022,849	-
Value of shares issued to Hamersley Holdings Limited as part consideration for the purchase of Exploration Licence 70/2512	22,410,000	-	22,410,000	-
Transfer to Production Properties	(963,529)	-	-	-
Balance at end of year	79,368,932	30,140,366	78,219,209	29,088,659
Production properties				
Balance at beginning of year	-	-	-	-
Transfer from / (to) development, exploration and				
evaluation properties	963,529	-	-	-
Current year expenditure	674,054	-	-	-
Amortisation charged	(12,053)	-	-	-
Balance at end of year	1,625,530	-	-	-

The ultimate recoupment of exploration and evaluation expenditure is dependent upon successful development and commercial exploitation or alternatively the sale of the respective areas of interest at an amount at least equal to book value.

The directors have reviewed the carrying values of each area of interest as at Balance Date. Where the carrying value of an individual area of interest was in excess of its recoverable amount the area of interest has been written down to its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 13. TRADE AND OTHER PAYABLES

		Consolidated		Grange Resources Limited	
		2008	2007	2008	2007
		$	$	$	$
Trade payables	(i)	1,252,135	1,152,004	1,248,860	1,143,893
Other creditors	(ii)	72,379	202,257	-	-
		1,324,514	1,354,261	1,248,860	1,143,893

(i) Trade payables are non-interest bearing and are normally settled on repayment terms between 7 and 30 days.

(ii) Other creditors are non-interest bearing and have no fixed repayment date.

NOTE 14. PROVISIONS (CURRENT)

		Consolidated		Grange Resources Limited	
		2008	2007	2008	2007
	NOTE	$	$	$	$
Provision for annual leave		157,911	141,546	157,911	141,546
Provision for road restoration	15 (i)	-	2,250,000	-	-
Provision for mine rehabilitation	15 (ii)	230,012	1,269,732	-	584,603
		387,923	3,661,278	157,911	726,149

NOTE 15. PROVISIONS (NON-CURRENT)

Provision for road restoration	(i)	2,250,000	-	-	-
Provision for mine rehabilitation	(ii)	1,788,679	-	584,603	-
		4,038,679	-	584,603	-

(i) During 2006, cracking was detected in the Gregory Development Road adjacent to the Highway-Reward open pit of which the Group has a 30% joint venture interest. Remediation measures are being considered. If found liable, the joint venture may be required to relocate a section of the road away from the open pit. The provision is the Group's 30% share. It is virtually certain that the costs associated with the relocation will be compensated by insurance. Refer note 7. The provision has been reclassified to non-current at 30 June 2008.

(ii) The provision for rehabilitation is recognised for mining activities for costs such as reclamation, plant closure and other costs associated with the rehabilitation of a mine site. Estimates of the rehabilitation obligations are based on expert opinions based on the anticipated future costs. The Group has assumed that no significant changes will occur in the relevant Federal and State Legislation in relation to the rehabilitation of such mines in the future.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Consolidated		Grange Resources Limited	
	2008	2007	2008	2007
	$	$	$	$
Movements in mine rehabilitation provisions				
Total current and non current carrying amount at the beginning of the financial year	1,269,732	1,293,467	584,603	584,603
Amounts utilised during the year	(33,058)	(225,836)	-	-
Increase in provision during the year	782,017	202,101	-	-
Carrying amount at the end of the financial year	2,018,691	1,269,732	584,603	584,603

NOTE 16. LOANS AND BORROWINGS

	NOTE	Consolidated		Grange Resources Limited	
		2008	2007	2008	2007
		$	$	$	$
Loans from controlled entities – unsecured	25	-	-	32,769,653	32,546,868
		-	-	32,769,653	32,546,868

NOTE 17. CONTRIBUTED EQUITY

(a) Ordinary Shares				
Issued and fully paid	86,048,017	63,662,384	86,048,017	63,662,386
	86,048,017	63,662,384	86,048,017	63,662,386

Fully paid ordinary shares carry one vote per share and carry the right to dividends

		Number of shares	$
(b) Movements in ordinary share capital			
At 1 July 2006		95,034,974	50,685,531
Share Issue	(i)	9,500,000	12,350,000
Issued to landowners:	(ii)		
(a) Issued on 20 October 2006		126,625	202,600
(b) Issued on 15 March 2007		14,000	20,440
(c) Issued on 4 May 2007		16,500	27,885
(d) Issued on 8 June 2007		9,000	19,170
Exercise of options	(iii)	1,500,000	750,000
Transaction Costs	(iv)	-	(393,242)
At 30 June 2007		106,201,099	63,662,384
Share Issue	(v)	9,000,000	22,410,000
Transaction Costs	(iv)	-	(24,367)
At 30 June 2008		115,201,099	86,048,017

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(i) In October 2006 the Company arranged a share placement to professional and sophisticated investors in the USA under section 708 of the Corporations Act for 9.5 million shares at $1.30 per share;

(ii) The Company issued shares to freehold and leasehold landowners as part of the pre-development activities for the Southdown Magnetite project pipeline alignment process as follows:

a. In October 2006, 126,625 shares were issued to 32 landowners;
b. In March 2007, 14,000 shares were issued to 3 landowners;
c. In May 2007, 16,500 shares were issued to 3 landowners;
d. In June 2007, 9,000 shares were issued to 2 landowners.

(iii) In June 2007 the Company issued 1.5 million fully paid ordinary shares on the conversion of $0.50 options in accordance with the Grange Resources Limited Directors' & Officers' Option Plan.

(iv) The transaction costs represent the costs of issuing shares.

(v) In September 2007 the Company issued 9.0 million fully paid ordinary shares to Hamersley Holdings Limited (a subsidiary of Rio Tinto Limited) as part consideration for the purchase of Exploration Licence 70/2512. The fair value of the exploration licence could not be reliably measured so the Group recognised the Exploration Licence in its financial statements at the fair value of the purchase consideration.

(c) Share options

The Company has share based payment option schemes under which options to subscribe for the company's shares have been granted to certain executives and other employees (refer to Note 20).

(d) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds of winding up of the Company in proportion to the number of and amounts paid on the shares held.

Ordinary shares entitle their holder to one vote per share, either in person or by proxy, at a meeting of the Company.

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the Company does not have authorised capital nor par value in respect of its issued shares.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 18. RESERVES AND ACCUMULATED LOSSES

	Consolidated		Grange Resources Limited	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
(a) Reserves				
Option issue reserve	29,591,761	3,568,912	29,591,761	3,568,912
Foreign currency translation reserve	(15,805)	(9,516)	-	-
Share-based payments reserve	187,992	343,887	187,992	343,887
	29,763,948	3,903,283	29,779,753	3,912,799

CONSOLIDATED	*Option Issue Reserve*	*Foreign Currency Translation Reserve*	*Share-based Payments Reserve*
Movements in reserves	$	$	$
At 1 July 2006	3,568,912	-	698,080
Share based payments	-	-	(354,193)
Foreign currency translation	-	(9,516)	-
At 30 June 2007	3,568,912	(9,516)	343,887
Share based payments	-	-	(155,895)
Foreign currency translation	-	(6,289)	-
Options issued for exploration licence	26,022,849	-	-
At 30 June 2008	29,591,761	(15,805)	187,992

PARENT	*Option Issue Reserve*	*Share-based Payments Reserve*
Movements in reserves	$	$
At 1 July 2006	3,568,912	698,080
Share based payments	-	(354,193)
At 30 June 2007	3,568,912	343,887
Share based payments	-	(155,895)
Options issued for exploration licence	26,022,849	-
At 30 June 2008	29,591,761	187,992

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Consolidated		Grange Resources Limited	
	2008	2007	2008	2007
	$	$	$	$
(b) Accumulated losses				
Movements in accumulated losses were as follows:				
Balance 1 July	(21,840,275)	(21,067,542)	(49,137,003)	(48,961,928)
Net profit / (loss) for the year	931,136	(772,733)	1,957,052	(175,075)
Balance 30 June	(20,909,139)	(21,840,275)	(47,179,951)	(49,137,003)

(c) Nature and purpose of reserves

Option issue reserve

The option issue reserve is used to recognise the fair value of options issued other than equity benefits provided to employees and directors as part of their remuneration.

Foreign currency translation reserve

The foreign currency translation reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Share based payments reserve

The share based payments reserve is used to recognise the fair value of equity benefits provided to employees and directors as part of their remuneration. Refer to the Directors' Report for further details of these plans.

NOTE 19. EXPENDITURE COMMITMENTS

(a) Lease expenditure commitments

The operating lease commitments refer to the rent of the Perth office for seven years (1 September 2005 to 31 August 2012).

The lease allows for an extension of five years commencing 1 September 2012, together with a review of lease commitments at this date and each year thereafter.

Future minimum rentals payable as at 30 June are as follows:

	Consolidated		Grange Resources Limited	
	2008	2007	2008	2007
	$	$	$	$
Within one year	112,560	107,200	112,560	107,200
After one year but not more than five years	369,840	482,400	369,840	482,400
	482,400	589,600	482,400	589,600

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(b) Exploration Expenditure Commitments

In order to maintain the mining and exploration tenements in which the Group is involved, the Group is committed to meet conditions under which the tenements were granted. If the Group continues to hold those tenements, the minimum expenditure requirements (excluding obligations farmed out under joint venture arrangements) will be approximately:

	Consolidated		Grange Resources Limited	
	2008	2007	2008	2007
	$	$	$	$
Within one year	375,000	335,600	256,300	236,900
After one year but not more than five years	1,500,000	1,342,400	1,025,200	947,600
	1,875,000	1,678,000	1,281,500	1,184,500

(c) Joint Venture Exploration Expenditure Commitments

The group has interests in various joint ventures (refer to Note 10). In order to maintain the mining and exploration tenements in which the joint ventures are involved, each joint venture is committed to meet conditions under which the tenements were granted. If each joint venture continues to hold those tenements, the minimum expenditure requirements (excluding obligations farmed out under joint venture arrangements) will be approximately:

	Consolidated		Grange Resources Limited	
	2008	2007	2008	2007
	$	$	$	$
Within one year	30,000	30,000	-	-
After one year but not more than five years	30,000	30,000	-	-
	60,000	60,000	-	-

(d) Southdown Project Acquisition Expenditure Commitments

Under the terms of a purchase agreement in prior years with a wholly owned subsidiary of MedAire Inc., the Company secured the right to acquire the Southdown Magnetite Project (“Southdown”). In accordance with the staggered purchase arrangement, as detailed in the purchase agreement, the Company is committed to expend $1,000,000 upon the commencement of commercial mining operations at Southdown.

(e) Remuneration Commitments

In accordance with Executive Employment Agreements, the Company may terminate executive agreements by giving three months written notice. On termination of an executive agreement, the Company is obliged to pay a service fee equivalent to the total remuneration package, including STI bonuses, for the lesser period of twelve months or the unexpired period of each agreement in compensation to the following executives: Neil Marston ($253,000) Len Skotsch ($228,250).

(f) Financial Advisor Contracts

Grange has contracts with Standard Chartered Bank and Azure Capital Pty Ltd. Each contract has a break fee payable should Grange terminate the agreements. The size and nature of the break fees is in line with industry practice and is subject to confidentiality agreements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 20. SHARE BASED PAYMENT PLANS

(a) Recognised share-based payment expenses

The expense recognised for employee services during the year is shown in the table below:

	Consolidated		Grange Resources Limited	
	2008 $	2007 $	2008 $	2007 $
Expense arising from equity-settled share-based payment transactions	(155,895)	(354,193)	(155,895)	(354,193)
Expense arising from cash-settled share-based payment transactions	-	-	-	-
Total expense arising from share-based payment transactions	(155,895)	(354,193)	(155,895)	(354,193)

The share-based payment plans are described below. There have been cancellations or modifications to any plan during 2008 and 2007.

(b) Types of share-based payment plans

Directors Options

On 5 September 2008, the Company cancelled 6,300,000 director options. The cancellation was required by ASX Limited because the options were issued more than one month after the issue of them was approved by shareholders. The relevant shareholders' meeting was held on 20 May 2008 and the options were issued on 9 July 2008. Under the ASX Listing Rules the latest date for issue of these options was 20 June 2008. The Company intends to seek shareholder approval for the issue of an equivalent number of replacement options

Long Term Incentive (LTI) Plan

In August 2007 Grange Resources Limited implemented the Grange Resources Limited Long Term Incentive (LTI) Plan. Under the LTI Plan, the board may, from time to time at its discretion grant Options or Rights, or both, under the Plan to Eligible Employees.

<u>2007 Employee Rights Plan</u>

Subsequent to the approval of the LTI Plan, the company issued rights to selected eligible employees, the vesting conditions of which were dependent upon individual performance milestones and corporate comparable shareholder return.

Corporate comparable shareholder return was measured by comparing the Company's Total Shareholder Return ('TSR') (share price appreciation plus dividends reinvested) with a group of peer companies over the 2007 calendar year. In assessing whether the TSR hurdle for each grant has been met, the Company receives independent data from an external advisor, who provides both the Company's TSR growth from the commencement of the measurement period and that of the pre-selected peer group. This group reflects the Company's 10 closest competitors for capital and talent.

Eligible employees will receive 12.5% of the Rights for every one of the group of comparable companies which the Company's share price outperforms above the bottom 2 companies. If the Company is ranked in the top 3 companies of the group of comparable companies eligible employees will receive 100% of the Rights.

The Board may determine the suite of companies which shall be the basis for measuring Corporate Comparable Shareholder Return on an annual basis or as otherwise required.

As at the balance date no rights had been converted to shares under the plan.

The expense recognised in the income statement in relation to share-based payments is disclosed in note 3(e).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(c) Summary of Options granted

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options issued during the year.

		2008 No.	2008 WAEP	2007 No.	2007 WAEP
Outstanding at the beginning of the year		2,500,000	1.90	5,500,000	1.34
Granted during the year		6,300,000	0.36	-	-
Forfeited during the year		-	-	-	-
Exercised during the year	(i)	-	-	(1,500,000)	0.50
Lapsed during the year		(2,500,000)	1.90	(1,500,000)	1.25
Outstanding at the end of the year		6,300,000	0.36	2,500,000	1.90

(i) The share price of Grange Resources Limited on the exercise of 1,500,000 options on 27 June 2007 was $2.60.

The outstanding balance as at 30 June 2008 is represented by:

Number of options	Grant Date	Vesting Date	Expiry Date	Exercise Price	WAEP
2,100,000	20 May 2008	6 March 2009	6 March 2012	$2.05	$0.48
2,100,000	20 May 2008	6 March 2010	6 March 2012	$3.00	$0.34
2,100,000	20 May 2008	6 March 2011	6 March 2012	$3.50	$0.27

The outstanding balance as at 30 June 2007 is represented by:

Number of options	Grant Date	Vesting Date	Expiry Date	Exercise Price	WAEP
1,500,000	2 May 2005	Southdown Project commencement	30 June 2008	$1.50	$0.90
1,000,000	2 May 2005	Payment of $0.05 dividend	30 June 2011	$2.50	$1,00

(d) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2008 is 3.68 years (2007: 2.20 years).

(e) Range of Exercise price

The range of exercise prices for options outstanding at the end of the year was $2.05 - $3.50 (2007: $1.50 -$2.50)

(f) Weighted average fair value

The weighted average fair value of options granted during the year was $0.36 (2007: $1.90)

(g) Option Pricing Model

Equity-settled transactions
The fair value of the equity-settled share options granted is estimated as at the date of grant using an enhanced trinomial model taking into account the terms and conditions upon which the options were granted.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 21. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

(a) Contingent Liabilities

Bank Guarantees

At year end bank guarantees have been provided on the Group's behalf to secure, on demand by the Minister for Mines and Energy for the State of Queensland, any sum to a maximum aggregate amount of $1,262,658 (2007: $1,233,858), in relation to the rehabilitation of the Highway Reward project.

Bank guarantees have been provided by Horseshoe Gold Mine Pty Ltd to secure, on demand by the Minister for Mines and Energy for the State of Western Australia, any sum to a maximum aggregate amount of $607,500 (2007: $327,500), in relation to the rehabilitation of the Horseshoe Lights Mine.

A Bank guarantee has been provided by Grange Resources Limited, on demand by Road Builder (M) Holdings Bhd for the amount of $1,000,000 (2007: $1,000,000), in accordance with the terms of a Heads of Agreement dated 17 February 2005 to acquire land in the Malaysian port city of Kemaman and to secure port facilities. The guarantee will be payable should the Company withdraw from the offer to acquire the land.

A Bank guarantee has been provided by Grange Resources Limited, on demand by the Perth Diocesan Trustees for the amount of $135,072 (2007: $135,072), in accordance with the terms of an office lease agreement dated 20 July 2005 to lease office premises in QBE House.

No material losses are anticipated in respect of any of the above contingent liabilities.

(b) Contingent Assets

The Group did not have any contingent assets at the Balance Date.

NOTE 22. SUBSEQUENT EVENTS

On 5 September 2008, the Company cancelled 6,300,000 director options. The cancellation was required by ASX Limited because the options were issued more than one month after the issue of them was approved by shareholders. The relevant shareholders' meeting was held on 20 May 2008 and the options were issued on 9 July 2008. Under the ASX Listing Rules the latest date for issue of these options was 20 June 2008. The Company intends to seek shareholder approval for the issue of an equivalent number of replacement options to directors, with the same exercise prices and with some minor changes to the other terms, at the Company's next general meeting.

There is no other matter or circumstance, aside from the aforementioned, that has arisen since 30 June 2008 that has significantly affected the Group's future operations or state of affairs.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 23. EARNINGS PER SHARE

	Consolidated	
	2008	**2007**
	Cents	**Cents**
Basic earnings per share	0.82	(0.76)
Diluted earnings per share	0.82	(0.76)

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Consolidated	
	2008	**2007**
	Cents	**Cents**
(a) Reconciliations of earnings used in calculating earnings per share		
Profit (loss) attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share	931,136	(772,733)
(b) Weighted average number of shares used as the denominator		
Weighted average number of shares used as the denominator in calculating basic earnings per share	113,006,578	102,199,831
Effect of dilution:		
Share options	949,627	-
Weighted average number of ordinary options and potential ordinary shares used as the denominator in calculating diluted earnings per share	113,956,205	102,199,831

There were 6,300,000 potential ordinary shares as at 30 June 2008 (2,500,000 for 30 June 2007).

Conversions, calls, subscription or issues after 30 June 2008

Since the end of the financial year, there have been no conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares and before the completion of this financial report.

NOTE 24. REMUNERATION OF AUDITORS

	Consolidated		Grange Resources Limited	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
The auditor of Grange Resources Limited is Ernst & Young.				
Amounts received or due and receivable by Ernst & Young:				
- an audit or review of the financial report of the entity and any other entity in the Group	76,329	67,032	65,555	59,075
- tax compliance	193,775	66,120	193,775	66,120
- due diligence	97,850	-	97,850	-
- other services	27,815	-	27,815	-
	395,769	133,152	384,995	125,195

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 25. RELATED PARTY DISCLOSURE

Ultimate parent

Grange Resources Limited is the ultimate Australian holding company of the Group.

Wholly-owned group transactions	**Consolidated**		**Grange Resources Limited**	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Aggregate amounts receivable at balance date from:				
Controlled entities (i)	-	-	16,414,101	14,059,081
Provision for non-recovery	-	-	(11,078,949)	(11,078,949)
	-	-	5,335,152	2,980,132
Aggregate amounts payable at balance date to:				
Controlled entities (i)	-	-	32,769,653	32,546,868
	-	-	32,769,653	32,546,868

(i) Loans from or to controlled entities are interest free and repayable on demand.

Other related party transactions

Fees of $60,000 (2007: $60,000) were paid to Hendygwyn Holding & Beheer b.v., of which Mr A Bohnenn is a director and shareholder, under a marketing and public relations services agreement under normal commercial terms and conditions.

Transactions with related parties, other than wholly owned subsidiaries, are made under normal commercial terms and conditions unless otherwise stated.

NOTE 26. KEY MANAGEMENT PERSONNEL

(a) Compensation for Key Management Personnel

	Consolidated		**Grange Resources Limited**	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Short-term employment benefits	1,441,971	1,493,395	1,441,971	1,493,395
Post -employment benefits	475,223	379,922	475,223	379,922
Other long-term employment benefits	-	-	-	
Termination benefits	-	-	-	-
Share-based Payments	(155,895)	(354,193)	(155,895)	(354,193)
Total Compensation	1,761,299	1,519,124	1,761,299	1,519,124

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(b) Option holdings of Key Management Personnel (consolidated)

30 June 2008	Balance at beginning of period 1 July 2007	Granted as remuneration	Options exercised	Net change other #	Balance at end of period 30 June 2008	Vested at 30 June 2008		
						Total	Exercisable	Not Exercisable
Directors								
A C M Bohnenn	-	450,000	-	-	450,000	-	-	-
R S Clark	-	4,500,000	-	-	4,500,000	-	-	-
R Krasnoff	-	450,000	-	-	450,000	-	-	-
D M Macoboy	-	450,000	-	-	450,000	-	-	-
D H Stewart	-	450,000	-	-	450,000	-	-	-
G L W Wedlock	2,500,000	-	-	(2,500,000)	-	-	-	-
Total	**2,500,000**	**6,300,000**	**-**	**(2,500,000)**	**6,300,000**	**-**	**-**	**-**

includes forfeitures

30 June 2007	Balance at beginning of period 1 July 2006	Granted as remuneration	Options exercised	Net change other #	Balance at end of period 30 June 2007	Vested at 30 June 2007		
						Total	Exercisable	Not Exercisable
Directors								
G L W Wedlock	5,500,000	-	(1,500,000)	(1,500,000)	2,500,000	-	-	-
Total	**5,500,000**	**-**	**(1,500,000)**	**(1,500,000)**	**2,500,000**	**-**	**-**	**-**

includes forfeitures

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(c) Shareholdings of Key Management Personnel (consolidated)

Shares held in Grange Resources Limited (number)

30 June 2008	Balance 1 July 2007	Granted as remuneration	On exercise of Options	Net change other	Balance# 30 June 2008
	Ord	Ord	Ord	Ord	Ord
Directors					
A C M Bohnenn	13,461,338	-	-	313,000	13,774,338
A H Nutter	944,999	-	-	-	944,999
G L W Wedlock	1,604,000	-	-	(600,000)	1,004,000
H R Moser	4,410,450	-	-	-	4,410,450
R Krasnoff	50,000	-	-	18,000	68,000
R S Clark	-	-	-	-	-
D M Macoboy	-	-	-	65,000	65,000
D H Stewart	-	-	-	-	-
Executives					
S Hall	10,000	-	-	-	10,000
Total	20,480,787	-	-	(204,000)	20,276,787

Balance at 30 June 2008 for GLW Wedlock and HR Moser are as per Final Director's Interest Notice.

30 June 2007	Balance 1 July 2006	Granted as remuneration	On exercise of Options	Net change other	Balance 30 June 2007
	Ord	Ord	Ord	Ord	Ord
Directors					
A C M Bohnenn	13,270,338	-	-	191,000	13,461,338
A H Nutter	944,999	-	-	-	944,999
G L W Wedlock	104,000	-	1,500,000	-	1,604,000
H R Moser	4,410,450	-	-	-	4,410,450
R Krasnoff	50,000	-	-	-	50,000
Executives					
S Hall	10,000	-	-	-	10,000
M Muirhead	-	-	-	5,000	5,000
Total	**18,789,787**	**-**	**1,500,000**	**196,000**	**20,485,787**

All equity transactions with KMP other than those arising from the exercise of remuneration options have been entered into upon terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

(d) Other transactions with Key Management Personnel

Fees of $60,000 (2007: $60,000) were paid to Hendygwyn Holding & Beheer b.v., of which Mr A Bohnenn is a director and shareholder, under a marketing and public relations services agreement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 27. SEGMENT INFORMATION

(a) Industry segments

The Group operates predominantly in the mining and exploration industry.

(b) Geographical Segments

The Group's geographical segments are determined based on the location of the Group's assets.

The following table's present revenue, expenditure and certain asset and liability information regarding geographical segments for the year ended 30 June 2007 and 2008.

	Australia $	Malaysia $	Total $
Year ended 30 June 2008			
Revenue			
Sales revenue and royalties	734,882	153,654	888,536
Total segment revenue	734,882	153,655	888,536
Unallocated revenue			778,887
Total consolidated revenue			1,667,423
Result			
Segment results	1,068,594	(137,458)	931,136
Profit / (loss) before tax			931,136
Income tax expense			-
Net profit / (loss) for the year			931,136
Assets and liabilities			
Segment assets	83,756,410	2,382,098	86,138,508
Unallocated assets			14,727,410
Total assets			100,865,918
Segment liabilities	3,271,655	2,479,461	5,751,116
Unallocated liabilities			-
Total liabilities			5,751,116
Other segment information			
Capital expenditure	29,615,997	1,225,458	30,841,455
Depreciation and amortisation	96,716	13,136	109,852

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Australia $	Malaysia $	Total $
Cash flow information			
Net cash flow from operating activities	(3,129,773)	-	(3,129,773)
Net cash flow from investing activities	(23,851,437)	(1,225,458)	(25,076,895)
Net cash flow from financing activities	22,380,473	-	22,380,473

	Australia $	Malaysia $	Total $
Year ended 30 June 2007			
Revenue and other income			
Sales revenue and royalties	2,856,211	-	2,856,211
Total segment revenue	2,856,211	-	2,856,211
Unallocated revenue			837,591
Total consolidated revenue			3,693,802
Results			
Segment results	(762,245)	(10,488)	(772,733)
Profit / (loss) before tax			(772,733)
Income tax expense			-
Net profit / (loss) for the year			(772,733)
Assets and liabilities			
Segment assets	36,079,765	1,168,692	37,248,457
Unallocated assets			13,492,474
Total assets			50,740,931
Segment liabilities	3,827,660	1,187,879	5,015,539
Unallocated liabilities			-
Total liabilities			5,015,539
Other segment information			
Capital expenditure	5,833,686	1,168,692	7,002,378
Depreciation and amortisation	84,556	-	84,556
Cash flow information			
Net cash flow from operating activities	(489,502)	-	(489,502)
Net cash flow from investing activities	(5,852,716)	(1,168,692)	(7,021,408)
Net cash flow from financing activities	12,706,762	-	12,706,762

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 28. FINANCIAL INSTRUMENTS

Fair value

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments recognised in the financial statements.

	Carrying Amount		Fair Value	
	2008	2007	2008	2007
CONSOLIDATED	$	$	$	$
Financial Assets				
Cash	7,449,146	1,089,294	7,449,146	1,089,294
Cash – joint ventures	210,842	203,180	210,842	203,180
Short term deposits	-	12,200,000	-	12,200,000
Trade and other receivables - current	3,229,966	2,948,032	3,229,966	2,948,032
Security deposits	3,005,231	2,705,231	3,005,231	2,705,231
Convertible note	-	480,975	-	480,975
Financial Liabilities				
Trade and other payables	1,324,514	1,354,261	1,324,514	1,354,261
PARENT				
Financial Assets				
Cash	7,085,996	909,925	7,085,996	909,925
Short term deposits	-	12,200,000	-	12,200,000
Trade receivables	607,523	627,935	607,523	627,935
Security deposits	1,435,072	1,135,072	1,435,072	1,135,072
Related party receivables	5,335,152	2,980,132	5,335,152	2,980,132
Convertible note	-	480,975	-	480,975
Financial Liabilities				
Trade and other payables	1,248,860	1,143,893	1,248,860	1,143,893

Shares in controlled entities are excluded from the above as these are accounted for at cost in accordance with AASB 127.

(a) Financial Risk Management Policy

The Groups management of financial risk is aimed at ensuring net cash flows are sufficient to:

- meet all it's financial commitments as and when they fall due;
- maintain the capacity to fund it's forecast project developments and exploration strategy

The Group continually monitors and tests its forecast financial position against these criteria.

The Group's principal financial instruments are cash, security deposits and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. Being at an exploration stage, the Group has limited exposure to risks arising from the Group's financial instruments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Group currently has minimal exposure to commodity price risk, foreign currency risk and credit risk but it is expected that as Group's projects move into the development and production phase the exposure to these risks is expected to increase significantly. The Board will set appropriate policies to manage these risks dependent on market conditions and requirements at that time.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the financial statements.

(b) Interest rate risk

The following table sets out the carrying amount of the financial instruments exposed to interest rate risk:

	2008 Floating Interest Rate	2007 Floating Interest Rate
CONSOLIDATED	**$**	**$**
Financial Assets		
< 1 year		
Cash at bank	7,657,704	1,290,448
Cash on deposit	-	12,200,000
> 1 year < 2 years		
Security deposits	3,005,231	2,705,231
	10,662,935	16,195,679
Weighted average interest rate	5.64%	6.00%

	2008 Floating Interest Rate	2007 Floating Interest Rate
PARENT	**$**	**$**
Financial Assets		
< 1 year		
Cash at bank	7,083,712	907,899
Cash on deposit	-	12,200,000
> 1 year < 2 years		
Security deposits	1,435,072	1,135,072
	8,518,784	14,242,971
Weighted average interest rate	5.76%	6.20%

The following table summarises the sensitivity of the fair value of financial instruments held at balance date, following a movement to the Reserve Bank of Australia risk free rate, with all other variables held constant. The 1% sensitivity is based on reasonable possible changes over a financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Consolidated		Grange Resources Limited	
	Post – tax gain/(loss)/equity increase/(decrease)		Post – tax gain/(loss)/equity increase/(decrease)	
	2008	2007	2008	2007
RBA risk free rate + 1% (100 basis points)	59,958	120,550	48,967	99,701
RBA risk free rate - 1 % (100 basis points)	(59,958)	(112,010)	(48,967)	(98,341)

The 1% sensitivity reasonably possible changes over a financial year, using the observed range of actual historical rates for the preceding 5 year period. The impact of Interest rates on return on investment is continually monitored. Return on investment is maximised by maintaining an appropriate mix of fix and floating cash investments.

c) Net Fair Values

Cash, cash equivalents and security deposits: The carrying amount approximates fair value because of their short term to maturity.

Trade receivable and trade creditors: The carrying amount approximates fair value.

d) Credit Risk

The consolidated entities maximum exposure to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the balance sheet.

The company minimises concentration of credit risk in relation to trade receivables by undertaking transactions with reputable customers and undertaking reasonable steps to ensure credit worthiness of customers.

The Group has no trade or other receivables that are past due or impaired.

Cash is held with reputable banking institutions, primarily Westpac Banking Corporation.

e) Liquidity Risk

The consolidated entities liquidity position is managed to ensure sufficient funds are available to meet our financial commitments in a timely and cost- effective manner.

The company continually reviews our liquidity position including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels.

The table below reflects the contractual maturity of financial liabilities as at 30 June 2008. Cash flows for financial liabilities are presented on an undiscounted basis.

		Payables aging analysis between			Currency of payables	
2008	**Total**	**<30 days**	**30-60 days**	**>60 days**	**AUD$**	**MYR**
Consolidated						
Trade Payables	1,252,135	1,252,135	-	-	1,247,368	4,767
Other Payables	72,379	72,379	-	-	-	-
Total Payables	1,324,514	1,324,514	-	-	1,247,368	4,767
Grange						
Trade Payables	1,248,860	1,248,860	-	-	1,248,860	-
Total Payables	1,248,860	1,248,860	-	-	1,248,860	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2007	Total	Payables aging analysis between <30 days	30-60 days	>60 days	Currency of Payables AUD$	MYR
Consolidated						
Trade Payables	1,152,004	1,152,004	-	-	1,144,160	7,844
Other Payables	202,257	202,257	-	-	119,072	83,185
Total Payables	1,354,261	1,354,261	-	-	1,263,232	91,029
Grange						
Trade Payables	1,143,893	1,143,893	-	-	1,143,893	-
Total Payables	1,143,983	1,143,983	-	-	1,143,893	-

f) Capital Management Disclosure

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity. Capital resources include ordinary equity and interest bearing liabilities.

Management is constantly adjusting the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, management may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Management has no plans to issue further shares on the market.

Management monitors capital through the gearing ratio (net debt / total capital). The gearing ratios based on continuing operations at 30 June 2008 and 2007 were as follows;

	Consolidated 2008	Consolidated 2007	Grange Resources Limited 2008	Grange Resources Limited 2007
Total trade and other payables	1,324,514	1,354,261	34,018,513	33,690,761
Less cash and cash equivalents	(7,659,988)	(13,492,474)	(7,085,996)	(13,109,925)
Net debt position	(6,335,474)	(12,138,213)	26,932,517	20,580,836
Total equity	72,930,122	45,725,392	46,463,140	18,438,182
Total Capital	66,594,648	33,587,179	73,395,657	39,019,018
Gearing ratio	(9.5%)	(3.6%)	37%	53%

DIRECTORS' DECLARATION

In accordance with a resolution of the Board of Directors of Grange Resources Limited, I state that:

1. In the opinion of the directors:

   (a) the financial statements, notes and additional disclosures included in the director's report designated as audited, of the Company and of the Group are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the Company's and Group's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

      (ii) complying with Accounting Standards and Corporations Regulations 2001; and

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295(A) of the *Corporations Act 2001* for the financial period ending 30 June 2008.

On behalf of the Board

RUSSELL CLARK
MANAGING DIRECTOR

Dated this 22nd day of September 2008

Perth, Western Australia

Independent audit report to members of Grange Resources Limited

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Independent Audit Report to the members of Grange Resources Ltd

Report on the Financial Report

We have audited the accompanying financial report of Grange Resources Ltd, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of recognised income and expense and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2(b), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. The Auditor's Independence Declaration would have been expressed in the same terms if it had been given to the directors at the date this auditor's report was signed.

Auditor's Opinion

In our opinion:

1. the financial report of Grange Resources Ltd is in accordance with the Corporations Act 2001, including:

    (i) giving a true and fair view of the financial position of Grange Resources Ltd and the consolidated entity at 30 June 2008 and of their performance for the year ended on that date; and

    (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

PMI:KT:GRANGE:023

(2) the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 27 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Grange Resources Ltd for the year ended 30 June 2008, complies with section 300A of the Corporations Act 2001.

Ernst + Young

Ernst & Young

P McIver
Partner
Perth
22 September 2008

PMI:KT:GRANGE:023

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 17 September 2008:

ORDINARY SHARES

1. Twenty Largest Shareholders

The twenty largest holders of ordinary fully paid shares are listed below:

Name	Number	%
National Nominees Ltd	35,207,557	30.53
HSBC Custody Nominees (Australia) Ltd	25,224,460	21.87
ANZ Nominees Ltd	13,223,364	11.47
Hamersley Holdings Ltd	9,000,000	7.80
Citicorp Nominees Pty Ltd	3,646,837	3.16
Zero Nominees Pty Ltd	3,213,460	2.79
HSBC Custody Nominees (Australia) Ltd <GSCO ECSA>	1,514,997	1.31
HSBC Custody Nominees (Australia) Ltd <GSI ECSA>	1,513,481	1.31
Pan Australian Nominees Pty Ltd	1,258,934	1.09
HSBC Custody Nominees (Australia) Ltd <A/C 2>	1,069,892	0.93
Mr Hans-Rudolf Moser	860,450	0.75
AH & ME Nutter <Nutter Family Super Fund>	845,000	0.73
Bond Street Custodians Ltd	842,214	0.73
J P Morgan Nominees Australia Ltd	818,093	0.71
Colvic Pty Ltd	600,000	0.52
Merrill Lynch (Australia) Nominees Pty Ltd	597,038	0.52
King Chong Chai No 17	470,900	0.41
Machinery Automation & Robotics Pty Ltd	409,328	0.35
Merrill Lynch (Australia) Nominees Pty Ltd (Berndale A/C)	372,800	0.32
Mr King Chong Chai	300,000	0.26
	100,988,805	87.56

2. Distribution of Shareholders

(a) Analysis of number of shareholders by size and holding:

Category of shareholding	Number of
1 – 1,000	388
1,001 – 5,000	741
5,001 – 10,000	246
10,001 – 100,000	226
100,001 – and over	37
TOTAL	1,638

(b) There are 41 holders of ordinary shares each holding less than a marketable parcel.

3. Voting Rights

All shares carry one vote per share without restriction.

4. Substantial Shareholders

An extract of the Company's Register of Substantial Shareholders is set out below:

Name	Number of fully paid shares	Percentage of issued capital %
Anthony Bohnenn	13,774,338	11.94
Rio Tinto Limited	9,065,556	7.86

UNQUOTED SECURITIES

The Company has the following unquoted securities on issue:

	Number of Securities on Issue	Number of security holders
$1.95 options expiring 28 Sep 2008	8,500,000	1
$1.50 options expiring 28 Sep 2010	9,000,000	1
$2.05 options expiring 2 May 2012	300,000	2
$3.00 options expiring 2 May 2012	300,000	2
$3.50 options expiring 2 May 2012	300,000	2
$2.05 options expiring 30 June 2012	175,000	3

SECURITIES SUBJECT TO VOLUNTARY ESCROW

The following securities are subject to voluntary escrow:

	Number of Securities on Issue	Date escrow period ends
$1.50 options expiring 28 Sep 2010	9,000,000	28 September 2008
Fully Paid Ordinary Shares	9,000,000	28 September 2008

TENEMENT SCHEDULE

AS AT 17 SEPTEMBER 2008

PROSPECT	TENEMENT	INTEREST	PROSPECT	TENEMENT	INTEREST
Western Australia			**Queensland**		
Horseshoe Lights	L52/42-45	100% (1)	Mt Windsor JV	ML 1571	30% (10)
	L52/66	100% (1)		ML 1734	30% (10)
	M52/743	100% (1)		ML 1739	30% (10)
	M52/744	100% (1) (2)		ML 10028	30% (10)
	E52/2042	100% (1) (2)		ML 1758	30% (10)
	M52/585	100% (1) (2)		EPM 14537	30% (10)
	M52/651	100% (1) (2)			
	P52/1203-1211	100% (1) (2)	**Northern Territory**		
			Mt Samuel	MLC 49	50% (11) (14)
Kumarina	M52/27	100% (4)		MLC 527	100% (14)
	E52/1998	100% (1) (2)		MLC 599	85% (12) (14)
				MLC 617	85% (12) (14)
Wembley	M52/801	100% (3) (5)		MCC 174	100% (13)
	M52/587	100% (2) (5)		MCC 212	85% (12) (13)
				MCC 287-288	100% (13)
Abercromby Well	M53/336	10% (6)		MCC 308	85% (12)
				MCC 344	100% (14)
Red Hill	M27/57	0% (7)		MCC 340-341	100%(14)
Freshwater	M52/277-281	0% (8)	True Blue	MCC 342	100%(14)
	M52/285	0% (8)		MLC 619	85% (12)(14)
	M52/295-296	0% (8)			
	M52/299-301	0% (8)	Aga Khan	MLC 522	100%(14)
	M52/305-306	0% (8)			
	M52/368-370	0% (8)	Black Cat	MCC 338-339	100%(14)
Southdown	M70/433	70% (9) (16)	**Malaysia**		
	M70/718	70% (9) (16)	Bukit Ibam	MC 01/2005	51% (15)
	M70/719	70% (9) (16)		ML 03/2000	51% (15)
	G70/217	70% (16)			
	G70/234-236	70% (2) (16)			
	E70/2512	70% (17)			
	E70/3073	100% (2)			

Notes:

1. Beneficial Holder - Murchison Copper Mines Pty Ltd
2. Under application.
3. Subject to option agreement with Montezuma Mining Company Ltd.
4. Held by Murchison Copper Mines Pty Ltd
5. Subject to 1% Net Smelter Return royalty with Lac Minerals (Australia) NL.
6. Subject to joint venture agreement with MPI Nickel Pty Ltd.
7. Royalty interest with Barrick (PD) Australia Limited.
8. Royalty interest with Barrick Gold of Australia Limited.
9. Subject to conditional purchase agreement with Medaire Inc.
10. Subject to joint venture agreement with Thalanga Copper Mines Pty Limited.
11. Subject to joint venture agreement with Santexco Pty Ltd.
12. Subject to joint venture agreement with W. & L.D.C. Appel.
13. Subject to option agreement with J.L. Love & G.P. Hamilton.
14. Subject to 2% Net Profit Royalty with Lytton Nominees Pty Ltd and Barossa Vintage Pty Ltd. (formerly Moublon Pty Ltd)
15. Subject to joint venture agreement with Esperance Mining Sdn Bhd.
16. Subject to Joint Venture Implementation Agreement with Sojitz Resources and Technology Pty Ltd.
17. Subject to Sale of Tenement Interest Agreement with Sojitz Resources and Technology Pty Ltd.