GRANGE
RESOURCES LIMITED
ABN 80 009 132 405

STOCK EXCHANGE ANNOUNCEMENT

PRELIMINARY FINAL REPORT AND

SOUTHDOWN MAGNETITE PROJECT PROGRESS REPORT

13 September 2005

The directors of Grange Resources Limited ("Grange" or "the Company") are pleased to release the consolidated results for the Grange group of companies including the attached Preliminary Final Report for the financial year ended 30 June 2005 and provide a progress report on the Southdown Magnetite Project.

ANNUAL CONSOLIDATED RESULTS

Grange recorded a consolidated operating loss of $5.09 million for the financial year ended 30 June 2005, compared with a consolidated operating profit of $5.00 million in the previous financial year. The operating loss was generated on consolidated revenue of $7.13 million, compared to $27.33 million over the previous financial year. The decrease in consolidated revenue was due to a decline in the shipment copper concentrate from the Reward Deeps and Conviction underground mine. One shipment comprising of 5,520 tonnes of copper concentrate copper concentrate was exported from the Reward Deeps and Conviction underground mine during the financial year compared with four shipments totalling 41,005 tonnes in the previous financial year.

Grange had consolidated net assets of $19.15 million at the end of the financial year, consisting largely of the following items:

- $11.59 million held in cash investments including cash backed security deposits;
- $1.38 million being receivables;
- $2.09 million held as inventories of copper concentrate;
- $7.51 million being the value attributable to capitalised exploration and evaluation expenditure associated with the Southdown Magnetite Project; and
- a net amount of $2.50 million being payables largely associated with mining activities;

The Company's cash reserves decreased by $7.49 million during the financial year, reflecting a deficit from operating activities of $7.12 million, a surplus from financing activities of $7.10 million and a deficit in investing activities of $7.47 million.

During the next financial year the Company expects to generate revenue of approximately $5.50 million from the final shipment of copper concentrate from the Reward Deeps and Conviction underground mine which was exported in August 2005 and the continuation of royalty income from the Redhill and Freshwater Projects. In July 2005 mining operations at the Reward Deeps and Conviction underground mine ceased due to the exhaustion of ore reserves.

SOUTHDOWN MAGNETITE PROJECT PROGRESS REPORT

The Southdown Magnetite Project is located 90km northeast of the Port of Albany on the south coast of Western Australia. The project comprises three granted mining leases covering an area of approximately 1700 hectares on freehold farming property. Grange Resources is undertaking a bankable feasibility on the development of the Southdown magnetite resource to produce iron ore pellets.
During the financial year the Company completed a scoping study on the Southdown Magnetite Project.

The scoping study considered the following project components:

- mining at an annual rate of 17.8 million tonnes with a stripping ratio of around 2.6 to 1.0;
- annual production of magnetite concentrate at 69% Fe of 6.5 million tonnes per annum;
- transportation of the magnetite concentrate to the Port of Albany via a buried slurry pipeline:
- establishing a large-scale pellet plant in South East Asia to process the Southdown concentrate into high grade iron ore pellets;
- potential markets for use of pellets in direct reduction and blast furnaces located in the South East Asian region;
- assessment of the economics of the project including capital expenditure on infrastructure in Australia and South East Asia.

Based on the outcome of the Southdown Magnetite Project scoping study, the Board of Grange approved expenditure of $13 million for commencement of a bankable feasibility study ("BFS") on the development of the Southdown Magnetite Project and Malaysian Pellet Project. The technical aspects of the BFS are targeted for completion by the end of 2005 with environmental and project approvals expected by mid 2006.

The project scope being studied is as follows:

Mining and Concentration

Magnetite mineralisation would be mined at Southdown at an annual rate of approximately 17 million tonnes per year with a stripping ratio of about 2.6:1.0. The grade of the magnetite mineralisation was assumed to be 36.6% based on 1986/7 drilling and Davis Tube test work, however initial 2004/05 drilling results indicate that this grade may be marginally higher. Annual production of magnetite concentrate at 69% Fe would be approximately 6.5 million tonnes produced via two stages of magnetic separation. Due to the nature of the Southdown magnetite mineralization, primary separation is expected to be made at a relatively coarse particle size (0.2mm), which significantly reduces fine grinding requirements.

Based on target resources contained in the Southdown mining leases, the project life is expected to be in excess of 20 years.

Transport

The magnetite concentrate would be transported to the Port of Albany through a buried slurry pipeline. At the Port, the magnetite concentrate would be dewatered and stockpiled in an enclosed shed awaiting shipment overseas. Recovered water would be returned to the mine site through a return water pipe, also included in the slurry pipeline trench.

Pelletisation

Magnetite concentrate is the most suitable feed for the production of iron ore pellets due to the exothermic properties of magnetite in conversion to hematite during the pelletisation process. Pelletisation would be undertaken in a new plant to be constructed at Kemaman on the East coast of peninsular Malaysia.

SOUTHDOWN BANKABLE FEASIBILITY STUDY ("BFS")

The Southdown BFS commenced in February 2005 and is progressing with work being undertaken on most aspects of the project. As previously mentioned the technical aspects of the BFS are targeted for completion by the end of 2005 with environmental and project approvals expected by mid 2006.

Exploration and Resource Evaluation

Diamond drilling to determine the size and grade of the magnetite deposit is continuing with four rigs working double shifts. Up to 7 September 2005 137 holes aggregating 37,510 metres had been completed out of a planned total of 156 holes (aggregating 40,800m). An additional 20 holes have been added to the original programme, primarily to further delineate the extension of the deposit at depth in the Eastern end of the mining lease. Drill core is being cut on site and submitted to the laboratory for sample preparation and test work (Davis Tube Recovery) to determine the magnetite content. The magnetic fraction is then assayed by X-ray Fluorescence Spectroscopy to determine its iron content and quality. Up to 7 September 2005, 5,899 samples from 129 drill holes had been submitted to the laboratory for analysis and 4050 Davis Tube Recovery (DTR) and assays had been received for the first 90 diamond drill holes in the 2004/05 programme.

The location of the resource drill holes and the surface geological interpretation are shown on figure 1. In addition to the resource drilling, 9 geotechnical holes have been completed and drilling of 6 holes for metallurgical samples has commenced. The resource and metallurgical drilling programmes are expected to be completed by early October 2005.

Interpretation of drilling data received to date indicates that the Southdown deposit consists of a gently east-plunging, overturned tightly folded syncline that is offset by northwest and northeast trending faults (figure 1). The core of the syncline is complexly folded and occupied by intensely metamorphosed quartz-magnetite-clinopyroxene gneiss and garnet-biotite gneiss. An interim geological model was completed during June and will assist in targeting future drilling. The vertical depth to the keel of the syncline is approximately 300 metres in the western end of the deposit and increases to a vertical depth in excess of 400 metres in the eastern portion of the deposit. Additional drilling is being planned to determine the depth extent of the deposit in the eastern zone. The thickness of the magnetite mineralisation ranges from 70 to 100 metres and averages 85 metres. Typical cross sections of the deposit are shown in figures 2 and 3 and the locations of the sections are shown on figure 1.

The drilling results received to date indicate that the target global resource for the project of 400 million tonnes should be achievable.

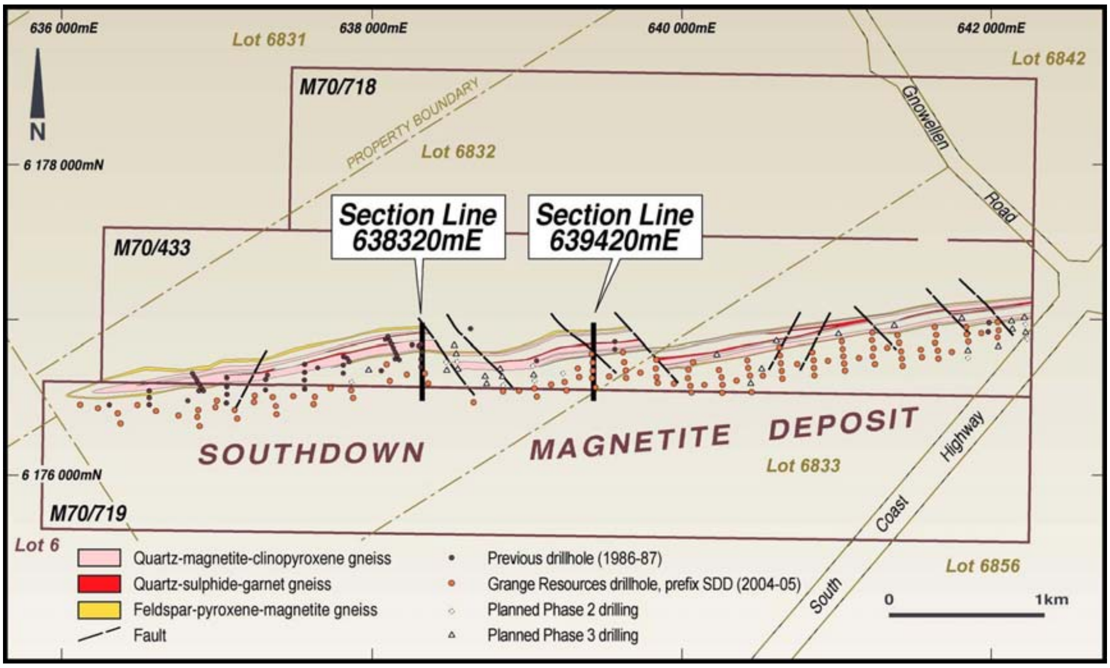

Figure 1: Interpreted Geology and Drill Hole Location Plan

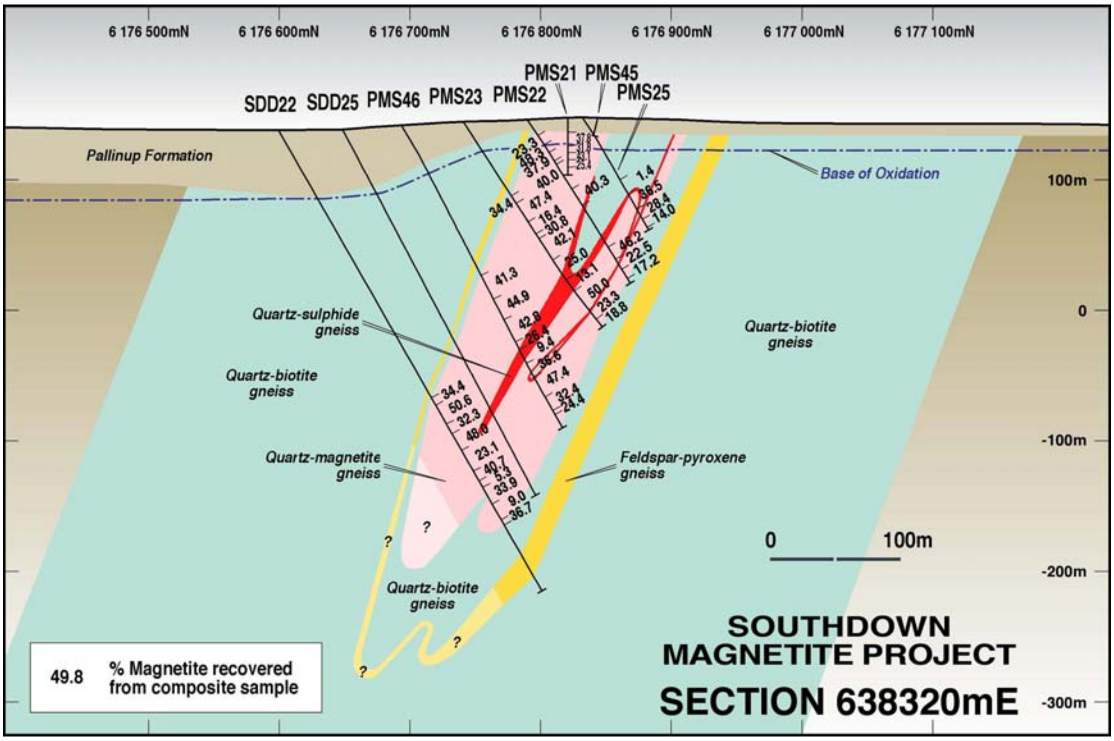

Figure 2: Interpreted Cross Section 638320mE

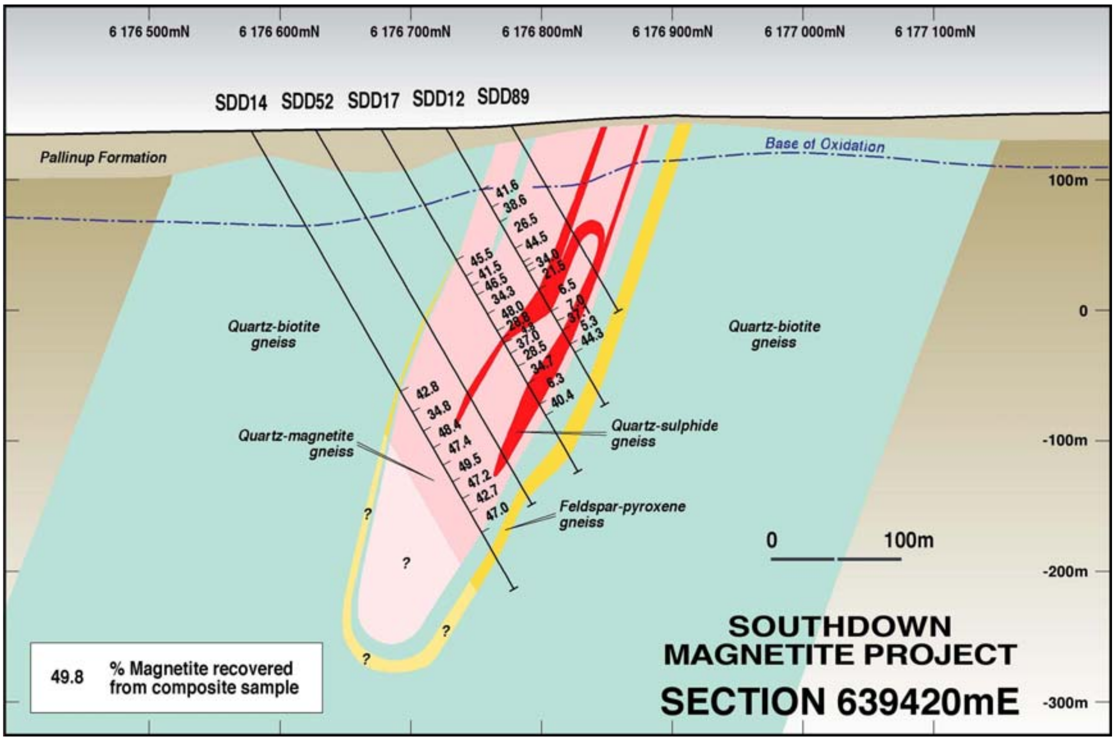

Figure 3: Interpreted Cross Section 639420mE

Interim Resource Model and Resource Statement

Golder Associates Pty Ltd (Golder) has completed an interim resource model using all geological and assay data available as at 20 July 2005 and prepared an interim mineral resource statement (Table 1). The model was constructed using geological data from 110 diamond drill holes from the current Grange drilling programme and 33 diamond drill holes from earlier drilling undertaken in 1986/87. Assay data from 2125 samples from the Grange drill holes and 187 samples from the 1986/87 drill holes were included in the model. The magnetite deposit within the Company's mining leases has a strike length of 6000 metres and a vertical depth ranging from 300 to 400 metres. The available data has allowed Golder to estimate the resource contained within 4,800 metres of strike with variable depths ranging from 50 metres below surface in the west to 400 metres below surface in the east. The average thickness of the deposit is 85 metres.

Mineral Resource Statement

The resource estimate was classified in accordance with the Australasian Code for the Reporting of Identified Mineral Resources and Ore Reserves (JORC Code, 2004).

TABLE 1
SOUTHDOWN MAGNETITE PROJECT
IN SITU MINERAL RESOURCE ESTIMATE (4.800M)

Class	Tonnes (Mt)	DTC Wt%	DTC Fe%	DTC SiO_2%	DTC Al_2O_3%	DTC P%	DTC S%	DTC MgO%	DTC CaO%
Inferred Resource	279.3	37.0	68.3	2.2	1.5	0.005	0.65	0.3	0.2

Notes:

- Estimation method: Block model, inverse distance squared using 3m composite data.
- Resources reported below the depth of oxidation (approx 25m) with depths ranging from 50m to 400m below surface.
- Resources reported for 4,800m of strike from deposit strike length of 6,000m.
- The resource was defined using geological boundaries and a nominal cut-off grade of 10 wt% Davis Tube Concentrate (DTC).
- Extrapolation was limited to within 100m of drill holes with assays.
- In-situ density of 3.4 t/m^3 derived from 3000 density measurements by the Archimedes Method.
- Resources rounded to nearest 100,000 tonnes.
- Recovery and grade rounded to 1 decimal place (except S - 2 decimal places and P - 3 decimal places)

The information in this statement of Mineral Resources is based on information compiled by Dr Sia Khosrowshahi of Golder Associates Pty Ltd. Dr Khosrowshahi is a Member of the Australasian Institute of Mining and Metallurgy and has sufficient relevant experience to qualify as a Competent Person as defined in the JORC Code (2004). Dr Sia Khosrowshahi consents to the inclusion of this information in the form and context in which it appears.

The Company expects to release a further mineral resource statement toward the end of September 2005.

Metallurgical Test Work

Results from the Davis Tube Recovery test work to date indicate a relatively uniform and high concentrate grade can be produced at a magnetite recovery of approximately 37%. Further grinding tests are being undertaken to determine the optimum concentrate grade.

Processing options to reduce the sulphur content in the final pellet product are being assessed as part of the feasibility study and include selective mining, finer grinding and flotation to remove sulphur minerals from the magnetite concentrate and oxidation in the pelletisation process.

Metallurgical test work has been undertaken to determine the following factors:

- The optimum grind to achieve both blast furnace and direct reduction grade concentrates and the likely weight yields to achieve those. This work will also provide the major factors to confirm the mass balance for plant design.
- The Bond Work Indices to finalise the likely power demand.
- The assessment of the impact of variable weight recovery on the mass yields in the front part of the plant.
- The likely benefit of dry magnetic separation at coarse sizes.
- The crushing work indices to finalise the crusher design.

Concentrate Pilot Plant

On 2 September 2005, production of Southdown concentrate commenced at a pilot plant in Perth. This programme will treat 25 tonnes of Southdown drilling core and produce approximately 9 tonnes of concentrate. Outukumpu (Lurgi) and Kobelco have been contracted to undertake test pellet production in their laboratories in Germany and Japan respectively. It is anticipated that the pilot plant will operate for about 5 to 6 weeks. Once sufficient concentrate is available for test pellet production (approximately 4.5 tonnes) it will be despatched to the laboratories by air freight.

Southdown Infrastructure

Slurry Pipeline Alignment

A preferred alignment has now been selected for the concentrate slurry pipeline between the Southdown concentrator and the Port of Albany. To date, the 52 landowners along this alignment have been contacted. In addition, archaeological and heritage surveys have been completed.

In August 2005, pipeline construction engineers were appointed and have subsequently inspected the alignment.

A draft deed of easement has been prepared and will be presented to landowners, once detailed surveys on each property have been completed.

Power Supply

Western Power Networks have completed a study to evaluate the optimum transmission line for the supply of electricity to the Southdown mine and concentrator. A new 220kV transmission line from Muja to Kojonup and then to Southdown is proposed.

Grange has contracted Western Power Networks to obtain the easement for this power line and work is now underway.

The Southdown Project will be classed as a contestable customer so Grange will be able to negotiate electricity supply terms and price from market participants. Initial discussions with a number of power suppliers have commenced.

Water Supply

The Water Corporation has agreed the principal terms for Grange to have an option to use a minimum 1.1Gl of wastewater from Albany. Process water requirements for the project are currently estimated at 2.3Gl per annum.

The balance of the project's water requirements will be met from additional waste water (current capacity is 1.8Gl) and from a small bore field near the Albany airport, which is currently being evaluated.

Albany Port

Following the completion of the initial berth and channel probing study in February 2005, which established that it was feasible to dredge without encountering rock, a number of studies have been initiated to evaluate berth and channel dredging options and to establish vessel under keel clearance requirements. Wave rider buoys have been installed in King George Sound along with tidal current meters. A seismic survey of the harbour and channel has also been completed. Preliminary layouts for Southdown facilities at the Port have been prepared, including the storage shed, filter plant, thickener and tanks.

Southdown Environmental Approvals

The initial season environmental surveys at Southdown and along the pipeline route have been undertaken. These surveys have involved flora and fauna assessments of the potentially impacted areas of development. The second season environmental surveys will be conducted in the October-November 2005 period.

Grange has agreed to progress the approvals for the Southdown Project via the Department of Industry and Resources' new Project Approvals Coordination Unit ("PACU"). The Project Definition Document ("PDD") was lodged with PACU in August 2005 for circulation amongst all relevant government agencies.

MALAYSIAN PELLET PROJECT PROGRESS REPORT

Kemaman West Wharf

In February, Grange Resources entered into a Heads of Agreement with subsidiaries of Road Builder (M) Holdings Bhd to secure the future use of infrastructure in Malaysia comprising a wharf for future ship unloading/loading and up to 60 hectares of land for the pellet plant at Kemaman on the East coast of peninsular Malaysia.

Power Supply

Tenega Nasional Berhad (TNB) is the national electricity provider for Malaysia. High voltage power is available from a TNB substation immediately next to the pellet plant site. Discussions have been held with TNB regarding the Project's power requirements. TNB have indicated that they would be able to supply power to an agreed location within the pellet plant site via a 132kV line.

Natural Gas Supply

Natural Gas for the pellet plant is available from the national supplier, Petronas Gas via a pipeline that runs along a road adjacent to the pellet plant site. Meetings have been held with Petronas to discuss the project's requirements. 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. In order to commence the supply process, the Project will need to make an application for supply to Petronas Gas.

Conveyor Corridor

Following meetings with the State Government of Terrenganu together with the various authorities and infrastructure groups with services in or around the services corridor, the Project has commissioned a survey of the corridor.

Testing of the ground conditions at the Pellet Plant site have been initiated.

A number of engineering consultants and contractors have been appointed to work with Road Builder (M) Holdings Bhd and Promet Engineers to design and cost the Kemaman facilities required for the Project.

Kemaman Environmental Approvals

Perunding Utama Sdn Bhd (PU) has been appointed as the environmental consultants for the Project in Malaysia. An initial meeting and a site inspection was held with PU to commence the environmental work for the Kemaman site during June 2005.

A meeting has been held with the Malaysian Government's Department of the Environment for an initial project briefing. The approvals process should take 7 months unless substantial issues arise that were not adequately addressed during the assessment process.

In August 2005 Grange submitted a Project Terms of Reference to the Department of Environment.

Project Outlook

During the current financial year Grange will continue to focus on completion of the BFS on development of the Southdown Magnetite Project and Malaysian Pellet Project.

Grange has engaged Burnvoir Corporate Finance to provide advice on structuring and financing of the Southdown Magnetite Project and Malaysian Pellet Project. Grange anticipates new participants will be introduced into the projects in due course.

SUMMARY OF OTHER ACTIVITIES & HIGHLIGHTS

The Company's major activities and highlights during the financial year ended 30 June 2005 were as follows:

- During the financial year 288,401 tonnes of ore grading 4.13% copper from the Reward Deeps/Conviction underground mine were processed through the Thalanga plant for the production of 41,832 tonnes of copper concentrate (Grange's share being 12,550 tonnes) containing 25.92% copper. Since extraction of underground ore commenced in December 2002 to 30 June 2005, 1.4 million tonnes grading 4.13% copper have been processed through the Thalanga plant for the production of 200,317 tonnes of copper concentrate (Grange's share being 60,095 tonnes) containing 25.92% copper.

- During the financial year royalty payments from mining activities at the Red Hill Mining Lease (M27/57) totalled $1.68 million. Royalty income from open pit ore, from commencement of operations in February 2003 to 30 June 2005 amounts to $1,768,872. Ore treated during this period has been 2.88 million tonnes at an average grade of 1.66g/t gold for the recovery of 145,744 ounces. For production above the threshold of 85,000 ounces the royalty has averaged $22.17 per ounce of gold produced.

  Placer Dome has advised that it is currently compiling resource and reserve figures for Red Hill and these will be advised as they become available.

- Royalties continued to be received from the Freshwater project during the financial year with ore production from both underground and open pit. Royalty income for the financial year ended 30 June 2005 totalled $807,411 comprising $460,478 from open pit ore and $346,934 from underground ore.

  Royalty income derived from open pit ore from November 1996 when the royalty was first established, to 30 June 2005 totals $3.0 million. Gold ore treated during this period has been 4.0 million tonnes at an average grade of 2.08 g/t gold for the recovery of 259,065 ounces. The royalty has averaged $11.58 per ounce of gold produced.

  Royalty income for underground ore from December 2001 when development of the Plutonic East mine commenced, to 30 June 2005 amounts to $743,237. Gold ore treated during this period has been 218,259 tonnes at an average grade of 6.75g/t gold for the recovery of an estimated 44,000 ounces. The royalty has averaged $16.86 per ounce of gold produced

  As at 31 December 2004 the Freshwater ore reserves amounted to 790,000 tonnes grading 4.2 g/t gold containing 105,800 ounces gold. Of these reserves 360,000 tonnes grading 6.5g/t gold containing 75,600 ounces gold are underground reserves from Plutonic East and 430,000 tonnes grading 2.19g/t gold containing 30,200 ounces gold are open pit reserves.

  In addition to these reserves, Freshwater mineral resources as at 31 December 2004 amounted to approximately 4.24 million tonnes grading 4.8 g/t gold containing 659,600 ounces gold. The majority of these mineral resources, 3.64 million tonnes grading 5.3 g/t gold, containing 620,200 ounces of gold, are present at the Plutonic East underground mine.

- Horseshoe Gold Mine Pty Ltd, a wholly owned subsidiary of Grange has a joint venture agreement with Gleneagle Gold Limited ("Gleneagle") over the Wembley Gold Project, which comprises of one granted lease and a mining lease application. Gleneagle is earning an 80% interest in the tenements by spending $500,000 on exploration. The project contains the Durack and Outback deposits, which host a resource of 568,000 tonnes at 2.3g/t gold containing 42,700 ounces. During the financial year Gleneagle completed preliminary pit design work for the resource as part of the Fortnum recommissioning study.

- In March 2005 the Company lodged a Prospectus offering a pro rata non renounceable rights issue to shareholders whereby the Company proposed to issue up to 10,821,322 shares on the basis of one share for every seven shares held at an issue price of $1.25 per share. The Company engaged Patersons Securities Limited to act as underwriter and joint lead manager with BBY Limited. In April 2005 the underwriter advised the Company there had been a technical breach of the terms of the underwriting agreement due to a material deterioration in market conditions. The directors of Grange withdrew the Prospectus due to the uncertainty of completing the rights issue, which is not fully underwritten.

- During the financial year 5,040,000 fully paid ordinary shares were issued to directors and staff of Grange at a price of $0.12 per share pursuant to the exercise of options issued under the Grange Resources Limited Directors' and Officers' Option Plan.

- During the financial year directors were issued 3,000,000 fully paid ordinary shares at a price of $0.50 per share pursuant to the exercise of remuneration options.

- In June 2005 the Company arranged a share placement to RAB Special Situations Master Fund Limited comprising of 5.0 million fully paid ordinary shares at an issue price of $1.00 each raising, $5.00 million.

For further information visit the Grange website at www.grangeresources.com.au or alternatively contact Alec Pismiris on (+618) 9321 1118.

ALEC PISMIRIS
Company Secretary

APPENDIX 4E

PRELIMINARY FINAL REPORT

FINANCIAL YEAR ENDED 30 JUNE 2005

GRANGE RESOURCES LIMITED
ABN 80 009 132 405

RESULTS FOR ANNOUNCEMENT TO THE MARKET

				$A'000
Revenues from ordinary activities	Down	74%	to	7,134
Profit/(loss) from ordinary activities after tax attributable to members	Down	202%	to	(5,093)
Net profit/(loss) for the period attributable to members	Down	202%	to	(5,093)

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend	Nil	Nil
Previous corresponding period	Nil	Nil

Record date for determining entitlements to the dividend — Not applicable

The Company does not propose to pay a dividend for the current period.

EARNINGS PER SECURITY (EPS)	Current period	Previous corresponding period
Basic EPS	(7.02) cents	7.3 cents
Diluted EPS	(7.02) cents	6.9 cents

Weighted average ordinary shares used in the calculation of the basic and diluted EPS is 72,527,067 shares.

NET TANGIBLE ASSETS	Current period	Previous corresponding period
Net tangible assets per ordinary security	2.86 cents	3.36 cents

REVIEW AND RESULTS OF OPERATIONS

Principal Activities

The principal activities of the Consolidated Entity during the year were:

- Implementation of a bankable feasibility study on the development of the Southdown Magnetite Project and Malaysian Pellet Project;
- production of copper concentrate and mine development;
- receiving royalty income from production of gold;
- minerals exploration and evaluation;
- investment of cash assets; and
- administration of the Consolidated Entity.

Operating Results

The consolidated operating loss of the Consolidated Entity after providing for income tax amounted to $5.093 million (2004: profit $5.00 million). The result included the following items of significance:

- gross revenue generated from the export of 5,520 tonnes of copper concentrate from the Reward Deeps and Conviction underground mine was $3.93 million;
- royalty income generated from the Redhill and Freshwater Projects for the year was $2.53 million ; and
- expenditure associated with mining operations at the Reward Deeps and Conviction underground mine totalled $7.16 million for the year including mining, transportation, milling, depreciation, amortisation and administration.

Shareholders' equity increased $2.02 million or 11.8% during the financial year from $17.13 million to $19.15 million. Factors contributing to this increase included the following:

- the issue of 5,000,000 fully paid ordinary shares at an issue price of $1.00;
- the issue of 5,040,000 fully paid ordinary shares at an issue price of $0.12 pursuant to the exercise of options;
- the issue of 3,000,000 fully paid ordinary shares at an issue price of $0.50 pursuant to the exercise of options; and
- the loss from ordinary activities of $4.97 million.

Capital Structure

During the financial year the Company completed a share placement to RAB Special Situations Master Fund Limited comprising of 5,000,000 fully paid ordinary shares at an issue price of $1.00 per share.

In addition, 5,040,000 fully paid ordinary shares were issued to directors and staff of Grange at a price of $0.12 per share during the financial year pursuant to the exercise of options issued under the Grange Resources Limited Directors' and Officers' Option Plan.

Directors were also issued 3,000,000 fully paid ordinary shares at a price of $0.50 per share during the financial year pursuant to the exercise of remuneration options.

Likely Developments and Expected Results of Operations

The Company's focus during the current financial year will remain on completion of the bankable feasibility study on development of the Southdown Magnetite Project and Malaysian Pellet Project. The technical aspects of the bankable feasibility study are scheduled to be completed by the end of 2005 with environmental and project approvals expected by mid 2006.

Grange has appointed Burnvoir Corporate Finance to advise on the structuring and financing of the Southdown Magnetite Project and Malaysian Pellet Project. Grange anticipates new participants will be introduced into the projects in due course.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

	Current period $A'000	Previous corresponding period $A'000
Revenues from ordinary activities	7,136	27,331
Expenses from ordinary activities	(12,202)	(22,260)
Borrowing costs	(27)	(33)
(Loss) profit from ordinary activities before tax	(5,093)	5,038
Income tax on ordinary activities	-	(34)
(Loss) profit from ordinary activities after tax	(5,093)	5,004
(Loss) profit from extraordinary items after tax	-	-
Net (loss) profit	(5,093)	5,004
Net (loss) profit for the period attributable to members	(5,093)	5,004
Other revenue, expense and initial adjustments recognised directly in equity – share issue costs	-	(30)
Total transactions and adjustments recognised directly in equity	-	(30)
Total changes in equity not resulting from transactions with owners as owners	(5,093)	4,974

NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO MEMBERS

(Loss) profit from ordinary activities after tax	(5,093)	5,004
(Loss) profit from ordinary activities after tax, attributable to members	(5,093)	5,004

NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE (CONTINUED)

REVENUE AND EXPENSES FROM ORDINARY ACTIVITIES

	Current period $A'000	Previous corresponding period $A'000
Revenue from sales or services	6,463	26,558
Interest revenue	646	332
Other relevant revenue	27	441
	7,136	27,331
Details of relevant expenses:		
Cost of sales	(7,160)	(17,156)
Administration costs	(4,237)	(2,429)
Depreciation and amortisation	(832)	(2,708)
Total expenses	(12,229)	(22,293)

CONSOLIDATED RETAINED LOSSES

(Accumulated losses)/retained profits at the beginning of the financial period	(20,035)	(25,039)
Net (loss)/profit attributable to members	(5,093)	5,004
(Accumulated losses)/retained profits at end of financial period	(25,128)	(20,035)

COMMENTARY - CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

Revenue from sales decreased by 76% to 6,463,000 due largely to a decline in the shipment of copper concentrate from the Reward Deeps and Conviction underground mine. One shipment of 5,520 tonnes of copper concentrate from the Reward Deeps and Conviction underground mine was exported during the financial year compared with four shipments totalling 41,005 tonnes in the previous financial year.

NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

Throughout the year ore production at the Reward Deeps and Conviction underground mine was continually interrupted as a a consequence of difficulties encountered with mining activities and adverse weather conditions. Operations at the Thalanga mill were also adversely impacted due to the interruption to supplies of ore from the Reward Deeps and Conviction underground mine.

As a consequence of delays experienced in extracting the remainder of ore from the Reward Deeps and Conviction underground mine, the Company incurred higher mining and milling costs associated with production of copper concentrate.

An increaase in adminstration costs of $1.80 million was largely attributable to expenditure associated with identifiaction and assessment of potential investment opportunities in the resources sector in the South East Asian region with particular emphasis on iron ore, manganese and coal deposits. There was also an increase in employee expenses as a consequence of additional contractors being appointed for the bankable feasibility study on development of the Southdown Magnetite Project.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At end of current period $A'000	As shown in last annual report $A'000
Current assets		
Cash	8,739	16,232
Receivables	1,381	232
Inventories	2,094	273
Other	54	53
Total current assets	12,268	16,790
Non-current assets		
Receivables	304	310
Other investments	-	746
Exploration and evaluation expenditure capitalised	7,508	290
Development properties	306	1,185
Other property, plant and equipment (net)	450	261
Security Deposit (cash backed)	2,856	1,702
Total non-current assets	11,424	4,494
Total assets	23,692	21,284
Current liabilities		
Payables	2,505	1,675
Provisions exc. tax liabilities	683	537
Other – tax liabilities	34	34
Total current liabilities	3,222	2,246
Non-current liabilities		
Provisions exc. tax liabilities	1,320	1,500
Other	-	400
Total non-current liabilities	1,320	1,900
Total liabilities	4,542	4,146
Net assets	19,150	17,138

Equity		
Capital/contributed equity	38,404	31,299
Reserves	5,874	5,874
(Accumulated Losses)	(25,128)	(20,035)
Equity attributable to members of the parent entity	19,150	17,138
Total equity	19,150	17,138

NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EXPLORATION AND EVALUATION EXPENDITURE CAPITALISED

	Current period $A'000	Previous corresponding period $A'000
Opening balance	290	767
Expenditure incurred during current period	6,416	33
Expenditure transferred from investments	746	-
Expenditure transferred from development properties	56	(510)
Closing balance as shown in the consolidated balance sheet	7,508	290

DEVELOPMENT PROPERTIES

Opening balance	1,185	3,350
Expenditure transferred from/(to) exploration properties	(56)	510
Amortisation of mine properties	(823)	(2,674)
Closing balance as shown in the consolidated balance sheet	306	1,185

COMMENTARY - CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The decrease in cash assets and corresponding increase in capitalised exploration and evaluation expenditure is largely due to costs associated with the bankable feasibility study on development of the Southdown Magnetite Project and Malaysian Pellet Project.

Inventory levels are higher than the corresponding year and comprised of a shipment of copper concentrate sold shortly after the end of the financial year.

The increase in share capital of $7.1 million was due to the following:

- the issue of 5,000,000 fully paid ordinary shares at an issue price of $1.00;
- the issue of 5,040,000 fully paid ordinary shares at an issue price of $0.12 pursuant to the exercise of options issued under the Grange Resources Limited Directors' and Officers' Option Plan; and
- the issue of 3,000,000 fully paid ordinary shares at an issue price of $0.50 pursuant to the exercise of director remuneration options.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Current period $A'000	Previous corresponding period $A'000
Cash flows related to operating activities		
Receipts from customers	5,315	27,560
Payments to suppliers and employees	(13,055)	(16,047)
Interest and other items of similar nature received	646	332
Interest and other costs of finance paid	(28)	(33)
Net operating cash flows	(7,122)	11,812
Cash flows related to investing activities		
Payment for purchases of property, plant and equipment	(199)	(6)
Payment for purchases of investments	-	(247)
Other:		
-Payment for exploration, evaluation and development	(6,122)	(39)
-Payment for security deposit	(1,153)	(87)
Net investing cash flows	(7,474)	(379)
Cash flows related to financing activities		
Proceeds from issues of securities (shares, options, etc.)	7,105	1,504
Payment for shares bought back	-	(446)
Payment of share issue expenses	-	(30)
Net financing cash flows	7,105	1,028
Net (decrease) increase in cash held	(7,493)	12,461
Cash at beginning of period *(see Reconciliation of cash)*	16,232	3,771
Cash at end of period	8,739	16,232

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

RECONCILIATION OF CASH

Cash on hand and at bank	146	425
Deposits at call	8,331	15,554
Cash at bank – joint ventures	262	253
Total cash at end of period	8,739	16,232

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

RECONCILIATION OF CASH FLOW FROM OPERATING ACTITIVITIES TO (LOSS)/PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX

	Current period $A'000	Previous corresponding period $A'000
(Loss)/profit from ordinary activities after income tax	(5,093)	5,004
Non cash flows in (loss)/profit from ordinary activities:		
Amortisation	823	2,682
Depreciation	9	25
Provisions	(33)	9
Changes in assets and liabilities:		
Receivables	(1,149)	3,047
Prepayments	(1)	(11)
Creditors and accruals	143	(1,407)
Provisions	-	(346)
Inventories	(1,821)	2,772
Tax liabilities	-	34
Cash (outflow)/inflow from operating activities	(7,122)	11,812

COMMENTARY - CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

The Company experienced a cash flow deficit of $7.12 million from operating activities was largely attributable to the decline in revenue generated from the shipment of copper concentrate from the Reward Deeps and Conviction underground mine and increase in mining and milling costs associated with delays in the production of copper concentrate.

The cash flow deficit of $7.47 million from investing activities was attributable to costs associated with the bankable feasibility study on development of the Southdown Magnetite Project including exploration expenditure to determine the size and grade of the magnetite deposit and the provision of a cash backed bank guarantee in accordance with the terms of the Heads of Agreement entered into with subsidiaries of Road Builder (M) Holdings Bhd for the purchase of land and securing port facilities in the Malaysian port city of Kemaman.

The cash flow surplus of $7.10 million from financing activities was generated from a share placement of 5,000,000 fully paid ordinary shares at an issue price of $1.00 per share to RAB Special Situations Master Fund Limited and the exercise of 5,040,000 options issued under the Grange Resources Limited Directors' and Officers' Option Plan and 3,000,000 director remuneration options.

OTHER NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Ratios	Current period $A'000	Previous corresponding period $A'000
Profit before tax / revenue Consolidated (loss) profit from ordinary activities before tax as a percentage of revenue	(71)%	18%
Profit after tax /equity interests Consolidated net (loss) profit from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	(27)%	29%

CONTROL GAINED OVER ENTITIES

The Consolidated entity did not gain control over any entity during the period.

DIVIDENDS

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

DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

Name of associate and joint venture	Mount Windsor Joint Venture
Percentage holding in joint venture	30%
Group's share of associates' and joint venture entities'.	The net contribution of joint venture operations to the consolidated entity loss before income tax was $(3,871,000)

ISSUED AND QUOTED SECURITIES AT END OF FINANCIAL PERIOD

Category of security	Total Number	Number quoted	Issue price per security	Amount paid up per security
Ordinary securities	82,749,259	82,749,259	-	-
Changes during current period - Increases through following issues: (i) Share Placement (ii) Exercise of Remuneration Options (iii) Exercise of Plan Options	 5,000,000 3,000,000 5,040,000	 5,000,000 3,000,000 5,040,000	 $1.00 50 cents 12 cents	 $1.00 50 cents 12 cents

	Total Number	Number quoted	Exercise Price	Expiry date
Options	4,285,715 1,500,000 1,500,000 1,500,000 1,000,000	- - - - -	50 cents 50 cents $1.25 $1.50 $2.50	28 Nov 2006 30 Jun 2007 30 Jun 2007 30 Jun 2008 30 Jun 2011
Issued during current period	1,500,000 1,500,000 1,000,000	- - -	$1.25 $1.50 $2.50	30 Jun 2007 30 Jun 2008 30 Jun 2011
Exercised during current period	(5,040,000) (3,000,000)	- -	12 cents 50 cents	30 Jun 2007 30 Jun 2007
Expired/Cancelled during current period	-	-	-	-

ANNUAL MEETING

The annual meeting will be held as follows:

Place	Level 11 Mount Newman House 200 St George's Terrace, Perth, WA
Date	To be determined
Time	To be determined
Approximate date the +annual report will be available	October 2005 (subject to the completion of the Notice of Annual General Meeting)

AUDIT

This report is based on accounts which are in the process of being audited.

SEGMENT NOTE

(a) Geographic Segments

The Consolidated Entity operates predominantly in one geographic segment, Australia.

(b) Industry Segments

The Consolidated Entity operates predominantly in the mining and exploration industry and has progressively wound up its interests the technology and financial services industry.

SEGMENT NOTE (CONTINUED)

SEGMENT INFORMATION – PRIMARY SEGMENT

Business segments	*Mining & Exploration Industry*		*Financial Services & Technology Services*		Total	
	2005 $'000	*2004 $'000*	*2005 $'000*	*2004 $'000*	*2005 $'000*	*2004 $'000*
Revenue						
Sales to customers outside the consolidated entity	6,463	26,558	—	—	6,463	26,558
Other revenues from customers outside the consolidated entity	673	264	—	25	673	289
Total segment revenue	7,136	26,822	—	25	7,136	26,847
Unallocated revenue					—	484
Total consolidated revenue					7,136	27,331
Results						
Segment result	(5,068)	7,267	(25)	(1)	(5,093)	7,291
Unallocated expenses					—	(2,737)
Unallocated revenue					—	484
Consolidated entity profit from ordinary activities before income tax expense					(5,093)	5,038
Income tax expense					—	(34)
Consolidated entity profit from ordinary activities after income tax expense					(5,093)	5,004
Extraordinary item					—	—
Net profit/(loss)					(5,093)	5,004

Business segments	*Mining & Exploration Industry*		*Financial Services & Technology Services*		Total	
	2005 $'000	*2004 $'000*	*2005 $'000*	*2004 $'000*	*2005 $'000*	*2004 $'000*
Assets						
Segment assets	23,624	20,318	68	115	23,692	20,433
Unallocated assets					—	851
Total assets					23,692	21,284
Liabilities						
Segment liabilities	4,542	3,474	—	18	4,542	3,492
Unallocated liabilities					—	653
Total liabilities					4,542	4,145
Other segment information:						
Acquisition of property, plant and equipment, intangible assets and other non-current assets	199	—	—	—	199	14
Depreciation and Amortisation	832	2,708	—	—	832	2,708
Non-cash expenses other than depreciation and amortisation	1,855	2,425	—	—	1,855	2,425

IMPACT OF AASB EQUIVALENTS TO IASB STANDARDS

Grange Resources Limited has commenced the transition of its accounting policies and financial reporting from current Australian Accounting Standards ("AGAAP") to Australian equivalents of International Financial Reporting Standards ("AIFRS") which will be applicable for the financial year ended 30 June 2006. In 2004 the Company allocated internal resources and consulted with external consultants to perform diagnostics and conduct impact assessments to identify areas that would be impacted by the transition to AIFRS. Grange Resources Limited has a 30 June year end, therefore priority has been given to considering the preparation of an opening balance sheet in accordance with AIFRS as at 1 July 2004. This will form the basis of accounting for AIFRS in the future, and is required when Grange Resources Limited prepares its first fully IFRS compliant financial report for the year ended 30 June 2006.

Set out below are areas where accounting policies are expected to change on adoption of AIFRS and estimate of the quantitative impact of the changes on total equity as at the date of transition and 30 June 2005 and on the net loss for the year ended 30 June 2005.

The figures disclosed are management's best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to (i) ongoing work being undertaken by management; (ii) potential amendments to AIFRS's and Interpretations thereof being issued by the standard-setters and IFRIC; and (iii) emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations.

(a) Reconciliation of equity as presented under AGAAP to that under AIFRS

	Notes	30 June 2005 $ '000
Total equity under AGAAP		19,150
Adjustments to retained earnings (net of tax)		
Recognition of share-based payment expense	(i)	(180)
		(180)
Adjustments to other reserves (net of tax)		
Recognition of share-based payment expense	(i)	180
		180
Total equity under AIFRS		19,150

(i) Under AASB 2 *Share based Payments*, the Company would recognise the fair value of options granted to executives and directors as remuneration as an expense on a pro rata basis over the vesting period in the income statement with a corresponding adjustment to equity. Share-based payments are not recognised under AGAAP.
Management has decided to adopt the AASB 1 *First Time Adoption of Australian Equivalent to International Financial Reporting Standards* transitional arrangements which allow companies not to fully retrospectively apply ASSB 2 Share based Payments. Under the terms of the transitional arrangements the cost of options issued after 7 Nov 2002 which had not vested at 1 Jan 2005 have been recognised in the income statement.

(b) Reconciliation of net loss as presented under AGAAP to that under AIFRS

YEAR ENDED 30 JUNE 2005

		$
Net loss as reported under AGAAP		(5,093)
Share-based payment expense	(i)	(180)
Net profit under AIFRS		5,273

(c) Restated AIFRS Statement of Cash Flows for the year ended 30 June 2005
No material impacts are expected to the cash flows presented under AGAAP on adoption of AIFRS.

IMPACT OF AASB EQUIVALENTS TO IASB STANDARDS (CONTINUED)

Impairment of Assets

Under AASB 136 "Impairment of Assets" the recoverable amount of an asset is determined as the higher of net selling price and value of use. This will result in a change in the group's current accounting policy which determines the recoverable amount of an asset on the basis of undiscounted cash flows. Under the new policy it is likely that impairment of assets will be recognized sooner and that the amount of write-downs will be greater. The Company assessed the impairment triggers under AASB 136 and the facts and circumstances under AASB6 relevant to Grange Resources Ltd and the consolidated entity at transition date and 30 June 2005 and concluded that the assets are not impaired.

Income Taxes

Under the AASB 112 "Income Taxes", the Company will be required to use a balance sheet liability method, which focuses on the tax effects of transactions and other events that affect amounts recognized in either the Statement of Financial Position or a tax based balance sheet. After assessing the major changes relating to the transition of AIFRS, the Company is now in the process of assessing the differences, however, it is not expected that there will be any material impact as a result of adoption of this standard.

Exploration and Evaluation of Mineral Resources

AASB 6 "Exploration for and Evaluation of Mineral Resources" will require the Company to apply "area of interest" accounting to its exploration and evaluation expenditures, effectively grandfathering the treatment currently used by the Company under AASB 1022 "Accounting for Extractive Industries". Under AASB 6, if facts and circumstances suggest that the carrying amount of any recognized exploration and evaluation assets may be impaired, the Company must perform impairment tests on those assets in accordance with AASB 136 "Impairment of Assets". Impairment of exploration and evaluation assets is to be assessed as a cash generating unit or group of cash generating units level provided this is no larger than an area of interest. Any impairment loss is to be recognized as an expense in accordance with AASB 136. The Company has analysed its deferred exploration and evaluation expenditure and is satisfied that no expenses were deferred which were incurred before licence was granted. As a result of this analysis there is no impact from adopting AASB 6.

Provisions, Contingent Liabilities and Contingent Assets

Under AASB 137 "Provisions, Contingent Liabilities and Contingent Assets", the rehabilitation provision should be measured at the best estimate of the expenditure required to settle the present obligation. After assessing the major changes relating to the transition of AIFRS, the Company is now in the process of assessing the differences, however, it is not expected that there will be any material impact as a result of adoption of this standard.