



STOCK EXCHANGE ANNOUNCEMENT

ANNUAL REPORT

30 September 2005

Pursuant to Listing Rule 4.5, attached is the Annual Financial Report of Grange Resources Limited for the financial year ended 30 June 2005.

The attached represents all documents required by Section 319 of the Corporations Act which, pursuant to this announcement, also constitutes their lodgement with ASIC.

For further information visit the Grange website at www.grangeresources.com.au or alternatively contact Mark Smith on + 61 (8) 9321 1118.

MARK SMITH

Company Secretary

GRANGE RESOURCES LIMITED

ABN 80 009 132 405

AND CONTROLLED ENTITIES

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2005

GRANGE RESOURCES LIMITED
ABN 80 009 132 405
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CORPORATE DIRECTORY

BOARD OF DIRECTORS

Anthony Bohnenn
(Non-Executive Chairman)
Geoff Wedlock
(Managing Director)
Alexander Henry Nutter
(Technical Director)
Richard Krasnoff
(Non-Executive Director)
Hans-Rudolf Moser
(Non-Executive Director)

SENIOR MANAGEMENT

Mark Thomas Andrew Smith
(Chief Financial Officer & Company Secretary)

REGISTERED OFFICE

Level 11, Mt Newman 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

NM Rothschild & Sons (Australia) Limited
Level 21
140 St George's Terrace
PERTH WA 6000

STOCK EXCHANGE

Grange Resources Limited is listed on the
Australian Stock Exchange 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 2005.

Grange recorded a consolidated operating loss after tax of \$5.09 million for the financial year ended 30 June 2005 compared to an operating profit of \$5.00 million in the previous financial year. The result was achieved on revenue of \$7.13 million including revenue of \$3.93 million generated from the production of copper concentrate from the Reward Deeps and Conviction underground mine which compared to \$26.56 million in the previous financial year. The decrease in Grange's revenue in consolidated revenue was due to a decline in the shipment of copper concentrate from the Reward Deeps and Conviction underground mine as they come to the end of their mine life. In July 2005 mining operations at the Reward Deeps and Conviction underground mine ceased due to the exhaustion of ore reserves.

During the 2005/2006 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

Grange completed a scoping study on the potential development of the Southdown Magnetite and Malaysian Pellet Project. 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 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 Company continues to devote significant resources to the identification of new investment opportunities in the resources sector with particular emphasis on iron ore, manganese and coal deposits located in South East Asia. The Company is actively pursuing investment opportunities in Malaysia and Indonesia. Grange's objective is to acquire mining projects that have the potential to provide an immediate cash flow to compliment the Company's existing mining projects, including the development of the Southdown Magnetite Project and Malaysian Pellet Project (Kemaman).

I wish to extend my sincere thanks to the Board and management team of Grange for their significant contributions and efforts. Appreciation is also extended to our shareholders for their support and we look forward to continued success in the financial year ahead.

ANTHONY BOHNENN
Chairman

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DIRECTORS' REPORT

Your Directors present their report with respect to the results of Grange Resources Limited ("Grange" or "the Company") and its controlled entities (the "Consolidated Entity") for the year ended 30 June 2005 (the "Balance Date") and the state of affairs of the Company and Consolidated Entity at Balance Date.

DIRECTORS

The names of the directors of the Company 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 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 as Managing Director 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 Audit and Compliance Committee and Remuneration Committee.

Geoff Wedlock B.Sc.

Managing Director

Mr Wedlock was appointed managing director of Grange on 23 February 2005. Mr Wedlock's previous roles have included executive positions with BHP Billiton Limited, Portman Mining Limited and Western Metals Limited. Mr Wedlock has more than 35 years of experience in minerals exploration and project management. During the past three years Mr Wedlock has also served as a director of the following listed public companies:

- Western Metals Limited (2001 to 2003)
- Portman Limited (1997 to 2001)

Alexander Henry Nutter BSc., MSc., DIC., FAusIMM., MAIG.

Technical Director

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.

Richard Krasnoff BEc., MBA., 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 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. During the past three years Mr Krasnoff has also served as a director of the following listed public companies:

- Conquest Mining Limited (October 2004 to present)

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DIRECTORS' REPORT (CONTINUED)

Hans Rudolf Moser

Non-executive Director

Mr Moser is based in Switzerland with more than 20 years experience in the Swiss banking industry. He has a Bachelor of Commerce from the University of Basel in Switzerland and is a Director of a number of Australian publicly listed companies in the resource and technology sectors. Mr Moser manages a large European investment fund and has been an active investor in Australian companies for many years. Mr Moser also serves on the Audit and Compliance Committee and Remuneration Committee.

Adam Rankine-Wilson FAICD., ASIA.

Executive Director

Mr Rankine-Wilson was Managing Director of Grange from June 2001 until 23 February 2005. He was joint Managing Director of Grange between September 1990 and February 1994 and Managing Director from November 1995 until September 2000. Mr Rankine-Wilson has been a director of numerous private and public companies in the mining and investment industries, particularly in Western Australia. Mr Rankine-Wilson resigned from the Board on 17 May 2005.

COMPANY SECRETARY

Mark Andrew Thomas Smith B.Bus., CPA, ACIS

Mr Smith was appointed Company Secretary and Chief Financial Officer of Grange on 16 September 2005. Mr Smith has a Bachelor of Business undergraduate degree, with a major in Accountancy, obtained from the Queensland University of Technology and is a Certified Practicing Accountant with 14 years post-graduate experience across a wide variety of industries. He has held senior financial positions with a number of Australian publicly listed companies in the resources sector.

Alec Christopher Pismiris B.Com. ACIS

Mr Pismiris served as Company Secretary and Chief Financial Officer of Grange for the financial year and resigned on 16 September 2005. Mr Pismiris is also a director and company secretary of several public and private companies. Mr Pismiris has a Bachelor of Commerce from the University of Western Australia and is an associate of The Institute of Chartered Secretaries and Administrators. Mr Pismiris has over 20 years experience in the securities and finance industry.

Interests in the shares and options of the Company

At the date of this report the direct or indirect interest of each director of the Company in the issued securities of Grange were:

	Ordinary Shares	\$0.50 Options over Ordinary Shares	\$1.25 Options over Ordinary Shares	\$1.50 Options over Ordinary Shares	\$2.50 Options over Ordinary Shares
A Bohnenn	13,177,838	Nil	Nil	Nil	Nil
G L W Wedlock	104,000	1,500,000	1,500,000	1,500,000	1,000,000
A H Nutter	944,999	Nil	Nil	Nil	Nil
R Krasnoff	50,000	Nil	Nil	Nil	Nil
H R Moser	4,310,450	Nil	Nil	Nil	Nil

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DIRECTORS' REPORT (CONTINUED)

EARNINGS PER SHARE

	Cents
Basic earnings per share	(7.02)
Diluted earnings per share	(7.02)

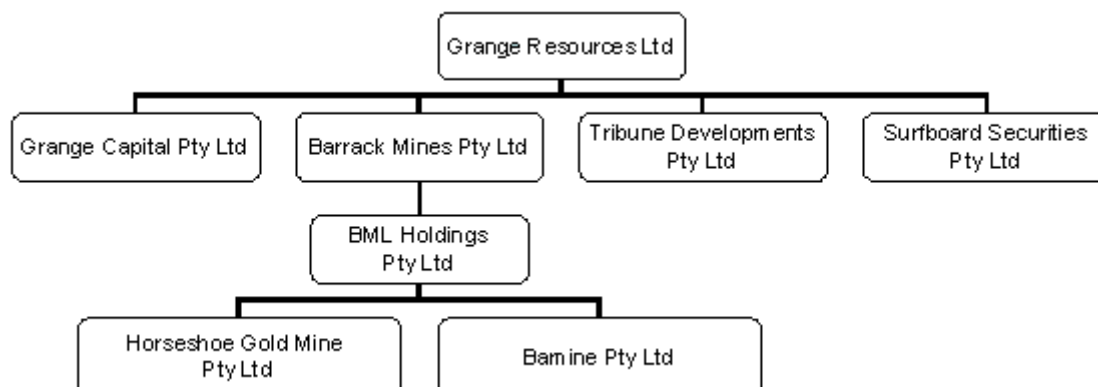
DIVIDENDS

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

CORPORATE INFORMATION

Corporate Structure

Grange Resources Limited is a company limited by shares that is incorporated and domiciled in Australia. Grange Resources Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which are outlined in the following illustration of the group's corporate structure.



Nature of operations and principle activities

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

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

Employees

The consolidated entity employed twenty two employees at the Balance Date (2004: twelve employees)

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DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW

Operating results for the year

The Company 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 of copper concentrate from the Reward Deepes and Conviction underground mine. One shipment comprising of 5,520 tonnes of copper concentrate copper concentrate was exported from the Reward Deepes 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 \$6.83 million, a surplus from financing activities of \$7.10 million and a deficit in investing activities of \$7.77 million.

Review of operations and highlights

The Company's major activities and highlights during the period were as follows:

- During the period the Company completed a scoping study on the potential development of the Southdown Magnetite and Malaysian Pellet Project. The study identified a substantial potential resource which would support significant mining, concentrating and pelletisation operations. Infrastructure requirements for the project were also evaluated. Preliminary financial analysis of the projects indicated the project could generate substantial cash flows. Based on the outcome of the scoping study, Grange commenced a full bankable feasibility study in January 2005;
- In February 2005 the Company entered into a Heads of Agreement with wholly owned subsidiaries of Road Builder (M) Holdings Bhd to acquire up to a maximum of 60 hectares of land in the Malaysian port city of Kemaman to build a magnetite pellet project and secure port facilities.
- During the financial year 288,401 tonnes of ore grading 4.13% copper from the Reward Deepes/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 4.20% 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 26.32% copper.

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DIRECTORS' REPORT (CONTINUED)

- 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.

Ore reserves within M27/57 as at 31 August 2005 amounted to 2.12 million tonnes grading 2.21g/t gold containing 151,000 ounces of gold. The ore reserves are estimated to 145 metres depth. Mineral resources within M27/57 as at 31 August 2005 amounted to 3.34 million tonnes grading 1.89g/t gold containing 203,000 ounces of gold to a depth of 150 metres. The mineral resources are inclusive of those resources modified to produce the ore reserves.

- 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 was not fully underwritten.

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DIRECTORS' REPORT (CONTINUED)

- During the financial year Grange entered into option to purchase agreements with Murchison Copper Mines Pty Ltd over the Horseshoe Lights project located approximately 140km north of Meekatharra in Western Australia and the Thaduna and Green Dragon projects located approximately 170km north east of Meekatharra in Western Australia. The option over the Horseshoe Lights project was subsequently exercised in March 2005 and the option over the Thaduna and Green Dragon projects was exercised in September 2005.
- 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.

MINING HIGHLIGHTS

Southdown Magnetite Project

- Bankable feasibility study commenced and progressing to plan with completion of technical aspects targeted for December 2005.
- As at 22 September 2005 140 holes aggregating 38,793 metres had been completed out of a planned total of 156 holes (aggregating 41,000m).
- An additional 19 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.
- As at 2 September 2005 6,197 samples from 131 drill holes had been submitted to the laboratory for analysis.
- An interim JORC compliant resource estimate compiled by Golder Associates based on data available as at 20 September 2005 shows the deposit to contain 426Mt grading 36% magnetite (Indicated 154Mt grading 37% magnetite and Inferred 272Mt grading 35% magnetite).
- Completion of detailed mine scheduling and commercial considerations are targeted for April 2006.
- Statutory and environmental approvals are targeted for mid 2006.

Reward Deeps Project

- Throughout the period ore production at the Reward Deeps and Conviction underground mine was continually interrupted as 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.
- 41,832 tonnes of copper concentrate (Grange's share being 12,550 tonnes) grading 25.92% copper produced during the year from 288,401 tonnes of ore grading 4.13% copper.
- Gross revenue of \$3.93 million was generated by Grange from the sale of 5,520 tonnes of copper concentrate.

Red Hill Project

- Royalty income of \$1.68 million earned during the year.
- 1.43 million tonnes of ore grading 1.74g/t gold were processed during the year for the production of 75,743 ounces gold. 1,267,388 million tonnes of ore grading 1.80 g/t gold were mined.
- Ore reserves of 2.12 million tonnes @ 2.21g/t gold containing 150,600 ounces as at 31 August 2005 subject to royalty payments.

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DIRECTORS' REPORT (CONTINUED)

- Mineral resources of 3.92 million tonnes @ 2.16 g/t gold containing 271,700 ounces gold as at 31 August 2005.

Freshwater Project

- Royalty income of \$807,411 earned during the year.
- 98,483 tonnes of ore grading 7.00g/t gold mined and processed from the Plutonic East underground mine for the production of approximately 20,628 ounces gold.
- 240,742 tonnes of open pit ore grading 2.93g/t gold mined and processed for the production of 27,169 ounces gold.
- Total Freshwater ore reserves 790,000 tonnes @ 4.2 g/t gold containing 105,800 ounces gold, as at 31 December 2004.
- Total Freshwater mineral resources 4.24 million tonnes @ 4.8g/t gold containing 659,600 ounces gold, as at 31 December 2004.

Wembley Project

- Gleneagle Gold Limited ("Gleneagle") 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.

MINING AND EXPLORATION ACTIVITIES

Southdown Magnetite Project
Grange 100%

In November 2004 the Company entered into a conditional purchase agreement to acquire the Southdown Magnetite Project from Global Doctor Pty Ltd a wholly owned subsidiary of MedAire Inc. Under the terms of the purchase agreement, Grange can acquire Southdown on a staggered purchase arrangement as follows:

- \$150,000 initial payment
- \$100,000 within 12 months of Settlement
- \$400,000 within 24 months of Settlement
- \$1,000,000 upon the commencement of commercial mining operations on the Mining Tenements.

Southdown Magnetite and Malaysian Pellet Project Overview

The Southdown Magnetite Project is located approximately 90 kilometres northeast of the Port of Albany on the south coast of Western Australia. It comprises three granted mining leases ML70/433, ML70/718 and ML70/719 covering an area of 1700 hectares on freehold farming property. The location of the deposit and mining leases are illustrated on figures 1 and 2 below.

The Southdown deposit was discovered by airborne magnetic surveys completed in the early 1980s. The deposit was identified as a magnetic signature over 12 km long, with the western 6 km held by Grange. More recently, results from detailed ground magnetic and gravity surveys over the mineralisation covered by the Grange's mining leases confirmed the continuity and structure of the deposit over the 6km within the mining leases. Rio Tinto holds the remaining ground consisting of a further 6 km magnetic signature under an exploration licence.

DIRECTORS' REPORT (CONTINUED)

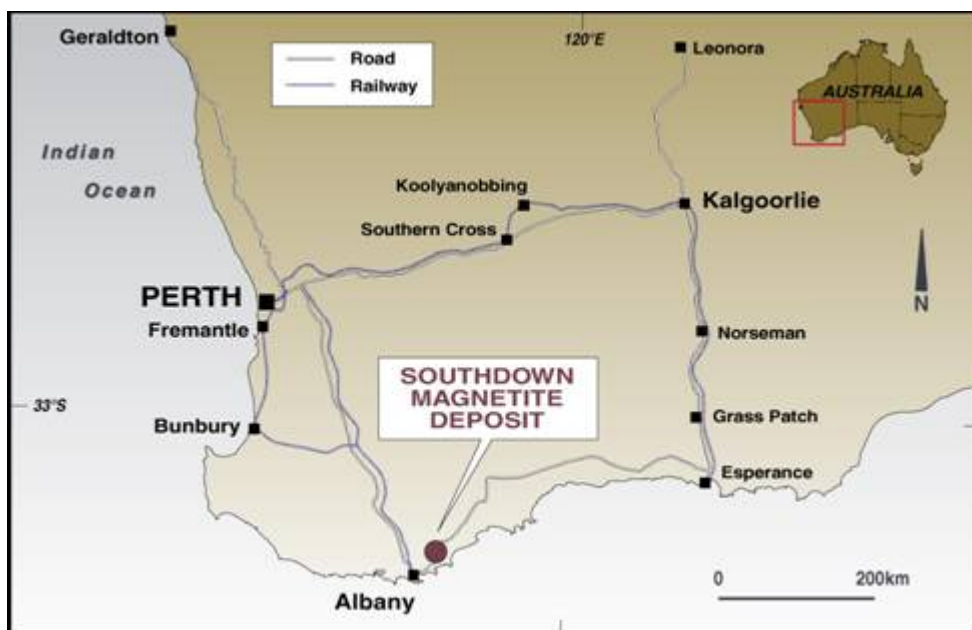


Figure 1: Location of Southdown Magnetite Project, Albany WA

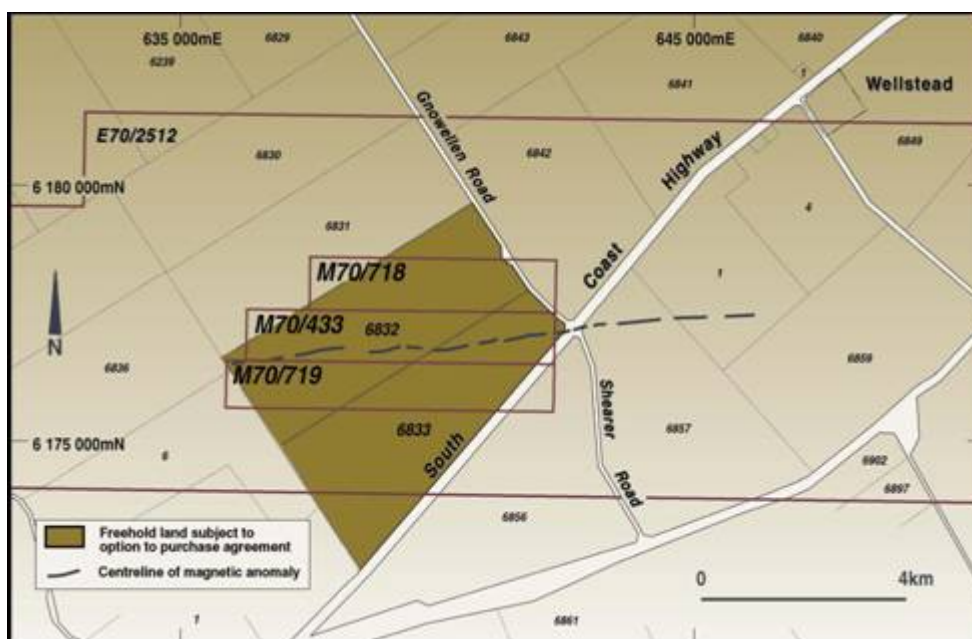


Figure 2: Southdown Mining Leases

During 1986 and 1987 drilling programmes were undertaken to appraise the potential of the Southdown resource. The drilling was undertaken over the western 2 km of the deposit and outlined a significant resource of magnetite ore grading 37.4% magnetite. The magnetite mineralisation is contained within a banded quartz-magnetite-gneiss that varies in thickness from 50 to 100m in the portion of the deposit that has been subject to detailed drilling. The deposit dips at 60 to 65 degrees to the south and has been intersected to vertical depths of approximately 230m. The deposit extends for a strike length of approximately 12 km and the Company's mining leases cover the western 6km of the deposit (see Figure 3).

DIRECTORS' REPORT (CONTINUED)

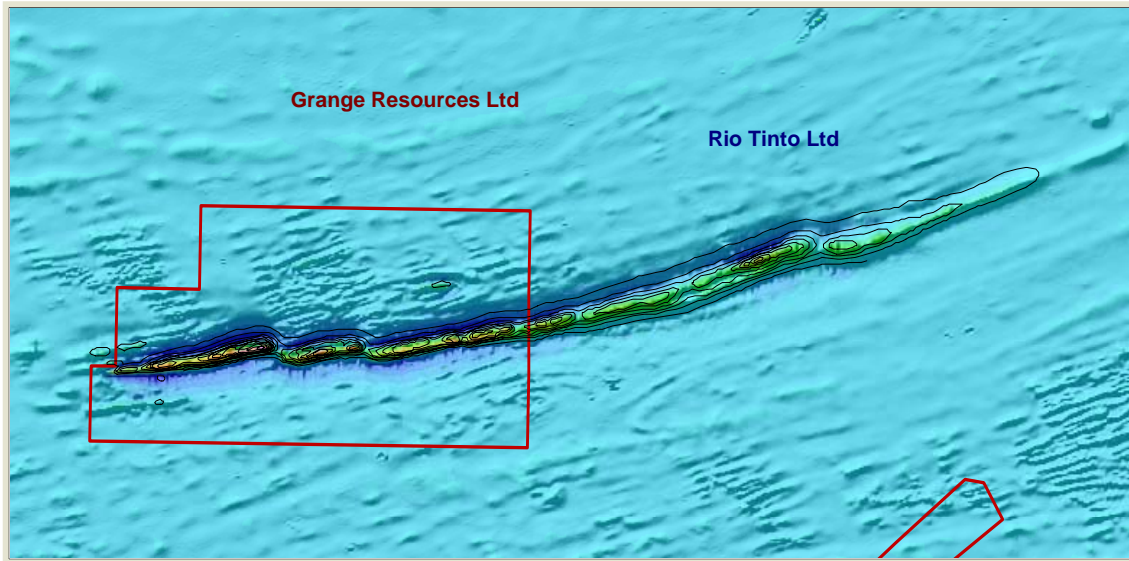


Figure 3: Rio Tinto Aeromagnetic Survey 2005

It is proposed the deposit will be mined using proven open pit mining methods. Overburden will be stockpiled, while the ore itself will be crushed, ground, screened and then magnetically separated to produce a magnetite concentrate. Coarse production waste (tailings) will be dewatered and deposited as solid tailings while finer material will be deposited in a slurry form into a tailings facility.

The magnetite concentrate will be pumped as slurry, approximately 100 km to a concentrate storage facility at the port of Albany before being loaded on to capsize vessels and shipped to an iron ore pellet plant located in Malaysia. Filtered water recovered from the slurry will be pumped back to the mine site for re-use in the concentrator via a return water pipeline buried beside the slurry pipeline. At Albany Port the construction of a new berth will be required and the Albany Port Authority will provide land to accommodate a concentrate storage facility and shiploading infrastructure. Widening of the existing shipping channel into the Princess Royal Harbour and extending the channel into King George Sound is also proposed to facilitate the access of capsize vessels.

Malaysian Pellet Project Overview

In February 2005, Grange Resources announced that it had entered into a Heads of Agreement with Road Builder (M) Holdings Bhd, a publicly listed Malaysian company, to acquire up to a maximum of 60 hectares of land in an industrial estate adjacent to the port of Kemaman to build a magnetite pellet project and secure port facilities (West Wharf). The Kemaman Pellet Plant will use concentrate shipped from the Southdown Magnetite Project to produce high quality iron ore pellets. The Kemaman site was selected as the preferred location for reasons including the following:

- availability of competitively priced energy supplies including natural gas and electricity;
- close proximity to potential off-take parties and markets;
- access to port infrastructure with low operating costs;
- access to natural gas and competitive power supplies; and
- the potential granting of government incentives including tax benefits and the exemption from import and export duties.

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DIRECTORS' REPORT (CONTINUED)

Scoping Study

During the financial year, Grange completed a scoping study on the Southdown Magnetite and Malaysian Pellet 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.

The key findings from the scoping study included:

- a potentially significant resource was indicated to warrant significant mining, concentrating and pelletisation operations;
- the orebody appeared to be amenable to coarse magnetic separation;
- close proximity to road and port facilities in Western Australia and Malaysia;
- competitive mining and processing costs;
- the mining tenements were located on freehold land in Western Australia with no Native Title issues outstanding;
- two products are proposed namely Direct Reduction ("DR") and Blast Furnace ("BF") pellets; and
- establishment of a pellet plant in Malaysia, near key markets including:
 - Direct Reduction - Malaysia, Indonesia, Middle East; and
 - Blast Furnace – steel producers in China, Japan, South Korea and Taiwan.

Bankable Feasibility Study ("BFS")

In January 2005 Grange announced the commencement of a full BFS for the Southdown Magnetite and Malaysian Pellet Project. Grange expects the technical aspects of the BFS to be completed by the end of 2005 with environmental and project approvals expected by mid 2006.

Exploration and Resource Evaluation

The resource drilling program has been designed to test both depth and strike extensions of the deposit, as identified within the preliminary pit optimisation studies. The resource drilling program will require 156 diamond drill holes, aggregating approximately 41,000 metres of drilling. The work has been designed to achieve an Indicated Resource status with drill holes 50 metres apart on drill lines at 200 metre intervals along the strike length of the deposit. Up to 22 September 2005 140 holes aggregating 38,793 metres had been completed out of a planned total of 156 holes.

Grange has engaged Golder Associates to prepare a resource model for the Southdown deposit and assist project geologists to ensure that logging and sampling procedures meet JORC quality guidelines. All data is being transferred to Golder Associates' Perth office where it is validated and entered into the project database, which will be used for future resource modelling.

Other technical aspects such as pit optimisation, mine planning, geotechnical and hydrological investigations will commence after additional drill hole information has been incorporated into the revised resource model.

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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 22 September 2005, 6,197 samples from 131 drill holes had been submitted to the laboratory for analysis.

The location of the resource drill holes and the surface geological interpretation are shown on figure 4. 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 4). 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 to 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 5 and 6 and the locations of the sections are shown on figure 4.

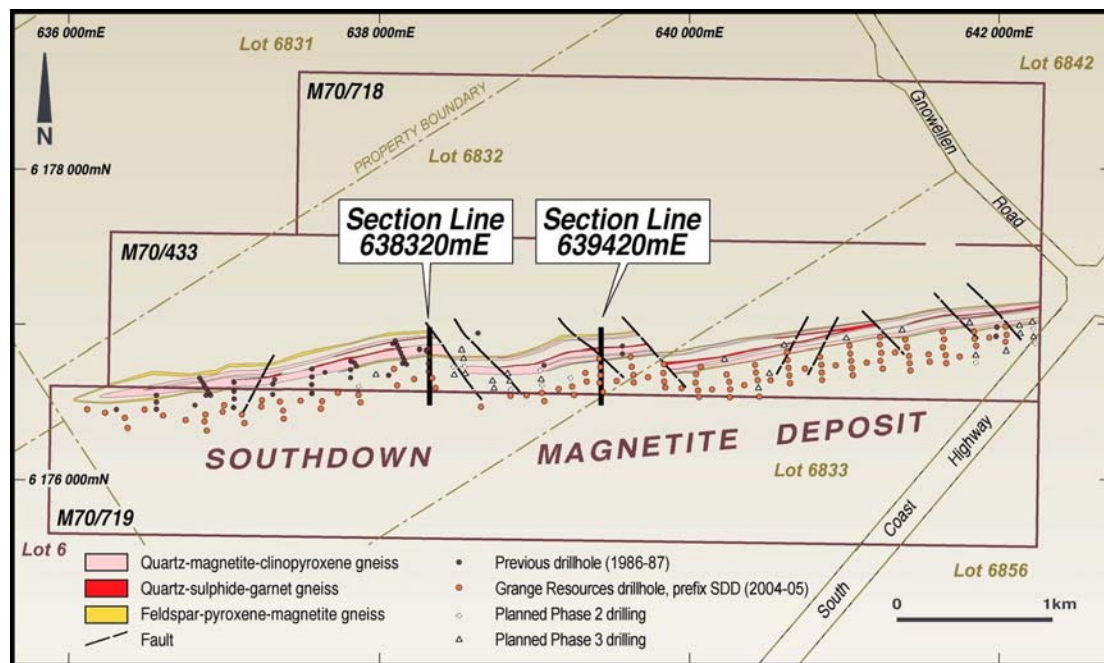


Figure 4: Interpreted Geology and Drill Hole Location Plan

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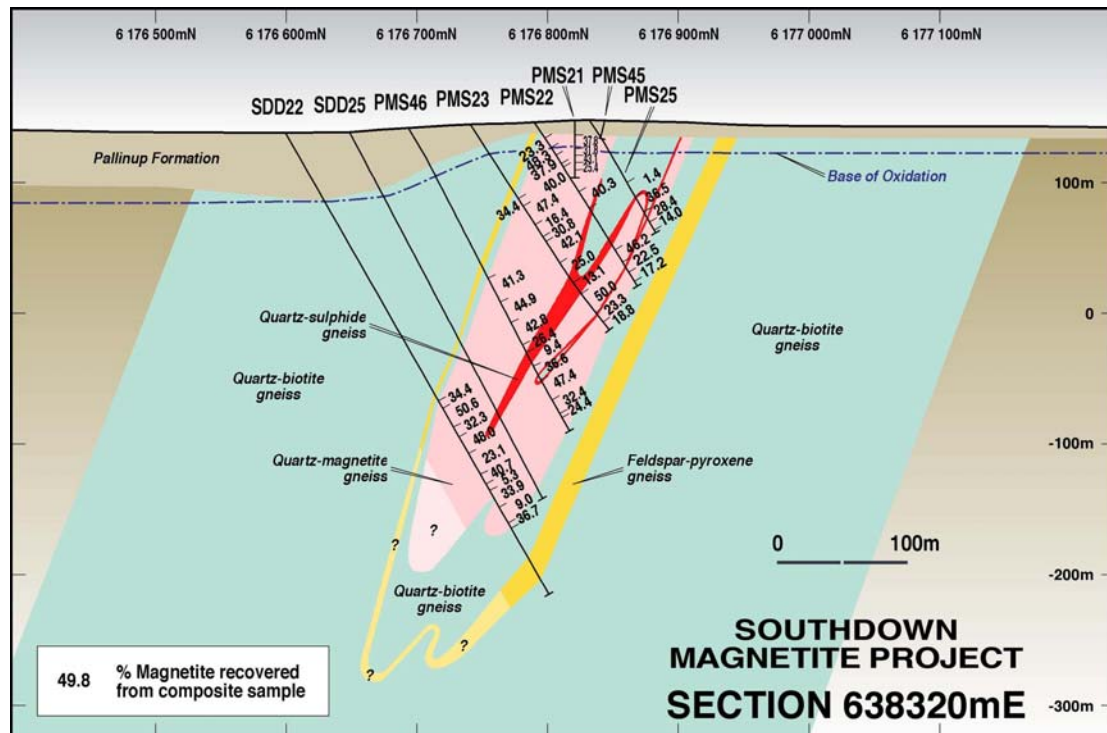


Figure 5: Interpreted Cross Section 638320mE

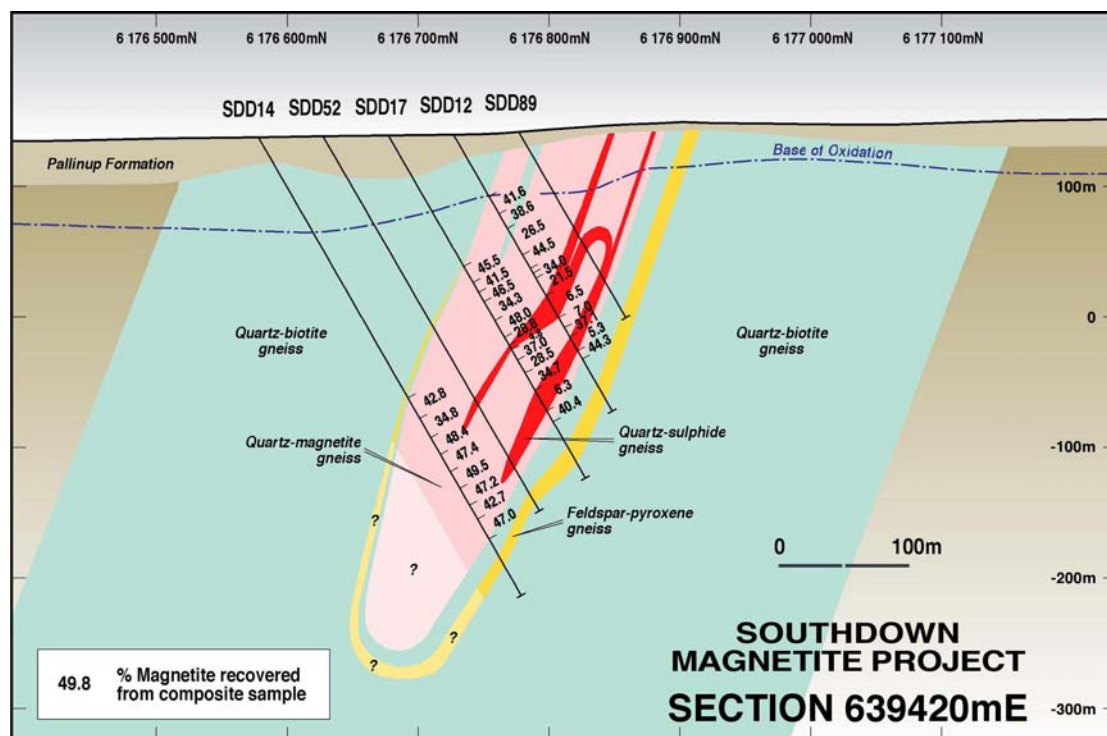


Figure 6: Interpreted Cross Section 639420mE

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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 September 2005 and prepared an interim mineral resource statement (Table 1). The model was constructed using geological data from 126 diamond drill holes from the current Grange drilling programme and 52 diamond drill holes from earlier drilling undertaken in 1986/87. Assay data from 4,511 samples from the Grange drill holes and 177 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 6,000 metres and a vertical depth ranging from 300 to 450 metres. The available data has allowed Golder to estimate the resource contained within 5,400 metres of strike with variable depths ranging from 50 metres below surface in the west to 360 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			
Class	Indicated Resource	Inferred Resource	Total
Tonnes (Mt)	153.9	272.3	426.2
DTC wt%	37.4	35.1	35.9
DTC Fe%	68.3	68.2	68.3
DTC SiO₂%	2.2	2.3	2.3
DTC Al₂O₃%	1.5	1.5	1.5
DTC TiO₂%	0.51	0.57	0.54
DTC S%	0.7	0.7	0.7
DTC Na₂O%	0.05	0.05	0.05
DTC K₂O%	0.017	0.018	0.018
DTC P%	0.003	0.004	0.004
DTC MgO%	0.27	0.29	0.28
DTC CaO%	0.2	0.2	0.2
DTC Mn%	0.037	0.039	0.038
DTC V%	0.035	0.037	0.036

Notes:

- Estimation method: Block model, Ordinary Kriging using 3m composite data.
- Resources reported below the depth of oxidation (approx 25m) with depths ranging from 50m to 360m below surface.
- Resources reported for 5,400m 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 was assigned to the mineralised domains using a regression of $0.0083 \times \text{DTC wt\%} + 3.206 \text{ t/m}^3$. This regression was derived from 1348 paired density and DTC wt% values.
- The Ordinary Kriging interpolation method was used for resource estimation of DTR, Fe, SiO₂, Al₂O₃, S, TiO₂, Na₂O and K₂O using variogram parameters defined from geostatistical analysis.
- The Inverse Distance Squared interpolation method was used for resource estimation of P, MgO, CaO, V, LOI and Mn, to allow reporting of these additional variables.
- Recovery and grade rounded to 1 decimal place (except TiO₂, NaO₂, Mn, MgO & V - 2 decimal places and P & K₂O - 3 decimal places)
- Resources rounded to nearest 100,000 tonnes.

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The information in this statement of Mineral Resources is based on information compiled by Mr Richard Gaze who 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). Mr Richard Gaze consents to the inclusion of this information in the form and context in which it appears.

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.

Pilot Plant and Concentrator

On 20 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. Outokumpu (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.

Grange has engaged ProMet Engineers to undertake and supervise the engineering and metallurgical work for the BFS, including concentrator, pipelines, ports and pellet plant.

The concentrator will have capacity to treat between 15 to 18 Mtpa of magnetite ore to produce 6 to 7 Mtpa of magnetite concentrate. An indicative description of the concentrator is as follows:

- primary crushing of between 17 to 20 Mtpa of ore to less than -32 mm;
- crushed ore stockpiles;
- grinding using high pressure grinding rolls and ball mills; and
- wet magnetic separation to produce the magnetite concentrate.

DIRECTORS' REPORT (CONTINUED)

Southdown Infrastructure

Slurry Pipeline Alignment

The slurry pipeline will transport the magnetite concentrate in slurry form from the Southdown site into the Albany port area where it will be dewatered in the filter plant prior to stockpiling. The key elements of the slurry pipeline include:

- concentrate storage tanks and pumping station for the concentrate slurry at Southdown;
- a slurry pipeline and return water line buried and of approximately 100 km in length; and
- concentrate storage tanks, thickener and filter plant, together with a pumping station for the return water line at Albany. Return water will be pumped to a location near Water Corporation's waste water plant where make-up water will be added before pumping back to the mine site.

To date 52 landowners along the alignment of the pipeline have been contacted in person and all have been favourable to the proposal. Grange will seek an option for an easement for the pipeline which involves independent valuation of the land value.

Pipeline Systems International has been appointed to undertake detailed pipeline designs for the BFS. A review of the possible slurry pipeline routes including a reconnaissance of the pipeline route was completed in August 2005. In principal, there were no major impediments identified that would prevent the construction of the pipeline. Subsequent to route reconnaissance work, a preferred pipeline route has been selected (refer to Figure 7) and landowner identification and consultation has been completed. Detailed pipeline engineering and costing works are scheduled to be completed by December 2005.

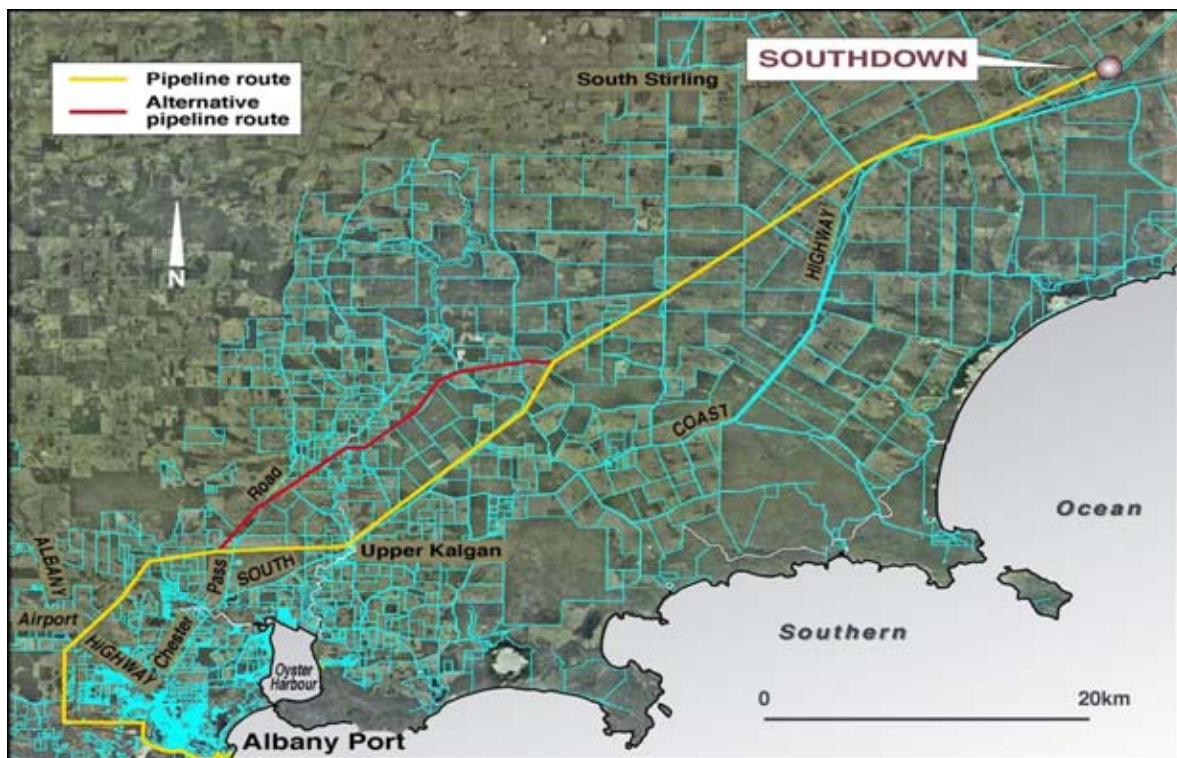


Figure 7: Proposed Slurry Pipeline Route

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Power Supply

Grange will require a reliable power supply for the concentrator, slurry pipeline pumps, other mine site facilities, concentrate filtration plant at Albany, Albany material handling facilities, and return waterline pumps.

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. Grange has engaged Rockwater Pty Ltd to assess groundwater sources in the vicinity of Southdown and along the pipeline route.

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

Grange has engaged Ecologia to facilitate the environmental approval process including:

- liaising with government, public stakeholders and contractors;
- undertake environmental impact studies;
- provide specialist technical advice; and
- preparing environmental documentation required to be submitted to regulatory authorities.

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.

DIRECTORS' REPORT (CONTINUED)

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

The key components of the Malaysian Pellet Project comprise of the following:

- ship-unloaders (nominally 2,000 tph) capable of unloading magnetite concentrate from capesize vessels;
- a shiploader (nominally 4,000 tph) capable of loading iron ore pellets into capesize vessels;
- conveyor systems between the ship-unloader and shiploader and the concentrate and pellet stockyards;
- stockyards for pellets and concentrate with mobile stackers and reclaimers;
- the pellet plant;
- the provision of services from water, natural gas and electricity providers; and
- office, maintenance, laboratory and other facilities as necessary.

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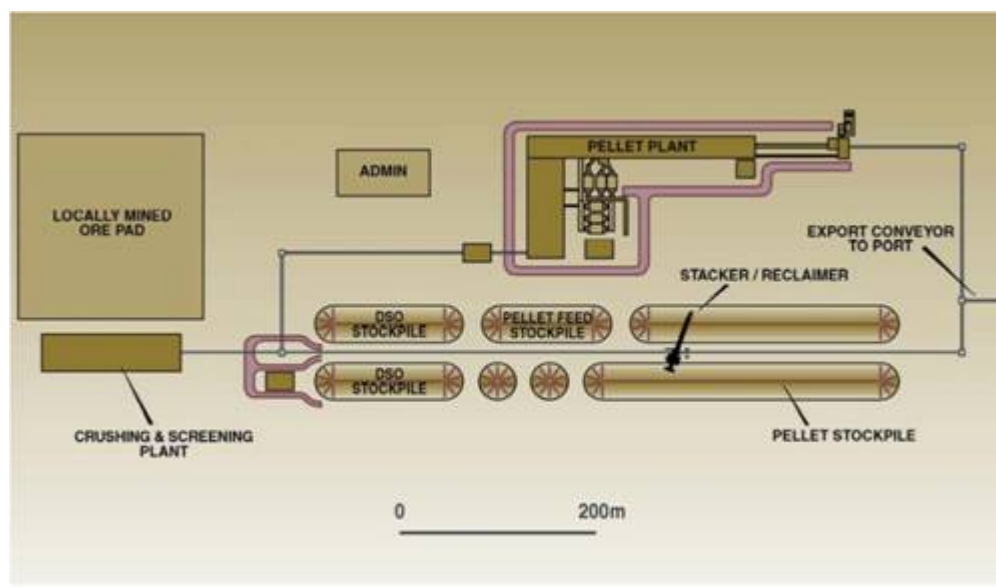


Figure 8: Kemaman - Proposed Processing Facilities Layout Plan

Kemaman Pellet Plant

The Kemaman Pellet Plant facility will be designed for a capacity of 6 to 7 Mtpa. This capacity achieves the optimum economies of scale for a single pellet plant using existing technology. There are a number of plants operating at this scale around the world.

It is intended to engage established technologies and experienced plant technology vendors to design and construct the facility. On this basis, Kobelco and Outokumpu have been appointed to undertake relevant pilot plant testing, engineering and design work on the Pellet Plant facility for the BFS. Representative samples of Southdown concentrate for the pilot plant pelletising test work will be supplied to both Kobelco and Outokumpu in October 2005. Kobelco and Outokumpu are expected to

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provide preliminary feedback on pilot plant testing, engineering and design work, and costing by December 2005.

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.

The West Wharf consists of a jetty with a concrete deck approximately 510 metres long by 29 metres wide, sufficient to berth a Capesize and Panamax vessel concurrently. The depth of the berth pocket was originally dredged to 18 metres although parts of the turning basin have not been fully dredged as yet. Under the terms of the Heads of Agreement, Road Builder is required to provide for vessels with a draft of 16m.

Power Supply

Tenaga 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 Terengganu 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 has 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.

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

Project Financing

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.

Mount Windsor Joint Venture
Grange 30%, TCM 70%

The Mt Windsor Joint Venture 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, until cessation of mining activities on 8 July 2005, had been mining and processing copper ore from an underground mine developed to extract ore from the Reward Deeps and Conviction copper deposits to produce a copper concentrate for export. The project area is located approximately 37 km south of Charters Towers in North Queensland.

Reward Deeps & Conviction Copper Mine (Grange 30%, TCM 70%)

Operations

During the year 288,401 tonnes of ore grading 4.13% copper 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 4.2% 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 26.32% copper.

A summary of production statistics for the Reward Deeps project to 30 June 2005 is presented in Table 2.

TABLE 2 MT WINDSOR JOINT VENTURE REWARD DEEPS PROJECT – 2005 PRODUCTION STATISTICS						
	Sept 2004 Quarter	Dec 2004 Quarter	March 2005 Quarter	June 2005 Quarter	Year to 30.6.05	Project to 30.6.05
Ore Mined (t)	68,541	72,067	20,771	136,207	297,586	1,429,182
Ore Milled (t)	73,717	44,945	47,159	122,580	288,401	1,402,195
Head grade – (Cu %)	4.52	4.21	3.21	4.21	4.13	4.20
Copper Recovery (%)	90.78	91.54	83.60	93.32	91.18	89.45
Concentrates Produced (t)	11,748	6,451	5,061	18,572	41,832	200,317
Concentrate Grade Copper (%)	25.72	26.89	25.00	25.95	25.92	26.32
Gold (g/t)	0.8	0.8	0.8	0.8	0.8	0.8
Silver (g/t)	17	17	17	17	17	17

On 8 July 2005 mining operations at the Reward Deeps and Conviction underground mine ceased due to the exhaustion of ore reserves.

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Concentrate Sales and Production Costs

Sales revenue of \$3.93 million was recorded for the year from one shipment of 5,520 tonnes of copper concentrate made during May 2005. A final shipment of approximately 5,000 tonnes of copper concentrate was made during late July 2005. Funds have been received for this shipment and TCM, as manager of the Mt Windsor Joint Venture, is now preparing final copper concentrate production reconciliations for review by both parties to the joint venture.

Up to the end of June 2005 the average cash cost of production for the project was \$0.71/lb of payable copper, selling expenses \$0.14/lb of payable copper and amortisation and depreciation costs \$0.10/lb of payable copper. The project has, to the end of June 2005, generated for the Company an operating profit after depreciation and amortisation of \$2.44 million.

Ore Reserves

Ore reserves have been exhausted as at 8 July 2005 following the cessation of mining operations.

Rehabilitation

TCM is preparing tender documentation for earthworks relating to the rehabilitation of the Highway and Reward mine site that will be conducted during next financial year.

Red Hill Project

Grange 4% Gross Revenue Royalty

Placer Dome Asia Pacific ("PDAP") 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 Bell Gold Mine, 20km north east of Kalgoorlie. The project is owned and operated by PDAP.

Gold mineralisation at Red Hill occurs mainly as free gold in shallow dipping quartz veins within a porphyry host. Drilling has shown the presence of a large tonnage low-grade gold deposit, which extends outside the boundaries of M27/57 on to tenements held 100% by PDAP and not subject to the royalty.

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. A summary of production statistics and royalty income received for the year ending 30 June 2005 is provided in Table 3.

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TABLE 3 RED HILL PROJECT – MINING LEASE M27/57 PRODUCTION AND ROYALTY INCOME FOR YEAR TO 30 JUNE 2005				
Period	Ore Milled (Tonnes)	Grade (g/t Au)	Recovered Gold Ounces	Royalty (\$)
September 2004 Quarter	295,591	1.82	16,460	363,951
December 2004 Quarter	357,615	1.59	17,311	393,249
March 2005 Quarter	362,424	1.87	20,641	444,416
June 2005 Quarter	418,286	1.70	21,331	476,949
TOTALS	1,433,916	1.74	75,743	1,678,565

Reserves and Resources

PDAP has compiled estimations of mineral resources and ore reserves as at 31 August 2005 for the Red Hill project. Ore reserves within M27/57 are estimated to a depth of 150 metres and amount to 2.12 million tonnes grading 2.21g/t gold containing 150,600 ounces of gold. Mineral resources are estimated to a depth of 200 metres and amount to 3.92 million tonnes grading 2.16g/t gold containing 271,700 ounces of gold.

Ore reserves and mineral resources within M27/57 as at 31 August 2005 are summarised in Tables 4 and 5. The Measured and Indicated Resources summarised in Table 5 are **inclusive** of those Mineral Resources modified to produce the Ore Reserves in Table 4.

TABLE 4 RED HILL PROJECT - MINING LEASE M27/57 MINING RESERVE AS AT 31 AUGUST 2005				
Reserve Classification	Cut-off Grade (g/t)	Tonnes	Grade (g/t)	Ounces
Proved	1.40	2,099,000	2.22	149,700
Probable	1.40	18,000	1.54	900
Total	1.40	2,117,000	2.21	150,600

Notes:

- Estimation method: Block model, Multiple Indicator Kriging (MIK)
- Reserves estimated to a depth of 150 metres
- Gold Price A\$550/oz
- Reserves rounded to nearest 1,000 tonnes

This reserve statement has been compiled by Mr Roger Cooper of Placer Dome Asia Pacific who is a competent person as defined in Appendix 5A to the ASX listing rules. Placer Dome has consented in writing to the information being included in the form and context in which it appears.

TABLE 5 RED HILL PROJECT – MINING LEASE M27/57 MINERAL RESOURCES AS AT 31 August 2005				
Resource Category	Cut-off Grade (g/t)	Tonnes	Grade (g/t)	Ounces
Measured	0.8	3,321,000	2.25	240,000
Indicated	0.8	583,000	1.69	31,000
Inferred	0.8	11,000	1.89	700
Total	0.8	3,915,000	2.16	271,700

Notes:

- Estimation method: Block model, Multiple Indicator Kriging (MIK)
- Resources estimated to a depth of 200 metres
- Resources rounded to nearest 1,000 tonnes

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This resource statement has been compiled by Mr Roger Cooper of Placer Dome Asia Pacific, who is a competent person as defined in Appendix 5A to the ASX listing rules. Placer Dome has consented in writing to the information being included in the form and context in which it appears.

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.

Royalty and Production

Total royalty income earned for the year ended 30 June 2005 amounted to \$807,411 made up of \$460,478 from open pit ore and \$346,934 from underground ore. A summary of production statistics and the cash received from royalty income received for the year ending 30 June 2005 is provided in Table 6. The cash received from royalty income is inclusive of royalty income accrued but not paid in the previous financial year.

TABLE 6 FRESHWATER PROJECT PRODUCTION AND ROYALTY INCOME FOR YEAR TO 30 JUNE 2005			
Period	Ore Milled (Tonnes)	Grade (g/t Au)	Royalty (\$)
OPEN PIT ORE			
September 2004 Quarter	14,900	1.96	4,921
December 2004 Quarter	159,240	1.43	61,582
March 2005 Quarter	196,537	2.28	321,043
June 2005 Quarter	54,784	2.93	69,165
TOTAL OPEN PIT	425,461	2.03	456,711
UNDERGROUND ORE			
September 2004 Quarter	37,564	6.29	99,292
December 2004 Quarter	21,891	7.48	88,334
March 2005 Quarter	24,623	7.22	92,944
June 2005 Quarter	14,404	7.46	66,364
TOTAL UNDERGROUND	98,482	6.96	346,934

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 4.03 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

Reserves and Resources

Barrick has advised that as at 31 December 2004 the Freshwater ore reserves amounted to 790,000 tonnes grading 4.2g/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.

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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.

Ore reserves and mineral resources are summarised in Tables 7 and 8 respectively. The Measured and Indicated Resources summarised in Table 8 are **exclusive** of those Mineral Resources modified to produce the Ore Reserves in Table 7.

TABLE 7 FRESHWATER PROJECT STATEMENT OF ORE RESERVES AS AT 31 DECEMBER 2004				
Location	Category	Tonnes	Grade g/t Au	Contained Ounces
UNDERGROUND				
Plutonic East	Probable	360,000	6.5	75,600
Total Underground		360,000	6.5	75,600
OPEN PIT				
Salmon	Probable	292,000	2.9	27,000
Total Open Pit		292,000	2.9	27,000
STOCKPILES				
Callop	Proved	20,000	0.7	400
Salmon	Proved	118,000	0.7	2,800
Total Stockpiles		138,000	0.7	3,200
TOTAL FRESHWATER RESERVES		790,000	4.2	105,800

Assessment Criteria - Underground Reserves:

- Plutonic East Model 3
- Mining Methods – Mechanised room and pillar, Long Hole and Airleg
- Mining Recovery – Room and Pillar 90%, Long Hole 97%, Airleg 95%
- Dilution - variable @ 0.1g/t Au
- Metallurgical Recoveries – Primary 90%
- Cut off Grades – Lower 3.0g/t Au, Upper 70g/t Au
- Estimates at gold price of A\$550
- Density - Primary 2.8

Assessment Criteria – Open Pit Reserves:

- Bench Height 3.0 metres
- Mining Method – Open Cut
- Dilution 5%
- Mining Recovery 95%
- Minimum Mining Width - 2metres
- Cut off Grades – Salmon - Lower 0.9g/t Au, Upper 15 - 40g/t; Callop
- Metallurgical recoveries - Laterite, Oxide & Transitional 92%, Primary 88%
- Estimates at gold price of A\$550

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TABLE 8 FRESHWATER PROJECT STATEMENT OF MINERAL RESOURCES AS AT 31 DECEMBER 2004				
Location	Category	Tonnes	Grade g/t Au	Contained Ounces
UNDERGROUND				
Plutonic East	Indicated	564,000	5.2	94,800
	Inferred	3,062,000	5.3	521,600
Area 4	Indicated	12,000	6.8	2,600
	Inferred	6,000	6.3	1,200
Total Underground		3,644,000	5.3	620,200
OPEN PIT				
Salmon	Indicated	18,000	2.6	1,500
Barramundi	Indicated	494,000	2.0	32,400
	Inferred	88,000	1.9	5,500
Total Open Pit		600,000	2.0	39,400
TOTAL MINERAL RESOURCES		4,244,000	4.8	659,600

Assessment Criteria - Underground Resources:

- Resource Method – Sectional Interpretation and ID² grade interpolation constrained inside lodes
- Block Model – Plutonic East Model 3 and Area 4 Model 1
- Drilling up to 30 October 2003
- Dilution – no edge and contains up to 2 metres internal dilution
- Minimum width - 2metres
- Cut off Grades – Lower 3.0g/t Au, Upper 70g/t Au
- Density – Primary: 2.8
- Search Sphere – Indicated: 40m x 40m x 20m; Inferred: 80m x 80m x 40m
- Drill spacing – partly 10m, 20m x 20m and 20m X 40m:remainder 80m X 80m

Assessment Criteria - Open Pit Resources

- Resource Estimation Method – Salmon – Ordinary Kriging; Barramundi – ID3.
- Bench Height 3.0 metres
- Dilution – undiluted
- Mining Method – Open Cut
- Mining Recovery 95%
- Minimum Mining Width – Salmon 3metres; Barramundi 2metres.
- Cut off Grades – Salmon - Lower - 0.9g/t Au, Upper - 15, 40g/t; Barramundi - Lower - 0.9g/t Au, Upper – 10, 15g/t
- Densities – Salmon - Oxide - 1.6,1.7, Transitional - 1.7,1.8,2.0,2.1,2.3, Primary - 2.6; Barramundi – Laterite – 2.1, Oxide – 1.8, Transitional 2.2, Primary – 2.4.
- Drill spacing – Salmon 10m X 10m & 20m x 20m; Barramundi 20m X 20m
- Resources are quoted as the resources remaining adjacent to mined pits within a A\$600/ounce optimised shell

These reserve and resource statements have been prepared by Maurice Rowley, Manager Mine Geology for Barrick Gold of Australia Limited, who is a competent person as defined in the JORC Code. Mr Rowley is a full time employee of Barrick Gold of Australia Limited. Barrick Gold of Australia Limited has consented in writing to the information being included in the form and context in which it appears.

Development Drilling and Exploration

Barrick reported that during the year development drilling was undertaken at the Plutonic East underground mine and resource definition drilling was undertaken at several projects including Salmon, Cod, and Perch West .

No exploration activity was undertaken on the Freshwater tenements during the year.

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DIRECTORS' REPORT (CONTINUED)

Wembley

(Grange 100%, Gleneagle Gold Limited ("Gleneagle") Earning 80%)

The Wembley Gold Project is located approximately 65km south east of Gleneagle's Fortnum Gold Project 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. Gleneagle is earning an 80% interest in the tenements by spending \$500,000 on exploration.

During the year Gleneagle completed further drilling and evaluation work on the Durack and Outback gold mineralization, which lead to Gleneagle announcing in the December 2004 quarter a revised resource estimate of 568,000 tonnes grading 2.3g/t gold containing 42,700 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.

Gleneagle reported that preliminary design work had been undertaken on this resource as part of the Fortnum recommissioning study, with a number of relatively shallow modest tonnage, medium grade open pits defined for the Durack and Outback deposits.

Other Exploration Projects

In addition to the above projects, the Company holds interests in several exploration projects in Western Australia and the Northern Territory.

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.

Grange entered into option to a purchase agreement with Murchison Copper Mines Pty Ltd over the **Horseshoe Lights Project** which was exercised during the financial year. A plaint was subsequently lodged over the main mining lease at Horseshoe Lights (M52/743), which is being defended by Grange. The transfer of ownership and management has been delayed pending the outcome of the hearings.

Substantial resources of low-grade copper bearing material are present at Horseshoe Lights in stockpiles, dumps, tailings and in-situ hard rock resources. Previous work has shown that the tailings and stockpiles are readily amenable to leaching. The Company continues to seek opportunities to establish a copper leaching operation on site.

Grange entered into option to a purchase agreement with Murchison Copper Mines Pty Ltd over the old **Thaduna** and **Green Dragon** copper mines located approximately 170km north east of Meekatharra in Western Australia. Prior to entering into the option to a purchase agreement, plaints were lodged over the Thaduna and Green Dragon mining leases. Murchison Copper Mines Pty Ltd exercised its option subsequent to the Balance Date and the transfer of ownership and management is underway.

The Company considers the stockpiles and tailings associated with the Thaduna mine represent potential feed to an operation that may be established at the Horseshoe Lights Mine to process low-grade copper resources.

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.

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**TENEMENT SCHEDULE
AS AT 31 AUGUST 2005**

PROSPECT	TENEMENT	INTEREST	PROSPECT	TENEMENT	INTEREST
Western Australia			Queensland		
Horseshoe Lights	L52/42-45	0% (1)	Mt Windsor JV	ML 1571	30% (10)
	L52/66	0% (1)		ML 1734	30% (10)
	M52/743	0% (1)		ML 1739	30% (10)
	M52/744	0%(1) (2)		ML 10028	30% (10)
				ML 1758	30% (10)
Thaduna	M52/165	0% (1) (4)		EPM 14537	30% (10)
Green Dragon	M52/180	0% (1) (4)			
			Northern Territory		
Wembley	M52/801	100% (3)(5)	Mt Samuel	MLC 49	50% (11) (14)
	M52/587	100%(2)(3)(5)		MLC 527	100% (14)
				MLC 599	85% (12) (14)
Horseshoe South	M52/558	100% (2)		MLC 617	85% (12) (14)
	M52/585	100% (2)		MLC 678-681	85%(12) (2)
				MCC 174	100% (13)
Abercromby Well JV	M53/336	10% (6)		MCC 212	85% (12) (13)
				MCC 287-288	100% (13)
Red Hill	M27/57	(7)		MCC 308	85% (12)
				MCC 344	100% (14)
Horseshoe South West	M52/651	100% (2)			
			The Trump	MCC 316-317	100%(14)
Freshwater	M52/277-281	(8)		MCC 340-341	100%(14)
	M52/285	(8)			
	M52/295-296	(8)	True Blue	MCC 342	100%(14)
	M52/299-301	(8)		MLC 619	85% (12)(14)
	M52/305-306	(8)			
	M52/368-370	(8)	Aga Khan	MLC 522	100%(14)
Southdown	M70/433	100% (9)	Black Cat	MCC 338-339	100%(14)
	M70/718	100% (9)			
	M70/719	100% (9)			

Notes:

1. Subject to exercise of option by Murchison Copper Mines Pty Ltd
2. Under application.
3. Subject to option agreement with Gleneagle Gold Limited
4. Subject to 5% Net Smelter Return royalty with Trans-Global Resources NL.
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 Placer Dome Asia Pacific.
8. Royalty interest with Barrick Gold of Australia Limited.
9. Subject to conditional purchase agreement with Global Doctor Pty Ltd
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 Moulton Pty Ltd.

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DIRECTORS' REPORT (CONTINUED)

OPERATING RESULTS FOR THE YEAR

The consolidated operating loss of the Consolidated Entity after providing for income tax amounted to \$5.09 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 \$8.04 million for the year including mining, transportation, milling, depreciation, amortisation and administration.

REVIEW OF FINANCIAL CONDITION

Capital Structure

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. As a consequence of a deterioration in market conditions in April 2005, a technical breach of the terms of the underwriting agreement occurred. Grange withdrew the Prospectus due to the uncertainty of completing the rights issue, which was not fully underwritten. The Company subsequently arranged 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.

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 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.

The Company has a sound capital structure and as at the date of this report remains debt free.

Cash from operations

The Company experienced a cash flow deficit of \$6.83 million from operating activities largely attributable to a significant decline in revenue generated from the shipment of copper concentrate from the Reward Deeps and Conviction underground mine and a corresponding increase in mining and milling costs associated with delays in the production of copper concentrate.

The Company expects a reduction in the cash flow deficit from operating activities due the cessation of mining activities at the Reward Deeps and Conviction Project during the current financial year. The Company will continue to receive royalty income from production of gold.

Liquidity and funding

During the financial year the Company generated sufficient cash reserves to fund its operations. As a consequence, the Company remained debt free for the entire period. The Company has sufficient funds to finance its current operations. However, in the event the Company identifies new investment opportunities in the resources sector, there may be a requirement to seek additional funding by either offering equity or alternatively seeking debt or a combination thereof.

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DIRECTORS' REPORT (CONTINUED)

Risk Management

The Board takes a proactive approach to risk management and is responsible for identifying areas of significant business risk and ensuring that management's objectives and activities are aligned with the expectations and risk management policies identified by the board.

The Board believes that it is crucial for all directors to be part of this process, and as such the Board has not established a separate risk management committee but instead delegated this task to the Audit and Compliance Committee of the Board. The following controls assist in achieving these objectives:

- Financial Reporting - An annual budget is approved by directors. Quarterly actual results are reported against budget and revised forecasts for the year are prepared regularly.
- Quality and Integrity of Personnel - All personnel are advised of the Company's policies and practices with performance appraisals taking place on an ongoing basis.
- Operational Reporting - Key areas identified and major activities are subject to regular reporting to the board.
- Continuous Disclosure - Continuous disclosure is a recurring agenda item at board meetings and is monitored and considered on an ongoing basis by the Audit & Compliance Committee.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Shareholders' equity increased \$2.01 million or 11.8% during the financial year from \$17.14 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 \$5.09 million.

SIGNIFICANT EVENTS AFTER BALANCE DATE

In July 2005 mining operations at the Reward Deepes and Conviction underground mine ceased due to the exhaustion of ore reserves. The final shipment of copper concentrate comprising of 4,556 tonnes from the Reward Deepes and Conviction underground mine was exported in August 2005 generating gross revenue of approximately \$3.50 million.

In August 2005 the Mt Farrenden pastoral lease on which the Highway and Reward & Reward Projects are located was auctioned. Grange expects to receive approximately \$0.50 million representing its share of the sale proceeds net of selling costs.

Thalanga Copper Mines Pty Limited the manager of the Mt Windsor Joint Venture has engaged KPMG to dispose of the Highway and Reward Projects. KPMG have received offers from two parties which are under consideration.

In September 2005 Murchison Copper Mines Pty Ltd exercised its option to acquire the Thaduna and Green Dragon copper mines. The transfer of ownership and management has commenced.

The directors are not aware of any other matters or circumstances at the date of this report, other than those referred to in this report or the consolidated accounts that have significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the Consolidated Entity in subsequent financial years.

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DIRECTORS' REPORT (CONTINUED)

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The cessation of mining activities at the Reward Deepes and Conviction underground mine in July 2005.

The Company expects royalty payments from Barrick Gold to continue during the 2005/06 financial year from mining activities on the Freshwater leases.

The Company expects royalty payments from Placer Dome Asia Pacific to continue during the 2005/06 financial year from mining activities at the Red Hill project.

Grange will continue to focus on completion of the Bankable Feasibility Study on development of the Southdown Magnetite and Malaysian Pellet Project with the technical aspects of the study are targeted for completion by the end of 2005 with environmental and project approvals expected by mid 2006.

Grange will continue to pursue further growth opportunities in the resources sector with particular emphasis on iron ore, manganese and coal deposits located in South East Asia including Malaysia and Indonesia.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The mining and exploration tenements held by the Consolidated Entity 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 Consolidated Entity's environmental obligations.

SHARE OPTIONS

Unissued Shares

As at the date of this report unissued ordinary shares of the Company under option are:

Option Expiry Date	Exercise Price	Number of Fully Paid Shares
28 November 2006	\$0.50	4,285,715
30 June 2007	\$0.50	1,500,000
30 June 2007	\$1.25	1,500,000
30 June 2008	\$1.50	1,500,000
30 June 2011	\$2.50	1,000,000

At the Balance Date there were 9,785,715 unissued ordinary shares under options. During the financial year 4,000,000 options were issued pursuant to the Grange Resources Limited Directors' and Officers' Option Plan on the following basis:

- the issue of 1,500,000 unlisted options exercisable at \$1.25 each on or before 30 June 2007 to the managing director and vesting on the Company obtaining all necessary approvals for the Southdown Magnetite Project;
- the issue of 1,500,000 unlisted options exercisable at \$1.50 each on or before 30 June 2008 to the managing director and vesting on commencement of the Southdown Magnetite Project;
- the issue of 1,000,000 unlisted options exercisable at \$2.50 each on or before 30 June 2011 to the managing director and vesting on the Company declaring a dividend of at least \$0.05 per Share;

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Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or related body corporate.

Shares issued as a result of the exercise of options

During the financial year executives and employees exercised 5,040,000 options issued under the Grange Resources Limited Directors' and Officers' Option Plan and were converted to ordinary shares at an exercise price of \$0.12 per share.

During the financial year directors exercised 3,000,000 remuneration options issued pursuant to shareholder approval and were converted to ordinary shares at an exercise price of \$0.50 per share.

Since Balance Date there have been no further options exercised.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Consolidated Entity has paid premiums totalling \$18,700 in respect of Directors' and Officers' Liability Insurance and Company Reimbursement policies, which cover all directors and officers of the Consolidated Entity. The policy conditions preclude the Consolidated Entity from any detailed disclosures.

REMUNERATION REPORT

This report outlines the remuneration arrangements in place for directors and executives of Grange Resources Limited.

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 directors and executives with the appropriate skills. To achieve this, the Company adheres to the following principles in formulating its remuneration framework:

- provide competitive rewards to attract executives;
- link executive rewards to shareholder value; and
- establish performance hurdles in relation to variable executive remuneration.

Remuneration committee and remuneration policy

The Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the directors, the managing director and executive team. The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of directors and senior executives on an annual basis by reference to relevant employment market conditions and considers advice from external consultants with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

Executives are given the opportunity to receive their base emolument in a variety of forms, including cash and fringe benefits, such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Consolidated Entity.

To assist in achieving these objectives, the Remuneration Committee links the nature and amount of executive directors' and officers' emoluments to their individual performance and the Consolidated Entity's financial and operational performance. The criteria considered by the remuneration committee include those relating to profitability, cash flow, share price growth and individual performance.

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DIRECTORS' REPORT (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. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 4 November 1999 when shareholders approved an aggregate remuneration of \$150,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors 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 director receives a fee for being a director of the Company. 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 sub committees. At this time there are no additional fees paid to directors who serve on sub committees.

Non-executive directors are not required to hold shares in the Company, however it is considered good governance for directors to have a stake in the Company whose board on which they sit. The non-executive directors are entitled to participate in the Grange Resources Limited Directors' and Officers' Option Plan which provides incentives where specified criteria are met.

Details of the nature and amount of each element of the emolument of each director of the Company and the most highly paid executive officer of the Company and of the Consolidated Entity paid or payable by the Consolidated Entity during the financial year are as follows.

The remuneration of non-executive directors for the period ending 30 June 2005 is outlined in Table 1 of this report.

Executive director and executive remuneration

Objective

The Company aims to reward executives with a level and combination of remuneration commensurate with their position and responsibilities within the Company that:

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

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DIRECTORS' REPORT (CONTINUED)

Structure

In determining the level and components of executive remuneration, the Remuneration Committee considers independent advice from external consultants in the form of reports detailing market levels of remuneration for comparable executive roles.

It is the policy of the Remuneration Committee that employment contracts are entered into with all executive directors and senior executives.

Remuneration consists of the following elements:

- Fixed remuneration
- Variable remuneration (which includes short term and long term incentive)

The proportion of fixed remuneration and variable remuneration including incentives is established for each senior executive by the Remuneration Committee. Table 2 of this report details the fixed and variable components of the 5 most highly remunerated senior executives.

Fixed Remuneration

Objective

The level of fixed remuneration is established to provide a base level of remuneration which is both appropriate to the component and competitive in the market.

Fixed remuneration is reviewed annually by the Remuneration Committee and the process consists of a review of individual performance, relevant comparative remuneration in the market and internal policies and practices. As noted previously, the Remuneration Committee considers advice from external advice which independent of management.

Structure

Senior executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits. The manner of payment chosen is optimal for the recipient without creating any undue cost for the Company.

Variable Remuneration – Short Term Incentive (STI)

Objective

The objective of the STI program is to link the achievement of the Company's operational targets with the remuneration received by the executives responsible for meeting those targets.

Structure

Actual STI payments granted to senior executives depend on the extent to which specific operating targets set from time to time are met. The operational targets consist of both financial and non financial measures of performance. Typically included are measures such as net profit after tax, risk management and overall contribution.

The aggregate STI payments available for executives are subject to the approval of the Remuneration Committee with payments usually made as a cash bonus.

Variable Remuneration – Long Term Incentive (LTI)

Objective

The objective of the LTI program is to reward senior executives in a manner that aligns this element of remuneration with the creation of long term shareholder wealth.

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DIRECTORS' REPORT (CONTINUED)

Structure

LTI grants to executives are delivered in the form of an entitlement to participate in the Grange Resources Limited Directors' and Officers' Option Plan.

The Company utilises the LTI program to link remuneration with the attainment of key performance hurdles in particular with the development of projects. The use of this performance based program ensures an alignment between comparative shareholder return and reward for executives.

Employment Contracts

Employment contracts are entered into with all executive directors and senior executives. The contracts specify the terms upon which executives are employed by the Company including the following:

- employment term which can be a minimum of one year to a maximum of three years;
- eligibility to participate in the Grange Staff Bonus Scheme and Grange Resources Limited Directors' & Officers' Option Plan; and
- terms upon which the employment contract may be terminated.

Table 1: Director remuneration for the year ended 30 June 2005

		Primary Benefits			Post Employment		Equity		Total
		Salary & Fees	Cash bonus	Non monetary	Super-annuation	Retire-ment benefit	Options	% of Remuneratio n	
		\$	\$	\$	\$	\$	\$	%	\$
A Bohnenn	2005	56,667	-	-	-	-	-	-	56,667
	2004	50,000	-	-	-	-	134,500	72.8	184,500
R Krasnoff	2005	-	-	-	1,887	-	-	-	1,887
	2004	-	-	-	-	-	-	-	-
H R Moser	2005	23,000	-	-	-	-	-	-	23,000
	2004	23,000	-	-	-	-	82,500	-	105,500
A H Nutter	2005	99,899	-	-	104,652	-	-	-	204,551
	2004	80,765	-	-	106,629	-	-	-	187,394
A Rankine-Wilson	2005	379,661	-	-	21,872	-	-	-	401,533
	2004	261,538	-	-	23,538	-	269,000	-	554,076
G L W Wedlock	2005	225,692	-	-	20,312	-	180,000	-	426,004
	2004	49,846	-	-	4,486	-	201,750	78.7	256,082

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DIRECTORS' REPORT (CONTINUED)

Table 2: Remuneration of the 4 named executives for the Company and the Consolidated Entity who receive the highest remuneration for the year ended 30 June 2005

		Primary Benefits			Post Employment		Equity		Total
		Salary & Fees	Cash bonus	Non monetary	Super-annuation	Retirement benefit	Options	% of remuneration	
		\$	\$	\$	\$	\$	\$	\$	\$
C Bryant	2005	93,230	-	-	8,158	-	-	-	101,388
	2004	-	-	-	-	-	-	-	-
B Chau	2005	68,512	-	-	6,166	-	-	-	74,678
	2004	62,316	-	-	5,608	-	-	-	67,924
N Marston	2005	87,404	-	-	7,866	-	-	-	95,270
	2004	-	-	-	-	-	-	-	-
A C Pismiris	2005	121,333	-	-	36,177	-	-	-	157,510
	2004	108,553	-	-	32,308	-	-	-	140,861

Table 3: Options granted as part of remuneration for the year ended 30 June 2005 (in accordance with LTI plan)

During the financial year ended 30 June 2005 there were 4,000,000 unlisted options issued to Mr G Wedlock pursuant to the Grange Resources Limited Directors' and Officers' Option Plan for nil consideration. There were three series of options issued pursuant to receiving shareholder approval at a general meeting held on 26 April 2005. These options are included in Directors' emoluments for this financial year. The principal terms of the three series of options are:

Series	No of Plan Options	Exercise details	Expiry date
A	1,500,000	Series A Plan Option has an exercise price of \$1.25 and is exercisable from the vesting date until the expiry date. The Series A Plan Options will vest on the Company obtaining all statutory approvals for the Southdown Magnetite and Malaysian Pellet Project.	30 June 2007
B	1,500,000	Series B Plan Option has an exercise price of \$1.50 and is exercisable from the vesting date until the expiry date. The Series B Plan Options will vest on the commencement of the Southdown Magnetite and Malaysian Pellet Project.	30 June 2008
C	1,000,000	Series C Plan Option has an exercise price of \$2.50 and is exercisable from the vesting date until the expiry date. The Series C Plan Options will vest on the Company declaring a dividend of at least \$0.05 per Share.	30 June 2011

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	Grant date	Grant number	Value per option at grant date (cents)	Options exercised during the year	Value per option at exercise date (cents)	Value at date option lapsed	% of remuneration
A Bohnenn	-	-	-	2,125,000	12 and 50	-	-
H R Moser	-	-	-	750,000	12	-	-
A H Nutter	-	-	-	750,000	12	-	-
A Rankine-Wilson	-	-	-	3,500,000	12 and 50	-	-
G L W Wedlock	2 May 2005	<u>4,000,000</u>	23.36	-	-	-	-
		<u>4,000,000</u>					

Note: From 1 July 2004 options granted as part of directors remuneration have been valued using the Binomial option-pricing model, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, current market price of the underlying share and the expect life of the option. Previously options were valued using the Black Scholes method. The directors are of the opinion that this will not have a material impact on the valuation.

Fair values of options:

The value attributable to the options granted is estimated on the date of grant using a Binomial option-pricing model with the following assumptions used for options granted during the financial years ended 30 June 2005 and 2004:

	2005	2004
Dividend yield	0%	0%
Expected volatility	50%	50%
Risk-free interest rate	5.15%	5.15%
Expected life of option	1,2,5 years	3 years

Currently these values are not recognised as expenses in the financial statements. However, should these grants be expensed, they would be amortised over the vesting periods resulting in an increase in employee benefits expense of \$180,264 for the financial year ended 30 June 2005 (2004: nil). Note that no adjustments to these amounts have been made to reflect estimated or actual forfeitures (i.e., options that do not vest).

DIRECTORS' MEETINGS

The number of meetings of directors including meetings of committees of the Board held during the year and the number of meetings attended by each director was as follows:

Director	Directors Meetings	Meetings of Committees		
		Audit & Compliance	Remuneration	Seal
Number of Meetings held	6	2	2	2
Number of meetings attended				
A Bohnenn	6	2	2	nil
R Krasnoff	n/a	n/a	n/a	n/a
H R Moser	1	nil	2	nil
A H Nutter	6	n/a	n/a	2
G L W Wedlock	6	n/a	n/a	nil
A C Pismiris 1	n/a	2	nil	2

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DIRECTORS' REPORT (CONTINUED)

Notes:

1. Mr Pismiris is the Company Secretary and is not a member of the Board.

Other directors and members of management may attend meetings of the Audit and Compliance Committee at the invitation of the Chairman. The details of the functions and membership of the other committees of the Board are included in the Statement of Corporate Governance Practices.

TAX CONSOLIDATION

Effective from 1 July 2002 for the purposes of income taxation, Grange and its 100% owned subsidiaries have formed a tax consolidated group. Members of the group have agreed to enter into a tax sharing arrangement in order to allocate income tax expense to the wholly subsidiaries on a pro rata basis. In addition the agreement provides for the allocation of income tax liabilities between the entities should the lead entity default on its tax payment obligations.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, during the financial period the directors of Grange Resources Limited support and have adhered to the principles of corporate governance. The Company's corporate governance statement is contained in the following section of this report.

NON AUDIT SERVICES AND AUDITOR'S INDEPENDENCE

The directors received the Auditor's Independence Declaration from the auditor of Grange Resources Ltd which is included on page 39.

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. The nature and scope of each type of non-audit service means that auditor independence was not compromised.

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

Tax compliance services	\$123,467
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This report is made out on the 30th day of September 2005 in accordance with a resolution of the directors.

ANTHONY BOHNENN
CHAIRMAN

Dated this 30 day of September 2005

Perth, Western Australia

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 2005, 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

V Tidy
Partner
Perth
30 September 2005

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STATEMENT OF CORPORATE GOVERNANCE PRACTICES

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

The Corporate Governance Statement has been changed as a consequence of the introduction of the Australian Stock Exchange Corporate Governance Council's ("Council") "Principles of Good Corporate Governance and Best Practice Recommendations". In accordance with the recommendations of the Council, the Corporate Governance Statement must now contain certain specific information and must disclose the extent to which the Company has followed the guidelines during the period. Where a recommendation has not been followed, that fact must be disclosed, together with the reasons for the departure. Grange's Corporate Governance Statement is structured with reference to the Council's principles and recommendations. The following represents a summary of Grange's adherence to the Council's principles and recommendations:

Principle 1. Lay the foundations for management and oversight

Grange largely complies with the recommendations of the Council. The composition of the Board is currently made up of a majority of non-executive directors. Grange continues to actively pursue a strategy focused on acquiring mining projects that have the potential to provide an immediate cash flow. Whilst the Company seeks to identify new mining projects, Directors consider the current composition of Board to be appropriate.

Principle 2. Structure the board to add value

Grange complies with this recommendation.

Principle 3. Promote ethical and responsible decision making

Grange complies with this recommendation.

Principle 4. Safeguard integrity in financial reporting

Grange complies with this recommendation.

Principle 5. Make timely and balanced disclosure

Grange complies with this recommendation.

Principle 6. Respect the rights of shareholders

Grange complies with this recommendation.

Principle 7. Recognise and manage risk

Grange complies with this recommendation.

Principle 8. Encourage enhanced performance

Grange complies with this recommendation.

Principle 9. Remunerate fairly and responsibly

Grange complies with this recommendation except for the grant of Director Options to a non-executive director implemented prior to the introduction of the Council's principles and recommendations. The grant of these options was approved at the annual general meeting held in November 2004. The objective of granting Director Options is to ensure maximum stakeholder benefit is achieved from the retention of a high quality board and to provide incentive to the directors of the Company to identify new commercial opportunities for the Company.

Principle 10. Recognise the legitimate interests of stakeholders

Grange complies with this recommendation.

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STATEMENT OF CORPORATE GOVERNANCE PRACTICES (CONTINUED)

The Grange Corporate Governance Policies and Procedures were in place for the entire reporting period and were largely consistent with the Council's best practice recommendations. The process to achieve consistency with the Council's recommendations will be gradual. Where the Company's corporate governance practices do not correlate with the practices recommended by the Council, the Company does not consider that the practices are appropriate for the Company due to the scale and nature of the Company's operations.

To illustrate where the Company has addressed each of the Council's recommendations, the following table cross-references each recommendation with sections of this report. The table does not provide the full text of each recommendation but rather the topic covered.

Recommendation	Section
Recommendation 1.1 Functions of the Board and Management	1.1
Recommendation 2.1 Independent Directors	1.2
Recommendation 2.2 Independent Chairman	1.2
Recommendation 2.3 Role of the Chairman and CEO	Not Applicable
Recommendation 2.4 Establishment of Nomination Committee	2.3
Recommendation 2.5 Reporting on Principle 2	1.2, 1.4.6, 2.3 and the Directors' Report
Recommendation 3.1 Directors' and Key Executives' Code of Conduct	1.1
Recommendation 3.2 Company Securities Trading Policy	1.4.9
Recommendation 3.3 Reporting on Principle 3	1.1 and 1.4.9
Recommendation 4.1 Attestations by Company Secretary	1.4.11
Recommendation 4.2 Establishment of Audit Committee	2.1
Recommendation 4.3 Structure of Audit Committee	2.1
Recommendation 4.4 Audit Committee Charter	2.1
Recommendation 4.5 Reporting on Principle 4	2.1
Recommendation 5.1 Policy for Compliance with Continuous Disclosure	1.4.4
Recommendation 5.2 Reporting on Principle 5	1.4.4
Recommendation 6.1 Communications Strategy	1.4.8 and 4
Recommendation 6.2 Attendance of Auditor at General Meetings	1.4.8 and 4
Recommendation 7.1 Policies on Risk Oversight and Management	2.1
Recommendation 7.2 Attestations by Company Secretary	1.4.11
Recommendation 7.3 Reporting on Principle 7	2.1
Recommendation 8.1 Evaluation of Board, Directors and Key Executives	1.4.10
Recommendation 9.1 Remuneration Policies	2.2
Recommendation 9.2 Establishment of Remuneration Committee	2.2
Recommendation 9.3 Executive and Non-Executive Director Remuneration	2.2
Recommendation 9.4 Equity-Based Executive Remuneration	2.2
Recommendation 9.5 Reporting on Principle 9	2.2
Recommendation 10.1 Company Code of Conduct	3

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STATEMENT OF CORPORATE GOVERNANCE PRACTICES (CONTINUED)

1. Board of Directors

1.1 Role of the Board

The Board's current role is to collectively govern and manage the Company. The Directors must act in the best interests of the Company as a whole. It is the role of the Board to govern and manage the Company in accordance with the stated objectives of the Company.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

To assist the Board carry out its functions, it has developed a Code of Conduct to guide the Directors in the performance of their roles.

1.2 Composition of the Board

To add value to the Company, the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties. The names of the Directors and their qualifications and experience are stated on page one of the Director's Report. Directors are appointed based on their experience and on the independence of their decision-making and judgment.

The Company's Constitution provides for the appointment of a minimum number of directors as three and up to a maximum of eight. Currently the Company has five directors comprising two executive directors. The Constitution does not require a shareholding qualification for directors.

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. Messrs A Bohnenn and H R Moser are Non-Executive Directors. In addition to being Non-Executive Mr Moser also meets the following criteria for independence adopted by the Company.

An Independent Director:

- (i) is a Non-Executive Director and:
- (ii) is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- (iii) within the last three years has not been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;
- (iv) within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
- (v) is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- (vi) has no material contractual relationship with the Company or other group member other than as a Director of the Company;
- (vii) has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- (viii) is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

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STATEMENT OF CORPORATE GOVERNANCE PRACTICES (CONTINUED)

Mr Bohnenn, the Non-executive Chairman of the Company does not meet the Company's criteria for independence as a consequence of his substantial shareholding in Grange and the marketing and public relations services agreement Grange has with Hendygywn Holding & Beheer b.v. However, Mr Bohnenn's experience and background makes his contribution to the Board such that it is appropriate for him to retain his position.

1.3 *Responsibilities of the Board*

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following.

- (i) Leadership of the Organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board, management and employees.
- (ii) Strategy Formulation: working to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
- (iii) Overseeing Planning Activities: overseeing the development of the Company's strategic plan and approving that plan as well as the annual and long-term budgets.
- (iv) Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
- (v) Monitoring, Compliance and Risk Management: overseeing the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.
- (vi) Company Finances: approving expenses in excess of those approved in the annual budget and approving and monitoring acquisitions, divestitures and financial and other reporting.
- (vii) Human Resources: appointing, and, where appropriate, removing executives as well as reviewing the performance of executives and monitoring the performance of senior management in their implementation of the Company's strategy.
- (viii) Ensuring the Health, Safety and Well-Being of Employees: in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.
- (ix) Delegation of Authority: where appropriate delegating appropriate powers to the Company's executives to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of any Committees of the Board.

1.4 *Board Policies*

1.4.1 *Conflicts of Interest*

Directors must disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company and if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

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STATEMENT OF CORPORATE GOVERNANCE PRACTICES (CONTINUED)

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the Corporations Act, absent himself or herself from the room when discussion and/or voting occurs on matters about which the conflict relates.

1.4.2 Commitments

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

1.4.3 Confidentiality

In accordance with legal requirements and agreed ethical standards, Directors and key executives of the Company have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

1.4.4 Continuous Disclosure

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the ASX Listing Rules, the Company immediately notifies the ASX of information:

- concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

Upon confirmation of receipt from the ASX, the Company posts all information disclosed in accordance with this policy on the Company's website in an area accessible by the public.

1.4.5 Education and Induction

New Directors undergo an induction process in which they are given a full briefing on the Company. Information conveyed to new Directors includes:

- details of the roles and responsibilities of a Director with an outline of the qualities required to be a successful Director;
- formal policies on Director appointment as well as conduct and contribution expectations;
- details of all relevant legal requirements;
- a copy of the Board Charter;
- guidelines on how the Board processes function;
- details of past, recent and likely future developments relating to the Board including anticipated regulatory changes;
- background information on and contact information for key people in the organisation including an outline of their roles and capabilities;
- an analysis of the Company;
- a synopsis of the current strategic direction of the Company including a copy of the current strategic plan and annual budget; and
- a copy of the Constitution of the Company.

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STATEMENT OF CORPORATE GOVERNANCE PRACTICES (CONTINUED)

1.4.6 Independent Professional Advice

The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to specified limits, to assist them to carry out their responsibilities.

1.4.7 Related Party Transactions

Related party transactions include any financial transaction between a Director and the Company and will be reported in writing to each Board meeting. Unless there is an exemption under the Corporations Act from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

1.4.8 Shareholder Communication

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- (i) communicating effectively with shareholders through releases to the market via ASX, the Company's website, information mailed to shareholders and the general meetings of the Company;
- (ii) giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
- (iii) making it easy for shareholders to participate in general meetings of the Company; and
- (iv) requesting 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.

The Company also makes available a telephone number and for shareholders to make enquiries of the Company.

1.4.9 Trading in Company Shares

The Company has a Share Trading Policy under which Directors are required to discuss their intention to trade in the Company's securities with the Chairman prior to trading. Consideration will be given in these discussions to any special circumstances (eg financial hardship).

Directors must not trade in the shares of any other entity if inside information on such entity comes to the attention of the director by virtue of holding office as a director of the Company.

The following guidelines are to be observed by Directors and employees of Grange:

- Securities may be purchased or sold immediately following the release of Grange's, half-yearly and final results ("results announcements") (subject to observing the additional approval requirements set out below).
- Securities should not be purchased or sold during the two week period preceding any results announcements.
- Securities should not be purchased or sold preceding any material ASX announcement by Grange, if the employee is aware that it is likely that such an announcement will be made.
- Securities should not be purchased or sold for the purpose of short term speculation.
- Securities may be purchased or sold at other times (subject to additional disclosure requirements established by the Board).

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STATEMENT OF CORPORATE GOVERNANCE PRACTICES (CONTINUED)

In addition, consistent with the law, designated officers are prohibited from trading in the Company's securities while in the possession of unpublished price sensitive information concerning the Company. Unpublished price sensitive information is information regarding the Company of which the market is not aware and that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

Notice of an intention to trade must be given prior to trading in the Company's securities as well as a confirmation that the person is not in possession of any unpublished price sensitive information. The completion of any such trade by a Director must also be notified to the Company Secretary who in turn advises the ASX.

1.4.10 Performance Review/Evaluation

The Board intends to conduct an evaluation of its performance periodically. There was no evaluation conducted during the financial year.

1.4.11 Attestations by Company Secretary

In accordance with the Board's policy, the Company Secretary is required to make the attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing this Annual Report.

2. Board Committees

The Board currently has three committees which have been established to consider particular issues and strategies in order to advise and guide the Board. Committees are also established as the need arises. Details of board committees that operated throughout the year follow.

2.1 Audit & Compliance Committee

The audit and compliance committee was in place for the entire reporting period and 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 Company to deal with the effectiveness and efficiency of business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information. The Board has delegated the responsibility for the establishment and maintenance of the internal control framework and ethical standards to the audit and compliance committee. The committee's responsibilities include the following:

- oversee and appraise the independence, quality and extent of the total audit effort;
- perform an independent overview of the financial information prepared by Company management for shareholders and prospective shareholders;
- evaluate the adequacy and effectiveness of the Company's and the Group's risk management and financial control, and other internal control systems and evaluate the operation thereof; and
- review and endorse the annual and half year attestation statements in accordance with regulatory requirements.
- the appointment of external auditors.
- review and implement risk management and internal control structures appropriate to the needs of Grange.
- monitor compliance issues applicable laws and regulations, particularly compliance with the Stock Exchange Listing Rules;
- review all public releases to the ASX of material consequence, prior to release to the market; and
- review of Corporate Governance Practices.

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STATEMENT OF CORPORATE GOVERNANCE PRACTICES (CONTINUED)

The members of the Audit and Compliance Committee throughout the reporting period were Mr A Bohnenn, Mr H R Moser and Mr A C Pismiris. The Audit and Compliance Committee held two meetings throughout the year and details of attendance of the members are contained in the following table:

Committee Member	September 2004	February 2005
Mr A Bohnenn	✓	✓
Mr H R Moser	✗	✗
Mr A C Pismiris	✓	✓

The qualifications of audit and compliance committee members are as follows:

A Bohnenn has more than 25 years experience as Managing Director 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.

H R Moser is based in Switzerland with more than 20 years experience in the Swiss banking industry. He has a Bachelor of Commerce from the University of Basel in Switzerland and is a Director of a number of Australian publicly listed companies in the resource and technology sectors. Mr Moser manages a large European investment fund and has been an active investor in Australian companies for many years.

A C Pismiris B.Comm, ICSA. has significant experience in the management and administration of Investment Company Of The West Limited since his appointment as a director and company secretary in October 2002. He is also a director and company secretary of a number of public companies where as part of his role, he serves as Financial Controller. Mr Pismiris is an Associate of the Chartered Secretaries & Administrators. He is chairman of the audit and compliance committee.

2.2 *Remuneration Committee*

The Remuneration Committee was in place for the entire reporting period. It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality board 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.

2.2.1 *Role*

The role of the Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for executives.

2.2.2 *Composition*

The members of the Remuneration Committee throughout the reporting period were Mr A Bohnenn, Mr H R Moser and Mr A C Pismiris. The Remuneration Committee held two meetings throughout the year and details of attendance of the members are contained in the following table:

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STATEMENT OF CORPORATE GOVERNANCE PRACTICES (CONTINUED)

Committee Member	August 2004	February 2005
Mr A Bohnenn	✓	✓
Mr H R Moser	✓	✓
Mr A C Pismiris	✗	✗

2.2.3 Responsibilities

The responsibilities of the Remuneration Committee include setting policies for executives' remuneration, setting the terms and conditions of employment for the Managing Director, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both Executive and Non-Executive Directors and making recommendations to the Board on any proposed changes and undertaking an annual review of the Managing Director's performance, including, setting with the Company's Executives, goals for the coming year and reviewing progress in achieving those goals.

2.2.4 Remuneration Policy

The Company is committed to remunerating its senior executives in a manner that is market competitive and consistent with best practice as well as supporting the interests of shareholders. Consequently, under the Company's Remuneration Policy the remuneration of senior executives may be comprised of the following:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- a performance bonus designed to reward actual achievement by the individual of performance objectives and for materially improved Company performance;
- participation in the Grange Resources Limited Directors' and Officers' Option Plan with thresholds approved by shareholders;
- statutory superannuation.

By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration the Company aims to align the interests of senior executives with those of shareholders and increase Company performance. The following table details the amount of remuneration, including both monetary and non-monetary components, for each of the five highest-paid executives including Directors of the Company during the year (discounting accumulated entitlements).

	Salary & Fees	Cash Bonus	Non Cash Benefit	Super'n	Retire- ment Benefit	Value of Shares and Options	Other Fees
	\$	\$	\$	\$	\$	\$	\$
Senior Executives							
C Bryant	93,230	Nil	Nil	8,158	Nil	Nil	Nil
B Chau	68,512	Nil	Nil	6,166	Nil	Nil	Nil
N Marston	87,404	Nil	Nil	7,866	Nil	Nil	Nil
A C Pismiris	121,333	Nil	Nil	36,177	Nil	Nil	Nil
A Rankine-Wilson	379,661	Nil	Nil	21,872	Nil	Nil	Nil
A H Nutter	99,899	Nil	Nil	104,652	Nil	Nil	Nil
G L W Wedlock	225,692	Nil	Nil	20,312	Nil	180,000	Nil

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STATEMENT OF CORPORATE GOVERNANCE PRACTICES (CONTINUED)

The value of shares and options granted to senior executives has been calculated using the Binomial valuation model which takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the option.

The objective behind using this remuneration structure is to drive improved Company performance and thereby increase shareholder value as well as aligning the interests of executives and shareholders.

The Board may use its discretion with respect to the payment of bonuses, share options and other incentive payments. This discretion is exercised on the following basis:

Non-Executive Directors are paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance based bonuses and do not participate in equity schemes of the Company.

Non-Executive Directors are entitled to statutory superannuation.

2.2.5 Current Director Remuneration

The aggregate amount of remuneration paid to Non-Executive Directors was approved by shareholders on 4 November 1999 and is currently \$150,000 annually. The following table details the remuneration received by all of the Company's Directors.

	Salary & Fees \$	Cash Bonus \$	Non Cash Benefit \$	Super'n \$	Retire- ment Benefit \$	Value of Shares and Options \$	Fees \$
Non-Executive Directors							
A Bohnenn	56,667	Nil	Nil	Nil	Nil	Nil	60,000
R Krasnoff	Nil	Nil	Nil	1,887	Nil	Nil	Nil
H R Moser	23,000	Nil	Nil	Nil	Nil	Nil	Nil

For further information in relation to the remuneration of Directors, refer to the Directors' Report.

There is no scheme to provide retirement benefits, other than statutory superannuation, to directors.

For further information in relation to the remuneration of Directors, refer to the Directors' Report.

2.3 Seal Committee

Any two directors and the Company Secretary of the Company can participate on this committee. The committee has the responsibility of approving the application of the Company seal to documents that legally bind the Company.

2.4 Nomination Committee

The Directors have elected not to appoint a Nomination Committee due to the scale and nature of the Company's activities.

Subject to the provision of the Company's Constitution, the issues of board composition and selection criteria for directors are dealt with by the full board. The board continues to have the mix of skills and experience necessary for the conduct of the Company's activities.

The Constitution provides for events whereby directors may be removed from the board. Similarly shareholders have the ability to nominate, appoint and remove directors.

In addition, the Constitution provides for the regular rotation of directors which ensures that directors seek re-election by shareholders at least once every three years.

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STATEMENT OF CORPORATE GOVERNANCE PRACTICES (CONTINUED)

Given these existing regulatory requirements, directors are not appointed for a specified term and directors' continuity of service is in the hands of shareholders.

3. Company Code Of Conduct

As part of its commitment to recognising the legitimate interests of stakeholders, the Company has established a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders. These stakeholders include employees, clients, customers, government authorities, creditors and the community as whole. This Code includes the following.

Responsibilities to Shareholders and the Financial Community Generally

The Company complies with the spirit as well as the letter of all laws and regulations that govern shareholders' rights. The Company has processes in place designed to ensure the truthful and factual presentation of the Company's financial position and prepares and maintains its accounts fairly and accurately in accordance with the generally accepted accounting and financial reporting standards.

Responsibilities to Clients, Customers and Consumers

Each employee has an obligation to use their best efforts to deal in a fair and responsible manner with each of the Company's clients, customers and consumers. The Company for its part is committed to providing clients, customers and consumers with fair value.

Employment Practices

The Company endeavours to provide a safe workplace in which there is equal opportunity for all employees at all levels of the Company. The Company does not tolerate the offering or acceptance of bribes or the misuse of Company assets or resources.

Obligations Relative to Fair Trading and Dealing

The Company aims to conduct its business fairly and to compete ethically and in accordance with relevant competition laws. The Company strives to deal fairly with the Company's customers, suppliers, competitors and other employees and encourages its employees to strive to do the same.

Responsibilities to the Community

As part of the community the Company is committed to conducting its business in accordance with applicable environmental laws and regulations and encourages all employees to have regard for the environment when carrying out their jobs.

Responsibility to the Individual

The Company is committed to keeping private information collected during the course of its activities, confidential and protected from uses other than those for which it was provided.

Conflicts of Interest

Employees and Directors must avoid conflicts as well as the appearance of conflicts between personal interests and the interests of the Company.

How the Company Complies with Legislation Affecting its Operations

Within Australia, the Company strives to comply with the spirit and the letter of all legislation affecting its operations. Outside Australia, the Company will abide by local laws in all countries in which it operates. Where those laws are not as stringent as the Company's operating policies, particularly in relation to the environment, workplace practices, intellectual property and the giving of "gifts", Company policy will prevail.

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STATEMENT OF CORPORATE GOVERNANCE PRACTICES (CONTINUED)

How the Company Monitors and Ensures Compliance with its Code

The Board, management and all employees of the Company are committed to implementing this Code of Conduct and each individual is accountable for such compliance. Disciplinary measures may be imposed for violating the Code.

4. Role of Shareholders

The Board aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders as follows:

- The Annual Financial Report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document). The Board ensures that the annual report includes relevant information about the operations of the Company during the financial year, changes in the state of affairs of the Company and details of future developments, in addition to other disclosures required by the Corporations Act 2001;
- Release of a Half-Yearly Report to the Australian Stock Exchange Limited;
- Release of Quarterly Activities and Cashflow Reports to the Australian Stock Exchange Limited; and
- Proposed major changes in the economic entity which may impact on share ownership rights are submitted to a vote of shareholders.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals.

Shareholders are responsible for voting on appointment of directors, appointment of auditors, level of remuneration of Non-Executive Directors and any matters of special business.

The Board currently has three committees which have been established to consider particular issues and strategies in order to advise and guide the Board. Committees are also established as the need arises. Details of board committees that operated throughout the year are provided earlier in this report.

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STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2005

	Note	Consolidated 2005 \$	2004 \$	Grange Resources Limited 2005 \$	2004 \$
Revenue	2	6,463,209	26,822,347	1,678,562	90,307
Cost of sales	3(a)	(8,037,157)	(19,896,426)	(419,616)	(90,307)
Net (loss)/profit from mining activities		(1,573,948)	6,925,921	1,258,946	-
Other revenue from ordinary activities	2	672,757	509,036	78,245	55,065
Administration costs	3(c)	(3,895,214)	(2,085,986)	(3,696,850)	(2,078,460)
Borrowing costs	3(d)	(27,441)	(32,970)	-	(20,959)
Other expenses from ordinary activities	3(e)	(269,455)	(277,152)	-	(254,442)
(Loss)/Profit from ordinary activities before income tax		(5,093,301)	5,038,849	(2,359,659)	(2,298,796)
Income tax expenses relating to ordinary activities	4	-	(34,465)	-	-
(Loss)/Profit from ordinary activities after income tax expense		(5,093,301)	5,004,384	(2,359,659)	(2,298,796)
Net (loss)/profit attributable to members of Grange Resources Ltd		(5,093,301)	5,004,384	(2,359,659)	(2,298,796)
Share issue costs		-	(30,000)	-	(30,000)
Total revenue/expenses & valuation adjustments attributable to members of Grange Resources Ltd and recognised directly in equity		-	(30,000)	-	(30,000)
Total changes in equity other than those resulting from transactions with owners as owners		(5,093,301)	4,974,384	(2,359,659)	(2,328,796)
Basic earnings per share (cents per share)	25	(7.02)	7.3		
Diluted earnings per share (cents per share)	25	(7.02)	6.9		

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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2005

	Notes	Consolidated 2005 \$	2004 \$	Grange Resources Limited 2005 \$	2004 \$
Current Assets					
Cash	20(a)	8,738,794	16,231,815	4,535,711	249,244
Receivables	5	1,380,729	232,139	986,736	163,589
Inventories	7	2,094,946	272,980	-	-
Other	12	54,018	53,205	54,018	53,205
Total Current Assets		12,268,487	16,790,139	5,576,465	466,038
Non-Current Assets					
Receivables	6	303,445	309,488	989,420	1,082,261
Investments	8	-	746,855	4,581,143	5,327,998
Property, plant and equipment	11	450,309	260,568	160,211	4,753
Other	12	2,856,433	1,702,452	1,068,182	-
Deferred exploration, evaluation and development costs	13	7,814,728	1,474,179	7,131,171	487,717
Total Non-Current Assets		11,424,915	4,493,542	13,930,127	6,902,729
Total Assets		23,693,402	21,283,681	19,506,592	7,368,767
Current Liabilities					
Accounts payable	14	2,505,765	1,674,192	1,459,854	131,555
Provisions	16	682,941	536,675	103,952	63,541
Tax Liabilities	4	34,365	34,365	34,365	34,365
Total Current Liabilities		3,223,071	2,245,232	1,598,171	229,461
Non-Current Liabilities					
Payables	15	-	400,000	23,013,892	16,989,960
Provisions	17	1,320,628	1,500,287	584,603	584,603
Total Non-Current Liabilities		1,320,628	1,900,287	23,598,495	17,574,563
Total Liabilities		4,543,699	4,145,519	25,196,666	17,804,024
Net Assets		19,149,703	17,138,162	(5,690,074)	(10,435,257)
Equity					
Contributed Equity	18	38,404,263	31,299,421	38,404,263	31,299,421
Reserves	19	5,874,348	5,874,348	4,752,143	4,752,143
Accumulated losses	19	(25,128,908)	(20,035,607)	(48,846,480)	(46,486,821)
Total Equity/(Shareholders' Deficit)		19,149,703	17,138,162	(5,690,074)	(10,435,257)

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STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2005

	Notes	Consolidated 2005	2004	Grange Resources Limited 2005	2004
Cashflows from Operating Activities		\$	\$	\$	\$
Receipts from customers		5,314,619	27,382,720	865,697	-
Other income		27,094	176,662	8,443	-
Payments to suppliers and employees		(12,787,789)	(16,047,439)	(2,716,986)	(2,046,807)
Interest received		645,603	332,373	59,521	20,246
Borrowing costs		(27,441)	(32,970)	-	(20,959)
Net cash provided by/(used in) operating activities	20(b)	(6,827,914)	11,811,346	(1,783,325)	(2,047,520)
Cashflows from Investing Activities					
Payment for exploration, evaluation & development work		(6,416,927)	(39,441)	(6,316,215)	(19,731)
Payment for tenements		-	(246,855)	-	(246,855)
Payments for property, plant and equipment		(198,999)	(5,281)	(161,619)	(4,752)
Payment of security deposit		(1,153,981)	(87,464)	(1,068,182)	-
Net cash (used in) investing activities		(7,769,907)	(379,041)	(7,546,016)	(271,338)
Cashflows from Financing Activities					
Proceeds from borrowings from controlled entities within wholly owned group		-	-	6,511,008	1,371,554
Payment of share issue expenses		-	(30,000)	-	(30,000)
Proceeds from issue of fully paid shares		5,000,000	1,504,200	5,000,000	1,504,200
Proceeds from exercise of share options		2,104,800	-	2,104,800	-
Payments for shares bought back		-	(446,187)	-	(446,187)
Net cash provided by/(used in) financing activities		7,104,800	1,028,013	13,615,808	2,399,567
Net increase/(decrease) in cash held		(7,493,021)	12,460,318	4,286,467	80,709
Cash at the beginning of the financial year		16,231,815	3,771,497	249,244	168,535
Cash at the end of the financial year	20(a)	8,738,794	16,231,815	4,535,711	249,244

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The following is a summary of the significant accounting policies adopted by the Consolidated Entity in the preparation of the accounts. Unless otherwise disclosed, the financial statements have been prepared in accordance with the historical cost convention.

(a) Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous year.

(b) Principles of Consolidation

The accounts of the Consolidated Entity comprise the accounts 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.

On acquisition of a controlled entity, the difference between the purchase consideration plus incidental expenses and the fair values of identifiable net assets acquired is initially brought to account as goodwill or discount on acquisition. Discount on acquisition is then eliminated by reducing proportionately the fair value of the non-monetary assets acquired. Purchased goodwill is amortised over a period of three years, being the period during which the benefits are expected to arise. The unamortised balance of goodwill is reviewed at each balance date and charged to profit and loss to the extent that applicable future benefits are no longer probable.

A list of controlled entities is contained in note 9 to the accounts. All inter-company balances and transactions between entities in the Consolidated Entity, including any unrealised profits or losses, have been eliminated on consolidation.

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

(c) Recoverable Amount of Non-Current Assets

The carrying amounts of all non-current assets are reviewed at least annually to determine whether they exceed their recoverable amount.

The recoverable amounts of all non-current assets have been assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

(d) Property, Plant and Equipment

Property, plant and equipment are brought to account at cost less, where applicable, any accumulated depreciation or amortisation. The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets.

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. Both the straight line and diminishing value methods are used and assets are depreciated over a 1 to 6 year period (2004: 1 to 6 years).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) 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.

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.

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

(f) 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".

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.

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

(g) 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 Consolidated Entity 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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Restoration, Rehabilitation and Environmental Costs

Restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are accrued at the time of those activities and treated as exploration and evaluation expenditure.

Restoration, rehabilitation and environmental costs arising annually from development and production are expensed during the production phase of operations as part of the cost of production. Rehabilitation costs in relation to the Horseshoe Mine were provided for at the time of placing the mine on care and maintenance and are reviewed and, where necessary, adjusted on an annual basis.

Restoration, rehabilitation and environmental obligations recognised include the costs of rehabilitation, plant and waste site closure and subsequent monitoring of the environment.

Costs are estimated on the basis of current undiscounted costs, current legal requirements and current technology. Estimates of future costs are reassessed at least annually. Changes in estimates relating to areas of interest in the exploration and evaluation phase are dealt with retrospectively, with any amounts that would have been written off or provided against under the accounting policy for exploration and evaluation immediately written off. Changes in estimates of costs relating to producing areas are dealt with prospectively over the remaining mine life.

(i) Investments

Current investments are carried at the lower of cost and net market value except where they have been disposed of subsequent to year end where they are carried at the lower of cost and the net value realised from their sale.

All other non-current investments are carried at the lower of cost and recoverable amount.

(j) Revenue Recognition

Sales revenue is recognised when title in the product has passed to the buyer, unless otherwise contracted.

Royalty revenue is recognised in the month in which the ore is processed at a treatment plant.

Revenue received from the sale of product, materials or services during the exploration, evaluation, expenditure or development phases of operations is offset against expenditure in respect of the area of interest/mineral resource concerned.

Other revenues is recognised when a right to receive it has been attained.

(k) Foreign Currencies

Transactions in foreign currencies are converted into Australian dollars at their actual conversion rates or at rates at which they are expected to be delivered into foreign exchange hedging contracts.

Foreign currency amounts receivable and payable at Balance Date have been converted into Australian dollars at their actual rates of conversion subsequent to year end or at rates at which they are expected to be delivered into foreign exchange contracts.

A monetary item arising under a foreign currency contract outstanding at the reporting date where the exchange rate for the monetary item is fixed in the contract is translated at the exchange rate fixed in the contract.

Specific Hedges

Where a purchase or sale is specifically hedged, exchange gains or losses on the hedging transaction arising up to the date of purchase or sale and costs, premiums and discounts relative to the hedging transaction are deferred and included in the measurement of the purchase or sale. Exchange gains and losses arising on the hedge transaction after that date are taken to the net profit.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Employee Entitlements

The amounts expected to be paid to employees for their pro-rata entitlement to annual leave are measured at their nominal amounts. No non-current employee entitlements exist at present.

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, sick 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. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave benefits; and
- other types of employee benefits;
- are recognised against profits on a net basis in their respective categories.

The value of the employee option plan described in note 22 is not being charged as an employee entitlement expense.

(m) 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 includes 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.

(n) Cash

For the purposes of the statement of cashflows, cash includes deposits at call which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts.

(o) Interests in Joint Venture Operations

The Consolidated Entity's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the statement of financial position and statement of financial performance. Details of the Consolidated Entity's interests are shown in note 10.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Trade and Other Debtors

Trade and other debtors are recognised and carried at the original invoice amount less a provision for any uncollectible debts. Collateral is not normally obtained and a provision for doubtful debts is recognised when collection is no longer probable. Bad debts are written off as incurred.

Receivables from controlled entities are carried at the principal amount. Interest, when charged, is recognised as income on an accruals basis.

(q) Trade and Other Creditors

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Amounts payable to controlled entities are carried at the principal amount. Interest when charged by the lender, is recognised as an expense on an accruals basis.

(r) Borrowings

Loans are carried at their principal amounts. Interest is charged as an expense as it accrues.

Finance lease liability is determined in accordance with the requirements of AASB 1008.

(s) Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs include:

- interest on bank overdrafts and short-term and long-term borrowings;
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings; and
- finance charges on leased assets.

(t) 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.

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

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 or computer equipment under lease. A lease liability of equal value is also recognised.

(u) Currency and Commodity Hedging

Hedging is undertaken in order to avoid or minimise possible adverse financial or cashflow effects of movements in commodity prices and exchange rates. Premiums received or costs arising upon entering into forward sale, option and other derivative contracts intended to hedge specific future production, together with subsequent realised and unrealised gains or losses, are deferred until the hedged production is delivered.

In those circumstances where a hedging transaction is terminated prior to maturity because the hedged production is no longer expected to be produced, any previously deferred gains and losses are recognised in the statement of financial performance account on the date of termination.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Earnings per Share ("EPS")

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share 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) and preference share 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; and
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(w) 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 of the share proceeds received.

(x) Taxes

Income Taxes

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Goods and Services Tax (GST)

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

- where the 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
- receivables and payables 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 Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows 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.

(y) Comparative Figures

Where necessary, comparative figures have been reclassified and repositioned for consistency with current year disclosures.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 2. REVENUE FROM ORDINARY ACTIVITIES

Notes	Consolidated		Grange Resources Limited	
	2005	2004	2005	2004
	\$	\$	\$	\$
Revenues from operating activities				
Revenue from sale of Copper	3,937,368	26,558,252	-	-
Revenue from Royalties	2,525,841	264,095	1,678,562	90,307
Total revenues from operating activities	6,463,209	26,822,347	1,678,562	90,307
Revenue received from non-operating activities				
Interest received from other persons/corporations	645,603	332,374	59,521	49,887
Sundry income	27,154	176,662	18,724	5,178
Total revenues from non-operating activities	672,757	509,036	78,245	55,065
Total revenue from ordinary activities	7,135,966	27,331,383	1,756,807	145,372

NOTE 3. EXPENSES AND LOSSES/(GAINS)

Notes	Consolidated		Grange Resources Limited	
	2005	2004	2005	2004
	\$	\$	\$	\$
(a) Cost of sales				
Mining costs	4,541,708	4,580,349	-	-
Selling costs	995,615	3,471,724	-	-
Mine administration	536,572	1,645,667	-	-
Environmental costs	128,553	64,791	-	-
Ore transportation costs	720,421	1,477,562	-	-
Milling costs	2,103,352	3,176,617	-	-
Amortisation and depreciation	832,532	2,707,926	419,616	90,307
Inventory movement	(1,821,596)	2,771,790	-	-
Total cost of sales	8,037,157	19,896,426	419,616	90,307

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3. EXPENSES AND LOSSES/(GAINS) (CONTINUED)

	Notes	Consolidated		Grange Resources Limited	
		2005	2004	2005	2004
		\$	\$	\$	\$
(b) Amortisation and depreciation expenses					
Amortisation and depreciation of mining assets					
- Amortisation of deferred exploration, evaluation and development costs		829,483	2,682,460	419,616	90,307
- Depreciation of plant and equipment		3,049	25,466	-	-
Total amortisation and depreciation of mining assets		832,532	2,707,926	419,616	90,307
Depreciation of non-current assets					
- Office furniture and equipment		6,209	-	6,209	-
Total depreciation of non-current assets		6,209	-	6,209	-
Total amortisation and depreciation expenses		838,741	2,707,926	425,825	90,307
(c) Administration costs					
Payroll cost		1,607,579	1,058,139	1,607,579	1,058,139
Rent and outgoings		88,602	108,630	88,602	108,630
Audit		35,000	31,800	35,000	31,800
Legal		260,205	126,097	260,205	126,097
Travel		376,634	202,868	376,634	202,868
Consultants		468,126	216,838	468,126	216,838
Insurance		71,661	65,148	71,661	65,148
Project Evaluation		438,823	-	438,823	-
Other		548,584	276,466	350,220	268,940
Total administration costs		3,895,214	2,085,986	3,696,850	2,078,460
(d) Borrowing costs					
Borrowing costs expensed					
- Interest paid to non-related entities		27,441	32,970	-	20,959
Total borrowing costs expensed		27,441	32,970	-	20,959

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3. EXPENSES AND LOSSES/(GAINS) (CONTINUED)

	Notes	Consolidated		Grange Resources Limited	
		2005	2004	2005	2004
		\$	\$	\$	\$
(e) Other expenses from operating activities					
Horseshoe maintenance expenses		269,455	22,710	-	-
Write-off of loans		-	219,148	-	219,148
Southdown tenement expenditure		-	35,294	-	35,294
Total other expenses from operating activities		269,455	277,152	-	254,442
(f) Operating leases					
Minimum lease payments		86,603	74,052	86,603	74,052

NOTE 4. INCOME TAX

The prima facie income tax expense/(benefit) on the profit/(loss) from ordinary activities is reconciled to the income tax provided in the accounts as follows:

Prima facie income tax expense/(benefit) on the profit/(loss) from ordinary activities at 30% (2004: 30%)	(1,527,990)	1,511,655	(707,898)	(689,639)
Tax effect of permanent differences:				
- Entertainment	1,446	1,238	1,446	1,238
- Other non-deductible expenses/permanent differences	-	143,173	-	63,944
(Utilisation of tax losses)/timing differences not recognised	1,526,544	(1,621,601)	706,452	624,457
Income tax expense/(benefit) attributable to profit/(loss) from ordinary activities	-	34,465	-	-

Deferred tax assets and liabilities

Current tax payable	34,365	34,365	34,365	34,365
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Potential net future income tax benefits attributable to tax losses carried forward but not brought to account amount to approximately \$8,081,913 at 30% for the Consolidated Entity and the Company (2004: Consolidated Entity \$4,981,241 and the Company). The benefits will only be obtained if:

- The Company and Consolidated Entity derive future assessable income of a nature and amount which will enable the benefit from the deductions for the losses to be realised;
- The Company and Consolidated Entity continue to comply with the conditions for the deductibility imposed by law; and
- No changes in tax legislation adversely affect the Company and Consolidated Entity's ability to realise the benefit from the deductions for the losses.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4. INCOME TAX (CONTINUED)

Tax consolidation

Effective from 1 July 2002 for the purposes of income taxation, Grange and its 100% owned subsidiaries have formed a tax consolidated group. Members of the group have agreed to enter into a tax sharing arrangement in order to allocate income tax expense to the wholly subsidiaries on a pro rata basis. In addition the agreement provides for the allocation of income tax liabilities between the entities should the lead entity default on its tax payment obligations. The head entity of the tax consolidated group is Grange Resources Limited. Formation of the tax consolidated group did not have a material financial effect on the consolidated group.

NOTE 5. RECEIVABLES (CURRENT)

	Notes	Consolidated		Grange Resources Limited	
		2005	2004	2005	2004
		\$	\$	\$	\$
Trade debtors (a)		957,649	180,438	586,111	-
Security deposits (a)		423,080	47,416	-	-
Other debtors (a)		-	4,285	400,625	163,589
		<u>1,380,729</u>	<u>232,139</u>	<u>986,736</u>	<u>163,589</u>

NOTE 6. RECEIVABLES (NON-CURRENT)

Related party receivables

Loans to controlled entities (Note 28 (d)) (a)	-	-	12,778,190	12,864,281
Provision for doubtful recovery (Note 28 (d))	-	-	(12,092,225)	(12,092,225)
	<u>-</u>	<u>-</u>	<u>685,965</u>	<u>772,056</u>

Other receivables (non-current)

Security deposits (a)	<u>303,445</u>	<u>309,488</u>	<u>303,455</u>	<u>310,205</u>
	<u>303,455</u>	<u>309,488</u>	<u>989,420</u>	<u>1,082,261</u>

(a) Terms and conditions of the above financial instruments

The above financial instruments are all non-interest bearing. Trade debtors have repayment terms generally on 30 day terms and security deposits no fixed repayment terms.

NOTE 7. INVENTORIES (CURRENT)

Product inventory – at cost	1,889,427	-	-	-
Stores inventory – at cost	<u>205,519</u>	<u>272,980</u>	<u>-</u>	<u>-</u>
Total inventory	<u>2,094,946</u>	<u>272,980</u>	<u>-</u>	<u>-</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 8. INVESTMENTS

	Notes	Consolidated		Grange Resources Limited	
		2005	2004	2005	2004
		\$	\$	\$	\$
Non-Current					
Tenements		-	746,855	-	746,855
Controlled entities (at cost) (Note 9)		-	-	27,903,678	27,903,678
Provision for diminution		-	-	(23,322,535)	(23,322,535)
		-	746,855	4,581,143	5,327,998

NOTE 9. INTERESTS IN SUBSIDIARIES

Name	Percentage of equity interest held by the consolidated entity		Investment	
	2005	2004	2005	2004
	%	%	\$	\$
Grange Capital Pty Ltd	100	100	-	-
Tribune Developments 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	-	-
			4,581,143	4,581,143

The Company and all 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 2005 the Consolidated Entity was a participant in the following joint ventures:

Name of Joint Venture	Consolidated		Grange Resources Limited	
	% Interest 2005	% Interest 2004	% Interest 2005	% Interest 2004
Production Joint Ventures:				
Reward - Copper/Gold	31.15	31.15	-	-
Highway - Copper	30.00	30.00	-	-
Development Joint Ventures:				
Reward Deepes/Conviction – Copper	30.00	30.00	-	-
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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 10. INTERESTS IN JOINT VENTURE OPERATIONS AND BUSINESS UNDERTAKINGS (CONTINUED)

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

	Consolidated 2005 \$	2004 \$
Current Assets		
Cash	262,037	252,579
Inventories	2,094,946	272,980
Total Current Assets	2,356,983	525,559
Non-Current Assets		
Deferred exploration, evaluation and development costs	653,390	908,569
Property, plant and equipment	266,241	231,902
Total Non-Current Assets	919,631	1,140,471
Total Assets	3,276,614	1,666,030
Current Liabilities		
Accounts payable	1,011,016	993,384
Provisions	578,989	473,134
Total Current Liabilities	1,590,005	1,466,518
Non-Current Liabilities		
Provisions	736,025	915,684
Total Non-Current Liabilities	736,025	915,684
Total Liabilities	2,326,030	2,382,202
Net Assets Employed in Joint Venture Operations	950,584	(716,172)

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 \$3,871,429 (2004: profit \$6,847,138).

Contingent liabilities in relation to joint ventures are disclosed in note 23.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 11. PROPERTY, PLANT AND EQUIPMENT

	Notes	Consolidated		Grange Resources Limited	
		2005	2004	2005	2004
		\$	\$	\$	\$
At Balance Date					
Land and Buildings		142,337	-	142,337	-
		142,337	-	142,337	-
Plant and equipment					
- At cost		1,138,052	1,138,052	-	-
- Accumulated depreciation		(1,134,552)	(1,131,512)	-	-
		3,500	6,540	-	-
Office equipment					
- At cost		94,141	102,318	70,746	51,416
- Accumulated depreciation		(52,411)	(73,652)	(52,872)	(46,663)
		41,730	28,666	17,874	4,753
Motor vehicles					
- At cost		-	24,362	-	24,362
- Accumulated depreciation		-	(24,362)	-	(24,362)
		-	-	-	-
Pastoral lease		262,742	225,362	-	-
Total written down amount		450,309	260,568	160,211	4,753

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes	Consolidated 2005 \$	2004 \$	Grange Resources Limited 2005 \$	2004 \$
Reconciliations				
<i>Property, plant and equipment</i>				
Balance at beginning of year	6,540	-	-	-
Additions	-	31,106	-	-
Depreciation expense	(3,540)	(24,566)	-	-
	<hr/> 3,500	<hr/> 6,540	<hr/> -	<hr/> -
<i>Office Equipment</i>				
Balance at beginning of year	28,666	23,857	4,753	-
Additions	19,273	4,809	19,330	4,753
Depreciation expense	(6,209)	-	(6,209)	-
	<hr/> 41,730	<hr/> 28,666	<hr/> 17,874	<hr/> 4,753
<i>Land and Buildings</i>				
Balance at beginning of year	-	-	-	-
Additions	142,337	-	142,337	-
	<hr/> 142,337	<hr/> -	<hr/> 142,337	<hr/> -
Balance at end of year	<hr/> 142,337	<hr/> -	<hr/> 142,337	<hr/> -
NOTE 12. OTHER ASSETS				
Current				
Prepayments	<hr/> 54,018	<hr/> 53,205	<hr/> 54,018	<hr/> 53,205
Non-Current				
Security deposit - cash backed	<hr/> 2,856,433	<hr/> 1,702,452	<hr/> 1,068,182	<hr/> -

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NOTE 13. DEFERRED EXPLORATION, EVALUATION & DEVELOPMENT COSTS

Notes	Consolidated		Grange Resources Limited	
	2005	2004	2005	2004
	\$	\$	\$	\$
Exploration & evaluation properties (at cost)	7,508,288	289,860	7,131,171	68,101
Development properties (at cost)	-	-	-	-
Production properties (at cost)	23,341,379	23,341,379	419,616	509,923
Less: Accumulated amortisation	(23,034,939)	(22,157,060)	(419,616)	(90,307)
	<u>7,814,728</u>	<u>1,474,179</u>	<u>7,131,171</u>	<u>487,717</u>
Movement:				
<i>Exploration & Evaluation Properties</i>				
Balance at beginning of year	289,860	767,343	68,101	558,294
Current year expenditure	6,416,968	32,440	6,316,215	19,730
Transfer from/(to) production properties	54,605	(509,923)	-	(509,923)
Transfer from investments	746,855	-	746,855	-
	<u>7,508,288</u>	<u>289,860</u>	<u>7,131,171</u>	<u>68,101</u>
Balance at end of year				
	<u>7,508,288</u>	<u>289,860</u>	<u>7,131,171</u>	<u>68,101</u>
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.				
<i>Production Properties</i>				
Balance at beginning of year	1,184,319	3,349,855	419,616	-
Transfer from/(to) development, exploration and evaluation properties	(54,605)	509,923	-	509,923
Current year expenditure	-	-	-	-
Amortisation charged	(823,274)	(2,675,459)	(419,616)	(90,307)
	<u>306,440</u>	<u>1,184,319</u>	<u>-</u>	<u>419,616</u>
Balance at end of year				
	<u>306,440</u>	<u>1,184,319</u>	<u>-</u>	<u>419,616</u>

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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 14. PAYABLES (CURRENT)

Notes	Consolidated		Grange Resources Limited	
	2005	2004	2005	2004
	\$	\$	\$	\$
Trade creditors (a) (i)	2,105,765	1,574,192	1,059,854	31,555
Other creditors (a) (ii)	400,000	100,000	400,000	100,000
	<u>2,505,765</u>	<u>1,674,192</u>	<u>1,459,854</u>	<u>131,555</u>

(a) Terms and conditions relating to the above financial instruments:

- (i) Trade creditors are non-interest bearing and have repayment terms between 7 and 30 days
- (ii) Other creditors are non-interest bearing and have a repayment date of 30 November 2005.

NOTE 15. PAYABLES (NON-CURRENT)

Other creditors	-	400,000	-	400,000
Loans from controlled entities - unsecured (Note 28)	-	-	23,013,892	16,589,960
	<u>-</u>	<u>400,000</u>	<u>23,013,892</u>	<u>16,989,960</u>

NOTE 16. PROVISIONS (CURRENT)

Provision for annual leave	103,952	63,541	103,952	63,541
Provision for mine rehabilitation (a)	578,989	473,134	-	-
	<u>682,941</u>	<u>536,675</u>	<u>103,952</u>	<u>63,541</u>

NOTE 17. PROVISIONS (NON-CURRENT)

Provision for mine rehabilitation (a)	<u>1,320,628</u>	<u>1,500,287</u>	<u>584,603</u>	<u>584,603</u>
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(a) 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 consolidated entity 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.

	2005	2004	2005	2004
(b) Movements in mine rehabilitation provisions				
Total current and non current carrying amount at the beginning of financial year	1,973,421	2,319,717	584,603	584,603
Reversal of over provision in prior years	-	(251,353)	-	-
Amounts utilised during the year	241,196	(94,943)	-	-
Increase in provision during the year	<u>(315,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Carrying amount at the end of the financial year	<u>1,899,617</u>	<u>1,973,421</u>	<u>584,603</u>	<u>584,603</u>

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NOTE 18. CONTRIBUTED EQUITY	Consolidated		Grange Resources Limited	
	2005	2004	2005	2004
	\$	\$	\$	\$
(a) Issued and paid up capital				
Ordinary fully paid shares	38,404,263	31,299,421	38,404,263	31,299,421
	38,404,263	31,299,421	38,404,263	31,299,421
	2005	2005	2004	2004
	\$	Number of Shares	\$	Number of Shares
(b) Movements in shares on issue				
Beginning of the financial year	31,299,421	69,709,259	30,271,408	66,755,221
Issued during the financial year:				
- public equity raising (i)	5,000,000	5,000,000	1,500,000	4,285,715
less costs of transaction	-	-	(30,000)	-
- exercise of options	2,104,842	8,040,000	4,200	35,000
Bought back during the year	-	-	(446,187)	(1,366,677)
End of the financial year	38,404,263	82,749,259	31,299,421	69,709,259

(i) 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

(c) Share Options

Options over ordinary shares

During the financial year 4,000,000 options were issued over ordinary shares to the managing director. The options were issued pursuant to the Grange Resources Directors' and Officers' Option Plan. The terms of the options are provided in note 22.

During the year 5,040,000 shares were issued pursuant to the exercise of options at 12 cents and 3,000,000 shares issued pursuant to the exercise of options at 50 cents.

At the end of the financial year there were the following unissued shares in respect of which options were outstanding:

Option Expiry Date	Exercise Price \$	2005	Exercise Price \$	2004
		Number of Fully Paid Shares		Number of Fully Paid Shares
30 June 2007	-	-	0.12	5,040,000
28 November 2006	0.50	4,285,715	0.50	4,285,715
30 June 2007	0.50	1,500,000	0.50	1,500,000
30 June 2007	1.25	1,500,000	-	-
30 June 2008	1.50	1,500,000	-	-
30 June 2011	2.50	1,000,000	-	-

(d) Terms and conditions of contributed equity

Ordinary shares

Ordinary shares have the right to receive dividends as declared and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up 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.

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NOTE 19. RESERVES AND RETAINED LOSSES

Notes	Consolidated 2005 \$	2004 \$	Grange Resources Limited 2005 \$	2004 \$
(a) Reserves				
General reserve	667,433	667,433	667,433	667,433
Option issue reserve	3,568,912	3,568,912	3,568,912	3,568,912
Asset revaluation reserve	1,638,003	1,638,003	515,798	515,798
	<u>5,874,348</u>	<u>5,874,348</u>	<u>4,752,143</u>	<u>4,752,143</u>
(b) Retained Losses				
Balance at beginning of year	(20,035,607)	(25,039,991)	(46,486,821)	(44,188,025)
Net (loss)/profit attributable to members	(5,093,301)	5,004,384	(2,359,659)	(2,298,796)
	<u>(25,128,908)</u>	<u>(20,035,607)</u>	<u>(48,846,480)</u>	<u>(46,486,821)</u>

NOTE 20. NOTES TO THE STATEMENTS OF CASHFLOWS

(a) Reconciliation of Cash

For the purposes of the statements of cash flows, cash includes cash on hand and in banks, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

Notes	Consolidated 2005 \$	2004 \$	Grange Resources Limited 2005 \$	2004 \$
Cash at bank	146,092	316,753	76,597	72,457
Deposits at call (i)	8,330,665	15,662,483	4,459,114	176,787
Cash at bank - Joint ventures (ii)	262,037	252,579	-	-
	<u>8,738,794</u>	<u>16,231,815</u>	<u>4,535,711</u>	<u>249,244</u>

(i) Deposits at call - deposits are bearing floating interest rates between 3.00% p.a. and 5.60% at 30 June 2005 (30 June 2004 - between 1.5% and 4.70%).

(ii) 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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 20. NOTES TO THE STATEMENTS OF CASHFLOWS (CONTINUED)

(b) Reconciliation of cash flow from operating activities with loss from ordinary activities after income tax

Notes	Consolidated		Grange Resources Limited	
	2005	2004	2005	2004
	\$	\$	\$	\$
Profit/(Loss) from ordinary activities after income tax	(5,093,301)	5,004,384	(2,359,659)	(2,298,796)
Non-cash flows in loss from ordinary activities:				
Amortisation of deferred exploration, evaluation & development costs	823,274	2,682,460	419,616	90,307
Depreciation of plant & equipment	9,258	25,466	6,209	-
Provision for annual leave	40,411	9,420	40,411	9,420
Changes in assets and liabilities				
Receivables	(1,148,590)	3,047,521	(823,147)	149,079
Prepayments	(1,131)	(10,893)	(813)	(10,893)
Trade creditors and accruals	437,935	(1,406,871)	(934,058)	(21,002)
Provisions	(73,804)	(346,296)	-	-
Inventories	(1,821,966)	2,771,790	-	-
Tax liabilities	-	34,365	-	34,365
Cash Inflow/(Outflow) from operating activities	(6,827,914)	11,811,346	(1,783,325)	(2,047,520)

NOTE 21. EXPENDITURE COMMITMENTS

(a) Lease expenditure commitments

Operating lease office premises

Payable

- not later than one year	88,440	94,452	88,440	94,452
- later than one year but not later than two years	111,041	-	111,041	-
- later than two years but not later than five years	368,500	-	368,500	-
	567,981	94,452	567,981	94,452

The operating lease commitments refer to the rent of the Perth office for five years (1 September 2005 to 31 August 2010).

(b) Exploration Expenditure Commitments

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

Payable

- not later than one year	336,100	336,200	336,100	336,200
- later than one year but not later than two years	336,100	336,200	336,100	336,200
- later than two years but not later than five years	1,008,300	1,008,600	1,008,300	1,008,600
	1,680,500	1,681,000	1,680,500	1,681,000

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 21. EXPENDITURE COMMITMENTS (CONTINUED)

(c) Southdown Project Acquisition Expenditure Commitments

Under the terms of a purchase agreement with Global Doctor Pty Ltd, 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 \$400,000 in November 2005 and a further \$1,000,000 upon the commencement of commercial mining operations at Southdown.

(d) Malaysian Land Acquisition Expenditure Commitments

Under the terms of a Heads Of Agreement ("HOA") executed in February 2005, the Company is required to pay Road Builder (M) Holdings Bhd ("Road Builder") a total of \$US228,000 in consideration for the granting of an exclusive land option in the Malaysian port of Kemaman. The total consideration is payable in four instalments. As at the date of this report, the Company is committed to expend US\$76,000 in February 2006, being the third instalment, and a further US\$76,000 in August 2006, being the fourth and final instalment.

NOTE 22. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

Grange Resources Limited Directors' & Officers' Option Plan

In July 2002 the Company established the Grange Resources Directors' and Officers' Option Plan ("Plan") where Grange may at the discretion of management and directors, grant options over the ordinary shares of Grange to directors, executives and eligible full-time staff of the Consolidated Entity. The maximum number of options issued must not exceed 10% of the total number of fully paid shares on issue. The options, issued for nil consideration, are granted in accordance with performance guidelines established by the directors of Grange, although the Remuneration Committee and management of Grange retains the final discretion on the issue of the options. Options issued pursuant to the Plan cannot be transferred and will not be quoted on the Australian Stock Exchange Limited.

(a) Plan options held at the beginning of the reporting period

The following table summaries information about options held by directors and employees as at 1 July 2004:

Number of options	Grant Date	Vesting Date	Expiry Date	Exercise Price
4,875,000	5 Aug 2002	5 August 2002	30 June 2007	\$0.12
165,000	12 Sept 2002	12 September 2002	30 June 2007	\$0.12
1,500,000	29 Apr 2004	29 April 2004	30 June 2007	\$0.50

(b) Plan options granted during the reporting period

The following table summaries information about options granted pursuant to the Grange Resources Directors' and Officers' Option Plan to the managing director during the reporting period.

Number of options	Grant Date	Vesting Date	Expiry Date	Exercise Price
1,500,000	2 May 2005	Southdown project approvals	30 June 2007	\$1.25
1,500,000	2 May 2005	Southdown project commencement	30 June 2008	\$1.50
1,000,000	2 May 2005	Payment of \$0.05 dividend	30 June 2011	\$2.50

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 22. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (CONTINUED)

(c) Plan options exercised

- (i) The following table summaries information about options exercised by employees and directors during the year ended 30 June 2005:

Number of options	Grant Date	Exercise date	Expiry date	Exercise price \$	Proceeds from share issue \$	Number of shares issued	Issue date
60,000	12 Sept 2002	18 Aug 2004	30 June 2007	0.12	7,200	60,000	18 Aug 2004
750,000	5 Aug 2002	3 Nov 2004	30 June 2007	0.12	90,000	750,000	3 Nov 2004
105,000	12 Sept 2002	3 Feb 2005	30 June 2007	0.12	12,600	105,000	3 Feb 2005
2,625,000	5 Aug 2002	3 Feb 2005	30 June 2007	0.12	315,000	2,625,000	3 Feb 2005
1,500,000	5 Aug 2002	22 Mar 2005	30 June 2007	0.12	180,000	1,500,000	22 Mar 2005

- (ii) There were 915,000 options exercised by employees and 4,125,000 options exercised by directors during the year ended 30 June 2005.
- (iii) Fair value of shares issued during the reporting period is estimated to be the market price of shares of Grange Resources Limited on the ASX as at close of trading on the issue date.
- (iv) The fair value attributable to 5,040,000 shares issued pursuant to the exercise of options by employees and directors was:

Number of options	Grant Date	Exercise date	Issue date	Closing price at issue date \$	Fair value \$
60,000	12 Sept 2002	18 Aug 2004	18 Aug 2004	0.65	39,000
750,000	5 Aug 2002	3 Nov 2004	3 Nov 2004	0.53	397,500
105,000	12 Sept 2002	3 Feb 2005	3 Feb 2005	1.38	144,900
2,625,000	5 Aug 2002	3 Feb 2005	3 Feb 2005	1.38	3,622,500
1,500,000	5 Aug 2002	22 Mar 2005	22 Mar 2005	1.67	2,505,000

(d) Plan options held at the end of the reporting period

The following table summaries information about options held by a director as at 30 June 2005:

Number of options	Grant Date	Vesting Date	Expiry Date	Exercise Price
1,500,000	29 Apr 2004	Grant date	30 June 2007	\$0.50
1,500,000	2 May 2005	Southdown project approvals	30 June 2007	\$1.25
1,500,000	2 May 2005	Southdown project commencement	30 June 2008	\$1.50
1,000,000	2 May 2005	Payment of \$0.05 dividend	30 June 2011	\$2.50

The number of employees of the Company at Balance Date was 22 (2004: 12)

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 22. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (CONTINUED)

(f) Superannuation Commitments

Employees contribute to their own superannuation plans at various percentages of their salaries and wages and the end benefit is determined by accumulation of contributions and earnings of the fund.

The Consolidated Entity also contributed to staff superannuation plans during the financial year at a rate of 9% of employees' wages and salaries as required by the Superannuation Guarantee Legislation.

These contributions are legally enforceable only where payable in terms of a ratified award obligation or under the Superannuation Guarantee Legislation.

NOTE 23. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

(a) Contingent Liabilities

Bank Guarantees

At year end bank guarantees have been provided on the Consolidated Entity'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 \$1,233,858 (2004: \$1,233,858), in relation to the rehabilitation of the Highway Reward project.

Bank guarantees have been provided on the Consolidated Entity's behalf 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 \$327,500 (2004: \$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 (2004: nil), 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.

A Bank guarantee has been provided by Grange Resources Limited, on demand by the Perth Diocesan Trustees for the amount of \$135,072 (2004: nil), in accordance with the terms of an office lease agreement dated 20 July 2005 to lease office premises in Mt Newman House.

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

(b) Contingent Assets

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

NOTE 24. SUBSEQUENT EVENTS

In July 2005 mining operations at the Reward Deeps and Conviction underground mine ceased due to the exhaustion of ore reserves. The final shipment of copper concentrate comprising of 4,556 tonnes from the Reward Deeps and Conviction underground mine was exported in August 2005 generating gross revenue of approximately \$3.50 million.

In August 2005 the Mt Farrenden pastoral lease on which the Highway and Reward & Reward Projects are located was auctioned. Grange expects to receive approximately \$0.50 million representing its share of the sale proceeds net of selling costs.

Thalanga Copper Mines Pty Limited the manager of the Mt Windsor Joint Venture has engaged KPMG to dispose of the Highway and Reward Projects. KPMG have received offers from two parties which are under consideration.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 24. SUBSEQUENT EVENTS (CONTINUED)

In September 2005 Murchison Copper Mines Pty Ltd exercised its option to acquire the Thaduna and Green Dragon copper mines. The transfer of ownership and management has commenced.

NOTE 25. EARNINGS PER SHARE

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

	Consolidated Entity	
	2005 \$	2004 \$
Earnings/(loss) used in calculating basic and diluted earnings per share	\$(5,093,301)	\$5,004,384
	Number of Shares	Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	72,527,067	68,867,613
Effect of dilutive securities:		
- Share options	-	3,674,840
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	72,527,067	72,542,453

Potential ordinary shares relating to options in issue are not considered dilutive and have therefore been excluded from the calculation of diluted earnings per share.

Conversions, calls, subscription or issues after 30 June 2005

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 26. REMUNERATION OF AUDITORS

Notes	Consolidated		Grange Resources Limited	
	2005 \$	2004 \$	2005 \$	2004 \$
Amounts received or due and receivable by Ernst & Young:				
- audit or review of the financial report of the entity and any other in the Consolidated Entity	32,400	31,800	32,400	31,800
- other services in relation to the entity and any other entity in the Consolidated Entity				
- tax compliance	123,467	63,599	123,467	63,599
	155,867	95,399	155,867	95,399

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 27. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Specified Directors and Specified Executives

(i) Specified Directors:

A Bohnenn	Chairman (non-executive)
G L W Wedlock	Managing Director
A H Nutter	Director (technical)
A Rankine-Wilson	Director (executive): resigned 17 May 2005
R Krasnoff	Director (non-executive): appointed 16 June 2005
H R Moser	Director (non-executive)

(ii) Specified Executives

C Bryant	Senior Geologist
B Chau	Group Financial Accountant
N Marston	Project Manager
A C Pismiris	Company Secretary: resigned 16 September 2005
M Smith	Company Secretary: appointed 16 September 2005

(b) Remuneration of Specified Directors and Specified Executives

(i) Remuneration Policy

The Remuneration Committee of the Board of Directors of Grange Resources Limited is responsible for determining and reviewing compensation arrangements for the directors and executive team. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of directors and executives on a periodic basis by reference to relevant market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

To assist in achieving these objectives, the Remuneration Committee links the nature and amount of executive directors' and officers' emoluments to the company's financial performance and operational performance. All directors and executives have the opportunity to qualify for participation in the Grange Resources Directors' and Officers' Option Plan which currently provides incentives where specified criteria are met including criteria relating to profitability, cash flow and share price growth.

It is the policy of the Remuneration Committee that employment agreements are entered in to with executive directors and other executives. The current employment agreements have a 3 year term and have 3 month notice periods.

If the Company elects to terminate an executive's employment agreement, the executive is entitled to a lump sum payment equivalent to the executives total remuneration for a period represented by the lesser of twelve months or the unexpired period of the employment agreement.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 27. DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)

(ii) Remuneration of Specified Directors

		Salary & Fees \$	Primary Cash Bonus \$	Non Cash Benefit \$	Post Employment Super'n \$	Retire- ment Benefit \$	Equity Options \$	Total \$
Specified Directors								
A Bohnenn	2005	56,667	-	-	-	-	-	56,667
	2004	50,000	-	-	-	-	134,500	184,500
R Krasnoff	2005	-	-	-	1,887	-	-	1,887
	2004	-	-	-	-	-	-	-
A Rankine-Wilson	2005	379,661	-	-	21,872	-	-	401,533
	2004	261,538	-	-	23,538	-	269,000	554,076
A H Nutter	2005	99,899	-	-	104,652	-	-	204,551
	2004	80,765	-	-	106,629	-	-	187,394
G L W Wedlock	2005	225,692	-	-	20,312	-	180,000	426,004
	2004	49,846	-	-	4,486	-	201,750	256,082
H R Moser	2005	23,000	-	-	-	-	-	23,000
	2004	23,000	-	-	-	-	82,500	105,500
Total remuneration: Specified Directors								
	2005	784,919	-	-	148,723	-	180,000	1,113,642
	2004	465,149	-	-	134,653	-	687,750	1,287,552

(iii) Remuneration of Specified Executives

		Salary & Fees \$	Primary Cash Bonus \$	Non Cash Benefit \$	Post Employment Super'n \$	Retire- ment Benefit \$	Equity Options \$	Total \$
Specified Executives								
C Bryant	2005	93,230	-	-	8,158	-	-	101,388
	2004	-	-	-	-	-	-	-
B Chau	2005	68,512	-	-	6,166	-	-	74,678
	2004	62,316	-	-	5,608	-	-	67,924
N Marston	2005	87,404	-	-	7,866	-	-	95,270
	2004	-	-	-	-	-	-	-
A C Pismiris	2005	121,333	-	-	36,177	-	-	157,510
	2004	108,553	-	-	32,308	-	-	140,861

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 27. DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)

Total remuneration: Specified Executives

2005	370,479	-	-	58,367	-	-	428,846
2004	170,869	-	-	37,916	-	-	280,785

(c) Remuneration options: Granted and vested during the year

During the year 4,000,000 options were issued as equity compensation benefits to the managing director pursuant to Grange Resources Directors' and Officers' Option Plan as disclosed below. The options granted to Mr Wedlock were issued for nil consideration and comprised of three series with the following terms:

- Series "A" Plan Options: an exercise price of \$1.25 exercisable from the vesting date until the expiry date. The Series A Plan Options vest on the Company obtaining all statutory approvals for the Southdown Magnetite Project and expire on 30 June 2007.
- Series "B" Plan Options: an exercise price of \$1.50 exercisable from the vesting date until the expiry date. The Series B Plan Options vest on the commencement of the Southdown Magnetite Project and expire on 30 June 2008.
- Series "C" Plan Options: an exercise price of \$2.50 exercisable from the vesting date until the expiry date. The Series C Plan Options will vest on the Company declaring a dividend of at least five cents per Share and expire on 30 June 2011.

	Options Issued	Series	Issue Date	Value per option at issue date \$	Exercise Price per share \$	Expected Vesting Date	Last Exercise Date
Specified Director							
G L W Wedlock	1,500,000	A	2 May 2005	0.29	1.25	30 Jul 2006	30 Jun 2007
G L W Wedlock	1,500,000	B	2 May 2005	0.33	1.50	30 Jun 2007	30 Jun 2008
G L W Wedlock	<u>1,000,000</u>	C	2 May 2005	Nil	2.50	NA	30 Jun 2011
	<u>4,000,000</u>						

(d) Shares issued on exercise of remuneration options

	Shares Issued Number	Paid per share \$	Unpaid per share \$
Specified Directors			
A Bohnenn	2,125,000	635,000	-
A H Nutter	750,000	90,000	-
H R Moser	750,000	90,000	-
A Rankine-Wilson	<u>3,500,000</u>	<u>1,180,000</u>	-
	<u>8,625,000</u>	<u>1,995,000</u>	-
Specified Executives			
A C Pismiris	<u>750,000</u>	<u>90,000</u>	-
	<u>750,000</u>	<u>90,000</u>	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 27. DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)

(e) Option holdings of Specified Directors and Specified Executives

	Balance at 1 July 2004	Granted as remuneration	Options exercised	Balance at 30 June 2005	Vested at 30 June 2005
Specified Directors					
A Bohnenn	2,125,000	-	(2,125,000)	-	-
R Krasnoff	-	-	-	-	-
H R Moser	750,000	-	(750,000)	-	-
A H Nutter	750,000	-	(750,000)	-	-
A Rankine-Wilson	3,500,000	-	(3,500,000)	-	-
G L W Wedlock	1,500,000	4,000,000	-	5,500,000	1,500,000
	<u>8,625,000</u>	<u>4,000,000</u>	<u>(7,125,000)</u>	<u>5,500,000</u>	<u>1,500,000</u>
Specified Executives					
C Bryant	-	-	-	-	-
B Chau	50,000	-	(50,000)	-	-
N Marston	-	-	-	-	-
A C Pismiris	750,000	-	(750,000)	-	-
	<u>800,000</u>	<u>-</u>	<u>(800,000)</u>	<u>-</u>	<u>-</u>

All remuneration options issued to the managing director during the reporting period will vest on the Company achieving key milestones associated with development of the Southdown Magnetite Project.

(f) Shareholdings of Specified Directors and Specified Executives

	Balance at 1 July 2004	Granted as remuneration	Options exercised	Net change other	Balance at 30 June 2005
Specified Directors					
A Bohnenn	8,762,313	-	2,125,000	1,858,725	12,746,038
A Rankine-Wilson	523,606	-	3,500,000	(479,800)	3,543,806
A H Nutter	99,999	-	750,000	95,000	944,999
G L W Wedlock	14,000	-	-	90,000	104,000
H R Moser	3,560,450	-	750,000	-	4,310,450
	<u>12,960,368</u>	<u>-</u>	<u>7,125,000</u>	<u>1,563,925</u>	<u>21,649,293</u>
Specified Executives					
C Bryant	-	-	-	-	-
B Chau	-	-	50,000	-	50,000
N Marston	740	-	-	-	740
A C Pismiris	-	-	750,000	-	750,000
	<u>740</u>	<u>-</u>	<u>800,000</u>	<u>-</u>	<u>800,740</u>

All equity transactions with specified directors and executives have been entered into under terms no more favourable than those the entity would have adopted if dealing at arms length.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 27. DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)

(g) Other transactions with Specified Directors & Executives

- Fees of \$60,000 (2004: \$60,000) were paid to Hendygywn Holding & Beheer b.v., of which Mr A Bohnenn is a director and shareholder, under a marketing and public relations services agreement.
- An administration fee of \$351 (2004: \$871) was accrued and paid to Grange from Plantcorp Limited for the period 1 July 2004 to 30 June 2005 for the provision of office supplies to Plantcorp Limited by the Company on a reimbursement of costs basis. During the period Grange had one director, Mr A Rankine-Wilson in common with Plantcorp Limited.

NOTE 28. RELATED PARTY DISCLOSURE

Ultimate parent

Grange Resources Limited is the ultimate Australian holding company of the Consolidated Entity.

Wholly-owned group transactions

		Consolidated		Grange Resources Limited	
	Notes	2005	2004	2005	2004
		\$	\$	\$	\$
Aggregate amounts receivable at Balance date from:					
Controlled entities (i)		-	-	13,081,645	12,864,281
Provision for non-recovery		-	-	(12,092,225)	(12,092,225)
		-	-	989,420	772,056
Aggregate amounts payable at Balance Date to:					
Controlled entities		-	-	23,013,892	16,589,960
		-	-	23,013,892	16,589,960

- (i) Loans from controlled entities are interest free with no fixed repayment date.

Other related party transactions

Fees of \$60,000 paid to Hendygywn Holdings and Beheer b.v., of which Mr Bohnenn is a director and shareholder, under a marketing and public relations services agreement. In addition fees of \$41,294 (gst inclusive) were paid to Key Palm Pty Ltd, of which Mr Wedlock is a director and shareholder, under a consultancy agreement prior to his appointment as an executive director.

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

NOTE 29. SEGMENT INFORMATION

(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 in the technology and financial services industry.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 29. SEGMENT INFORMATION (CONTINUED)

	Mining & Exploration Activities		Financial Services & Technology Activities		Consolidated	
	2005	2004	2005	2004	2005	2004
	\$	\$	\$	\$	\$	
Revenue						
Sales revenue	6,463,210	26,558,252	-	-	6,463,210	26,558,252
Other revenue	27,153	264,095	-	24,404	27,153	288,499
Total segment revenue	6,490,363	26,822,347	-	24,404	6,490,363	26,846,751
Non-segment revenue						
Interest revenue					645,603	332,374
Unallocated revenue					-	152,258
Total consolidated revenue					7,135,966	27,331,383
Results						
Segment results	(5,067,836)	7,320,236	(25,465)	23,961	(5,093,301)	7,344,197
Unallocated expenses					-	(2,789,979)
Unallocated revenue					-	484,631
Consolidated Entity profit/(loss) from ordinary activities before income tax					(5,093,301)	5,038,849
Income tax expense					-	(34,465)
Consolidated Entity profit/(loss) from ordinary activities after income tax					(5,093,301)	5,004,384
Assets						
Segment assets	23,625,421	20,283,656	67,981	115,052	23,693,402	20,398,708
Unallocated assets					-	884,973
Total assets					23,693,402	21,283,681
Liabilities						
Segment liabilities	4,543,699	3,532,105	-	18,318	4,543,699	3,550,423
Unallocated liabilities					-	595,096
Total liabilities					4,543,699	4,145,519
Other segment information:						
Acquisition of property, plant and equipment, intangible assets and other non current assets	198,999	-	-	-	198,999	5,281
Depreciation and amortisation	832,532	2,707,926	-	-	832,532	2,707,926
Non cash expenses other than depreciation and amortisation	1,855,359	2,425,491	-	-	1,855,359	2,425,491

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 30. FINANCIAL INSTRUMENTS

The Consolidated Entity is a party to derivative financial instruments entered into in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates and commodity prices.

As these contracts are hedging anticipated future sales, any unrealised gains and losses on the contracts, together with the cost of the contracts, are deferred and will be recognised in the measurement of the underlying transaction.

(a) Interest rate risk

The Consolidated Entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities are set out below.

	2005 Floating Interest Rate \$	2005 Non- Interest Bearing \$	2005 Total \$	2004 Floating Interest Rate \$	2004 Non- Interest Bearing \$	2004 Total \$
Financial Assets						
Cash at bank	408,129	-	408,129	568,053	1,279	569,332
Cash on deposit	8,330,665	-	8,330,665	15,662,483	-	15,662,483
Receivables	-	1,684,184	1,684,184	-	494,211	494,211
Security deposits	2,856,433	-	2,856,433	1,702,452	47,416	1,749,868
	11,595,227	1,684,184	13,729,411	17,932,988	542,906	18,475,894
Weighted average interest rate	3.10%			3.12%	NA	
Financial Liabilities						
Trade and other creditors	-	2,505,765	2,505,765	-	2,108,557	2,108,557
	-	2,505,765	2,505,765	-	2,108,557	2,108,557
Weighted average interest rate				NA	NA	

b) Net Fair Values

All financial assets and liabilities have been recognised at the balance date at their 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

c) 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 statement of financial position.

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 31. IMPACT OF THE ADOPTION OF IFRS

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, where 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.

Share Based Payments

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 exemptions which allow companies not to retrospectively apply AASB 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.

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 recognised 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 "Exploration for and Evaluation of Mineral Resources" 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 rather than the current income statement method which recognises deferred tax balances where there is a difference between the carrying value of an asset or a liability and its tax base. The method adopted under AIFRS 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 31. IMPACT OF THE ADOPTION OF IFRS (CONTINUED)

Exploration for 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". The Company has analysed its deferred exploration and evaluation expenditure and is satisfied that no expenses were deferred which were incurred before license was granted.

Under AASB 6, if facts and circumstances suggest that the carrying amount of any recognised 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 recognised as an expense in accordance with AASB 136. As a result of this analysis there is expected to be no material 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.

On transition, Grange will be required to:

- Remeasure the existing environmental rehabilitation provision to the present value of the future expenditure;
- Estimate the value that would have been included in the cost of the asset when the liability arose; and amortise the asset to the date of transition.

The Company is currently in the process of assessing any differences.

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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 and notes of the Company and of the Consolidated Entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2005 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 2005.

On behalf of the Board

ANTHONY BOHNENN
CHAIRMAN

Dated this 30th day of September 2005

Perth, Western Australia

Independent audit report to members of Grange Resources Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Grange Resources Limited and the consolidated entity, for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

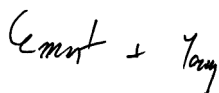
Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and 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. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

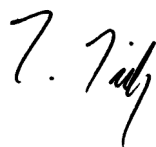
Audit opinion

In our opinion, the financial report of Grange Resources Limited is in accordance with:

- (a) 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 2005 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'V. W. Tidy'.

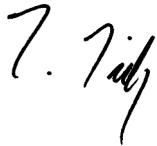
V W Tidy
Partner
Perth
30 September 2005

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

In relation to our audit of the financial report of Grange Resources Limited for the financial year ended 30 June 2005, 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.

A handwritten signature in black ink that reads "Ernst & Young".

Ernst & Young

A handwritten signature in black ink that reads "V. W. Tidy".

V W Tidy
Partner
Perth
30 September 2005

GRANGE RESOURCES LIMITED
ABN 80 009 132 405
ANNUAL REPORT 2005

ASX ADDITIONAL INFORMATION

SHAREHOLDER INFORMATION AT 30 AUGUST 2005

ORDINARY SHARES

1. Distribution of Shareholders

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

Category of shareholding	Number of shareholders
1 – 1,000	214
1,001 – 5,000	474
5,001 – 10,000	223
10,001 – 100,000	178
100,001 – and over	36
TOTAL	1,125

(b) There are 290 holders of ordinary shares each holding less than a marketable parcel.

2. Top Twenty Shareholders

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

Name	Number	%
ANZ Nominees Ltd	25,765,350	31.14
National Nominees Ltd	20,647,829	24.95
Westpac Custodian Nominees Ltd	10,239,593	12.37
HSBC Custody Nominees (Australia) Ltd	2,177,800	2.63
Dr Salim Cassim	1,816,478	2.20
King Chong Chai	1,067,650	1.29
Nefco Nominees Pty Ltd	1,032,684	1.25
Equitas Group Holdings Pty Ltd	855,569	1.03
Blackmort Nominees Pty Ltd	850,000	1.03
Zero Nominees Pty Ltd	850,000	1.03
Mr Alexander Henry Nutter	849,999	1.03
Mr Hans-Rudolf Moser	760,450	0.92
Dr Salim Cassim	757,000	0.91
ACP Investments Pty Ltd	700,000	0.85
Bayonet Investment Pty Ltd	639,200	0.77
McNeil Nominees Pty Ltd	560,541	0.68
Citicorp Nominees Ltd	546,500	0.66
Bayonet Investments Pty Ltd A Rankine-Wilson Mutual A/C	523,606	0.63
Bayonet Investments Pty Ltd South Point Trust A/C	507,000	0.61
Dr Salim Cassim	500,000	0.60
	71,647,249	86.58

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ASX ADDITIONAL INFORMATION (CONTINUED)

3. Voting Rights

In accordance with Article 9.22 of the Company's Constitution, subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

(a) on a show of hands, every member present in person and each other person present as a proxy, attorney or representative of a member has one vote; and

(b) on a poll, each member present in person has one vote for each fully paid share held by the member and each person present as a proxy, attorney or representative of a member has one vote for each fully paid share held by the member that the person represents,

but a member is not entitled to vote at a general meeting in respect of shares which are the subject of a current restriction agreement for so long as any breach of that agreement subsists.

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	13,082,838	15.80
RAB Special Situations (Master) Fund Limited	9,000,000	10.88

UNQUOTED SECURITIES

The Company has the following unquoted securities on issue:

Class of Security	Number of securities on Issue	Number of security holders
50 cent options expiring 28 November 2006	4,285,715	1
50 cent options expiring 30 June 2007	1,500,000	1
\$1.25 options expiring 30 June 2007	1,500,000	1
\$1.50 options expiring 30 June 2007	1,500,000	1
\$2.50 options expiring 30 June 2007	1,000,000	1