



GRANGE – WAIVER FROM ASX LISTING RULE 10.1

23 January 2009

As announced on 10 December 2008, Grange Resources Limited (ASX: GRR) (**Grange** or the **Company**) was advised by Australian Bulk Minerals (**ABM**) (with which Grange completed a merger on 2 January 2009 (**Merger**)) that one of ABM's major customers, Bluescope Steel, had cancelled 3 contracted shipments that were scheduled for delivery during December 2008. As an alternative, ABM made arrangements to sell these shipments to one or more of the previous ABM shareholders over December and January at a minimum price of US\$80 per tonne, which reflects the current spot market price for pellets (please refer to the Company's announcement on 10 December 2008 for further details).

Two of the shipments were delivered in December 2008 with the remaining shipment scheduled for on or about 27 January. The shipments are in addition to the purchasers' current contracted quantities with ABM.

Grange announces that the Australian Securities Exchange (**ASX**) has agreed to grant Grange a waiver from listing rule 10.1 to the extent necessary in order to permit the Company, without shareholder approval, to dispose of an iron ore shipment to Jiangsu Shagang Group (**Transaction**) for consideration in excess of 5% of the Company's equity interests as set out in the latest financial accounts given to ASX (which are pre-merger financial accounts), subject to the following conditions:

- The post-Merger pro forma financial statements of the Company as at 30 June 2008 will be subject to an independent audit review and the review report is to be released to the market prior to the completion of the Transaction.
- The value of 5% equity interests of the reviewed pro forma financial statements must exceed \$7.4 million.
- The Company releases the terms of this waiver to the market by way of a separate announcement.

In accordance with the conditions of the waiver, attached to this announcement are the post-Merger pro forma financial statements of the Company as at 30 June 2008, which have been audit reviewed by Ernst & Young. A copy of Ernst & Young's audit review opinion is also attached.

-ENDS-

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Managing Director & CEO
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Or visit www.grangeresources.com.au

GRANGE RESOURCES LIMITED

ABN 80 009 132 405

AND CONTROLLED ENTITIES

HISTORICAL FINANCIAL INFORMATION

AND PROFORMA CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2008

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CORPORATE INFORMATION

The consolidated entity comprising Grange Resources Limited (Grange) and its subsidiaries (the Group). The functional and presentation currency of Grange and its Australian subsidiaries is AUD (\$).

BOARD OF DIRECTORS

Xi Zhigiang

(Non-Executive Chairman) Appointed 2 January 2009

Neil G Chatfield

(Non-Executive Deputy Chairman) Appointed 2 January 2009

Russell St John Clark

(Managing Director) Appointed: 6 March 2008

Anthony Bohnenn

(Non-Executive Director)

Peter C Stephens

(Non-Executive Director) Appointed 2 January 2009

David A Sandy

(Non-Executive Director) Appointed 2 January 2009

Wei Guo

(Non-Executive Director) Appointed 2 January 2009

Cheung C Ko

(Non-Executive Director) Appointed 2 January 2009

Geoffrey Lloyd Warburton Wedlock

(Managing Director) Resigned: 22 January 2008

Alexander Henry Nutter

(Technical Director) Resigned 28 November 2008

Richard Krasnoff

(Non-Executive Director) Resigned 2 January 2009

Hans-Rudolf Moser

(Non-Executive Director) Resigned: 31 December 2007

Douglas Haig Steward

(Non-Executive Director) Resigned: 2 January 2009

David Macoboy

(Non-Executive Director) Resigned: 2 January 2009

SENIOR MANAGEMENT

Stacey Apostolou

(Company Secretary)

REGISTERED OFFICE

Level 11, QBE House

200 St George's Terrace

PERTH WA 6000

Telephone: + 61 (8) 9321 1118

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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

GRANGE RESOURCES LIMITED
ABN 80 009 132 405

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

| | Historical 2008 \$ |
|---|--------------------------|
| Sale of iron ore | 153,654 |
| Royalties | 734,882 |
| Finance revenue | 778,887 |
| Revenue from continuing operations | 1,667,423 |
| Cost of sales | (312,747) |
| Gross profit | 1,354,676 |
| Other income | 25,108 |
| Gain on sale of asset | 4,245,192 |
| Administrative expenses | (2,160,999) |
| Employee benefits expense | (2,260,932) |
| Other expenses | (199,765) |
| Profit from continuing operations before tax and borrowing costs | 1,003,280 |
| Borrowing costs | (4,544) |
| Profit from continuing operations before income tax | 998,736 |
| Income tax expense | - |
| Profit from continuing operations after income tax expense | 998,736 |
| Attributable to: | |
| - Minority interest | 67,600 |
| - Members of the Parent | 931,136 |
| Basic earnings / (loss) per share (cents per share) | 0.82 |
| Diluted earnings / (loss) per share (cents per share) | 0.82 |

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

GRANGE RESOURCES LIMITED
ABN 80 009 132 405

CONSOLIDATED BALANCE SHEETS
AS AT 30 JUNE 2008

| | NOTE | Historical 2008 \$ | Proforma 2008 \$ |
|--|------|--------------------------|------------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | | 7,659,988 | 11,055,898 |
| Trade and other receivables | | 1,009,966 | 24,745,466 |
| Inventories | | - | 79,221,916 |
| Other | | 50,208 | 6,740,977 |
| Total Current Assets | | <u>8,720,162</u> | <u>121,764,257</u> |
| Non-Current Assets | | | |
| Trade and other receivables | | 5,225,231 | 5,225,231 |
| Other financial assets | | - | - |
| Property, plant & equipment | | 5,926,062 | 541,473,217 |
| Exploration and evaluation | | 80,994,463 | 208,701,595 |
| Other | | - | 11,580,088 |
| Total Non-Current Assets | | <u>92,145,756</u> | <u>766,980,131</u> |
| TOTAL ASSETS | | <u>100,865,918</u> | <u>888,744,388</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | | 1,324,514 | 52,230,437 |
| Deferred consideration | | - | 48,408,030 |
| Current tax liabilities | | - | 1,148,650 |
| Derivative financial instruments | | - | 35,600,000 |
| Borrowings | | - | 43,394,274 |
| Provisions | | 387,923 | 5,326,763 |
| Total Current Liabilities | | <u>1,712,437</u> | <u>186,108,154</u> |
| Non-Current Liabilities | | | |
| Interest bearing liabilities | | - | 49,639,112 |
| Deferred consideration | | - | 299,513,379 |
| Provisions | | 4,038,679 | 14,820,285 |
| Deferred tax liabilities | | - | 49,400,000 |
| Total Non-Current Liabilities | | <u>4,038,679</u> | <u>413,372,776</u> |
| TOTAL LIABILITIES | | <u>5,751,116</u> | <u>599,480,930</u> |
| NET ASSETS | | <u>95,114,802</u> | <u>289,263,460</u> |
| EQUITY | | | |
| Equity attributable to equity holders of the parent | | | |
| Contributed equity | 4 | 86,048,017 | 364,603,778 |
| Reserves | 5 | 29,763,948 | (57,184,497) |
| Accumulated losses | | (20,909,139) | (18,155,821) |
| Total Parent Entity Interest in Equity | | <u>94,902,826</u> | <u>289,263,460</u> |
| Minority Interests | | 211,976 | - |
| TOTAL EQUITY | | <u>95,114,802</u> | <u>289,263,460</u> |

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

GRANGE RESOURCES LIMITED
ABN 80 009 132 405

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE YEAR ENDED 30 JUNE 2008

Historical
2008

\$

| | |
|---|----------------|
| Foreign currency translation | (6,290) |
| Net income / (expense) recognised directly in equity | (6,290) |
| Profit / (loss) for the year | 998,736 |
| Total recognised income / (expense) for the year | 992,446 |
| Total recognised income / (expense) for the year is attributable to: | |
| Members of Grange Resources Limited | 924,846 |
| Minority Interest | 67,600 |
| | 992,446 |

GRANGE RESOURCES LIMITED
ABN 80 009 132 405

CONSOLIDATED CASHFLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

| | Historical 2008 \$ |
|---|--------------------------|
| Cash flows from operating activities | |
| Receipts from customers | 827,506 |
| Payments to suppliers and employees | (4,736,166) |
| Interest received | 778,887 |
| Borrowing costs | - |
| Receipt of government grants | - |
| Net cash flows from / (used in) operating activities | <u>(3,129,773)</u> |
| Cash flows from investing activities | |
| Payment for exploration and evaluation | (12,357,821) |
| Payments for property, plant and equipment | (5,845,073) |
| Payment for convertible note & investments | - |
| Proceeds from sale of property, plant and equipment | 15,835,999 |
| Proceeds from / (payment of) security deposit | (300,000) |
| Net cash flows from / (used in) investing activities | <u>(2,666,895)</u> |
| Cash flows from financing activities | |
| Proceeds from borrowings from controlled entities within wholly owned group | - |
| Loans to controlled entities within wholly owned group | - |
| Proceeds from issue of fully paid shares | - |
| Payment for share costs | (29,527) |
| Proceeds from exercise of share options | - |
| Net cash flows from / (used in) financing activities | <u>(29,527)</u> |
| Net increase / (decrease) in cash and cash equivalents | (5,826,195) |
| Net foreign exchange differences | (6,291) |
| Cash and cash equivalents at beginning of the financial year | 13,492,474 |
| Cash and cash equivalents at end of the financial year | <u><u>7,659,988</u></u> |

GRANGE RESOURCES LIMITED
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NOTES TO HISTORICAL FINANCIAL INFORMATION AND PROFORMA CONSOLIDATED BALANCE SHEET

NOTE 1. CORPORATE INFORMATION

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

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

NOTE 2. HISTORICAL FINANCIAL INFORMATION AND PROFORMA CONSOLIDATED BALANCE SHEET

The Historical Financial Information consists of the following:

- The consolidated balance sheet as at 30 June 2008 and the consolidated income statement, statement of changes in equity and cashflow statement of Grange for the year ended 30 June 2008; and
- Selected notes and information in respect of the above.

(collectively the "Historical Financial Information")

The Proforma Consolidated Balance Sheet represents the balance sheet of the consolidated entity at 30 June 2008 assuming that the combination ("the Merger") of Grange and Ever Green Resources Co Ltd and its controlled entities, collectively trading as Australian Bulk Minerals ("Australian Bulk Minerals"), completed on 2 January 2009 had occurred on 30 June 2008. As part of the Merger, Grange acquired 100% of the voting shares of Ever Green Resources Co Ltd ("Ever Green"). Ever Green through its subsidiary Shagang Mining (Australia) Pty Ltd (SMAPL) operates the magnetite iron ore mine in Savage River, Bernie, Tasmania. Grange issued 342,022,999 ordinary shares to acquire Ever Green. In addition Grange issued 38,002,555 ordinary shares to acquire the 10% interest in SMAPL held by Stemcor Pellets Limited ("Stemcor").

The Historical Financial Information and the Proforma Consolidated Balance Sheet presented have been prepared in accordance with the basis of preparation set out in note 3 and the recognition and measurement requirements (but not all disclosure requirements) of Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The Historical Financial Information has been derived from the Grange audited statutory accounts for the year ended 30 June 2008. The statutory financial statements for the year ended 30 June 2008 were audited by Ernst & Young, who issued an unmodified audit opinion on those statutory financial statements.

The Proforma Consolidated Balance Sheet has been based on the 30 June 2008 interim financial statements of entities within the Australian Bulk Minerals Group adjusted for the impact of the proforma adjustments set out in note 3 which are expected to occur as a result of the Merger. The interim financial statements for the six month period ended 30 June 2008 of Ever Green Resources Co., Ltd and Shagang Mining (Australia) Pty Ltd, representing entities within the Australian Bulk Minerals Group, have been reviewed by their auditors, in accordance with Hong Kong auditing standards applicable to review engagements for Ever Green Resources Co., Ltd and Australian auditing standards applicable to review engagements for Shagang Mining (Australia) Pty Ltd, who issued review opinions on 3 November 2008 for Ever Green Resources Co., Ltd and 1 November 2008 for Shagang Mining (Australia) Pty Ltd.

NOTE 3. BASIS OF PREPARATION

(a) Historical Financial Information

The Historical Financial Information has been prepared in accordance with the accounting policies of Grange which can be found in the 30 June 2008 audited financial statements. The Historical Financial Information has been prepared on a historical cost basis. The Historical Financial Information is presented in Australian dollars.

The Historical Financial Information does not include all of the information normally included in an annual financial report, and cannot be expected to provide a full understanding of the financial performance, financial position and the financing and investing activities of Grange as would the full financial report. Accordingly, this Historical Financial Information should be read in conjunction with the annual report for the year ended 30 June 2008, the Explanatory Memorandum issued on 5 November 2008 in relation to the Merger and any public announcements made by Grange in accordance with the continuous disclosure obligations of the ASX listing Rules.

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(b) Proforma Consolidated Balance Sheet

Under Australian Accounting Standard AASB 3 'Business Combinations', Australian Bulk Minerals is deemed to be the accounting acquirer in the business combination. The transaction will therefore be accounted for as a reverse acquisition of Grange by Australian Bulk Minerals. Accordingly, the Proforma Consolidated Balance Sheet of Grange at 30 June 2008 represents the continuation of the business of Australian Bulk Minerals. The Proforma Consolidated Balance Sheet as at 30 June 2008 has been prepared in accordance with the accounting policies of Australian Bulk Minerals. The accounting policies of Australian Bulk Minerals can be found in the 31 December 2007 special purpose financial statements which are available at www.ausbus.com.au. The new accounting policies that have been applied in the preparation of the Proforma Consolidated Balance Sheet at 30 June 2008 are disclosed in note 2(d).

(c) Proforma Adjustments

The following Proforma Adjustments have been made to reflect the Merger:

1. To effect the reverse acquisition of Grange by Australian Bulk Minerals, assuming that the transaction had occurred at 30 June 2008, the deemed cost of the combination amounting to \$225,453,934 has been recognised in equity and allocated over the carrying value of net assets of Grange amounting to \$95,114,802 as of 30 June 2008. The difference between the deemed cost of the combination and the carrying value of the net assets of Grange at 30 June 2008 has been provisionally recognised as exploration properties as management has yet to complete its fair value assessment of the net assets acquired.

The deemed cost of the combination represents the aggregate of the following:

- the fair value of Grange's issued share capital of 115,201,099 shares as at 30 June 2008 (\$202.8 million);
- the estimated fair value of the 24.9 million options issued by Grange as at 30 June 2008 (\$9.7 million) after an adjustment to reflect the lapsing of 8.5 million options held by Rio Tinto during September 2008; and
- the estimated costs incurred by Australian Bulk Minerals in relation to the Merger (\$13 million).

The actual cost of the combination at the date of Merger on 2 January 2009 will be allocated over the fair value of the net identifiable assets of Grange at that date. Any excess of the cost over the fair value of the net assets acquired will be recognised as Goodwill.

2. The acquisition of the 10% Minority interest in SMAPL (Subsidiary of Australian Bulk Minerals) held by Stemcor has been accounted for as an equity transaction. As consideration for the transaction Grange issued 38,002,555 share. For the purpose of the Proforma Consolidated Balance Sheet these shares have been valued at \$66,884,497 which assumes the transaction occurred at 30 June 2008.
3. The assignment to Grange and subsequent capitalisation of loans amounting to \$81,500,000 between Australian Bulk Minerals and its shareholders (Shagang International Holdings Limited (Shagang), Pacific International Co Pty Ltd (PI), RGL Holdings Co Ltd (RH) and Stemcor).
4. Pursuant to the current Australian income tax law deferred tax assets may arise from this merger to off-set the deferred tax liabilities of ABM as at 30 June 2008. Further work is still required to determine the extent of deferred tax assets arising from the Merger and therefore no adjustment has been made to this Proforma Consolidated Balance Sheet. The Explanatory Memorandum had an adjustment to derecognise the deferred tax liability of \$49,400,000 in Australian Bulk Minerals which has now been reversed in the Proforma Consolidated Balance Sheet.

(d) New Accounting Policies

Acquisition of minority interest

The acquisition of minority interest has been accounted for using the entity method whereby the difference between the consideration paid and the carrying value of the minority share of the net assets acquired is recognised in equity.

Assignment of shareholders loan

The assignment of shareholders loans resulting in extinguishment of the debt by the issue of equity has been accounted at cost and recognised as a transaction with equity holders.

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(e) Going Concern

As at 30 June 2008 the Proforma Consolidated Balance Sheet has a working capital deficiency, but maintains a significant positive net asset position. The directors believe it is appropriate to prepare the Proforma Consolidated Balance Sheet on a going concern basis for the following reasons:

- the combined entity is expected to generate additional cash as a result of contractual supply contracts being delivered at sustainable market prices and at a reasonable exchange rate; and
- the continued support of major shareholders.

NOTE 4. CONTRIBUTED EQUITY

a) Historical Financial Information

| | Historical Number of shares | \$ |
|--|-----------------------------------|-------------------|
| Movements in ordinary share capital | | |
| At 30 June 2007 | 106,201,099 | 63,662,384 |
| Share Issue (i) | 9,000,000 | 22,410,000 |
| Transaction Costs (ii) | - | (24,367) |
| At 30 June 2008 | <u>115,201,099</u> | <u>86,048,017</u> |

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

- (ii) The transaction costs represent the costs of issuing shares.

b) Proforma Consolidated Balance Sheet

| | Proforma Number of shares | \$ |
|--|---------------------------------|--------------------|
| Movements in ordinary share capital | | |
| At 30 June 2008 – Historical (iii) | 115,201,099 | 465,347 |
| Shares Issued (iv) | <u>387,411,918</u> | <u>364,138,431</u> |
| At 30 June 2008 – Proforma | <u>502,613,017</u> | <u>364,603,778</u> |

(iii) The historical monetary share capital balance at 30 June 2008 represents the contributed equity in Australian Bulk Minerals at 30 June 2008.

(iv) Shares Issued

| | Proforma Number of Shares | \$ |
|--|---------------------------------|--------------------|
| Acquisition of Australian Bulk Minerals (Note 3) | 342,022,999 | 202,753,934 |
| Assignment of Loans (v) | - | 81,500,000 |
| Acquisition of Minority Interest (vi) | <u>38,002,555</u> | <u>66,884,497</u> |
| | 380,025,554 | 351,138,431 |
| Others | <u>7,386,364</u> | <u>13,000,000</u> |
| At 30 June 2008 | <u>387,411,918</u> | <u>364,138,431</u> |

GRANGE RESOURCES LIMITED
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- (v) As part of the Combination, the shareholders of Australian Bulk Minerals have assigned their loans receivable to Grange. From the perspective of the consolidated entity for the purpose of Proforma Consolidated Balance Sheet, the assignment of the loans to Grange, the "in-substance" subsidiary, effectively results in the extinguishment of the debt by the issue of equity. Accordingly the carrying value of the loans has been transferred to equity.
- (vi) This represents the issue of shares to acquire 10% minority interest in SMAPL.

NOTE 5. RESERVES

| | Proforma |
|---------------------------|---------------------|
| | \$ |
| Option Reserve (Note 3 c) | 9,700,000 |
| Equity Reserve (i) | <u>(66,884,497)</u> |
| At 30 June 2008 | <u>(57,184,497)</u> |

- (i) The equity reserve is used to record the premium paid on the acquisition of a minority interest in a controlled entity.

NOTE 6. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Grange Resources Limited

Grange has contractual obligations with its financial advisors with regards to the merger between Grange Resources and Australian Bulk Minerals. Upon completion of the merger success fees are payable to each of these entities.

Goldamere Pty Ltd

Goldamere has an ongoing legal dispute against the contractors that were responsible for repairing cracks in an autogeneous mill in June 2006 which were being completed when a major fire occurred. Damages are estimated at \$10 million and consequential losses are currently being assessed. No amounts have been recognised in the historical financial information or Proforma Consolidated Balance Sheet.

NOTE 7 EVENTS AFTER THE BALANCE SHEET DATE

On 5 September 2008, the Company cancelled 6,300,000 director options. The cancellation was required by ASX Limited because the options were issued more than one month after the issue of them was approved by shareholders. The relevant shareholders' meeting was held on 20 May 2008 and the options were issued on 9 July 2008. Under the ASX Listing Rules the latest date for issue of these options was 20 June 2008. At the Annual General Meeting held on the 28 November 2008, shareholders approved the issue of an equivalent number of replacement options to directors, with the same exercise prices. The options have subsequently been reissued.

On 14 November 2008, the Company completed the sale of a 30% stake in Exploration Licence E70/2512 to Sojitz Resources and Technology Pty Ltd ("Sojitz"). As a result, Sojitz now have a 30% joint venture interest in the whole of the Southdown Magnetite Project ("Southdown").

On 2 January 2009, the Company announced that pursuant to the Share Sale Agreement entered into on 24 September 2008 for the Merger of Grange and Australian Bulk Minerals that the transaction was completed and that 380,025,554 shares had been issued in satisfaction. As the effective date of the Merger was 30 June 2008 for the purpose of the Proforma Consolidated Balance Sheet, the deemed cost of business combination would have reduced by an estimated amount of \$150 million with a corresponding decrease in equity, had the deemed cost of the combination been determined based on the share price of Grange at 2 January 2009.

BlueScope Steel Limited a major customer of SMAPL has cancelled 3 shipments of pellets under its off take agreement. 1 shipment was assumed by Shagang in December 2008 and a further shipment was assumed by Shagang in January 2009.

Recent market volatility and a depreciation of the A\$/US\$ exchange rate subsequent to the balance sheet date has resulted in a material change in the fair value of the group's forward exchange contracts. The impact on Grange is a loss of approximately \$25 million as at 22 January 2009.

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DIRECTORS' DECLARATION

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

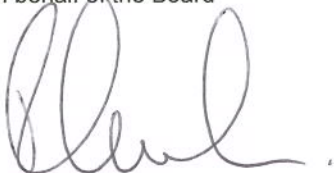
In the opinion of the directors:

(a) the Historical Financial Information at 30 June 2008 of the consolidated entity has been prepared in accordance with the basis of preparation set out in Note 3 to the Historical Financial Information applying the measurement and recognition requirements (but not the disclosure requirements) of applicable Accounting Standards and other mandatory professional requirements in Australia.

(b) the Proforma Consolidated Balance Sheet at 30 June 2008 has been prepared on the basis of preparation and assumptions set out in Note 3 to the Proforma Consolidated Balance Sheet applying the measurement and recognition requirements (but not the disclosure requirements) of Applicable Accounting Standards and other mandatory professional requirements in Australia as if the Proforma transactions had occurred on that date.

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

On behalf of the Board

A handwritten signature in dark ink, appearing to read 'Russell Clark', written over a light blue horizontal line.

Russell Clark
Managing Director

Dated this 23rd day of January 2009

Perth, Western Australia

23 January 2009

The Directors
Grange Resources Limited
Level 11, QBE House
200 St Georges Terrace
PERTH WA 6000

Dear Sirs

Independent Review Report

1. Introduction

We have prepared this Independent Review report (Report) at the request of the Directors of Grange Resources Limited, hereafter referred to as the Company or Grange, on the accompanying Historical Financial Information and Proforma Consolidated Balance Sheet of the Company. The Proforma Consolidated Balance Sheet of the Company has been prepared by the Directors to reflect the combination of Grange and Ever Green Resources Co Ltd and its controlled entities, collectively trading as Australian Bulk Minerals ("Australian Bulk Minerals"), as at 30 June 2008 ("the Merger").

2. Scope

We have been requested to prepare an Independent Review Report covering the following financial information:

- ▶ Historical Financial Information of the Company comprising the Historical Consolidated Balance Sheet as at 30 June 2008 and the Historical Consolidated Income Statement, Statement of Recognised Income and Expense, Cash Flow Statement and applicable notes to these Statements for the year ended 30 June 2008; and
- ▶ Proforma Consolidated Balance Sheet of the Company as at 30 June 2008 which assumes completion of the Merger as at 30 June 2008.

The Historical Financial Information as at 30 June 2008 has been extracted from the audited statutory financial statements of the Company which were audited by Ernst & Young and on which an unmodified audit opinion was issued. No adjustments have been made to the audited statutory financial statements.

The Proforma Consolidated Balance Sheet at 30 June 2008 has been based on the 30 June 2008 special purpose financial statements of entities within the Australian Bulk Minerals Group adjusted for the impact of the proforma adjustments set out in note 3 to the Proforma Consolidated Balance Sheet which are expected to occur as a result of the Merger. The special purpose financial statements as at 30 June 2008 of the entities within the Australian Bulk Minerals Group were reviewed by their auditors, who issued an unmodified review statement on those financial statements.

The Directors have prepared and are responsible for the Historical Financial Information and the Proforma Consolidated Balance Sheet of the Company. We disclaim any responsibility for any reliance on this report or on the financial information to which it relates for any purposes other than that for which it was prepared.

Review of Historical Financial Information

We have conducted an independent review of the Historical Financial Information in order to state whether on the basis of the procedures described, anything has come to our attention that would cause us to believe that the Historical Financial Information is not presented fairly, in all material respects, in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements and has been limited to reading of relevant Board minutes, inquiries of management personnel, analytical procedures applied to the financial data and certain limited verification procedures. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Historical Financial Information.

Review of Proforma Consolidated Balance Sheet

We have conducted an independent review of the Proforma Consolidated Balance Sheet in order to state whether on the basis of the procedures described, anything has come to our attention that would cause us to believe that:

- a. the Proforma Consolidated Balance Sheet has not been prepared on the basis of the assumptions set out in Note 3 to the Proforma Consolidated Balance Sheet as at 30 June 2008; and
- b. is not applying the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia as if the pro-forma transactions set out above had occurred at 30 June 2008.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements and has been limited to reading of relevant Board minutes, reading of contracts and other legal documents, inquiries of management personnel and analytical procedures applied to the financial data. We have also determined whether the pro-forma transactions form a reasonable basis for the preparation of the Proforma Consolidated Balance Sheet. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Proforma Consolidated Balance Sheet.

3. Review Statements

Historical Financial Information

Based on our review, which was not an audit, nothing has come to our attention which would cause us to believe the accompanying Historical Financial Information of the Company is not presented fairly, in all material respects, in accordance with the measurement and recognition requirements (but not all the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia, including the financial position of the Company as at 30 June 2008 and its performance as represented by the results of its operations and its cash flows for the year ended 30 June 2008.

Proforma Consolidated Balance Sheet

Based on our review, which was not an audit, nothing has come to our attention which would cause us to believe the accompanying Proforma Consolidated Balance Sheet:

- a. has not been prepared on the basis of the assumptions as set out in Note 3 of the Proforma Consolidated Balance Sheet as at 30 June 2008, and
- b. is not applying the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia as if the pro-forma transactions had occurred on that date.

4. Subsequent Events

Apart from the matters disclosed in the notes to the Historical Financial Information and Proforma Consolidated Balance Sheet at 30 June 2008 and having regard to the scope of our Report, to the best of our knowledge and belief, no material transactions or events outside the ordinary business of the Company subsequent to 30 June 2008 have come to our attention which require comment on or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

5. Disclosure

Ernst & Young does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in this matter. Ernst & Young provides audit, tax, and other advisory services to the Company, and will receive a professional fee for the preparation of this Report.

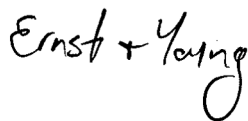
Yours faithfully



P McIver
Partner

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

In relation to our review of the Historical Financial Information and Proforma Consolidated Balance Sheet as at 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

A stylized, handwritten signature of the Ernst & Young firm.

Ernst & Young

A handwritten signature of P. McIver.

P McIver
Partner
23 January 2009