GRANGE RESOURCES ANNUAL REPORT 2009

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CORPORATE DIRECTORY

BOARD OF DIRECTORS

Xi Zhiqiang	– Non-executive Chairman
Neil Chatfield	– Non-executive Deputy Chairman
Russell Clark	– Managing Director
Anthony Bohnenn	– Non-executive Director
Wei Guo	– Non-executive Director
Clement Ko	– Non-executive Director
Peter Stephens	– Non-executive Director

COMPANY SECRETARY

Stacey Apostolou

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SHARE REGISTRY

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AUDITORS

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SOLICITORS

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QV1 Building, 250 St Georges Terrace PERTH WA 6000

STOCK EXCHANGE

Grange Resources Limited is listed on the ASX Limited
(ASX Code: GRR) and the "OTC" Markets in Berlin, Munich, Stuttgart and Frankfurt in Germany
(Code: WKN. 917447)

WEBSITE

www.grangeresources.com.au

CHAIRMAN'S REPORT

2008/09 has seen Grange transformed from a development company, into Australia's largest magnetite producer. With the Savage River operations in Tasmania, the Company now produces approximately 2.5 million tonnes of iron ore pellets annually, making it the largest producer in the country. Grange also maintains its 70% equity in the Southdown magnetite project and now has the internal expertise to develop that project to its full potential.

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 2009.

Grange recorded a consolidated operating profit after tax of $86.0 million (2008: $24.3 million). The result was achieved on revenue of $356.5 million (2008: $178.2 million).

The year has been one of substantial change for Grange, made all the more challenging by the external effects of the global financial crisis. Your Company has transformed from one that had a large development project to one that has a large producing iron ore mine, with steady cashflow and long term customers in addition to a large development project.

In September 2008 we announced the merger of Grange with Australian Bulk Minerals (ABM), a privately held company that owned the Savage River operations in the north west of Tasmania. These operations had been held in private hands for many years and were relatively unknown to the broader investment community. The mine produces approximately 2.5 million tonnes of blast furnace pellets annually, from magnetite ore, and as such, Grange is now the leading iron ore pellet exporter in the region.

The merger was completed on 2 January 2009, through an all scrip deal in which 380 million shares were issued to the owners of ABM. This effected a change of control in the Company, and I take this opportunity to thank Anthony Bohnenn, the previous Chairman, and the previous Board members for their support in consummating the merger. With the exception of Anthony Bohnenn and Russell Clark, who remains Managing Director and CEO, we have new Board members who are introduced to you in the Annual Report.

The Savage River mine and pellet plant, which have operated for many years, now provide the Company with extensive experience in large open pit mining, magnetite concentration and pellet manufacture. The geotechnical and environmental management in place at Savage River are world class and this is an asset that we will be proud of for many years to come.

The development of the Southdown project has continued. Sojitz, our joint venture partner in the project, agreed to purchase 30% of the exploration licence that Grange had previously purchased from Rio Tinto, and in doing so now owns 30% of the total project. A drill program conducted in the latter part of 2008 resulted in a 37% increase in ore resource tonnage as well as significantly improving the status of the resource, with approximately one third of the resource now in the "Measured" category. We have continued to progress the environmental permitting associated with the project, overcoming a number of appeals made after the Bulletin was issued in June of last year. There have been some delays in the permitting process, but we remain confident that the mine permit and the Albany Port Bulletin will be issued before the end of 2009, providing the confidence to finalise the pre-feasibility study for the project. In Malaysia, we extended the option over the port and land at Kemaman, the planned location of the pellet plant.

Grange has a number of minor projects and we are endeavouring to divest ourselves of these as we concentrate on our two primary magnetite projects in Tasmania and Western Australia. The Company has reached agreement to sell the Bukit Ibam project to Ophir Mining and Exploration Sdn Bhd, a major share holder of the joint venture partner. Murchison Copper Mines, with the associated Horseshoe Lights tenements, is also being offered for sale.

The Savage River operations saw record revenue in the 2008/09 year, with the highest iron ore prices ever experienced contributing significantly in the first nine months of the year. The global financial crisis and its impact on commodity prices has seen the iron ore price fall, providing the challenge of increasing productivity and reducing costs at the mine and we see plenty of opportunity to do both.

Due to the significant changes in the market and global economic conditions, your Board saw the need to strengthen the balance sheet by reducing liabilities and debt within the Company. As a result, the Company completed a rights issue which raised $123 million and will raise a further $29 million by way of a share placement to cornerstone shareholders. The $152 million raised will allow the Company to reduce debt significantly, pay out liabilities that would be falling due over the next 18 months and provide working capital which is so necessary for bulk commodity producers. In addition successful negotiations with Stemcor, a previous owner of the mine, resulted in the replacement of a very onerous life of mine royalty with a 55 million share placement and an ongoing royalty of 2% of gross revenue at Savage River. Significant value has been added through changing the royalty arrangements.

The support for the restructuring and capital raising has been excellent, particularly amongst the cornerstone investors who participated fully, providing confidence to the rest of the market.

Despite the fall in iron ore price, we are still seeing the second highest prices on record in what can be described as some of the harshest economic conditions experienced in the recent past. We are confident of seeing higher prices in the future and will be perfectly positioned to leverage off them, with a stronger balance sheet and more efficient mining operation.

Grange is now an iron ore producer with two long life projects. The Savage River operations will provide the cash flow and expertise to help establish the Southdown project which will provide a significant growth opportunity in the near term.

On behalf of the Board of Directors I congratulate our Managing Director and CEO, Russell Clark and his management team, for the significant achievements over the year in what has been a very challenging business environment.

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

Xi Zhiqiang
Chairman

2009 HIGHLIGHTS

- In January Grange successfully completed an all scrip transaction to merge with the Tasmanian iron ore producer, Australian Bulk Minerals.
- Following the merger, Grange appointed a new Board.
- Grange reported an operating profit of $86.0 million on revenue of $356.5 million.
- Grange has transformed to be the leading magnetite producer in Australia. Grange now produces ~2.5 million tonnes per annum of quality blast furnace pellets to long term customers.
- Grange has two long term customers: Bluescope Steel in Wollongong, NSW, and Shagang, China's largest private steelmaker.
- An increase of 37% in the total Mineral Resource at the Company's development project, Southdown, to 655 million tonnes.
- Sojitz Corporation of Japan, agreed to purchase 30% of the exploration lease adjoining the mining lease at Southdown, and now own 30% of the total project.
- Environmental permitting work has continued and final permitting of the Southdown project is expected in 2009.
- Heads of Agreement entered into for the sale of the Company's interest in Bukit Ibam, as part of its strategy of divesting non core assets.
- Repayment of US$40 million BNPP facility.
- Clearing the hedgebook.

REVIEW OF OPERATIONS AND ACTIVITIES

SAVAGE RIVER

OVERVIEW

The Savage River iron ore mine in north west Tasmania has been in operation for almost 42 years. The mine is an open cut operation which produces an iron ore concentrate by means of magnetic separation. The concentrate is pumped through an 83 km pipeline to Port Latta on the north west coast where the majority of it is pelletised and exported to customers in Asia and Australia. A relatively small quantity of magnetite concentrate is sold for use in the Australian coal mining industry.

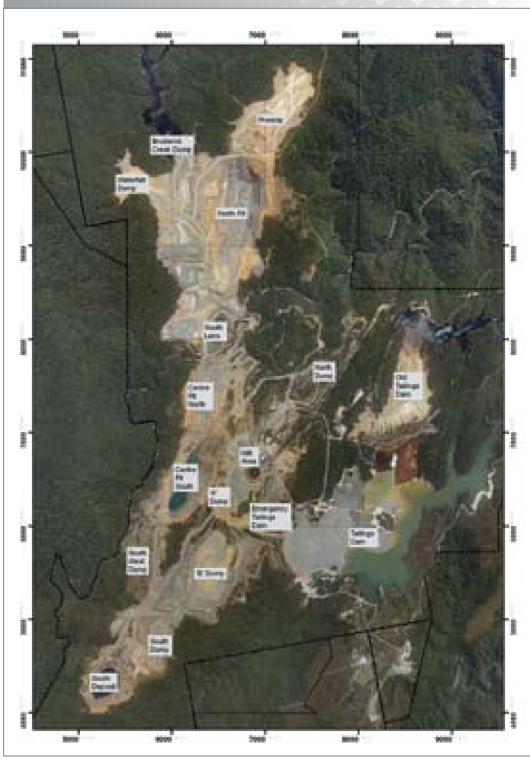
LOCATION, DESCRIPTION AND GEOLOGY

The Savage River mine and concentrator are located approximately 100 km south west of Burnie, Tasmania. The pelletising plant and dedicated port facilities at Port Latta are located on the coast of Bass Strait 70 km north west of Burnie, Tasmania (Figure 1). Local topography surrounding the mine is rugged, with incised valleys and steep hills. The west flowing Savage River dissects the deposit. Regional vegetation includes undisturbed temperate rain forest with the mine area comprising wet eucalypt, acacia and open heath land. Climate is wet temperate with an average annual rainfall of 1,950mm and mean monthly temperatures ranging from 3-19ºC. The Savage River magnetite deposit lies within and near the eastern margin of the Proterozoic Arthur Metamorphic Complex in north western Tasmania.

The magnetite deposits at Savage River represent the largest of a series of discontinuous lenses that extend in a narrow belt for some 25 km south of the Savage River township. The deposit is subdivided into sections on the basis of areas that have been mined. The areas are referred to as North Pit, South Lens, Centre Pit North, Centre Pit South, Centre Pit Southern Extension and South Deposit (Figure 2).

FIGURE 1 : SAVAGE RIVER LOCATION MAP

FIGURE 2 : SAVAGE RIVER MINE SITE



PROJECT ASSETS

Mining and Exploration Leases

Grange operates under the conditions of Mining Lease 2M/2001 (Mining Lease) which is valid for 30 years from 2001 unless surrendered. Located on the Mining Lease are the Savage River mine, concentrator, pipeline and the pelletising plant and shiploading facilities located at Port Latta. The Mining Lease encompasses a total of 4,975 hectares. Mining Lease 14M/2007 was granted in May 2008 and extends the coverage of the Mining Lease to allow additional areas for rock dumps, and includes the Savage River townsite.

FIGURE 3 : SAVAGE RIVER LEASE LOCATIONS

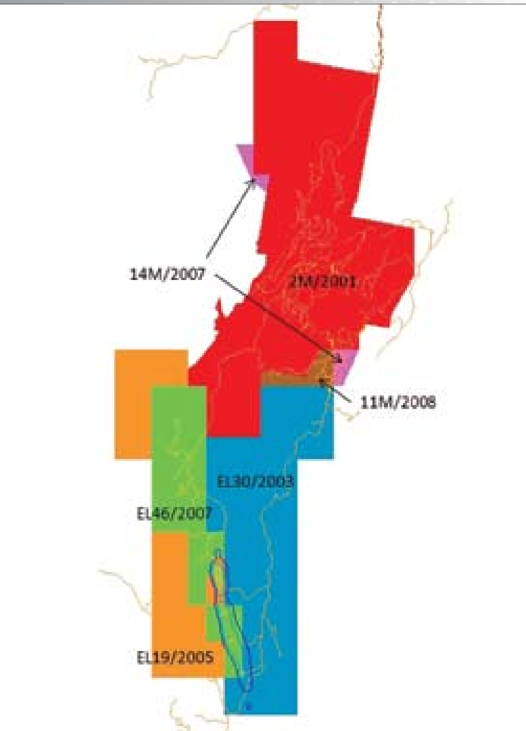


FIGURE 4 : SAVAGE RIVER PIPELINE

In late 2005, Grange (then Australian Bulk Minerals) was granted Exploration Lease EL19/2005 over the northern portion of the Long Plains Deposit, located approximately 19 km south of Savage River. Exploration Lease EL462007 was granted in November 2007 and covers the remainder of the Long Plains deposit which is along strike to the north to adjoin the Mining Lease. Exploration Lease EL30/2003 is immediately adjacent to the Long Plains deposit and was transferred to Grange in February 2008 covering potential mining infrastructure sites and haulage routes. Figure 3 shows the location of each lease.

Facilities

The ore processing facilities comprise a crusher and magnetite concentrator at Savage River, and a pellet plant and bulk shiploading facility located at Port Latta, approximately 80 km due north of the mine site on the north west coast of Tasmania. At Savage River, the ore, which comprises massive magnetite volumes with accompanying sulphide and silicate minerals, is crushed, ground and concentrated using magnetic separation as the major mineral separation methodology. The magnetite concentrate, ground to a sizing of approximately 85% finer than 43 microns (μm), is pumped to the pellet plant. A pump station at the mine site utilises positive displacement pumps to pump the concentrate slurry through an 83 km long, 229mm diameter pipeline which crosses rugged terrain ranging from 360m above sea level down to sea level.

At the pellet plant the pipeline discharge is received into a tank farm and is filtered and converted into pellets in vertical shaft furnaces. The pellets are then screened and stockpiled and loaded into bulk ore carriers for shipment to customers. The shiploading facility comprises a 2 km long jetty, on which a belt conveyor transports the pellets to an off-shore shiploader capable of loading panamax size bulk vessels.

MINERAL RESOURCES AND ORE RESERVES

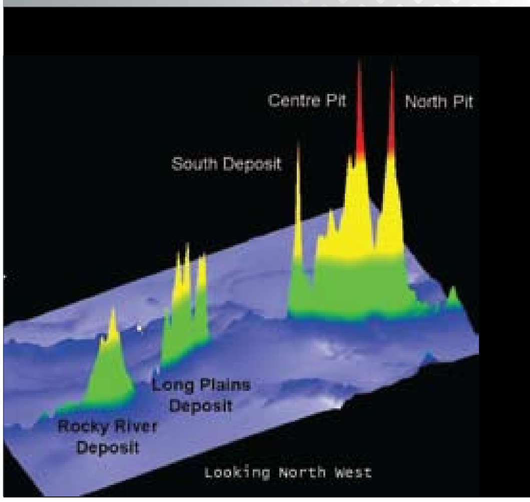
Estimates of Mineral Resources and Ore Reserves at Savage River as at the end of May 2009 are set out below. Mineral Resources and Ore Reserves are categorised in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC Code, 2004). Estimated Measured and Indicated Mineral Resources include those Mineral Resources modified to produce the estimated Ore Reserves. Mineral Resources which are not Ore Reserves did not have demonstrated economic viability at the time of last review.

Mineral Resources

The total Mineral Resource for Savage River as at the end of May 2009 is as follows:

Mineral Resources (inclusive of reserves)		
	Tonnes (Mt)	Grade (%DTR)
Measured	88	52.7
Indicated	136	51.7
Inferred	92	47.2
Total	316	50.7

FIGURE 5 : MAGNETIC INTENSITY



Ore Reserves

The total Ore Reserve for Savage River as at the end of May 2009 is as follows:

Ore Reserves		
	Tonnes (Mt)	Grade (%DTR)
Proved	52	49.6
Probable	72	48.9
Total	124	49.2

FIGURE 6

Qualifying statements

The information in this report that relates to Mineral Resources and Ore Reserves at Savage River is based on information compiled by Ben Maynard, who is a member of the Australasian Institute of Mining and Metallurgy and is a full-time employee of Grange. Mr Maynard has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code, 2004. Mr Maynard consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce the Ore Reserves. The Inferred Mineral Resources are, by definition, additional to the Ore Reserves. A cut-off grade of 15% DTR was used in the calculation of both Mineral Resources and Ore Reserves.

MINING OPERATION

The current mining method comprises an open pit mine with a conventional drill and blast, shovel and haul truck operation. Drilling and blasting occurs in 15m lifts, with excavation in two flitches for ore extraction (minimising dilution) and one flitch for waste excavation.

Equipment used in the mine includes:

- mining equipment acquired and commissioned first quarter 2008:
  - 13 x 789C's (Caterpillar trucks)
  - 3 x 3600 (Hitachi shovels)
  - 1 x 1900 (Hitachi excavator)
  - 4 x DT10 (Caterpillar dozers)
  - 2 x 16H (Caterpillar graders)
  - 2 x Titons (Sandvik drill rigs)
  - 2 x DK45 (Sandvik drill rigs)
  - 1 x 773 (Caterpillar water truck)

ORE PROCESSING

The ore processing operation at Savage River comprises:

- primary crushing;
- stockpiling of crushed ore;
- autogenous milling;
- screening of autogenous mill discharge and recirculation of the oversize through a cone crusher and magnetic cobbing circuit;
- primary magnetic concentration of magnetite;
- regrinding of the rougher magnetite concentrate in ball mills, close-circuited by cyclones;
- hydro-separation to remove fine gangue minerals; and
- finisher magnetic separation to produce a final magnetite concentrate.

The Port Latta plant receives the concentrate slurry discharged from the pipeline. The pellet plant comprises five furnace lines, of which four are currently in operation. The fifth furnace line has been de-commissioned, but can be brought back into operation if required. Concentrate is thickened and vacuum filtered prior to agglomeration. Balling drums, operated in closed circuit with either vibrating or roller screens of 9mm aperture, produce

closely sized balls, which are fed by an index feeder to the top of each shaft furnace. Energy for the furnace is supplied from three sources:

- heat of oxidation of the magnetite to hematite;
- natural gas burnt in combustion chambers located beside each furnace; and
- sized anthracite coal added to the furnace feed.

The fired pellets are discharged from the bases of the furnaces, and belt conveyed to a hot pellet screening plant to remove fine chips and pellet clusters. The pellets are stored in a stockyard from which they are reclaimed for shipment. The shiploader comprises two bucket-wheel reclaimers and a 2 km long jetty, on which pellets are belt conveyed to the off-shore ship loading facility.

EXPANSION PROSPECTS

Grange's normal business planning process involves development and annual review of a five year life of mine business plan. An expansion plan to increase the production rate to 2.7 Mtpa is currently being reviewed and Grange expects to be in a position to implement the expansion upon completion of a detailed feasibility study.

The 2.7 Mtpa expansion plan maximises the existing concentrate pipeline capacity between Savage River and Port Latta. The options for increasing the production through the concentrator and Port Latta are currently being reviewed.

This expansion targets additional mining of Ore Reserves from North Pit and Centre Pit South, with South Deposit and Long Plains (current exploration target) as future sources if appropriate.

Centre Pit South and South Deposit are pre-existing pits that have further potential for development and production. Long Plains is an exploration target that has been recently acquired after amalgamating numerous other leases.

SAVAGE RIVER EMPLOYEES

Grange currently has 620 employees and contractors, of whom 530 are operational staff and 90 are administrative staff. All employees have their principal place of work at either Savage River, Port Latta or the Burnie administration office.

ENVIRONMENTAL

Legislative approval

Grange obtained environmental and planning approval in 1997 and 1998 allowing it to operate under the Tasmanian Land Use Planning and Approvals Act 1993 (LUPA), the Tasmanian Environmental Management and Pollution Control Act 1994 (EMPCA), the Tasmanian Goldamere Pty Ltd (Agreement) Act 1996 (Goldamere Act) and the Tasmanian Mineral Resources Development Act 1995. The approvals cover an expected 15 to 20 year mine and processing life using open cut mining at Savage River, gangue removal at Savage River and pelletising beneficiation at Port Latta.

(Note – Goldamere Pty Ltd was renamed Grange Resources (Tasmania) Pty Ltd in February 2009).

Goldamere Act

The Goldamere Act overrides all other Tasmanian legislation in respect of Grange's operations. The Goldamere Act limits Grange's liability for remediation of contamination, under Tasmanian law, to damage caused by Grange's operations, and indemnifies Grange for certain environmental liabilities arising from past operations. Where pollution is caused or might be caused by previous operations and that pollution may be impacting on Grange's operations or discharges, Grange is indemnified against that pollution. Grange is required to operate to Best Practice Environmental Management (BPEM).

Planning approvals

Grange obtained planning approval subject to a series of environmental permit conditions on 29 January 1997. Planning approval was issued by the Waratah Wynyard Council for Savage River and by the Circular Head Council for Port Latta. The approvals were conditional on the provision of an Environmental Management Plan (EMP) incorporating a Rehabilitation Plan (ERP) prior to the commencement of operations. Various other studies were also required.

Environmental Management Plans

The EMP incorporating the ERP and study results were approved by the (then) Department of Environment Parks, Heritage and the Arts and operations commenced in October 1997. The latest revision of the approval documents occurred on 6 October 2000 when Environmental Protection Notices (EPN) 248/2 and 302/2 were issued to replace the environmental permit conditions for Savage River and Port Latta respectively.

Approvals are required from the Department of Primary Industries, Parks, Water and the Environment (DPIPWE) and relevant Councils for major infrastructure developments and operational expansions and changes. These approvals are in the form of approved EMP amendments and reflect changing operational circumstances and an increasing knowledge base and include approvals designed to extend operations, amend management plans and provide for dumping and treatment facilities.

An amendment to the EMP was approved for an extension of mine and pelletising operations in early 2007 to approve the Mine Life Extension Plan to operate until 2021.

EMPs and ERPs must be resubmitted every three years from 2001 and the next revision is expected in January 2010. The revised EMP will reflect the BPEM and current mine planning and focus on closure requirements and rehabilitation. EPN amendments are being negotiated to update permit conditions in conjunction with the Mine Life Extension Plan.

Goldamere Agreement

The Goldamere Agreement (which forms part of the Goldamere Act) provides a framework for Grange to repay the Tasmanian Government for the purchase of the mine through remediation works. Significant variations to the Goldamere Agreement were signed on 4 October 2000 and 10 September 2002 following extensive negotiations. The amended Goldamere Agreement provides a framework for Grange to co-manage the Savage River Rehabilitation Project (SRRP) and carry out contracted works in lieu of paying the purchase price of the operation to the Government. The agreement also allows Grange to integrate its rehabilitation obligations with those of the State under the SRRP. Interest under the agreement was capped at $1,555,431

in October 2000. The 2002 variation capitalised this interest while retaining the balance of the purchase price loan. This variation allowed the interest as well as the purchase price loan to be paid off through remedial works whereas the previous variation had insisted on the interest being paid to the Tasmanian government through separate cash payments.

Savage River Rehabilitation Project

Grange representatives meet with representatives of DPIPWE on a monthly basis to develop and implement remediation works at Savage River. Grange has contracted with the SRRP for works including construction, treatment and management and development of waste rock dump covers, acid pipelines and other remediation projects. The SRRP objective is to capture and treat 65% of the site's copper load to remove the possibility of an acutely toxic aquatic environment. The scope of works to meet this objective has been completed and costed to feasibility level. A strategic plan outlining the works required to achieve the objective and repay Grange's purchase price debt has been approved by the Tasmanian Environment Protection Authority and is being implemented by the SRRP committee. Recent (2008) biological surveys have shown improvement in aquatic biota within and downstream of the Mining Lease.

Principal environmental issues

Actions taken by Grange to ensure BPEM (as defined by approved EMP's and EPN's and subsequent amendments) include:

- upgrading air emissions from furnaces at Port Latta with emphasis on reducing Ground Level Concentrations of sulphur dioxide (SO_2) and fugitive dust from site, and also preventing acid burns. Since 2002, operation of an acid burn forecasting system has successfully managed this issue. Longer-term operation necessitates construction of a 70m stack to disperse furnace emissions. Air emissions models are being reworked to ensure success prior to construction; and

- water, tailings and waste rock management at Savage River. Development of waste rock dumps which exclude oxygen to minimise the formation of acid mine drainage and utilisation of these dumps to form seals on old waste rock dumps. Sub aqueous tailings deposition and maintenance of saturated tailings. Providing a centralised water treatment system using a disused pit to reduce turbidity from mine runoff. Grange is in compliance with requirements and appropriate management and monitoring systems are in place.

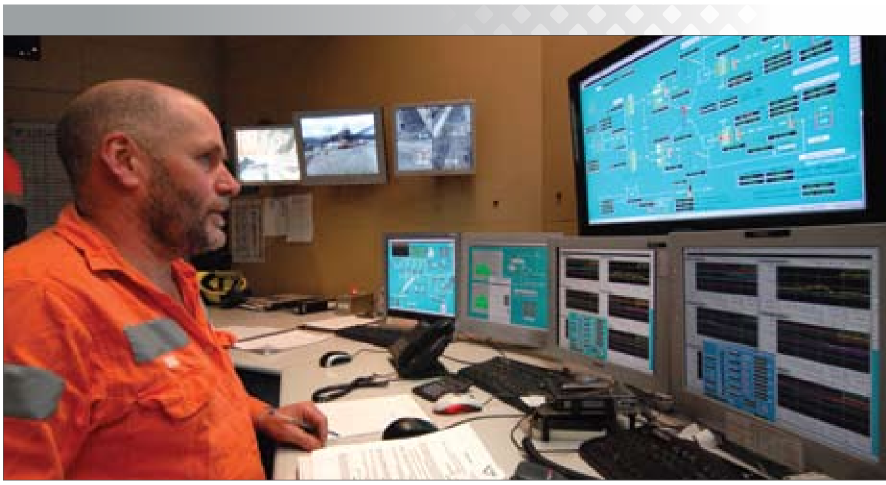
Additionally, internal (non legislative) water quality objectives for emissions to Savage River and air quality objectives for Port Latta have been implemented.

Rehabilitation plans

Grange has a A$2.2 million financial assurance lodged with DEPHA. The original ERP and the ERP's from 2001 onwards, require forecasting of potential environmental harm should the operation cease during the period of the ERP (notionally three years). The financial assurance was based on the cost estimates to mitigate the potential environmental harm based on the submitted and approved 2007 EMP review.

Liability for rehabilitation is not limited to the financial assurance. Grange is required to plan for closure and departure on completion of the mining plan. Principal issues in respect of the closure include maintenance, the deposit of tailings, future use of infrastructure and a five year monitoring and maintenance plan.

SAFETY



Grange operates an integrated safety system aligned to International Standards, ISO 14001 Environmental & OHSAS 18001 Management Safety Standards. The system is in the development stage, updating the previously used International Safety Rating System (ISRS) and is documented in a company-wide operating manual called Grange Cares. Integrated Management Systems (IMS) are in place to ISO and OHSAS audit certification levels.

Grange takes an active role in safety and has developed a generic induction and site specific induction programme covering all safety facets and our Major Hazard Standards which is accessible to employees, contractors and other mining and industrial organisations.

The IMS is being developed to a three year Strategic Business Plan using a continuous improvement, loss control model based on the "Plan-Do-Check-Act" ideology accepted in international standards.

The Grange Cares IMS comprises 15 Safety Standards and 16 Major Hazard Standards reinforced by eight Safety Principles:

- All serious injuries and diseases are preventable
- All hazards can be identified and their risks managed
- No task is so important that it cannot be done safely
- Working safely is a condition of employment
- Every person is accountable for their own and the safety of those around them

- Every employee must have and maintain the necessary skills to work safely
- Acceptance of substandard practice will not be tolerated
- Safety and health performance can always be improved

Lead Key Performance Indicators are in place to monitor safety improvement.

Grange recognises that its previous "lost time incident frequency rate" is above industry average and is actively implementing improvement programs to eliminate lost time injuries and reduce other injures significantly.

TRAINING

Grange has based the majority of training on the Metalliferous Mining package as a pathway for mining and process employees to gain skills recognition and career progression. These programs train all mine operators to Certificate III level. The quality of Grange's training program was recognised at the 2008 Tasmanian Training Awards with Grange winning the Employer of the Year category. All training is competency based and nationally recognised allowing employees a portable recognition of currency in their chosen fields. Future training development is focused on competency training packages for blast hole drilling, Certificate IV in Metalliferous Mining for supervisors and a Training and Assessor (TAA4) attainment for all training staff. Grange can then focus on developing cost neutral training schemes in conjunction with SkillsDMC and AMMA.

COMMUNITY RELATIONS

Grange operates a Community Liaison Committee which meets at least once a year to provide information regarding the operation to community representatives and receive feedback from the community. This meeting is augmented by open meetings at Port Latta, mine site inspections and occasional public newsletters. The community is generally supportive of Grange's operations with an average of less than one complaint received per year. The work Grange has done to remediate the Savage River has been important in this regard.

Grange has funded and co-managed Coastcare projects and local weed management projects on the north west coast of Tasmania in the Stanley and Rocky Cape regions since 1997. These have been successful in mapping and reducing weed infestations and in raising a positive profile for Grange within the community. Grange promotes the mining industry as a career path by supporting on-site visits with school groups, provision of on-site vocational education training, and provides university scholarships for mining students.

SOUTHDOWN MAGNETITE PROJECT

(GRANGE RESOURCES LIMITED 70%, SOJITZ RESOURCES & TECHNOLOGY PTY LTD (SOJITZ) 30%)

OVERVIEW

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

The key elements of the project are:

- Open pit mining of the Southdown magnetite (iron ore) deposit;
- Concentrating the magnetite ore at Southdown via a crushing and magnetic separation plant to produce up to seven million tonnes per annum of magnetite concentrate grading over 69% Fe;
- Pumping the magnetite concentrate as slurry to Albany Port and filtering before shipping;
- Shipping the magnetite concentrate from the deepened Albany Port in capesize vessels to Kemaman Port in Malaysia;
- Processing the magnetite concentrate at Kemaman Port through a new pelletizing plant to produce about seven million tonnes per annum of high quality iron ore pellets,
- Selling the iron ore pellets to regional steel plants which are currently supplied from Brazil and other distant suppliers; and
- Grange has granted Jiangsu Shagang Group Company Limited Group a right to negotiate in good faith for 80% of Grange's share of the Southdown project's offtake on market terms. Shagang therefore has a strong vested interest in the successful development of the Southdown project.

PROJECT LOCATION

Southdown

The Southdown magnetite deposit is located approximately 90 km north east of the Port of Albany on the south coast of Western Australia (Figure 7).

The project, a joint venture between Grange and Sojitz, comprises the 12 km long Southdown magnetite deposit that is located within four granted mining leases (M70/433, M70/718, M70/719 and E70/2512).

FIGURE 7 : LOCATION OF SOUTHDOWN MAGNETITE PROJECT, ALBANY WA

Kemaman

Kemaman Port is located on the east coast of peninsular Malaysia in the state of Terengganu. The pellet plant site is located on land close to the existing deep water port (Figure 8).

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

FIGURE 8 : LOCATION OF KEMAMAN PORT

RESOURCES & RESERVES

In September 2008, Grange commenced a 10,197m (52 hole) diamond drilling programme over the western portion of the Southdown magnetite deposit to upgrade a substantial portion of the Inferred Resources in this area to Measured Resource status. In addition, one hole (492m) was completed along the eastern portion of the deposit within E70/2512.

Following the completion of this drilling programme, an updated resource estimate of 654.4 million tonnes grading 36.5% magnetite was announced in July 2009 (Table 1).

This work has resulted in the conversion of approximately 51% of the Indicated Resources in the western portion of the deposit to Measured Resources satisfying an important requirement for project financing. In addition, the 2009 Southdown mineral resource estimate was expanded to include magnetite mineralisation previously not reported within the eastern 6 km portion (E70/2512) of the deposit that Grange purchased from Rio Tinto in September 2007. Overall, a 37% increase to the 2006 reported Southdown resource was achieved.

The magnetite deposit within the Company's mining leases has a strike length of approximately 12 km and a vertical depth ranging from approximately 50m to 500m. The available geological and analytical data has enabled Golder Associates to estimate the resource contained within 8.5 km of strike with variable depths ranging from 50m below surface in the west to 480m below surface in the east. The average thickness of the deposit is 85m with the deposit increasing in width towards the east as the thicknesses of low-grade and non-mineralised internal geological units increases.

Table 1
Southdown Magnetite Project In Situ Mineral Resource Estimate (Cut-Off 10% DTR)

Classification	Measured Resources	Indicated Resources	Inferred Resources	Total Resources
Tonnes (Mt)	219.7	210.3	224.4	654.4
DTC wt%	37.4	38.9	33.4	36.5
DTC Fe%	69.2	69.3	69.1	69.2
DTC SiO_2%	1.72	1.94	2.07	1.91
DTC Al_2O_3%	1.43	1.27	1.29	1.33
DTC S%	0.46	0.40	0.54	0.46
DTC LOI%	-3.04	-3.06	-2.96	-3.02

The information in this statement which relates to the Mineral Resources is based on information compiled by James Farrell who is a full-time employee of Golder Associates Pty Ltd and a Member of the Australasian Institute of Mining and Metallurgy. James Farrell has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity for which he is undertaking to qualify as a Competent Person as defined in the JORC Code (2004). James Farrell consents to the inclusion of this information in this statement of Mineral Resources in the form and context in which it appears.

Assumptions and methodology

This Mineral Resource estimate is based on a number of factors and assumptions:

- All of the available historic and current drilling data was used for the Mineral Resource estimation.
- Estimates representing extrapolations greater than 200m from drilling are not included in this resource statement.
- Geological domains were interpreted and modelled in three dimensions. The geological domains were based on stratigraphy and Davis Tube Concentrate (DTC).
- The survey control for collar positions was considered adequate for the purposes of this study. There is a degree of uncertainty (possibly ±10m) associated with some of the historical collar co-ordinates. Downhole surveys of the historical holes used acid-etch tubes and are also imprecise.
- A review of the field duplicates, sample preparation duplicates and lab repeats as well as the certified and laboratory reference materials was completed. With the exception of standards submitted in 2009, no obvious discrepancies were identified with the duplicates, repeats and laboratory reference materials. For samples from the 2009 analytical program, Fe values reported by the laboratory for the two certified reference materials were consistently lower than the reference value; whereas, the reported DTC SiO_2 and DTC S were consistently higher than the reference value. The values reported for Al_2O_3 and LOI by the laboratory were higher for one certified reference material and lower than the reference value for the other.

- Statistical and geostatistical analysis was carried out on drilling data composited to 3m downhole. This included variography to model spatial continuity relationships in the geological domains.
- The Ordinary Kriging (OK) interpolation method was used for resource estimation of DTC, DTC Fe, DTC SiO_2, DTC Al_2O_3, DTC S and DTC LOI, using variogram parameters defined from the geostatistical analysis.
- Wet bulk density was routinely recorded using water displacement and calliper methods. The Inverse Distance Squared interpolation method was used for the estimation of wet bulk density.
- Estimations for concentrate grades were weighted by DTC in order to appropriately reflect the relationship between DTC and the DTC assays. Weighting was completed by calculating the accumulation (DTC x DTC assay) and subsequently back calculating the DTC assay estimates by dividing by relevant estimated DTC values.
- For Type 3a in the Eastern Zone, four high DTC composites were identified as outliers and excluded from the estimation.
- Oxidised mineralisation is not included in this statement of Mineral Resources.

DEVELOPMENT PLAN

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

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

The magnetite concentrate will be conveyed from the storage shed to the new shiploader whenever loading of the capesize ships is required. Widening and extending of the existing shipping channel into Albany Port is required to facilitate the access of capesize vessels (up to 180,000 tonnes) for the project.

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

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

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

SOUTHDOWN INFRASTRUCTURE

Southdown will require access to significant infrastructure as detailed below.

Power supply

The project will require a reliable power supply of about 120 Megawatts at the mine and Albany Port. Network access will involve the construction of a new 220kV transmission line for the supply of electricity to the Southdown mine.

Grange has contracted the network operators, Western Power, to secure the transmission line easement in readiness for construction.

ALBANY PORT

Pipelines

It is planned to transport the magnetite concentrate in slurry form by buried pipeline from the Southdown mine site into Albany Port. A return water pipeline will be buried alongside the slurry pipeline to transport recycled water back to the mine. The pipelines will be about 100 km each in length and generally run through rural freehold land. The land access is largely secured through option agreements with landholders, which are presently being converted to formal easements on the land titles.

Water supply

Securing sustainable water supplies is a key to project success. Recycling water is an important part of the project process and is made possible via the construction of the return water pipeline. Nonetheless water losses will occur and the expected annual make-up water requirement for the project will be approximately 5 Gigalitres.

The preferred water supply sources (in order) are:

- Treating about 2.0 Gigalitres of waste water from the town of Albany and pumping it to site via the return water pipeline;
- Pit dewatering of groundwater and rainfall inflows;
- On-site rain water runoff capture,
- On/off-site groundwater extraction,
- Desalination plant to treat saline ground waters; and
- Redmond King Aquifer.

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

Albany Port

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

To facilitate the access of capesize vessels to Albany Port the Albany Port Authority intends to create a new berth within Princess Royal Harbour as well as deepening, widening and extending the existing channel (Figure 9). A portion of dredged material will be used for land reclamation with the excess material placed in deep water at an offshore disposal site. The proposed land reclamation will be used to accommodate Grange's new facilities.

FIGURE 9 : ALBANY PORT INFRASTRUCTURE

SOUTHDOWN APPROVALS

Environmental approvals – mine and pipeline

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

The Public Environmental Review (PER) culminated on 30 June 2008 with the Environmental Protection Authority (EPA) recommending that the project be approved subject to a number of proposed conditions. An approval from the Minister of Environment for the Southdown mine and pipelines is expected in the last quarter of 2009

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

Environmental approvals – Albany Port

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

The PER document for the Albany Port Expansion was published in September 2007 for public comment. It is expected the EPA will release its report in the last quarter of 2009.

FIGURE 10 : KEMAMAN PORT INFRASTRUCTURE

KEMAMAN INFRASTRUCTURE

Infrastructure requirements for the Kemaman pellet plant are substantially in place as detailed below.

Pellet plant site

The Kemaman pellet plant site is located on 60 hectares of industrial land located 3 km from the Kemaman Port (see Figure 10). Grange, on behalf of the Southdown Joint Venture, has extended its option over acquiring land and rights to use the wharf at the Kemaman port until 30 June 2010. The Kemaman site was selected as the preferred location for a number of reasons including the following:

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

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

West Wharf

The West Wharf consists of an existing jetty with a concrete deck approximately 510m long by 29m wide, sufficient to berth a capesize and panamax vessel concurrently.

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

Power supply

Tenega Nasional Berhad (TNB) is the national electricity provider for Malaysia. High voltage power is available from a TNB substation located immediately next to the pellet plant site (see Figure 10). TNB have indicated that it would be able to supply power to an agreed location within the pellet plant site via a 132kV feeder line.

Natural gas/coal supply

Natural gas for the pellet plant passes the site, via a pipeline that runs along the infrastructure corridor. Petronas Gas would supply the gas to the pellet plant site via a new lateral from the pipeline to a designated supply point on the pellet plant site. A formal application for the supply of gas has been made but not yet approved by Petronas Gas. If insufficient guaranteed supply of natural gas is not forthcoming from Petronas for the life of the project there is an option to use coal as an energy source. The use of coal in the pellet plant is a well proven technology and a cost effective alternative.

Conveyor corridor

An infrastructure corridor exists between the West Wharf and the pellet plant site (see Figure 10). A pipe conveyor system has been designed for the transport of imported Southdown concentrates and the export of Kemaman iron ore pellets. This pipe conveyor would be sited within or adjacent to the infrastructure corridor.

KEMAMAN APPROVALS

Environmental approval for the Kemaman pellet plant was granted by the Ministry of Natural Resources and Environment in November 2006.

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

PRODUCT QUALITY

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

Under the terms of the MOU, Metso has been undertaking extensive metallurgical test work on a 27 tonne bulk sample, taken from a distribution of diamond drill core from the Southdown deposit, in Australia, the United States and Europe to determine the optimum processing circuit for the project. This test work was largely completed during the year and has identified the preferred processing circuit.

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

The test work was completed by Metso in May 2009 to confirm the ability of making a Direct Reduction (DR) pellet from the 27 tonne bulk sample to meet the target specification the Company has set for Southdown, see Table A. The Metso pelletisation test work, Table B, demonstrates the ability to create a DR pellet from the 27 tonne bulk sample, which represents an average across the ore body. Further work has commenced to modify the concentrating process to remove more silica in concentrate as well as to test the variability of the quality across the ore body and to test different binding agents in the pelletisation process to increase Fe.

Table A

Target Quality Specification for Direct Reduction (DR) Pellet

Target market DR specification	Target		Comment
Total Fe %	67	Min	
FeO %	0.2	Max	
SiO_2 %	1.2	Max	
Al_2O_3 %	1.4	Max	
(SiO_2 + Al_2O_3) %	2.6	Max	
TiO_2 %	0.4	Max	
MnO %	0.005	Max	Indicative
CaO %	0.6	Max	Indicative
P_2O_5 %			Trace
S %	0.003	Max	
MgO %	0.2	Max	Indicative
K_2O %			Trace
Zn %			Trace
Na_2O %			Trace
Cr_2O_3 %			Trace
LOI (1000)			Trace
CCS kg	250	Min	
Linder Metallization %	92	Min	

Table B

Average Actual Quality for Direct Reduction (DR) Pellet from Mineral Resource

Metso pelletisation test work	Value
Total Fe %	67.1
FeO %	< 0.1
SiO_2 %	1.15
Al_2O_3 %	1.45
(SiO_2 + Al_2O_3) %	2.6
TiO_2 %	0.39
MnO %	0.039
CaO %	0.48
P_2O_5 %	0.013
S %	< 0.005
MgO %	0.17
K_2O %	< 0.01
Zn %	<
Na_2O %	<0.02
Cr_2O_3 %	0.02
LOI (1000)	0.09
CCS kg	294
Linder Metallization %	96.9

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

PROJECT FINANCE

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

The following describes the current understanding of the operating and capital costs from mining operations through to the pellet plant at Kemaman.

Project Capital Cost

Area	US$M
Mine	42
Concentrator	392
Pipeline	100
Port Albany	162
Pellet plant	444
Indirects, EPCM, overheads	277
Contingency	146
Total	1,563

Operating Cost

Operating Costs	US$/Pellet FOB[1] Kemaman
Direct operating cost	61.97
Capex amortisation charge	26.12
Total	88.09

[1] FOB: Free On Board, buyer pays cost of marine freight from Kemaman to final destination.

OTHER PROJECTS

The Company holds equity or royalty interests in the following gold and copper projects:

QUEENSLAND

The **Mount Windsor Joint Venture** is an unincorporated joint venture between Grange's wholly owned subsidiary, BML Holdings Pty Ltd (BML) 30% and Thalanga Copper Mines Pty Limited (TCM) 70%, the manager. The project is located approximately 37 km south of Charters Towers and comprises several historic gold-copper mines. Since mining at the Highway and Reward open pit and underground operations ceased in 2005, the joint venture has concentrated on the completion of environmental rehabilitation and monitoring. BML is seeking to divest its interest in the Mount Windsor project.

NORTHERN TERRITORY

Grange holds equity in a number of gold-copper tenements in the Tennant Creek district. The **Mount Samuel** prospect, located some 6 km south of Tennant creek, is the most prospective area however, exploration access is currently restricted due to the presence of an Aboriginal sacred site. Grange is presently assessing an opportunity to divest this project.

WESTERN AUSTRALIA

The **Horseshoe Lights** copper-gold project is located approximately 150 km north of Meekatharra. Substantial resources of low-grade copper bearing material are present at Horseshoe Lights as stockpiles, dumps, tailings and in-situ hard rock resources. The project is owned by Murchison Copper Mines Pty Ltd (79.4% subsidiary of Grange) and is being offered for sale.

The **Wembley Gold** Project is located approximately 12 km south of the historic Peak Hill gold mine and comprises one granted mining lease that hosts an Inferred and Indicated Resource of 568,000 tonnes grading 2.3g/t gold (42,700 contained ounces). Grange and Montezuma Mining Company have entered a farmin agreement that enables Montezuma to earn an 85% interest in the tenement by spending $500,000 on exploration over four years.

Grange 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 joint venture tenement is prospective for gold mineralisation and is located in the Wiluna district of Western Australia.

ROYALTIES

Grange retains a royalty interest in the following Western Australian projects:

The **Freshwater** project lies near the Plutonic Gold Mine which is located approximately 180 km north east of Meekatharra. Grange holds a sliding scale royalty based on grade, tonnage and ore type milled from the project which is owned and operated by Barrick Gold of Australia Limited.

The **Red Hill** project is located approximately 24 km north east of Kalgoorlie. Grange retains a 4% gross revenue royalty in the project which is owned and operated by Barrick PD Australia Limited.

Mining operations at Freshwater and Red Hill have ceased and consequently no royalty payments were received from either project during the 2008/09 financial year.

CORPORATE GOVERNANCE STATEMENT

Grange is committed to creating and building sustainable value for shareholders and protecting stakeholder interests. The Company recognises that high standards of Corporate Governance are essential to achieving that objective. The Company continues to develop and review its corporate governance practices. This statement summarises the Corporate Governance policies and practices adopted by the Company.

Additional information can be found on the Company's website at: www.grangeresources.com.au.

ROLE OF THE BOARD

The Board's primary role is to enhance shareholder value. The Board takes responsibility for the Company's corporate governance program and oversees its strategic direction and conduct of business activities.

Board functions

The key responsibilities of the Board, which are included in the Board Charter (copy located on the Company's website), include:

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

Management functions

The Company has established the functions that are reserved for management. Management is responsible, on a shared basis with and subject to the approval of the Board, for developing strategy, and is directly responsible for implementing the strategies into the Company's business activities. Management is also responsible for safeguarding the Company's assets, maximizing the utilization of available resources and for creating wealth for Grange's shareholders.

COMPOSITION OF BOARD

The Board comprises seven Directors, being one Executive Director and six Non-executive Directors. Of the six Non-executive Directors, three directors are not considered to be independent. Therefore, the Board does not comprise a majority of independent Directors.

The non independent Directors, as defined under Recommendation 2 of the ASX Best Practice Recommendations (Principles) include Xi Zhiqiang (representative of major shareholder Shagang International Holdings Limited), Wei Guo (representative of major shareholder Shagang International Holdings Limited) and Clement Ko (representative of substantial shareholder Pacific International Holdings Co. Pty Ltd). Xi Zhiqiang also acts as Chairman. Mr Anthony Bohnenn, previously a substantial shareholder and Non-executive Chairman of the Company, is now considered to be independent in accordance with the definition of "independence" contained within Recommendation 2.

The Board is mindful of the Principles and the preference for Boards to have a majority of independent Directors. The Board will continue to monitor and review its composition, but at this stage does not believe further changes will deliver greater shareholder value than the existing Board structure.

Director	Independent	Non-executive	Term in office
Xi Zhiqiang	No – employed by major shareholder	Yes	6 months
Neil Chatfield	Yes	Yes	6 months
Russell Clark	No – Managing Director	No	15 months
Anthony Bohnenn	Yes	Yes	8 years
Wei Guo	No – employed by major shareholder	Yes	6 months
Clement Ko	No – substantial shareholder	Yes	6 months
Peter Stephens	Yes	Yes	6 months

EVALUATION OF THE BOARD, COMMITTEES AND SENIOR MANAGEMENT

The performance of the Board, its Committees and senior management are reviewed on an annual basis. In particular, the assessment of senior management is conducted by reference to key performance indicators which are agreed at the start of each financial year. The evaluation of the Board is overseen by the Remuneration and Nomination Committee and Board members are required to complete questionnaires providing feedback on the Board's performance. The review process for the Committees is undertaken by way of regular feedback from the Board during the year.

There has been no formal assessment of the Board this year following the changes which occurred in January 2009.

BOARD COMMITTEES

Audit Committee

The Company has a formally established Audit Committee. A new Audit Committee Charter was adopted in March 2009 following the merger with Australian Bulk Minerals (charter available on Company's website).

The Audit Committee consists of Mr Peter Stephens (Committee Chairman), Mr Neil Chatfield and Xi Zhiqiang, all of whom are Non-executive Directors. A majority of the Committee (including the Committee Chairman) is independent.

The functions of the Audit Committee include the review of:

- the Financial Statements;
- effectiveness of the external audit function; and
- the effectiveness of the internal control and business risk arrangements adopted by management in implementing Board policies.

Remuneration and Nomination Committee

The role of the Remuneration and Nomination Committee is to assist the Board in establishing policies and practices which:

(a) enables the Company to attract and retain capable Directors and employees who achieve operational excellence and create value for shareholders;

(b) reward employees fairly and responsibly, taking into consideration the results of Grange, individual performance and industry remuneration conditions; and

(c) assist the Board to meet its oversight responsibilities in relation to Corporate Governance practices.

Current members of the Remuneration and Nomination Committee are: Mr Neil Chatfield (Committee Chairman), Mr Peter Stephens and Xi Zhiqiang, all of whom are Non-executive Directors. A majority of the Committee (including the Committee Chairman) is independent.

A copy of the charter is available on the Company's website.

INDEPENDENT PROFESSIONAL ADVICE AND ACCESS TO COMPANY INFORMATION

All Directors have the right of access to all relevant Company information, to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice concerning any aspect of the Company's operations or undertakings at the Company's expense.

CODE OF CONDUCT

The Company has adopted a Code of Conduct which establishes the standard for appropriate ethical and professional behaviour for all Directors, employees and contractors working for the Group. The Code of Conduct requires all Directors, employees and contractors to conduct business with the highest ethical standards, including compliance with the law, and to report or avoid conflict of interest situations. Compliance with the Code of Conduct is mandatory with breaches taken seriously. A copy of the Code of Conduct is located on the Company's website.

TRADING IN COMPANY SECURITIES BY DIRECTORS AND SENIOR EXECUTIVES

To safeguard against insider trading, the Company's Securities Dealing Policy prohibits an executive or Director from trading in any securities of the Company at any time when they are in possession of unpublished, price-sensitive information in relation to those securities. The Policy describes what constitutes insider trading, the penalties for undertaking such activities and makes recommendations on when employees should not trade in the Company's securities. The policy also notes designated "black out" periods during which Directors and senior management are not allowed to trade.

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

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

CONTINUOUS DISCLOSURE

The Company is committed to providing relevant up-to-date information to its shareholders and the broader investment community in accordance with its continuous disclosure obligations under the ASX Listing Rules and the *Corporations Act 2001*.

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

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

SHAREHOLDER COMMUNICATION

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

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

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

RISK MANAGEMENT

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

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

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

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

ASX BEST PRACTICE RECOMMENDATIONS

The table below contains a list of each of the ASX Best Practice Recommendations and whether the Company was in compliance with the recommendations at the end of the year. Where the Company considers that it is divergent from these recommendations, or that it is not practical to comply, there is an explanation of the Company's reasons set out below the table.

	Principle/Recommendation	Complied	Note
1	**Lay solid foundations for management and oversight**		
1.1	Establish and disclose the functions reserved to the Board and those delegated to management.	✓	
1.2	Disclose the process for evaluating the performance of senior executives.	✓	
2	**Structure the Board to add value**		
2.1	A majority of the Board should be independent directors.	✗	1
2.2	The chair should be an independent director.	✗	1
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	✓	
2.4	The Board should establish a nomination committee.	✓	
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	✓	
3	**Promote ethical and responsible decision making**		
3.1	Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to: • the practices necessary to maintain confidence in the Company's integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	✓	
3.2	Disclose the policy concerning trading in Company securities by directors, officers and employees.	✓	
4	**Safeguard integrity in financial reporting**		
4.1	The Board should establish an Audit Committee.	✓	
4.2	The Audit Committee should be structured so that it: • consists of only non-executive directors; • consists of a majority of independent directors; • is chaired by an independent chair, who is not chair of the Board; • has at least three members.	✓	
4.3	The audit committee should have a formal charter.	✓	
5	**Make timely and balanced disclosure**		
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	✓	
6	**Respect the rights of shareholders**		
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	✓	

	Principle/Recommendation	Complied	Note
7	**Recognise and manage risk**		
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	✓	
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	✓	
7.3	The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	✓	
8	**Remunerate fairly and responsibly**		
8.1	The Board should establish a remuneration committee.	✓	
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	✓	

Various Corporate Governance practices are discussed within this statement and the Company's Annual Report. For further information on the Company's Corporate Governance practices and policies, please refer to our website: www.grangeresources.com.au

Note 1

Principle 2: Structure the Board to add value

The Company is not in compliance with recommendations 2.1 and 2.2 of the ASX Best Practice Recommendations as a majority of the Board are not considered to be independent when considered in accordance with the criteria set out in recommendation 2.1, nor is the Chair an independent Director in accordance with these criteria. Following the merger with privately held Australian Bulk Minerals (ABM) on 2 January 2009, the shareholders of ABM had the right to appoint four directors to the Board of which one would be appointed Chair.

Prior to the merger, the Company was not in compliance with recommendations 2.1 and 2.2 as the majority of the Board were not considered to be independent, nor was the Chair considered an independent Director.

Despite the Company not being in compliance with the Best Practice Recommendations, the Board believe that the individuals on the Board can and do make quality and independent judgements in the best interests of the Company and other stakeholders.

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (the "Group") consisting of Grange Resources Limited ("Grange" or "the Company") and the entities it controlled at the end of, or during, the year ended 30 June 2009.

DIRECTORS

The following persons were Directors of the Company during the whole of the financial year and up to the date of this report:

Russell Clark
Anthony Bohnenn

Messrs Xi Zhiqiang, Neil Chatfield, Wei Guo, Clement Ko and Peter Stephens were appointed as Directors' on 2 January 2009 and continue in office at the date of this report. Mr Dave Sandy was appointed as a Director on 2 January 2009 and resigned on 9 June 2009.

Messrs Richard Krasnoff, David Macoboy and Douglas Stewart were Directors' from the beginning of the financial year until their resignation on 2 January 2009.

Mr Alexander Nutter was a Director from the beginning of the financial year until his resignation on 28 November 2008.

INFORMATION ON DIRECTORS

Xi Zhiqiang, Age 53
Non-executive Chairman, Member of the Audit and Remuneration Committees

Mr Xi has more than six years experience in overseas project implementation. He set up a trading subsidiary of Baosteel in Australia in 1995 and presided over the company for four years. He was involved in commercial and trading affairs at Baosteel before he joined Shagang in January 2008. He was also involved in finalising the documents of Baosteel's two major overseas mining joint ventures with Hamersley and CVRD respectively.

Neil Chatfield FCPA, FAICD, Age 55
Deputy Non-executive Chairman, Chairman of Remuneration Committee, Member of the Audit Committee

Mr Chatfield has over 30 years experience in the resources and transport sectors. He has extensive experience in financial management, capital markets, mergers and acquisitions and risk management. Mr Chatfield is currently a non-executive director of Seek Limited (since 2005), Whitehaven Coal (since 2007) and Transurban Group (since Feb 2009) and Chairman of Virgin Blue Holdings Limited (since June 2007) and Director of Virgin Blue Holdings Limited (since May 2006). Mr Chatfield was a Director of Toll Holdings Limited from 1998 to September 2008.

Russell St John Clark BSc, ARSM, MIMM, MAusIMM, CE, JP, Age 51
Managing Director and Chief Executive Officer

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

Anthony Clemens Maria Bohnenn, Age 65
Non-executive Director

Mr Bohnenn was appointed as a Director of Grange in November 2001 and subsequently elected as Chairman on 1 July 2002. He stepped down from this role on 2 January 2009 following the Company's merger with Australian Bulk Minerals ("ABM"). Mr Bohnenn has more than 25 years experience in the investment banking and financial services industries, with an emphasis in research and funds management. Mr Bohnenn is based in the Netherlands and his main focus has been identifying investment opportunities in Australia, China and Asia.

Wei Guo, Age 42
Non-executive Director

Mr Wei joined Shagang Group in 1988 where he is currently the Vice-Director of the Investment Department of the Board of Jiangsu Shagang Group. Mr Wei has more than 20 years experience in finance, enterprise governance and merger business. He graduated from Huadong Metallurgy College and has had further study in international trade at Nantong Textile Engineering College.

Clement Ko LLB, MBA, Age 46
Non-executive Director

Mr Ko is the Chairman and sole shareholder of Pacific Minerals Limited, the sole member of Pacific International Co Pty Ltd (one of the current shareholders of Grange). Prior to founding Pacific Minerals Limited, Mr Ko worked for BHP Billiton (China) Ltd as a Senior Regional Marketing Manager. Mr Ko has more than 18 years of experience in the mining sector with extensive experience in marketing and sales.

Peter Stephens, BBus, CPA, MBA, Age 48
Non-executive Director, Chairman of the Audit Committee and Member of the Remuneration Committee

Mr Stephens has more than 25 years experience in senior finance roles with a number of multi-national companies in the construction, investment banking and financial services, manufacturing and telecommunications industries. Mr Stephens has vast hands-on experience in business across the Asia Pacific region. Mr Stephens is based in China.

COMPANY SECRETARY

The Company Secretary is Ms Stacey Apostolou BBus CPA. Ms Apostolou was appointed to the position of Company Secretary in November 2008. Ms Apostolou also acts as Company Secretary to another publicly listed company. Ms Apostolou has previously acted as Finance Director to ASX/AIM listed companies, has held company secretarial roles for publicly listed companies within the mining and exploration industry and has over 20 years relevant industry experience.

Mr Neil Marston acted as Company Secretary until his resignation on 2 December 2008.

PRINCIPAL ACTIVITIES

In January 2009, the Company completed the merger with the privately held Australian Bulk Minerals (ABM). Subsequent to the completion of this merger the principal activities of the combined group is as follows:

- the mining, processing and sale of iron ore; and
- the ongoing exploration and evaluation of various projects, in particular, the Southdown project in Western Australia.

DIVIDENDS

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

REVIEW OF OPERATIONS

The Group is engaged in the production of iron ore pellets from the Savage River operation in Tasmania and the on going evaluation of the Southdown Magnetite Project in Albany, Western Australia.

In January 2009, the Company completed the merger with the privately held ABM, which owned the Savage River operations in the north west of Tasmania. The merger was implemented through the issue of 380 million Grange shares to the owners of ABM.

Savage River has generated revenues of $356.5 million (2008: $178.2 million) for the year from the sale of approximately 2.2 million tonnes of pellets (2008: 2.1 million tonnes). The consolidated Group's net profit after tax for the year is $86.0 million (2008: $24.3 million).

The pellet price applicable to April 2009 – March 2010 is US$72.32/tonne, which represents a reduction of 48.3% from the previous benchmark price of US$139.89/tonne.

In July 2009, the Company announced a 37% increase in total Mineral Resource tonnage at Southdown from 479 million tonnes grading 37.3% magnetite to 654.4 million tonnes grading 36.5% magnetite, as well as improving the status of the resource, with approximately one third of the resource now in the "Measured" category.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Grange Resources Limited is listed on the Australian Stock Exchange. Grange completed the legal acquisition of Ever Green Resources Co Ltd (Ever Green) on 2 January 2009. Ever Green was the ultimate holding company of the ABM operations.

Under the terms of AASB 3 Business Combinations, Ever Green was deemed to be the accounting acquirer in the business combination. This transaction has therefore been accounted for as a reverse acquisition under AASB 3. Accordingly, the consolidated financial statements of the Grange Resources Limited group have been prepared as a continuation of the consolidated financial statements of Ever Green. Ever Green, as the deemed acquirer, has accounted for the acquisition of the Grange Resources Limited group from 2 January 2009. The comparative information from 1 July 2007 to 30 June 2008 presented in the consolidated financial statements is that of Ever Green.

Refer to Note 1(b) to the Financial Statements for the implications of the application of AASB 3 on each of the financial statements, and refer to Note 37 for further details of the merger.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 18 August 2009, the Company announced its intention to undertake an underwritten one-for-one non-renounceable entitlement offer (Offer) of approximately 495 million new shares to raise $124 million at an offer price of $0.25 per share, conduct placements to major shareholders at a price of $0.29 per share, to raise a further $29 million (Cornerstone Placement), and restructure deferred consideration liabilities to the past owners of ABM (Restructure). The Offer completed on 21 September 2009. The Cornerstone Placements are subject to shareholder approval and approval of the Foreign Investment Review Board. The financial effects of this announcement have not been bought to account at 30 June 2009 and are still being assessed by management.

Except as discussed above, no other matter or circumstance has arisen since 30 June 2009 that has significantly affected, or may significantly affect:

a. the Group's operations in future financial years; or

b. the results of those operations in future financial years; or

c. the Group's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

ENVIRONMENTAL REGULATION

The mining and exploration tenements held by the Group contain environmental requirements and conditions that the entities must comply with in the course of normal operations. These conditions and regulations cover the management of the storage of hazardous materials and rehabilitation of mine sites.

The Group is subject to significant environmental legislation and regulation in respect of its mining and exploration activities as set out below:

Savage River and Port Latta Operations

The Group has obtained approvals to operate in 1996 and 1997 under the Land Use Planning and Approvals Act (LUPA) and the Environmental Management and Pollution Control Act (EMPCA) as well as the Goldamere Act and Mineral Resources Development Act. The land use permit conditions for Savage River and Port Latta are contained in Environmental Protection Notices 248/2 and 302/2 respectively. The currently approved Environmental Management Plans were submitted for Port Latta on 20 November 2007 and Savage River on 26 November 2007. The extension of the project's life until 2021 was approved by the Department of Tourism, Arts and the Environment on 12 March 2007 and together with the Goldamere Act and the Environmental Protection Notices, are the basis for the management of all environmental aspects of the mining leases. The Group has been relieved of any environmental obligation in relation to contamination, pollutants or pollution caused by operations prior to the date of the Goldamere Agreement (December 1996).

During the financial year there were no major breaches of licence conditions. Internal loss control audits were conducted during the financial year.

Southdown Joint Venture

The Southdown Joint Venture is seeking approvals through the Western Australian and Commonwealth processes and is well advanced. The Southdown Joint Venture has not been responsible for any activities which would cause a breach of environmental legislation.

National Greenhouse and Energy Reporting Act 2007

The National Greenhouse and Energy reporting Act 2007 requires the Group to report its annual greenhouse gas emissions and energy use. The first measurement period for this Act ran from 1 July 2008 to 30 June 2009. The Group has implemented systems and processes for the collection and calculation of the data required and will be able to prepare and submit its initial report to the Greenhouse and Energy data Officer by 31 October 2009.

Mount Windsor Joint Venture

The Group is a junior partner (30%) in the Mount Windsor project in North Queensland which is now being rehabilitated for future lease relinquishment. The managing partner of the Joint Venture has been advised that they are behind the works required under their Transitional Environment Program and have been requested by the Queensland Department of Environment and Resource Management to complete works under the Transitional Environment Program.

Energy Efficiency Opportunities Act 2006

Following consultation with the Department of Resources Energy and Tourism an application to deregister Grange Resources (Tasmania) Pty Ltd from the Energy Efficiency Opportunities program was accepted under section 14 of the Energy Efficiency Opportunities Act 2006 by the Delegate of the Secretary to the Department.

Following a decision by the Delegate of the Secretary to the Department Grange Resources Ltd was officially registered under section 13 of the Energy Efficiency Opportunities Act 2006.

MEETINGS OF DIRECTORS

The numbers of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2009, and the numbers of meetings attended by each director were:

			Meetings of committees			
	Directors' meetings		Audit		Remuneration	
Name	A	B	A	B	A	B
X Zhiqiang #	11	11	3	4	1	1
N Chatfield #	11	11	3	4	1	1
R S Clark	20	20	-	-	-	-
A Bohnenn	17	20	-	-	2	2
W Guo #	8	11	-	-	-	-
C Ko #	7	11	-	-	-	-
D Sandy @	10	10	-	-	-	-
P Stephens #	9	11	4	4	1	1
R Krasnoff +	9	9	1	1	2	2
D M Macoboy +	8	9	1	1	-	-
A H Nutter *	7	7	-	-	-	-
D S Stewart +	8	9	1	1	-	-

A = Number of meetings attended
B = Number of meetings held during the time the Director held office or was a member of the Committee during the year

Messrs Zhiqiang, Chatfield, Guo, Ko and Stephens were appointed 2 January 2009

* Mr Nutter resigned 28 November 2008

+ Messrs Krasnoff, Macoboy and Stewart resigned 2 January 2009

@ Mr Sandy was appointed on 2 January 2009 and resigned on 9 June 2009

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

The relevant interest of each Director in the share capital and options of the Company as at the date of this report is:

	Number of fully paid ordinary shares		
Director	**Beneficial**	**Non-beneficial**	**Options**
Mr Xi Zhiqiang (1)	-	-	-
Mr N Chatfield	-	-	-
Mr R Clark			4,500,000
Mr A Bohnenn	13,774,338	-	450,000
Mr Wei Guo (1)	-	-	-
Mr C Ko (2)	82,085,520	603,991,758	-
Mr P Stephens	-	-	-

(1) Mr Xi and Mr Wei are full time employees of the Shagang Group, ultimate shareholder of Shagang International Holdings Limited. Shagang International Holdings Limited hold 465,151,278 ordinary fully paid shares in the Company as at the date of this report.

(2) Shagang International Holdings Limited and RGL Holdings Co. Ltd are associates of Pacific International Co. Pty Ltd (Mr Ko holds 100% of Pacific International Business Limited which is the holding company of Pacfic International Co. Pty Ltd). The Non-Beneficial holdings represent those shares held by Shagang International and RGL Holdings.

REMUNERATION REPORT

The remuneration report outlines the Director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

The report is set out under the following main headings:

A. Directors and key management personnel
B. Principles used to determine the nature and amount of remuneration
C. Details of remuneration
D. Service agreements
E. Share-based compensation
F. Additional information

A. Directors and Key Management Personnel

The Directors of Grange Resources Limited during or since the end of the year were:

Xi Zhiqiang:	Non-executive Chairman (appointed 2 January 2009)
Neil Chatfield:	Non-executive Director, Deputy Chairman (appointed 2 January 2009)
Russell Clark:	Managing Director
Anthony Bohnenn:	Non-executive Director
Wei Guo:	Non-executive Director (appointed 2 January 2009)
Clement Ko:	Non-executive Director (appointed 2 January 2009)
Peter Stephens:	Non-executive Director (appointed 2 January 2009)
Dave Sandy:	Non-executive Director (appointed 2 January 2009 and resigned 9 June 2009)
Richard Krasnoff:	Non-executive Director (resigned 2 January 2009)
David Macoboy:	Non-executive Director (resigned 2 January 2009)
Doug Stewart:	Non-executive Director (resigned 2 January 2009)
Alex Nutter:	Non-executive Director (resigned 28 November 2008)

As explained Note 1(b) to the Financial Statements, AASB 3 requires that consolidated financial statements prepared following a reverse acquisition shall be issued under the name of the legal parent (ie Grange Resources Limited), but be a continuation of the financial statements of the legal subsidiary (ie Ever Green Resources Co. Ltd (Ever Green) – the acquirer for accounting purposes.

The implications of the application of AASB 3 on the Key Management Personnel disclosures are as follows:

- The 2009 disclosures represent six months of the combined Ever Green and Grange Resources Group (from January 2009 to June 2009) and six months of Ever Green (from July 2008 to December 2008).
- The 2008 disclosures represent 12 months of Ever Green.

In respect of the period January to June 2009, ie since the merger of Grange Resources and Ever Green, the following persons had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly:

Name	Position
Wayne Bould	Chief Operating Officer
Ross Carpenter	General Manager – Mining & Projects
Bruce Lorking	General Manager – Finance
Brian Burdett	General Manager – Process & Infrastructure
John Galbraith	General Manager – Sales, Shared Services & People
Nick Longmire	General Manager – Commercial

In respect of the period July 2008 to December 2008 ie 6 months of Ever Green, the following persons had authority for planning, directing and controlling the activities of Ever Green, directly or indirectly. Also, as required by the Accounting Standards, the Directors of Ever Green during that time are also shown as key management personnel:

Name	Position
Dave Sandy	Managing Director
Ross Carpenter	General Manager – Mining & Projects
Bruce Lorking	General Manager – Finance
Brian Burdett	General Manager – Process & Infrastructure
John Galbraith	General Manager – Sales, Shared Services & People
Gao Feng	Non-executive Director
Clement Ko	Non-executive Director
Li Xiangyang	Non-executive Director
Shen Bin	Non-executive Director
Shen Wen Ming	Non-executive Director
You Zhenhua	Non-executive Director

Changes since year end

Messrs John Galbraith and Bruce Lorking ceased their employment with the Company on 3 July 2009.

B. Principles Used to Determine the Nature and Amount of Remuneration

(i) Remuneration philosophy

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

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

(ii) Remuneration structure

In consultation with external remuneration consultants, the Group has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

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

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

The framework provides a mix of fixed and variable pay, and a blend of short and long term incentives.

Non-executive Directors

Fees and payments to Non-executive Directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive Directors' fees and payments are reviewed annually by the Board. The Board also considers advice of independent remuneration consultants to ensure Non-executive Directors' fees and payments are appropriate and in line with the market. The Chair's fees are determined independently to the fees of Non-executive Directors based on comparative roles in the external market.

Directors' fees

The current remuneration was last reviewed with effect 2 January 2009. The Chairman's remuneration is inclusive of Committee fees while other Non-executive Directors who Chair a Committee receive additional yearly fees. The Deputy Chairman is also entitled to receive an additional yearly fee.

Non-executive Directors' fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $600,000 per annum and was approved by shareholders at the General Meeting on 12 December 2008 (previously $300,000 per annum as approved at a General Meeting on 30 November 2007).

The following annual fees have applied:

	From 2 January 2009	From 1 July 2008 to 1 January 2009
Base fees		
Chair	$90,000	$90,000
Other Non-executive Directors	$60,000	$60,000
Additional fees		
Deputy Chair	$15,000	-
Audit Committee – Chair	$15,000	-
Remuneration & Nomination Committee – Chair	$15,000	-

Options to Directors

In May 2008, shareholders approved the issue of 1.8 million options to Non-executive Directors to act as an incentive for these Directors to align themselves with the Company's strategic plan focusing on optimising performance with the benefits flowing through to enhanced shareholder returns. The Company does not have a specific plan in relation to the issue of options to Non-executive Directors and will consider this form of remuneration as part of the overall fees paid. The Company will also look at industry practice when determining whether options should form part of the Non-executive Directors remuneration.

Executive pay

Objective

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

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

Structure

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

Remuneration consists of the following key elements:

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

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

Fixed remuneration

Objective

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

Structure

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

Variable remuneration – Short Term Incentive (STI)

Objective

The objective of the STI is to link the achievement of the Company's annual operational targets (usually reflected in the approved budgets) and an individual's personal targets with the remuneration received by the staff members responsible for meeting those targets. Payments are made annually as a cash bonus payable after the financial statements have been audited and released to the Australian Stock Exchange. In relation to general employees, 60% of the STI relates to company performance goals and 40% relates to personal performance goals. In relation to those employees in senior management roles, 70% of the STI will relate to company performance goals and 30% will relate to personal performance goals.

Variable remuneration - Long Term Incentive (LTI) - Rights and Options

Objective

a. **Rights to Grange shares**

   The Board will review regularly and reserves the right to vary from time to time the appropriate hurdles and vesting periods for Rights to Grange shares.

   The objective for the issue of Rights under the LTI program is to reward selected senior employees in a manner that aligns this element of their remuneration package with the creation of long term shareholder wealth while at the same time securing the employee's tenure with the Company over the longer term. The LTI grants Rights to the Company's shares to selected senior employees, and these Rights vest in several equal tranches over the timeframe stipulated in the LTI Plan from time to time (currently they vest in three equal tranches over three years). The Company utilises the LTI program to link remuneration with the attainment of key strategic performance milestones which usually take several years to deliver. 50% of the LTI for an employee relates to company performance goals and 50% relates to personal performance goals. Rights are allocated using a share price that is based on the weighted average price for the Company's shares in the last three months before the new financial year begins or as determined by the Board.

b. **Options to Grange shares**

   The objective of issuing Options under the LTI program is to provide a mechanism for the Company to selectively reward senior employees for having gone the "extra mile" in dealing with exceptional or unplanned or unexpected issues or circumstances which have impacted the business. The Board of Directors, based on the Managing Director's recommendation, may discretionally grant the options via the LTI plan processes, and these options vest in over the timeframe stipulated in the LTI Plan from time to time. A maximum number of options per individual issue has been specified and approved for each job grade in the grade structure matrix. The exercise price of options issued will be equal to a 20% premium on the weighted average price of the Company's shares in the last three months before the financial year begins.

(iii) Remuneration Committee

The Board has established a Remuneration and Nomination Committee to assist the Board in establishing policies and practices which enables the Company to attract and retain capable Directors and employees, reward employees fairly and responsibly and meet the Board's oversight responsibilities in relation to Corporate Governance practices.

The Remuneration and Nomination Committee is composed of Mr Neil Chatfield (Committee Chairman), Mr Peter Stephens and Mr Xi Zhiqiang, all of whom are Non-executive Directors.

The responsibilities and functions for the Remuneration and Nomination Committee include reviewing and making recommendations on the following:

- Equity based executive and employee incentive plans;
- Recruitment, retention, succession planning, performance measurement and termination policies and procedures for Non-executive Directors, the Managing Director, any other Executive Director and the Company Secretary;
- The remuneration of the Managing Director;
- Periodically assessing the skills required by the Board; and
- Recommend processes to annually evaluate the performance of the Board, its Committees and individual Directors.

The Charter and Remuneration strategies are reviewed regularly.

The Managing Director is the conduit between the Board and Grange's staff, and as such leads and manages the implementation of the approved People and Performance strategies and ensures the policies and processes are "alive" in business operations. The Managing Director attends meetings of the Remuneration Committee by invitation and is required to report on and discuss senior management and staff performance and incentive rewards, the various elements of the administration of the remuneration and performance policies and packages and related People and Performance matters.

C. Details of remuneration

Amounts of remuneration

Details of the remuneration of the Directors, the key management personnel of the Group (as defined in AASB 124 *Related Party Disclosures)* and specified executives of Grange Resources Limited and the Group are set out in the following tables.

KEY MANAGEMENT PERSONNEL OF THE GROUP

Table 1: Remuneration for the year ended 30 June 2009

	Short term				Post employment		Long term		Share-based payment	Total	Performance related
	Salary & fees	Cash bonus	Non-monetary benefits	Other	Super-annuation	Retire-ment benefits	Incentive plans	Long service leave	Options [5]		
	$	$	$	$	$	$	$	$	$	$	%
Non-executive Directors											
Xi Zhiqiang [1]	43,269	-	-	-	-	-	-	-	-	43,269	-
N Chatfield [1]	39,697	-	-	-	3,573	-	-	-	-	43,270	-
A Bohnenn	71,632	-	-	-	6,032	-	-	-	150,957	228,621	66.0
P Stephens [1]	36,058	-	-	-	-	-	-	-	-	36,058	-
Wei Guo [1]	28,846	-	-	-	-	-	-	-	-	28,846	-
D Sandy [3]	139,769	-	13,000	-	77,681	-	-	97,326	-	327,776	-
C Ko [1]	28,846	-	-	-	-	-	-	-	-	28,846	-
R Krasnoff [2]	-	-	-	-	31,154	-	-	-	150,957	182,111	82.9
D Stewart [2]	-	-	-	-	31,154	-	-	-	150,957	182,111	82.9
D Macoboy [2]	30,000	-	-	-	-	-	-	-	150,957	180,957	83.4
A Nutter [4]	95,722	-	-	-	4,676	-	-	-	-	100,398	-
Sub-total	513,839	-	13,000	-	154,270	-	-	97,326	603,828	1,382,263	43.7
Executive Directors											
R Clark	458,045	-	11,955	-	75,000	-	-	8,889	1,509,569 [7]	2,063,458	73.2
Other key management personnel											
W Bould	162,724	-	35,985	-	73,021	-	313,359	4,160	184,830	774,079	64.4
R Carpenter	233,637	-	19,000	-	34,108	-	-	24,623	-	311,368	-
B Lorking	131,710	-	19,000	-	100,000	-	-	64,246	-	314,956	-
B Burdett	194,234	-	19,000	-	83,615	-	-	75,288	-	372,137	-
J Galbraith	200,413	-	19,000	-	26,797	-	-	47,174	-	293,384	-
N Longmire	161,615	-	5,467	-	14,545	-	33,572	2,933	5,550	223,682	17.5
Gao Feng [6]	-	-	-	-	-	-	-	-	-	-	-
C Ko [6]	-	-	-	-	-	-	-	-	-	-	-
Li Xiangyang [6]	-	-	-	-	-	-	-	-	-	-	-
Shen Bin [6]	-	-	-	-	-	-	-	-	-	-	-
Shen Wen Ming [6]	-	-	-	-	-	-	-	-	-	-	-
You Zhenhua [6]	-	-	-	-	-	-	-	-	-	-	-
Sub-total	1,542,378	-	129,407	-	407,086	-	346,931	227,313	1,699,949	4,353,064	47.0
TOTAL	2,056,217	-	142,407	-	561,356	-	346,931	324,639	2,303,777	5,735,327	46.2

Notes:

(1) Appointed 2 January 2009.

(2) Resigned 2 January 2009.

(3) Includes salary received during the period 1 July 2008 to 2 January 2009 when Mr Sandy was deemed a key management person and prior to his appointment to the Board. Mr Sandy resigned from his position on the Board on 9 June 2009.

(4) Resigned 28 November 2008.

(5) All of the options issued to Directors vested upon the change of control which occurred on 2 January 2009. Therefore, the share based payment expense is accelerated to reflect the fair value of the options (as measured at the date of grant) on issue as at the date of the merger.

(6) These key management personnel were not remunerated for their services prior to the merger.

(7) In accordance with accounting standards, Mr Clark's options have been valued as though they had been issued on the original grant date of 20 May 2008. The options granted on 20 May 2008 were cancelled and reissued following shareholder approval on 28 November 2008. Had the options been valued at 28 November 2008, then the value per option would have been approximately $0.01 to $0.02 as compared with the average value on 20 May 2008 of $0.365. Had the share based payments expense been calculated by reference to the value at 28 November 2008 it would have been approximately $67,000 as compared with $1,509,569.

(8) Given the global financial crisis, the Remuneration Committee determined that there would be no salary increase for management in January 2009, and that the next salary review would be effective from July 2010, ie management's fixed remuneration will be frozen for 30 months.

Table 2: Remuneration for the year ended 30 June 2008

	Short term				Post employment		Long term		Share-based payment	Total	Performance related
	Salary & fees	Cash bonus	Non-monetary benefits	Other	Superannuation	Retirement benefits	Incentive plans	Long service leave	Options [5]		
	$	$	$	$	$	$	$	$	$	$	%
Non-executive Directors											
A Bohnenn	77,203	-	-	-	6,948	-	-	-	13,428	97,579	13.8
R Krasnoff	-	-	-	-	55,325	-	-	-	13,428	68,753	19.5
D Macoboy	20,000	-	-	-	-	-	-	-	13,428	33,428	40.2
D Stewart	-	-	-	-	39,461	-	-	-	13,428	52,889	25.4
H Moser [2]	11,677				-				-	11,677	-
Sub-total	108,880	-	-	-	101,734	-	-	-	53,712	264,326	20.3
Executive Directors											
R Clark	153,612	-	4,537	-	54,019	-	-	2,906	134,280	349,354	38.5
A Nutter	140,215	-	7,459	-	97,094	-	-	-	-	244,768	-
G Wedlock	263,471	-	4,217	-	22,898	-	-	-	(343,887)[1]	(53,301)	-
Other key management personnel											
D Sandy	233,125	-	26,000	-	100,000	-	-	93,152	-	452,277	-
R Carpenter	225,500	121,821	19,000	-	33,375	-	-	15,043	-	414,739	-
B Lorking	115,000	-	19,000	-	100,000	-	-	58,495	-	292,495	-
B Burdett	171,624	-	19,000	-	100,000	-	-	68,906	-	359,530	-
J Galbraith	115,250	-	19,000	-	100,000	-	-	63,247	-	297,497	-
Gao Feng [3]	-	-	-	-	-	-	-	-	-	-	-
C Ko [3]	-	-	-	-	-	-	-	-	-	-	-
Li Xiangyang [3]	-	-	-	-	-	-	-	-	-	-	-
Shen Bin [3]	-	-	-	-	-	-	-	-	-	-	-
Shen Wen Ming [3]	-	-	-	-	-	-	-	-	-	-	-
You Zhenhua [3]	-	-	-	-	-	-	-	-	-	-	-
Sub-total	1,417,797	121,821	118,213	-	607,386	-	-	301,749	(209,607)	2,357,359	38.5
TOTAL	1,526,677	121,821	118,213	-	709,120	-	-	301,749	(155,895)	2,621,685	30.6

Notes:

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

(2) Mr Moser resigned 31 December 2007.

(3) These key management personnel were not remunerated for their services prior to the merger.

Table 3: Relative proportions linked to performance

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed remuneration 2009	At risk STI 2009	At risk LTI 2009
Executive Director			
R Clark	100.0%	-	-
Other key management personnel			
W Bould [(1)]	58.8%	11.8%	29.4%
N Longmire [(1)]	80.6%	8.1%	11.3%

[(1)] The Non-Monetary Benefits for Messrs Bould and Longmire disclosed in Table 1 include amounts of $16,670 and $5,467 respectively which represent STI payments that were paid as shares.

D. Service Agreements

On appointment to the Board, all Non-executive Directors enter into a service agreement with the Company. The agreement summarises the Board policies and terms, including compensation, relevant to the office of Director.

Remuneration and other terms of employment for the Managing Director, Chief Operating Officer and the other key management personnel are also formalised in service agreements, with some being in the form of a letter of appointment. Each of the agreements provide for the provision of performance related cash bonuses, other benefits, including payment of professional memberships, provision of motor vehicle, and participation, when eligible, in the Grange Resources Limited Employee Option Plan. Other major provisions of the agreement relating to remuneration are set out below.

All contracts with executives may be terminated early by either party with three months notice, subject to termination payments as detailed below.

Russell Clark, Managing Director and Chief Executive Officer

a. Term of agreement – three years commencing 6 March 2008.

b. Base salary, inclusive of superannuation, for the year ended 30 June 2009 of $545,000. Reviewed annually on 1 July by the Remuneration Committee.

c. The following bonus package:
   (i) One-off payment of $1,000,000 (less applicable tax) upon the Board being satisfied that the Company has, as part of the Southdown Magnetite and Kemaman Pellet Plant Project, achieved commercial production of magnetite concentrate (subject to any applicable law or regulatory policy).
   (ii) One-off payment of $1,000,000 (less applicable tax) upon the Board being satisfied that the Company has, as part of the Southdown Magnetite and Kemaman Pellet Plant Project, achieved commercial production of iron ore pellets (subject to any applicable law or regulatory policy).

d. The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the Managing Director is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause any unvested options will immediately lapse.

Wayne Bould, Chief Operating Officer

- Term of agreement – on going commencing 1 May 2008. Mr Bould was appointed to the role of Chief Operating Officer with effect from 2 January 2009, prior to that he was employed in the role of General Manager – Business Readiness.
- Base salary, inclusive of superannuation, for the year ended 30 June 2009 is $304,448 (this is in Mr Bould's capacity as Chief Operating Officer) and is to be reviewed by the Remuneration Committee annually.
- Other than for negligence or serious misconduct, the Company or Mr Bould are required to provide three months notice of termination in writing. The Company may terminate the agreement at any time during the notice period by providing Mr Bould a payment in lieu of notice for the balance of the notice period remaining.

Ross Carpenter, General Manager – Mining and Projects

- Term of agreement – on going commencing 1 November 2004.
- Base salary, inclusive of superannuation, for the year ended 30 June 2009 is $267,750 plus a fully maintained motor vehicle and is to be reviewed annually each year.
- Mr Carpenter's employment may be terminated by the Company by payment of accumulated annual and long service leave, and payment of 12 months salary. Mr Carpenter may terminate his employment by providing the Company with one month's notice in writing. If Mr Carpenter is made redundant by the Company, he will be entitled to receive 12 months salary along with all accumulated annual and long service leave which is due and payable at that time.
- In the event that Mr Carpenter is still employed by the Company at 30 June 2010, he will be entitled to receive a payment of $400,000, a retention payment established by ABM.

Bruce Lorking, General Manager – Finance

- Term of agreement – on going commencing July 1998.
- Base salary, inclusive of superannuation, for the year ended 30 June 2009 is $249,000 and is to be reviewed annually each year.
- Mr Lorking's appointment may be terminated by the Company by payment of accumulated annual and long service leave, and payment of 12 months salary. Mr Lorking may terminate by giving one month's notice to the Company. If Mr Lorking is made redundant by the Company, he will be entitled to receive 12 months salary along with all accumulated annual and long service leave which is due and payable at that time. Mr Lorking ceased employment with the Company on 3 July 2009.

Brian Burdett, General Manager – Process and Infrastructure

- Term of agreement – on going commencing 15 September 1997.
- Base salary, inclusive of superannuation, for the year ended 30 June 2009 is $278,249 plus a fully maintained motor vehicle and is to be reviewed annually each year.
- Mr Burdett's appointment may be terminated by the Company by payment of accumulated annual and long service leave, and payment of 12 months salary. Mr Burdett may terminate by giving one month's notice to the Company. If Mr Burdett is made redundant by the Company, he will be entitled to receive 12 months salary along with all accumulated annual and long service leave which is due and payable at that time.

- In the event that Mr Burdett is still employed by the Company at 30 June 2010, he will be entitled to receive a payment of $100,000, a retention payment established by ABM.

John Galbraith, General Manager – Sales, Shared Services and People

- Term of agreement – on going commencing July 1998.
- Base salary, inclusive of superannuation, for the year ended 30 June 2009 is $244,500 and is to be reviewed annually each year.
- Mr Galbraith's appointment may be terminated by the Company by payment of accumulated annual and long service leave, and payment of 12 months salary. Mr Galbraith may terminate by giving one month's notice to the Company. If Mr Galbraith is made redundant by the Company, he will be entitled to receive 12 months salary along with all accumulated annual and long service leave which is due and payable at that time. Mr Galbraith ceased employment with the Company on 3 July 2009.

Nick Longmire, General Manager - Commercial

- Term of agreement – on going commencing 1 September 2008.
- Base salary, inclusive of superannuation, for the year ended 30 June 2009 is $239,800 and is to be reviewed annually each year.
- Other than for misconduct, the Company or Mr Longmire are required to provide three months notice in writing. The Company may terminate the agreement at any time during the notice period by providing Mr Longmire a payment in lieu of notice for the balance of the notice period remaining.

E. Share-based Compensation

Options and Rights

Under the Grange Resources Limited Long Term Incentive Plan (the Plan), the Board may, from time to time grant options or rights, or both, to eligible employees. The Plan is designed to provide long term incentives for executives to deliver long term shareholders returns. Under the Plan, participants are granted options or rights which only vest if certain timing or performance conditions are met. Participation in the Plan is at the Board's discretion and no individual has a contractual right to participate in the Plan or to receive any guaranteed benefits.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

Grant date	Date vested and exercisable	Expiry date	Exercise price	Value per option at grant date	Performance achieved (1)	% Vested
25 Jul 2008	2 Jan 2009	1 May 2012	$2.05	$0.5382	Time based	100
25 Jul 2008	2 Jan 2009	1 May 2012	$3.00	$0.3934	Time based	100
25 Jul 2008	2 Jan 2009	1 May 2012	$3.50	$0.3006	Time based	100
25 Jul 2008	2 Jan 2009	30 Jun 2012	$2.05	$0.5772	Time based	100
25 Jul 2008	2 Jan 2009	30 Jun 2012	$2.05	$0.5296	Time based	100
16 Dec 2008	2 Jan 2009	6 Mar 2012	$2.05	$0.4831	Time based	100
16 Dec 2008	2 Jan 2009	6 Mar 2012	$3.00	$0.3390	Time based	100
16 Dec 2008	2 Jan 2009	6 Mar 2012	$3.50	$0.2738	Time based	100
16 Jun 2009(2)	16 Jun 2009	1 Oct 2012	$2.50	$0.1111	Time based	100

(1) The options that were granted during the year included conditions which would cause them to vest upon a Change of Control event occurring. As a consequence the options vested on 2 January 2009.

(2) These options were to have been issued in October 2008 and were not issued until June 2009. Had they been issued in October 2008, they would have vested upon the change of control event on 2 January. Consequently, they were issued as vested options on 16 June 2009.

Options granted under the Plan carry no dividend or voting rights.

Details of options over ordinary shares in the Company provided as remuneration to each Director of Grange Resources Limited and each of the key management personnel of the parent entity and the Group are set out below. When exercisable, each option is convertible into one ordinary share of Grange Resources Limited. Further information on the options is set out in Note 43 to the financial statements.

Name	Number of options granted during the year 2009	Number of options vested during the year 2009
Directors		
R Clark	4,500,000	4,500,000
A Bohnenn	450,000	450,000
R Krasnoff (1)	450,000	450,000
D Macoboy (1)	450,000	450,000
D Stewart (1)	450,000	450,000
Other key management personnel		
W Bould	450,000	450,000
N Longmire	50,000	50,000

(1) These Directors resigned on 2 January 2009.

The options granted to Directors during the year replaced those options that were granted on 20 May 2008 which were subsequently cancelled and re-issued following shareholder approval on 28 November 2008.

All options granted during the year vested on 2 January 2009 following a Change of Control event.

The assessed fair value at grant date of options granted to the individuals is generally allocated equally over the period from grant date to vesting date. However, due to the Change of Control event which occurred, all options on issue that were subject to vesting conditions, vested fully on 2 January 2009 and the amount is included in the remuneration tables above.

Fair values at grant date are independently determined using the binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2009 included:

Director Options

Exercise price	$2.05	$3.00	$3.50
Grant date	20 May 2008	20 May 2008	20 May 2008
Expiry date	6 Mar 2012	6 Mar 2012	6 Mar 2012
Share price at grant date	$1.60	$1.60	$1.60
Volatility	60%	60%	60%
Dividend yield	-	-	-
Risk free interest rate	6.39%	6.39%	6.39%
Valuation per option	$0.4831	$0.3390	$0.2738

Options Granted - 14 July 2008

Exercise price	$2.05	$3.00	$3.50
Grant date	14 Jul 2008	14 Jul 2008	14 Jul 2008
Expiry date	1 May 2012	1 May 2012	1 May 2012
Share price at grant date	$1.68	$1.68	$1.68
Volatility	90%	90%	90%
Dividend yield	-	-	-
Risk free interest rate	6.25%	6.25%	6.25%
Valuation per option	$0.5382	$0.3934	$0.3006

Options Granted - 16 June 2009

Exercise price	$2.50
Grant date	16 Jun 2009
Expiry date	1 Oct 2012
Share price at grant date	$0.57
Volatility	75%
Dividend yield	-
Risk free interest rate	3.76%
Valuation per option	$0.111

There were no shares issued following the exercise of options during the year.

There were 354,254 ordinary shares issued pursuant to the Plan during the year. These shares were issued following the Change of Control which occurred on 2 January 2009 and therefore, they vested immediately. The value of these shares is included in the remuneration tables above. The fair value of these shares has been calculated by reference to the share price on 1 January 2008 or the employee's commencement date, whichever is the latter.

F. Additional Information

Performance of Grange Resources Limited

The following table shows the performance of the Company over the past 5 years [(1)]:

	2009	2008	2007	2006	2005
Diluted (loss)/earnings per share (cents)	19.69	5.82	(0.76)	2.04	(7.27)
Shareholders' funds ($'000)	265,585	30,197	45,725	33,885	19,150
Net (loss)/profit after tax & minorities ($'000)	86,010	24,340	(773)	1,936	(5,273)
Operating revenue ($'000)	356,486	178,248	3,694	10,396	7,109
Share price at end of year ($/share)	0.46	1.70	2.00	1.30	0.90
Market capitalisation ($ million)	228	196	212	123	74

(1) The information presented for the years 2005 to 2007 reflects the operating results of Grange Resources Limited and its controlled entities which existed prior to its merger with ABM.

Details of remuneration: cash bonuses and options

For each cash bonus and grant of options included in the tables, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. No part of the bonuses is payable in future years. The options will generally vest over three years, however as the Change of Control event occurred during the year, options vested on that date.

	Cash bonus		Options					
Name	Paid %	Forfeited %	Year of granted	Vested %	Forfeited %	Financial years in which options may vest	Minimum total value of grant yet to vest $	Maximum total value of grant yet to vest $
R Clark	-	-	2009	100	-	2009	Nil	Nil
A Bohnenn	-	-	2009	100	-	2009	Nil	Nil
R Krasnoff	-	-	2009	100	-	2009	Nil	Nil
D Macoboy	-	-	2009	100	-	2009	Nil	Nil
D Stewart	-	-	2009	100	-	2009	Nil	Nil
W Bould	-	-	2009	100	-	2009	Nil	Nil
N Longmire	-	-	2009	100	-	2009	Nil	Nil

Shares under option

Unissued ordinary shares of the Company under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
25 Jul 2008	1 May 2012	$2.05	150,000
25 Jul 2008	1 May 2012	$3.00	150,000
25 Jul 2008	1 May 2012	$3.50	150,000
16 Dec 2008	6 Mar 2012	$2.05	2,100,000
16 Dec 2008	6 Mar 2012	$3.00	2,100,000
16 Dec 2008	6 Mar 2012	$3.50	2,100,000
16 Jun 2009	1 Oct 2012	$2.50	65,000

No option holder has any right under the options to participant in any other share issue of the Company or any other entity.

Shares issued on the exercise of option

There have been no shares issued during the year ended 30 June 2009 following the exercise of options.

Indemnities and insurance of Officers

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

Audit and non-audit services

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with advice received from the Audit Committee, is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms. Following the merger between Grange and Ever Green on 2 January 2009, the audit of the parent entity transferred from Ernst & Young to PricewaterhouseCoopers.

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
(a) PricewaterhouseCoopers				
Audit and review of financial reports	326	106	40	-
Other assurance services				
Due diligence services	300	178	-	-
Taxation services				
Taxation compliance	412	15	-	-
Tax consulting and advice on mergers and acquisitions	1,289	1,590	-	-
Total remuneration of PricewaterhouseCoopers	2,327	1,889	40	-
(b) Ernst & Young				
Audit and review of the financial reports	71	-	71	66
Other assurance services				
Due diligence services	378	-	378	98
Taxation compliance services	134	-	134	194
Other services	65	-	65	28
Total remuneration of Ernst & Young	648	-	648	386

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 21.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australia Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors.

Russell Clark
Managing Director

Perth, Western Australia
30 September 2009

AUDITOR'S INDEPENDENCE DECLARATION

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331
MELBOURNE VIC 3001
DX 77
Telephone 61 3 8603 1000
Facsimile 61 3 8603 1999

As lead auditor for the audit of Grange Resources Limited for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Grange Resources Limited and the entities it controlled during the period.

Tim Goldsmith

Tim Goldsmith
Partner
PricewaterhouseCoopers

Melbourne
30 September 2009

INCOME STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

		Consolidated		Parent	
	Notes	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Revenues from mining operations	5	356,486	178,248	376	692
Cost of sales	6	(227,721)	(166,487)	-	-
Gross profit from mining operations		128,765	11,761	376	692
Administration expenses		(4,088)	(2,377)	(8,962)	(3,759)
Operating profit before other income/(expense)		124,677	9,384	(8,586)	(3,067)
Other Income/(expenses)					
Discount on acquisition of a subsidiary	37	-	157,473	-	-
Revaluation of deferred consideration	24, 27	144,772	(138,897)	-	-
Net gains/(losses) on derivatives	7	(49,092)	6,523	-	-
Impairment losses	8	(90,300)	-	(27,312)	-
Other income	9	-	2,504	585	4,245
Other expenses	9	(1,289)	-	(2,192)	-
Operating profit/(loss) before finance costs		128,768	36,987	(37,505)	1,178
Finance income	10	1,452	12,405	492	779
Finance expenses	10	(73,341)	(16,959)	(15,509)	-
Profit/(loss) before tax		56,879	32,433	(52,522)	1,957
Income tax benefit/(expense)	11	29,131	(8,093)	357	-
Profit/(loss) for year		86,010	24,340	(52,165)	1,957
Profit/(loss) attributable to:					
- Equity holders of Grange Resources Limited		86,045	22,125	(52,165)	1,957
- Minority interest		(35)	2,215	-	-
Profit/(loss) for year		86,010	24,340	(52,165)	1,957
Earnings per share attributable to the ordinary equity holders of the company:					
Basic earnings/(loss) per share (cents per share)	42	19.69	5.82		
Diluted earnings/(loss) per share (cents per share)	42	19.69	5.82		

The above income statements should be read in conjunction with the accompanying notes.

BALANCE SHEETS AS AT 30 JUNE 2009

		Consolidated		Parent	
	Notes	2009 $'000	2008 $'000	2009 $'000	2008 $'000
ASSETS					
Current assets					
Cash and cash equivalents	12	20,466	45,943	5,876	7,086
Trade and other receivables	13	19,861	13,648	952	1,237
Inventories	14	63,887	82,176	-	-
Derivative financial instruments	15	-	5,080	-	-
Other current assets		-	902	-	1,108
		104,214	147,749	6,828	9,431
Assets classified as held for sale	44	3,688	-	-	-
Total current assets		107,902	147,749	6,828	9,431
Non-current assets					
Receivables	16	16,138	11,377	104,638	6,771
Other financial assets	17	-	-	34,024	5,242
Property, plant and equipment	18	173,022	188,034	4,861	4,854
Mine properties and development	19	335,534	364,223	-	-
Exploration and evaluation	20	45,315	12,900	41,296	77,111
Deferred tax assets	21	-	-	-	-
Total non-current assets		570,009	576,534	184,819	93,978
Total assets		677,911	724,283	191,647	103,409
LIABILITIES					
Current liabilities					
Trade and other payables	22	50,529	53,894	6,081	1,406
Borrowings	23	71,442	146,309	-	-
Deferred consideration	24	29,586	48,419	-	-
Provisions	25	4,156	2,874	-	-
		155,713	251,496	6,081	1,406
Liabilities classified as held for sale	44	65	-	-	-
Total current liabilities		155,778	251,496	6,081	1,406

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Non-current liabilities					
Borrowings	26	58,484	66,391	32,799	32,770
Deferred consideration	27	144,933	304,039	-	-
Deferred tax liabilities	28	32,350	55,802	-	-
Provisions	29	20,781	16,358	-	585
Total non-current liabilities		256,548	442,590	32,799	33,355
Total liabilities		412,326	694,086	38,880	34,761
Net assets		265,585	30,197	152,767	68,648
EQUITY					
Contributed equity	30	155,334	447	218,944	86,048
Reserves	31	2,116	5,410	33,168	29,780
Retained profits/(losses)	32	108,170	22,125	(99,345)	(47,180)
Capital and reserves attributable to equity holders of Grange Resources Limited		265,620	27,982	152,767	68,648
Minority Interest		(35)	2,215	-	-
Total equity		265,585	30,197	152,767	68,648

The above balance sheets should be read in conjunction with the accompanying notes.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2009

		Consolidated		Parent	
	Notes	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Total equity at the beginning of the year		30,197	457	68,648	18,438
Profit/(loss) for the year		86,010	24,340	(52,165)	1,957
Foreign currency translation		(5,094)	5,400	-	-
Total recognised income and expense for the year		80,916	29,740	(52,165)	1,957
Transactions with equity holders in their capacity as equity holders:					
Issue of equity, net of transaction costs	30	154,709	-	132,896	22,386
Acquisition of minority interest		(2,215)	-	-	-
Share based payments expense	31	1,978	-	3,388	25,867
Total equity at the end of the year		265,585	30,197	152,767	68,648

The above statements of changes in equity should be read in conjunction with the accompanying notes.

CASHFLOW STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	Notes	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		350,867	178,563	316	322
Payments to suppliers and employees (inclusive of goods and services tax)		(212,438)	(93,935)	(6,553)	(4,291)
		138,429	84,628	(6,237)	(3,969)
Interest received		1,412	1,018	493	779
Interest paid		(3,097)	(913)	-	-
Income taxes (paid)/received		132	(12,544)	357	-
Net cash inflow/(outflow) from operating activities	41	136,876	72,189	(5,387)	(3,190)
Cash flows from investing activities					
Payments for exploration and evaluation		(2,221)	-	(7,219)	(10,368)
Payments for property, plant and equipment		(17,460)	(94,220)	(16)	(5,845)
Proceeds from sale of property, plant and equipment		-	2,676	-	-
Proceeds from sale of exploration and evaluation		-	-	13,397	15,835
Payments for mine properties and development		(70,795)	(25,289)	-	-
Payment for purchase of subsidiary, net of cash acquired		12,793	8,379	-	-
Loans to related parties		-	-	(1,872)	(2,132)
Payment of security deposits		(159)	(6,154)	-	(300)
Net cash inflow/(outflow) from investing activities		(77,842)	(114,608)	4,290	(2,810)
Cash flows from financing activities					
Proceeds from issues of fully paid shares, net of transaction costs		(113)	-	(113)	(24)
Proceeds from borrowings		105,512	214,323	-	-
Repayment of borrowings		(118,282)	(785)	-	-
Payment for deferred consideration		(55,137)	(124,752)	-	-
Finance lease payments		(16,181)	(9,984)	-	-
Net cash inflow/(outflow) from financing activities		(84,201)	78,802	(113)	(24)
Net increase/(decrease) in cash and cash equivalents		(25,167)	36,383	(1,210)	(6,024)
Cash and cash equivalents at beginning of the year		45,943	10,064	7,086	13,110
Net foreign exchange differences		(310)	(504)		
Cash and cash equivalents at end of the year	12	20,466	45,943	5,876	7,086

The above cash flow statements should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied for all the years presented, unless otherwise stated.

The financial report includes the separate financial statements for Grange Resources Limited ("the Company") as an individual entity and the consolidated entity consisting of Grange Resources Limited and its subsidiaries.

A. GOING CONCERN

As at 30 June 2009, the Group has a working capital deficiency but maintains a positive net asset position and net cash inflow from operating activities. The Directors believe that it is appropriate to prepare the financial statements on a going concern basis because subsequent to the end of the financial year the Group announced the following restructuring activities to reduce debt and provide funds for working capital:

- Underwritten non-renounceable entitlement offer (Offer) to subscribe for one new share for every one share held at an issue price of $0.25 per new share to raise approximately $124 million before costs;
- Conduct placements to major shareholders, at a price of $0.29 per share, to raise a further $29 million (Cornerstone Placements); and
- Restructure deferred consideration liabilities to the past owners of the Savage River project.

The Offer completed on 21 September 2009. The Cornerstone Placements are subject to shareholder approval and approval by the Foreign Investment Review Board (FIRB).

B. BASIS OF PREPARATION

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

On 2 January 2009, the Company completed the legal acquisition of Ever Green Resources Co Limited (Ever Green). Under the terms of AASB 3 *Business Combinations*, Ever Green was deemed to be the accounting acquirer in the business combination. The transaction has therefore been accounted for as a reverse acquisition under AASB 3.

Accordingly, the consolidated financial statements of the Grange Resources Limited group (Grange Resources) have been prepared as a continuation of the consolidated financial statements of Ever Green. Ever Green, as the deemed acquirer, has accounted for the acquisition of the Grange Resources from 2 January 2009. The comparative information from 1 July 2007 to 30 June 2008 presented in the consolidated financial statements is that of Ever Green. Refer to Note 37 for further details of the business combination.

The implications of the application of AASB 3 on each of the attached financial statements are as follows:

Income statements

- The 2009 Consolidated Income Statement comprises 12 months of Ever Green and six months of Grange Resources.
- The 2008 Consolidated Income Statement comprises 12 months of Ever Green.

Balance sheets

- The 2009 Consolidated Balance Sheet represents the combination of Ever Green and Grange Resources as at 30 June 2009.
- The 2008 Consolidated Balance Sheet represents Ever Green as at 30 June 2008.

Statements of changes in equity

- The 2009 Consolidated Statement of Changes in Equity comprises:
  - The equity balance of Ever Green at the beginning of the year.
  - The profit/(loss) for the year and transactions with equity holders, being 12 months of Ever Green and six months of Grange Resources.
  - The equity balance of the combined Ever Green and Grange Resources at the end of the year.
- The 2008 Consolidated Statement of Changes in Equity comprises 12 months of Ever Green.

Cash flow statements

- The 2009 Consolidated Statement of Cash Flows comprises:
  - The cash balance of Ever Green at the beginning of the year.
  - The transactions for the year, being 12 months of Ever Green and six months of Grange Resources.
  - The cash balance of the combined Ever Green and Grange Resources at the end of the year.
- The 2008 Consolidated Statement of Cash Flows comprises 12 months of Ever Green.

As the reverse acquisition accounting principles outlined above apply only in the Consolidated financial report, the Parent Entity financials continue to represent Grange Resources Limited as an individual entity for the 2009 and 2008 financial years.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Grange Resources comply with International Financial Reporting Standards (IFRS). The parent entity financial statements and notes also comply with IFRS.

Historical cost convention

These financial statements have been prepared under the historical costs convention, except for certain assets which, as noted, are at fair value.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

C. PRINCIPLES OF CONSOLIDATION

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Grange Resources as at 30 June 2009 and the results of all subsidiaries for the year then ended. Grange Resources Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are those entities over which the Group has the power to govern the financial and operating policies, generally accompanying the shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Details of subsidiaries are set out in Note 38.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to Note 1(f)).

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals of minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases of minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of the identifiable net assets of the subsidiary. Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Grange Resources Limited.

(ii) Employee Share Trust

The Group has formed a trust to administer the Group's Long Term Incentive Plan (LTIP). The trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group.

Shares held by the trust are disclosed as treasury shares and deducted from contributed equity.

(iii) Joint Ventures

Jointly controlled assets

The proportionate interests in the assets, liabilities and expenses of a joint venture activity have been incorporated into the financial statements under the appropriate headings. Details of joint ventures are set out in Note 39.

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. 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.

D. SEGMENT REPORTING

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

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

E. FOREIGN CURRENCY TRANSLATION

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Grange Resources Limited's functional and presentation currency.

(ii) Transactions and balances

All foreign currency transactions during the financial year are translated into the functional currency using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the transaction at year end exchange rate on monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, with the exception of:

- differences on foreign currency borrowings that provide a hedge against a net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss. On disposal of a foreign operation, the cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.
- differences which relate to "assets under construction for future productive use" are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings.

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

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the income statement, as part of the gain or loss on sale where applicable. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

F. BUSINESS COMBINATIONS

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange, unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. In a reverse acquisition, if the fair value of the equity instruments of the legal subsidiary is not otherwise clearly evident, the total fair value of all the issued equity instruments of the legal parent before the business combination shall be used as the basis for determining the cost of the combination. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Deferred consideration is measured at the present value of management's best estimate of expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects the current assessment of the Group's incremental borrowing rate. The increase in the provision due to the passage of time or 'unwinding' of the discount is recognised as a finance expense. Other movements in deferred consideration, including those from updated short and long-term commodity prices and forward exchange rates are recognised in the income statement to the extent that they do not exceed the discount on acquisition initially recognised.

Refer to Note 37 for further details of the business combination effected during the current financial year.

G. REVENUE RECOGNITION

Revenue is recognised and measured at the fair value of the consideration received or receivable. The Group recognised revenue when the amount of revenue can be reliably measured, it is probable that the economic benefits will flow to the Group and specific criteria have been met for each of the Group's activities described below.

Revenue is recognised for the major business transactions as follows:

Sale of goods

Revenues from the sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the customer and the amount of revenue can be measured reliably. Risks and rewards are considered passed to the buyer at the time when title passes to the customer.

The majority of the Group's sales arrangements specify that title passes when the product is transferred to the vessel on which the product will be shipped. Revenues are generally recognised on the bill of lading date. Sales arrangements allow for an adjustment to the sales price based on a survey of the goods by the customer (an assay for mineral content). Accordingly, revenues are based on the most recently determined estimate of the product specifications and adjusted, when necessary, based on a survey of the goods by the customer.

Royalties

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

Interest revenue

Interest revenue is recognised on a time proportion basis using the effective interest method.

Dividend revenue

Dividends are recognised as revenue when the right to receive payment is established.

H. GOVERNMENT GRANTS

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

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

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

I. LEASES

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

Finance leases, which are those leases that transfer substantially all of the risks and rewards incidental to ownership of the leased item to the Group, are capitalised at the present value of the minimum lease payments and disclosed as property plant and equipment. A lease liability of equal value is also recognised. Each lease payment is allocated between the liability and financing costs. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability over the period. The property, plant and equipment acquired under a finance lease is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Operating leases are those leases that do not transfer a significant portion of the risks and rewards of ownership to the Group as lessee. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

J. CASH AND CASH EQUIVALENTS

For cash flow statement presentation purposes, cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to amounts of cash and which are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

K. TRADE AND OTHER RECEIVABLES

Trade receivables are recognised and carried at the original invoice amount less provision for impairment. Trade receivables are generally due for settlement within 14 days.

Collectability of trade receivables are reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the amount directly. An allowance accounts (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the impairment loss is recognised in the income statement within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

L. INVENTORIES

Raw materials and stores, ore stockpiles, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost is determined primarily on the basis of weighted average costs and comprises of cost of direct materials and the costs of production which include:

- labour costs, materials and contractor expenses which are directly attributable to the extraction and processing of ore;
- depreciation of property, plant and equipment used in the extraction and processing of ore; and
- production overheads directly attributable to the extraction and processing of ore.

Stockpiles represent ore that has been extracted and is available for further processing. If there is significant uncertainty as to when the stockpiled ore will be processed it is expensed as incurred. Where the future processing of the ore can be predicted with confidence because it exceeds the mine's cut-off grade, it is valued at the lower of cost and net realisable value. Work in progress inventory includes partly processed material. Quantities are assessed primarily through surveys and assays.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

M. INCOME TAX

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

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

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

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

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

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

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

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

Tax consolidation legislation

Grange Resources Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. Following the legal acquisition of Ever Green the combined Grange Resources Limited group operates two separate tax consolidated groups.

The head entities of the group's two separate tax consolidated groups are Grange Resources Limited and Shagang Mining (Australia) Pty Ltd. The head entities in the tax consolidated group's continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone tax payer in its own right.

In addition to its own current and deferred tax amounts, the head entities of the group's tax consolidated groups also recognise the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in its tax consolidated group.

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

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

N. GOODS AND SERVICES TAX (GST)

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

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

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

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

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

O. PROPERTY, PLANT AND EQUIPMENT

Land and buildings and plant and equipment are measured at cost less, where applicable, any accumulated depreciation, amortisation or impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate the cost, net of their residual values, over the estimated useful lives or the life of the mine, whichever is shorter, or, in the cash of leasehold improvements and certain leased plant and equipment, the shorter lease term. Depreciation rates used are as follows:

Buildings	10 years
Plant and equipment	four to eight years
Computer equipment	three to five years

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

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

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

P. EXPLORATION AND EVALUATION

Exploration and evaluation expenditure comprises costs which are directly attributable to:

- research and analysing exploration data
- conducting geological studies, exploratory drilling and sampling
- examining and testing extraction and treatment methods
- compiling pre-feasibility and definitive feasibility studies

Exploration and evaluation expenditure also includes the costs incurred in acquiring rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

Capitalisation of exploration expenditure commences on acquisition of a beneficial interest, or option to acquire a beneficial interest, in mineral rights.

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

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

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

(i) such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or

(ii) exploration and evaluation activities in the area of interest have not, at balance date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

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

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

In the event a loss arises from the sale of an area of interest for which expenditure has been carried forward, this will be recorded in the income statement.

Q. MINE PROPERTIES AND DEVELOPMENT

Mine properties and development 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 arise, otherwise such expenditure is classified as part of the cost of production.

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

The carrying value of each mine properties and development are assessed annually for impairment in accordance with Note 1(s).

R. DEFERRED STRIPPING

Stripping (ie overburden and other waste removal) costs incurred in the development of a mine are capitalised as part of the cost of constructing the mine and subsequently amortised over the life of the operation or a discrete section of the ore body.

Waste removal normally continues throughout the life of the mine. The Company defers stripping costs incurred during the production stage of its operations and discloses it within 'Mine properties and development'.

The amount of stripping cost deferred is based on the ratio obtained by dividing the tonnage of waste mined by the quantity of ore mined. Stripping costs incurred in the period are deferred to the extent that the current period ratio exceeds the life of mine ratio. Such deferred costs are then charged against to the income statement to the extent that, in subsequent periods, the ratio falls short of the life of mine ratio. The life of mine ratio is based on proven and probable reserves of the operation.

Deferred stripping costs form part of the total investment in the relevant cash generating unit, which is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

Changes to the life of mine stripping ratio are accounted for prospectively.

S. IMPAIRMENT OF ASSETS

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

Recoverable amount is the greater of fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group's of assets (cash generating units).

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

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have deceased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the original carrying amount of the asset in question. Such reversal is recognised in profit or loss.

After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

T. INVESTMENTS AND OTHER FINANCIAL ASSETS

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit and loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition, and in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Held-to-maturity investments

Bills of exchange and debentures are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Available-for-sale financial assets

Financial assets that are available-for-sale are stated at fair value less impairment. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in profit or loss for the period.

U. DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The company designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges) or hedges of highly probable forecast transactions (cash flow hedges), or hedges of net investments in foreign operations.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in the foreign currency translation reserve; the gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Gains and losses deferred in the foreign currency translation reserve are recognised immediately in profit or loss when the foreign operation is disposed of.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

V. FINANCIAL INSTRUMENTS ISSUED BY THE COMPANY

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

W. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. The sale of the asset (or disposal group) is expected to be completed within one year from the date of classification.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group are held for sale are presented separately from other liabilities in the balance sheet.

X. ORE RESERVES

The Company estimates its ore reserves and mineral resources based on information compiled by Competent Persons as defined in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves of December 2004 (the JORC code). Reserves, and for certain mines resources, determined in this way are used in the calculation of depreciation, amortisation and impairment charges, the assessment of life of mine stripping ratios and for forecasting the timing of the payment of close down and restoration costs.

In assessing the life of a mine for accounting purposes, mineral resources are only taken into account where there is a high degree of confidence of economic extraction.

Y. TRADE AND OTHER PAYABLES

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

Z. BORROWINGS

All borrowings are initially recognised at the fair value of the consideration received, less transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

AA. PROVISIONS

Provisions are recognised when the Group has a present obligation, it is probable that there will be a future sacrifice of economic benefits and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be recovered from a third party, for example under an insurance contract, the receivable is recognised as a separate asset but only when the reimbursement is virtually certain and it can be measured reliably. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where this is the case, its carrying amount is the present value of these estimated future cash flows. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Decommissioning and restoration

Decommissioning and restoration provisions include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. The provision is recognised in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the mine development or during the production phase, based on the net present value of estimated future costs. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments and are subject to formal review at regular intervals.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the income statement in each accounting period. The amortisation of the discount is shown as a financing cost, rather than as an operating cost. Other movements in the provisions for close down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the lives of operations and revisions to discount rates are capitalised within mine properties and development, to the extent that any amount of deduction does not exceed the carrying amount of the asset. Any deduction in excess of the carrying amount is recognised in the income statement immediately. If an adjustment results in an addition to the cost of the related asset, consideration will be given to whether an indication of impairment exists and the impairment policy will apply. These costs are then depreciated over the life of the area of interest to which they relate.

Onerous contracts

An onerous contract is considered to exist where the Company has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received.

Restructuring

A provision for restructuring is recognised when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by:

- starting to implement the plan; or
- announcing its main features to those affected by it.

AB. EMPLOYEE ENTITLEMENTS

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation funds

Contributions to defined contribution funds are recognised as an expense in the income statement as they become payable.

Share-based payment transactions

Share based compensation benefits are provided to Directors and eligible employees under various plans. Information relating to the plans operated by the Company is set out in Note 43.

The fair value of options granted under the plans is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at the grant date and recognised over the period during which the Director or eligible employee become unconditionally entitled to the options.

The fair value at grant date is independently determined using either binomial option pricing or Black-Scholes pricing models that take into account the exercise price, the term of the option, the impact of dilution, the share price at the grant date, the expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted, where necessary, to reflect market vesting conditions but excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in the assumptions about the number of options that are expected to be exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

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

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

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

AC. CONTRIBUTED EQUITY

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

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

AD. DIVIDENDS

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

AE. EARNINGS PER SHARE (EPS)

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares;
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

AF. ROUNDING OF AMOUNTS

The Company is a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

AG. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Group's and parent entity's assessment of the impact of these new standards and interpretations is set out below:

(i) AASB 8 *Operating Segments* and AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8* (effective from 1 January 2009)

AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group will adopt AASB 8 from 1 July 2009. Application of AASB 8 may result in different segments, segment results and different types of information being reporting in the segment note of the financial report. However, it is not expected to affect any amounts recognised in the financial report.

(ii) Revised AASB 123 *Borrowing Costs* and AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123* (effective from 1 January 2009)

The revised AASB 123 has removed the option to expense all borrowing costs and, when adopted, will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group does already capitalise borrowing costs relating to qualifying assets.

(iii) Revised AASB 101 *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards* arising from AASB 101 (effective from 1 January 2009)

A revised AASB 101 was issued in September 2007 and requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group will apply the revised standard from 1 July 2009.

(iv) AASB 2008-1 *Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations* (effective from 1 January 2009)

AASB 2008-1 clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply the revised standard from 1 July 2009, but it is not expected to affect the accounting for the Group's share-based payments.

(v) Revised AASB 3 *Business Combinations,* AASB 127 *Consolidated and Separate Financial Statements* and AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127* (effective 1 July 2009)

The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed. This is different to the Group's current policy which is set out in Note 1(f) above.

The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. Under the Group's current accounting policy, the retained interest in the carrying amount of the former subsidiary's assets and liabilities becomes the cost of investment. If the investment is accounted for as an available-for-sale financial asset, it is subsequently revalued to fair value; however, any revaluation gain or loss is recognised in the available-for-sale investments revaluation reserve.

The Group will apply the revised standards prospectively to all business combinations and transactions with non-controlling interests from 1 July 2009.

(vi) AASB 2008-6 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective 1 July 2009)

The amendments to AASB 5 *Discontinued Operations* and AASB 1 *First-Time Adoption of Australian-Equivalents to International Financial Reporting Standards* are part of the IASB's annual improvements project published in May 2008. They clarify that all of a subsidiary's assets and liabilities are classified as held-for-sale if a partial disposal sale plan results in loss of control. Relevant disclosures should be made for this subsidiary if the definition of a discontinued operation is met. The Group will apply the amendments prospectively to all partial disposals of subsidiaries from 1 July 2009.

(vii) AASB 2008-7 *Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (effective 1 July 2009)

In July 2008, the AASB approved amendments to AASB 1 *First-time Adoption of International Financial Reporting Standards* and AABS 127 *Consolidated and Separate Financial Statements.* The Group will apply the revised rules prospectively from 1 July 2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment. Under the entity's current policy, these dividends are deducted from the cost of the investment. Furthermore, when a new intermediate parent entity is created in internal reorganisations it will measure its investment in subsidiaries at the carrying amounts of the net assets of the subsidiary rather than the subsidiary's fair value.

(viii) AASB 2009-2 *Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments* (effective for annual periods beginning on or after 1 January 2009)

In April 2009, the AASB published amendments to AASB 7 *Financial Instruments: Disclosure* to improve the information that entities report about their liquidity risk and the fair value of their financial instruments. The amendments require fair value measurement disclosures to be classified into a new three-level hierarchy and additional disclosures for items whose fair value is determined by valuation techniques rather than observable market values. The AASB also clarified and enhanced the existing requirements for the disclosure of liquidity risk of derivatives. The Group will apply the amendments from 1 July 2009. They will not affect any of the amounts recognised in the financial statements.

NOTE 2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts to manage certain risk exposures. Derivatives are exclusively used for hedging purposes, ie not as trading or other speculative instruments.

Risk management is carried out by the General Manager - Finance under policies approved by the Board of Directors. The General Manager – Finance identifies, evaluates and hedges financial risks. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. There were no derivative financial instruments in place at the end of the financial year.

The Group and the parent entity hold the following financial instruments:

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Financial Assets				
Cash and cash equivalents	20,466	45,943	5,876	7,086
Trade and other receivables	35,721	20,950	105,518	7,957
Derivative financial instruments	-	5,080	-	-
	56,187	71,973	111,394	15,043
Financial Liabilities				
Trade and other payables	50,529	53,894	6,081	1,406
Borrowings	129,926	212,700	32,299	32,770
Deferred consideration	174,519	352,458	-	-
	354,974	619,052	38,380	34,176

A. MARKET RISK

(i) Foreign exchange risk

The Group and the parent entity operate internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar.

Foreign exchange risk arises from commercial transactions, given that the Group's sales revenues are in US dollars and the majority of its operating costs are Australian dollar denominated, and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The table below represents the Group's exposure to currency derivatives. The currency derivatives were closed out by April 2009, resulting in a loss of $49.1 million for the year ended 30 June 2009 (2008: Gain $6.5 million) (refer Note 7).

			Consolidated		Parent	
Options	Maturity	Weighted Average A$/US$	2009 $'000	2008 $'000	2009 $'000	2008 $'000
US$ put options	> 1 yr	0.8603	-	110,000	-	-
	1 – 5 yrs	0.8740	-	8,000	-	-
US$ call options	> 1 yr	0.9115	-	110,000	-	-
	1 – 5 yrs	0.9550	-	8,000	-	-

The Group's and parent entity's exposure to US dollar denominated foreign currency risk at the reporting date, expressed in Australia dollars, was as follows:

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Cash and cash equivalents	8,686	45,415	-	-
Trade and other receivables	16,002	11,108	-	-
Forward exchange contracts (net settled)	-	5,080	-	-
Trade and other payables	(9,525)	(21,918)	-	-
Borrowings	(120,922)	(203,858)	-	-
Deferred consideration	(174,519)	(352,458)	-	-

Group sensitivity

Based on the financial instruments held at 30 June 2009, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's post-tax profit for the year would have been $31.1 million lower/$25.5 million higher (2008 -$67.0 million lower/$59.9 million higher), mainly as a result of foreign exchange gains/losses on translation of US dollar denominated borrowings and deferred consideration as detailed in the above table. Profit is less sensitive to movements in the Australian dollar/US dollar exchange rates in 2009 than 2008 because of the decreased amount of US dollar denominated borrowings and deferred consideration.

(ii) Price risk

The Group and the parent entity are exposed to commodity price risk. Contract iron ore prices are set by the global markets annually on 1 April for the forthcoming 12 months. The Group has historically entered into contracts with key customers with set commodity prices to manage its commodity price risk.

Where possible, the Group will consider using financial instruments to manage commodity price risk.

(iii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long term borrowings. Borrowings are issued at variable rates exposing the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk if the borrowings are carried at fair value.

During 2009 and 2008, the Group's borrowings at variable rates were denominated in US dollars. As at the reporting date, the Group has the following variable rate borrowings outstanding:

	2009		2008	
	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Borrowings	1.22	59,224	3.83	50,396

The Group's fixed rate borrowings and receivables are carried at amortised cost. As they are fixed rate borrowings, they are not subject to interest rate risk as defined by AASB 7.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. No financial instruments are used to manage interest rate risk.

Group sensitivity

The Group's fixed rate borrowings and receivables are carried at amortised cost. As they are fixed rate borrowing, they are not subject to interest rate risk and are excluded from the interest rate sensitivity analysis.

At 30 June 2009, if interest rates had increased by five basis points (bps) or decreased by five bps from the year end rates with all other variables held constant, post tax profit for the year would have been $0.2 million higher/$0.2million lower (2008 changes of five bps/five bps: $0.2 million lower/$0.2 million higher).

B. CREDIT RISK

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

The Group is exposed to a concentration of risk with sales of iron ore being made to a limited number of customers. The maximum exposure to credit risk at the reporting date is limited to the carrying value of trade receivables.

The Group has mitigated its credit risk to the Group's Chinese customer and major shareholder by entering into a Letter of Credit arrangement with a financial institution which allows the Group to recover the carrying value of a trade receivable on the bill of lading date.

The Group has no receivables past due as at 30 June 2009.

C. LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

The Group and the parent entity have fully drawn available borrowing facilities as at the reporting date.

Maturities of financial liabilities

The table below analyses the Group financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 6 months $'000	6 - 12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contract-ual cash flows $'000	Carrying amount liabilities $'000
30 June 2009 - Consolidated							
Non-derivatives							
Non-interest bearing							
Trade and other payables and borrowings	60,063	-	-	-	-	60,063	60,063
Deferred consideration	24,404	6,224	41,365	56,348	144,243	272,584	174,519
Variable rate borrowings	30,261	329	21,115	1,341	6,178	59,224	59,224
Fixed rate borrowings	7,303	7,303	14,606	41,376	-	70,588	61,168
Total non-derivatives	122,031	13,856	77,086	99,065	150,421	462,459	354,974
30 June 2008 - Consolidated							
Non-derivatives							
Non-interest bearing							
Trade and other payables and borrowings	128,788	-	-	-	-	128,788	128,788
Deferred consideration	1,288	49,913	37,769	208,632	229,763	527,365	352,458
Variable rate borrowings	494	41,786	589	1,796	5,731	50,396	50,396
Fixed rate borrowings	27,555	12,506	12,312	47,188	-	99,561	87,411
Total non-derivatives	158,125	104,205	50,670	257,616	235,494	806,110	619,053

Parent entity trade and other payables of $6.1 million as at June 2009 (2008: $1.4 million) mature within a period of six months of the reporting date. Parent entity borrowings of $32.8 million as at June 2009 (2008: $32.8 milion) relate to loans from controlled entities and are repayable on demand.

D. FAIR VALUE ESTIMATION

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

Derivative contracts classified as held for trading are fair valued by comparing the contracted rate to the current market rate for a contract with the same remaining period to maturity.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives and investments in unlisted subsidiaries) is determined using valuation techniques. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

E. CAPITAL MANAGEMENT DISCLOSURE

When managing capital, management's objective is to ensure the entity continues as a going concern as well maintaining optimal returns to shareholders and benefits for other stakeholders.

Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity. Capital resources include ordinary equity and borrowings.

Management is constantly reviewing and adjusting, where necessary, the capital structure. This involves the use of corporate forecasting models which enable analysis of the Group's financial position including cash flow forecasts to determine future capital management requirements. To ensure sufficient funding, a range of assumptions are modelled.

NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

A. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of capitalised exploration and evaluation expenditure

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

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

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

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

Impairment of property, plant and equipment and mine properties and development

The consolidated entity performs an impairment assessment when there is an indication of a possible impairment. Impairment assessments are performed using information from internal Board approved budgets as well external sources, including industry analysts and analysis performed by external parties. In assessing the recoverable amount, the consolidated entity makes a number of impairment assumptions, including commodity price expectations, exchange rates, reserves and resources and expectation regarding future operating performance which are subject to risk and uncertainty. Changes in circumstances may affect these estimates and the recoverable amount. If the carrying amount is assessed to be impaired, the impairment charge is recognised in the income statement.

Net realisable value of inventories

The consolidated entity reviews the carrying value of its inventories at each reporting date to ensure that the cost does not exceed net realisable value. Estimates of net realisable value includes a number of assumptions, including exchange rates and costs to complete inventories to a saleable product.

Provision for decommissioning and restoration costs

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

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

Changes to any of the estimates could result in significant changes to the level of provisioning required, which would in turn impact future financial results. These estimates are reviewed annually and adjusted where necessary to ensure that the most up to date data is used.

Determination of ore reserves and resources

Ore reserves and resources are based on information complied by a Competent Person as defined in accordance with the Australasian Code of Mineral Resources and Ore Reserves of December 2004 (the JORC code). There are numerous uncertainties inherent in estimating ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated. Such changes in reserves could impact on depreciation and amortisation rates, asset carrying values and provisions for rehabilitation.

Taxation

The Group's accounting policy for taxation requires management judgement in relation to the application of income tax legislation. Certain deferred tax assets for deductible temporary differences have been recognised. In recognising these deferred tax assets assumptions have been made regarding the Group's ability to generate future taxable profits. There is an inherent risk and uncertainty in applying these judgements and a possibility that changes in legislation will impact upon the carrying amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value for options is determined by an external value using a binomial model, using the assumptions detailed in Note 43. The fair value for shares issued is determined by the volume weighted average trading price over a specified number of days.

NOTE 4. SEGMENT INFORMATION

A. PRIMARY REPORTING - INDUSTRY SEGMENTS

The Group operates in the iron ore production and exploration industry.

B. SECONDARY REPORTING - GEOGRAPHICAL SEGMENTS

The following table presents segment revenues from external customers by geographical segment.

	Segment revenues from sales to external customers	
	2009 $'000	2008 $'000
Australia	193,824	119,678
China	162,435	58,570
Malaysia	227	-
Total	356,486	178,248

Segment revenues are allocated based on the country in which the customer is located. Segment assets and capital are allocated based on where the assets are located.

The consolidated assets of the Group were predominately located in Australia as at 30 June 2009 and 30 June 2008. The total cost incurred during the current and comparative years to acquire segment assets were also predominately incurred in Australia.

NOTE 5. REVENUE

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
From mining operations				
Sales of iron ore	356,189	177,491	-	-
Other revenue	297	757	376	692
	356,486	178,248	376	692

NOTE 6. COST OF SALES

Mining costs	119,242	68,516	-	-
Production costs	97,056	63,395	-	-
Government royalties	8,105	5,998	-	-
Depreciation and amortisation expense	57,359	37,044	-	-
Deferred mining costs capitalised (net)	(60,963)	(33,298)	-	-
Changes in inventories	9,877	23,326	-	-
Foreign exchange (gain)/loss	(2,975)	1,506	-	-
	227,721	166,487	-	-
Depreciation and amortisation				
Land and buildings	2,504	437	-	-
Plant and equipment	30,498	11,926	-	-
Computer equipment	351	120	-	-
Mine properties and development	24,006	24,561	-	-
	57,359	37,044	-	-

NOTE 7. NET GAINS/(LOSSES) ON DERIVATIVES

Net gain/(loss) on foreign currency derivatives not qualifying as hedges	(49,092)	6,523		
	(49,092)	6,523	-	-

A. RISK EXPOSURES

Information about the Group's and parent entity's exposure to credit risk, foreign exchange risk and interest rate risk are provided in Note 2.

NOTE 8. IMPAIRMENT LOSSES

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Impairment losses				
- Inventories	(9,921)	-	-	-
- Property, plant and equipment	(3,379)	-	-	-
- Mine properties and development	(66,600)	-	-	-
- Exploration and evaluation	(10,400)	-	(27,312)	-
	(90,300)	-	(27,312)	-

The consolidated entity's impairment losses relate to the Group's operations in Tasmania whilst the parent entity's relates to the Group's exploration and evaluation project in Western Australia.

Consolidated

The consolidated entity performs an impairment assessment when there is an indication of a possible impairment. A detailed impairment assessment was performed at 2 January 2009, which was triggered by the merger of Grange and Ever Green coupled with the adverse market conditions, including the renegotiation of contracted iron ore prices.

For the consolidated entity, the impairment assessment was performed using a variety of data, including a valuation performed by an external party and assumptions used in Board approved budgets and mine plans. The recoverable amount was determined using a fair value less cost to sell valuation method. In assessing the recoverable amount, the consolidated entity makes a number of impairment assumptions, including assumptions regarding commodity prices, foreign exchange rates and risk adjustments to future cash flows. Commodity price expectations, exchange rates, reserves and resources, and expectations regarding future operating performance can change significantly over short periods of time, which can have a significant impact upon the carrying amount of assets. The consolidated entity has considered information from industry analysts and analysis performed by external parties in relation to short-term and long-term assumptions.

The projected cash flows for the consolidated entity operations were discounted to present values using discount rates specific to the asset. The real post-tax discount rate as determined with the assistance of external parties was 8.77%.

Parent

Pursuant to the merger of Grange and Ever Green on 2 January 2009, the resulting fair value assessment of the Group's pre-merger assets provided an indication of an impairment loss on the Group's exploration and evaluation asset. The recoverable amount was determined using a fair value less cost to sell valuation method using assumptions determined with reference to internal Board approved information, industry analyst information and analysis performed by external parties.

NOTE 9. OTHER INCOME/(EXPENSES)

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Other income				
Net gain on the disposal of property, plant and equipment	-	2,504	-	-
Net gain on the disposal of exploration and evaluation	-	-	-	4,245
Other income	-	-	585	-
	-	2,504	585	4,245
Other expenses				
Net loss on the disposal of property, plant and equipment	(1,289)	-	-	-
Net loss on the disposal of exploration and evaluation	-	-	(2,192)	-
	(1,289)	-	(2,192)	-

NOTE 10. FINANCE INCOME/(EXPENSES)

Finance income				
Interest income received or receivable				
- Other entities	1,452	755	492	779
Exchange gains on foreign currency borrowings	-	11,650	-	-
	1,452	12,405	492	779
Finance expenses				
Interest charges paid or payable				
- Related entities	(1,056)	(1,117)	-	-
- Other entities	(3,007)	(610)	-	-
Finance lease interest charges paid or payable	(4,159)	(1,440)	-	-
Provisions: unwinding of discount	(22,965)	(13,719)	-	-
Exchange losses of foreign currency borrowings	(41,495)	-	(15,509)	-
Other	(659)	(73)	-	-
	(73,341)	(16,959)	(15,509)	-

NOTE 11. INCOME TAX EXPENSE

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
A. INCOME TAX EXPENSE				
Current tax	-	-	-	-
Deferred tax	(23,452)	8,093	-	-
Adjustment to current tax of prior periods	(5,679)	-	(357)	-
	(29,131)	8,093	(357)	-
Deferred income tax (revenue) expense included in income tax expense comprises:				
(Increase)/decrease in deferred tax assets	(9,173)	(4,580)	-	-
Increase/(decrease) in deferred tax liabilities	(14,279)	12,673	-	-
	(23,452)	8,093	-	-
B. NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE				
Profit/(loss) from continuing operations before income tax expense	56,879	32,433	(52,522)	1,957
Tax at the Australian tax rate of 30% (2008: 30%)	17,064	9,730	(15,756)	587
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Discount on acquisition of subsidiary	-	(47,242)	-	-
Revaluation of deferred consideration	(46,919)	43,610	-	-
Unwind of discount on deferred consideration	3,727	3,065	-	-
Share based payments expense	594	-	1,017	(47)
Research and development	-	(452)	-	-
Difference in overseas tax rates	-	(656)	-	-
Sundry items	97	38	(13)	(10)
	(25,437)	8,093	(14,752)	530
Adjustments to current tax of prior periods	(5,679)	-	(357)	-
Income tax benefits not recognised	1,985	-	14,752	-
Previously unrecognised tax losses now recouped to reduce current tax expense	-	-	-	(530)
Income tax expense/(benefit)	(29,131)	8,093	(357)	-

The deferred tax assets attributable to tax losses of $17,992,485 (2008: nil) held by the Grange Resources Limited tax consolidated group, have not been brought to account at 30 June 2009 because the Directors do not believe it is appropriate to regard realisation of the future tax benefit as probable. These benefits will only be obtained if:

(i) the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the loss to be realised;
(ii) the Group continues to comply with the conditions for the deductibility imposed by law; and
(iii) no changes in tax legislation adversely affect the Group in realising the benefit from the deduction for the loss.

D. TAX CONSOLIDATION LEGISLATION

Grange Resources Limited and Shagang Mining (Australia) Pty Ltd and each of their wholly owned Australian controlled entities have implemented the tax consolidation legislation. The accounting policy in relation to this legislation is set out in Note 1(m).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group's entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly owned entities in the case of a default by the head entities, Grange Resources Limited and Shagang Mining (Australia) Pty Ltd.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Grange Resources Limited and Shagang Mining (Australia) Pty Ltd for any current tax receivable and deferred tax assets related to unused tax losses or unused tax credits that are transferred to Grange Resources Limited or Shagang Mining (Australia) Pty Ltd under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entities, which is issued as soon a practicable after the end of the financial year. The head entity may also require payment of an interim funding amount to assist with its obligations to pay tax instalments. The funding amounts are recognised as intercompany receivables or payables.

NOTE 12. CASH AND CASH EQUIVALENTS

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Cash at bank and in hand	20,466	45,943	5,876	7,086
	20,466	45,943	5,876	7,086

A. RISK EXPOSURE

The Group's and the parent entity's exposure to interest rate risk is discussed in Note 2. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

NOTE 13. TRADE AND OTHER RECEIVABLES

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Trade receivables	10,775	5,297	2	3
Other receivables	8,572	2,859	877	1,184
Prepayments	277	4,076	73	50
Security deposits	237	1,416	-	-
	19,861	13,648	952	1,237

A. IMPAIRED TRADE RECEIVABLES

The Group has no trade receivables past due as at 30 June 2009, nor does it consider there to be any potential impairment loss on these receivables.

B. FOREIGN EXCHANGE AND INTEREST RATE RISK

Information about the Group's and the parent entity's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in Note 2.

NOTE 14. INVENTORIES

Stores and spares	17,286	15,923	-	-
Ore stockpiles				
- at cost	-	44,603	-	-
- at net realisable value	17,828	-	-	-
Work-in-progress (at cost)	622	1,487	-	-
Finished goods				
- at cost	-	20,163	-	-
- at net realisable value	28,151	-	-	-
	63,887	82,176	-	-

A. INVENTORY EXPENSE

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2009 amounted to $9,921,000 (2008: Nil). The expense has been included as an impairment expense in the income statement.

NOTE 15. DERIVATIVE FINANCIAL INSTRUMENTS

Forward foreign exchange contracts	-	5,080	-	-
	-	5,080	-	-

A. FORWARD FOREIGN EXCHANGE CONTRACTS – HELD FOR TRADING

During 2008 the Group entered into forward exchange contracts which were economic hedges, but which did not satisfy the requirements for hedge accounting. These contracts are subject to the same risk management policies as all other derivative contracts (refer to Note 2 for details), however, they are accounted for as held for trading.

B. RISK EXPOSURES

Information about the Group and the parent entity's exposure to credit risk, foreign exchange risk and interest rate risk are provided in Note 2. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of derivative financial instrument mentioned above.

NOTE 16. RECEIVABLES

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Related party receivables				
Loans to controlled entities	-	-	115,053	16,414
Provision for impairment of receivables	-	-	(11,849)	(11,079)
	-	-	103,204	5,335
Other receivables				
Security deposits	16,138	11,377	1,434	1,436
	16,138	11,377	1,434	1,436
	16,138	11,377	104,638	6,771

A. IMPAIRED RECEIVABLES

The movement in the provision for impairment was as follows:

At 1 July 2008	-	-	(11,079)	(11,079)
Change for year	-	-	(770)	-
At 30 June 2009	-	-	(11,849)	(11,079)

B. RISK EXPOSURE

Information about the Group and parent entity's exposure to credit risk, foreign exchange and interest rate risk is provided in Note 2. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

NOTE 17. OTHER FINANCIAL ASSETS

Shares in subsidiaries	-	-	57,810	29,028
Provision for impairment	-	-	(23,786)	(23,786)
	-	-	34,024	5,242

NOTE 18. PROPERTY, PLANT AND EQUIPMENT

	Consolidated				Parent			
	Land and buildings $'000	Plant and equipment $'000	Computer equipment $'000	Total $'000	Land and buildings $'000	Plant and equipment $'000	Computer equipment $'000	Total $'000
At 1 July 2008								
Cost or fair value	28,732	171,593	396	200,721	4,658	249	225	5,132
Accumulated depreciation	(437)	(12,130)	(120)	(12,687)	(43)	(88)	(147)	(278)
Net book amount	28,295	159,463	276	188,034	4,615	161	78	4,854
Year ended 30 June 2009								
Opening net book amount	28,295	159,463	276	188,034	4,615	161	78	4,854
Additions	6,597	16,288	921	23,806	70	63	16	149
Disposals	(117)	(1,352)	(1)	(1,470)	-	-	-	-
Depreciation charge	(2,526)	(30,636)	(374)	(33,536)	(14)	(82)	(46)	(142)
Impairment	-	(3,379)	-	(3,379)	-	-	-	-
Transfers	(35)	(398)	-	(433)	-	-	-	-
Closing net book amount	32,214	139,986	822	173,022	4,671	142	48	4,861
At 30 June 2009								
Cost or fair value	35,177	182,753	1,316	219,246	4,728	310	241	5,279
Accumulated depreciation	(2,963)	(42,767)	(494)	(46,224)	(57)	(168)	(193)	(418)
Net book amount	32,214	139,986	822	173,022	4,671	142	48	4,861
At 1 July 2007								
Cost or fair value	-	-	-	-	412	228	164	804
Accumulated depreciation	-	-	-	-	(28)	(53)	(112)	(193)
Net book amount	-	-	-	-	384	175	52	611
Year ended 30 June 2008								
Opening net book amount	-	-	-	-	384	174	52	610
Additions	28,907	171,593	396	200,896	6,064	20	63	6,147
Disposals	(175)	-	-	(175)	(1,819)	-	-	(1,819)
Depreciation charge	(437)	(12,130)	(120)	(12,687)	(14)	(33)	(37)	(84)
Impairment	-	-	-	-	-	-	-	-
Transfers	28,295	159,463	276	188,034	4,615	161	78	4,854
At 30 June 2008								
Cost or fair value	28,732	171,593	396	200,721	4,658	249	225	5,132
Accumulated depreciation	(437)	(12,130)	(120)	(12,687)	(43)	(88)	(147)	(278)
Net book amount	28,295	159,463	276	188,034	4,615	161	78	4,854

No item of property, plant and equipment has been pledged as security for the Group's liabilities, other than as disclosed in Note 18(b).

A. ASSETS UNDER CONSTRUCTION

The carrying amounts of the assets disclosed above includes expenditure of $5,348,248 (2008:$28,079,688) recognised in relation to property, plant and equipment which is in the course of construction.

B. LEASED ASSETS

Plant and equipment includes the following amounts where the Group is a lessee under a finance lease. The lessor is secured over the leased assets.

	2009 $'000	2008 $'000
Cost	71,725	71,000
Accumulated depreciation	(24,497)	(5,740)
Net book amount	47,228	65,260

NOTE 19. MINE PROPERTIES AND DEVELOPMENT

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Mine properties and development (at cost)	276,115	341,795	-	-
Accumulated depreciation	(48,533)	(24,561)	-	-
Net book amount	227,582	317,234	-	-
Deferred mining costs (net book amount)	107,952	46,989	-	-
Total mine properties and development	335,534	364,223	-	-

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Movement:				
Mine properties and development				
Opening net book amount	317,234	-	-	-
Additions	4,114	341,795	-	-
Current year expenditure	39	-	-	-
Transfers to assets held for sale	(2,929)	-	-	-
Impairment loss	(66,600)	-	-	-
Depreciation charge	(24,006)	(24,561)	-	-
Exchange differences	(270)	-	-	-
Closing net book amount	227,582	317,234	-	-
Deferred mining costs				
Opening net book amount	46,989	-	-	-
Additions	-	13,690	-	-
Current year expenditure capitalised	66,435	34,184	-	-
Amounts transferred to inventories	(5,472)	(885)	-	-
Closing net book amount	107,952	46,989	-	-

NOTE 20. EXPLORATION & EVALUATION EXPENDITURE

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Exploration & evaluation properties (at cost)	45,315	12,900	41,296	77,111
	45,315	12,900	41,296	77,111

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Movement:				
Balance at beginning of year	12,900	-	77,111	29,088
Acquisition additions	40,739	12,900	-	-
Current year expenditure	2,221	-	7,218	9,665
Farm-in of joint venture partner	-	-	-	(10,075)
Value of options issued as part consideration for the purchase of Exploration Licence 70/2512	-	-	-	26,023
Value of shares issued as part consideration for the purchase of Exploration Licence 70/2512	-	-	-	22,410
Sale of 30% of Exploration Licence E70/2512 to joint venture partner	-	-	(15,532)	-
Transfers to property plant and equipment	-	-	(189)	-
Exchange differences	(145)	-	-	-
Impairment loss	(10,400)	-	(27,312)	-
Balance at end of year	45,315	12,900	41,296	77,111

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

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

NOTE 21. DEFERRED TAX ASSETS

The balance comprises temporary differences attributable to:				
Inventories	573	-	-	-
Employee benefits	2,238	1,815	-	-
Deferred consideration	6,221	3,198	-	-
Borrowings	5,094	-	-	-
Decommissioning and restoration	5,330	4,772	-	-
Taxation losses	271	707		
Other	1,125	1,186	-	-
Total deferred tax assets	20,852	11,678	-	-
Set-off against deferred tax liabilities pursuant to set-off provisions (Note 28)	(20,852)	(11,678)	-	-
Net deferred tax assets	-	-	-	-

NOTE 22. TRADE AND OTHER PAYABLES

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Trade payables and accruals	44,593	28,230	5,847	1,249
Income received in advance	-	21,237	-	-
Other payables	5,936	4,427	234	157
	50,529	53,894	6,081	1,406

A. OTHER PAYABLES

Other payables include accruals for annual leave. The entire obligation is presented as current, since the Group does not have an unconditional right to defer settlement.

B. RISK EXPOSURE

Trade payables are non-interest bearing and are normally settled on repayment terms between seven and 30 days. Information about the Group's and the parent entity's exposure to foreign exchange risk is provided in Note 2.

NOTE 23. BORROWINGS (CURRENT)

Secured				
Bank loans [1]	50,220	41,554	-	-
Related party loans [1]	9,535	-	-	-
Finance lease liabilities	11,098	8,790	-	-
Unsecured				
Related party loans	-	95,965	-	-
Other	589	-	-	-
	71,442	146,309	-	-

[1] In relation to the amount outstanding at 30 June 2009, these loans are secured by a second ranking registered equitable mortgage of shares granted in favour of Jiangsu Shagang International Trade Co., Ltd (Shagang) by Shagang Mining (Australia) Pty Ltd (SMAPL) over all shares held by SMAPL from time to time in the capital of Beviron Pty Ltd in a form agreed by Shagang and SMAPL.

Further information relating to loans from related parties is set out in Note 36.

NOTE 24. DEFERRED CONSIDERATION (CURRENT)

Deferred consideration	29,586	48,419	-	-
	29,586	48,419	-	-

A. MOVEMENTS IN DEFERRED CONSIDERATION

Movements in deferred consideration during the financial year are set out below:

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Balance at beginning of year	48,419	-	-	-
Acquisition addition	-	137,720	-	-
Payments	(55,137)	(124,752)	-	-
Charged/(credited) to the income statement:				
- changes in estimate	5,778	(11,680)	-	-
Transfers from non-current balance	30,526	47,131	-	-
Balance at end of year	29,586	48,419	-	-

NOTE 25. PROVISIONS (CURRENT)

Employee benefits	3,346	2,874	-	-
Decommissioning and restoration	810	-	-	-
	4,156	2,874	-	-

A. MOVEMENTS IN PROVISIONS

Movements in each class of provision during the financial year, other than employee benefits, are set our below:

Carrying amount at start of the year	-	-	-	-
Charged/(credited) to the income statement:				
- additional provisions recognised	-	-	-	-
- unused amounts reversed	-	-	-	-
Transfers from non-current provision	810	-	-	-
Carrying amount at the end of the year	810	-	-	-

NOTE 26. BORROWINGS (NON-CURRENT)

Secured				
Finance lease liabilities	50,070	51,560	-	-
Unsecured				
Related party loans	-	5,989	-	-
Loans from controlled entities	-	-	32,799	32,770
Other	8,414	8,842		
	58,484	66,391	32,799	32,770

Further information relating to loans from related parties is set out in Note 36.

Lease liabilities are secured as the rights to the leased assets recognised in the financial statements revert to the lesser in the event of default.

NOTE 27. DEFERRED CONSIDERATION (NON-CURRENT)

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Deferred consideration	144,933	304,039	-	-
	144,933	304,039	-	-

A. MOVEMENTS IN DEFERRED CONSIDERATION

Movements in deferred consideration during the financial year are set out below:

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Balance at beginning of year	304,039	-	-	-
Acquisition addition	-	187,528	-	-
Charged/(credited) to the income statement				
- changes in estimate	(150,550)	150,577	-	-
- unwinding of discount	21,970	13,065	-	-
Transfers to current balance	(30,526)	(47,131)	-	-
Balance at end of year	144,933	304,039	-	-

NOTE 28. DEFERRED TAX LIABILITIES (NON-CURRENT)

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
The balance comprises temporary differences attributable to:				
Inventories	-	1,753	-	-
Derivative financial instruments	-	1,524	-	-
Property, plant and equipment	8,772	10,327	-	-
Mine properties and development	43,274	45,181		
Exploration and evaluation	750	3,870	-	-
Borrowings	-	3,601	-	-
Other	406	1,224	-	-
Total deferred tax liabilities	53,202	67,480	-	-
Set-off of deferred tax assets pursuant to set-off provisions (Note 21)	(20,852)	(11,678)	-	-
Net deferred tax liabilities	32,350	55,802	-	-

NOTE 29. PROVISIONS (NON-CURRENT)

Employee benefits	575	451	-	-
Decommissioning and restoration	20,206	15,907	-	585
	20,781	16,358	-	585

A. MOVEMENTS IN DECOMMISSIONING AND RESTORATION PROVISION

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Balance at beginning of year	15,907	-	585	585
Acquisition addition	3,194	9,117		
Changes in estimate	920	6,136	(585)	
Unwinding of discount	995	654	-	-
Transfers to current provision	(810)	-	-	-
Balance at end of year	20,206	15,907	-	585

NOTE 30. CONTRIBUTED EQUITY

A. CONSOLIDATED GROUP

As explained in Note 1(b), the consolidated financial statements of Grange have been prepared as a continuation of the consolidated financial statements of Ever Green. Ever Green, as the deemed acquirer, has accounted for the acquisition of Grange from 2 January 2009. The comparative financial information from 1 July 2007 to 30 June 2008 presented in the consolidated financial statements is that of Ever Green. Below is a reconciliation of the consolidated contributed equity for the 2008 and 2009 financial years:

	Consolidated		Parent	
	2009 Shares	2008 Shares	2009 $'000	2008 $'000
Issued and fully paid	495,516,250	3,000,000	155,334	447
	495,516,250	3,000,000	155,334	447

B. MOVEMENTS IN CONSOLIDATED SHARE CAPITAL

		Number of shares	$'000
1 July 2007 – Opening balance		3,000,000	457
Translation difference		-	(10)
30 June 2008 – Closing balance		3,000,000	447
Translation difference		-	178
2 January 2009 – Elimination of existing Ever Green shares		(3,000,000)	-
2 January 2009 – Existing Grange shares on acquisition of Ever Green including acquisition of minority interest		115,318,099	42,576
2 January 2009 – Issue of Grange shares on acquisition of Ever Green		380,025,554	112,246
Shares issued	(i)	172,597	-
		495,516,250	155,447
Less: Transaction costs arising from share issue		-	(113)
30 June 2009 – Closing balance		495,516,250	155,334

C. PARENT ENTITY

	Parent		Parent	
	2009 Shares	2008 Shares	2009 $'000	2008 $'000
Issued and fully paid	495,516,250	115,201,099	218,944	86,048
	495,516,250	115,201,099	218,944	86,048

D. MOVEMENTS IN PARENT ENTITY SHARE CAPITAL

		Number of Shares	$'000
1 July 2007 – Opening balance		106,201,099	63,662
Shares issued	(ii)	9,000,000	22,410
Less: Transaction costs arising from share issue		-	(24)
30 June 2008 – Closing balance		115,201,099	86,048
Shares issued	(iii)	117,000	-
Shares on issue 2 January 2009		115,318,099	86,048
2 January 2009 – Issue of Grange shares on acquisition of Ever Green including reassignment of loans		380,025,554	133,009
Shares issued	(i)	172,597	-
		495,516,250	219,057
Less: Transaction costs arising from share issue		-	(113)
30 June 2009 – Closing balance		495,516,250	218,944

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

(i) In June 2009, the Company issued 172,597 fully paid ordinary shares at $0.50 in consideration of short term incentive payments.

(ii) 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.

(iii) In July 2008, 117,000 fully paid ordinary shares issued to the trustee of the Company's Long Term Incentive Plan.

E. SHARE OPTIONS

The Company has share based payment option schemes under which options to subscribe for the Company's shares have been granted to certain executives and eligible employees (refer to Note 43).

F. ORDINARY SHARES

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

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

G. ENTITLEMENT OFFER

On 18 August 2009, the Company invited its shareholders to subscribe to an entitlement offer of approximately 495 million ordinary shares at an issue price of $0.25 per share on the basis of one share for every one ordinary share held. The entitlement offer was underwritten and completed on 21 September 2009 raising approximately $124 million before costs.

H. CORNERSTONE PLACEMENT

As part of the restructure announced on 18 August 2009, the Company has agreed, subject to shareholder and Foreign Investment Review Board approval, to issue up to 99.8 million ordinary shares to its three major shareholders at an issue price of $0.29 per share to raise approximately $29 million.

NOTE 31. RESERVES

A. RESERVES

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Foreign currency translation reserve	138	5,410	-	-
Share-based payments reserve	1,978	-	33,168	29,780
	2,116	5,410	33,168	29,780

CONSOLIDATED	Foreign currency translation reserve $'000	Share-based payments reserve $'000
Movements in reserves		
Balance as at 1 July 2007	-	-
Foreign currency translation differences	5,410	-
Balance as at 30 June 2008	5,410	-
Share-based payments expense	-	1,978
Acquisition addition	-	-
Foreign currency translation differences	(5,272)	-
Balance as at 30 June 2009	138	1,978

PARENT	Share-based payments reserve
Movements in reserves	$'000
Balance as at 1 July 2007	3,914
Share-based payments expense	(156)
Options issued for exploration licence	26,023
Movement for year	25,867
Balance as at 30 June 2008	29,780
Share-based payments expense	3,388
Balance as at 30 June 2009	33,168

B. NATURE AND PURPOSE OF RESERVES

Foreign currency translation reserve

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

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of equity benefits issued by the Company.

NOTE 32. RETAINED PROFITS/(LOSSES)

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Retained profits/(losses)				
Movements in retained profits/(losses) were as follows:				
Balance 1 July	22,125	-	(47,180)	(49,137)
Net profit/(loss) for the year	86,045	22,125	(52,165)	1,957
Balance 30 June	108,170	22,125	(99,345)	(47,180)

NOTE 33. KEY MANAGEMENT PERSONNEL

As disclosed in Note 1(b), the consolidated financial statements of Grange have been prepared as a continuation of the consolidated financial statements of Ever Green. Ever Green, as the deemed acquirer, has accounted for the acquisition of Grange from 2 January 2009. The comparative financial information from 1 July 2007 to 30 June 2008 presented in the consolidated financial statements is that of Ever Green.

A. DIRECTORS

The remuneration of Directors' disclosures are in relation to the Directors of Grange Resources Limited for both the current and comparative financial years.

B. KEY MANAGEMENT PERSONNEL

The implication of the application of AASB 3 on the key management personnel disclosures are as follows:

- The 2009 disclosures represent six months of Ever Green (1 July 2008 to 2 January 2009) and six months of the combined Grange and Ever Green group (from 2 January 2009 to 30 June 2009); and
- The 2008 disclosures represent 12 months of Ever Green.

In respect of the period from 2 January 2009 to 30 June 2009 the following persons, in addition to the Directors of Grange Resources Limited, had the authority and responsibility for planning, directing and controlling the activities of Group, directly or indirectly:

Name	Position
Wayne Bould	Chief Operating Officer
Ross Carpenter	General Manager – Mining & Projects
Bruce Lorking	General Manager – Finance
Brian Burdett	General Manager – Process & Infrastructure
John Galbraith	General Manager – Sales, Shared Services & People
Nick Longmire	General Manager – Commercial

In respect of the period from 1 July 2008 to 2 January 2009 ie six months of Ever Green, the following persons had authority and responsibility for planning, directing and controlling the activities of Ever Green, directly or indirectly:

Name	Position
Dave Sandy	Managing Director
Ross Carpenter	General Manager – Mining & Projects
Bruce Lorking	General Manager – Finance
Brian Burdett	General Manager – Process & Infrastructure
John Galbraith	General Manager – Sales, Shared Services & People
Gao Feng	Non-executive Director
Clement Ko	Non-executive Director
Li Xiangyang	Non-executive Director
Shen Bin	Non-executive Director
Shen Wen Ming	Non-executive Director
You Zhenhua	Non-executive Director

* Grange Resources (Tasmania) Pty Ltd was formerly Goldamere Pty Ltd. Goldamere is the 100% held operating entity for Ever Green.

C. KEY MANAGEMENT PERSONNEL COMPENSATION

Total expenses arising from payments made to key management personnel recognised during the year were as follows:

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Short term employee benefits	1,664	825	1,210	682
Post-employment benefits	403	333	267	276
Long term benefits	629	206	365	3
Share-based payments	120	-	2,304	(156)
	2,816	1,364	4,146	805

Full details of remuneration payable to key management personnel are provided in the remuneration report.

D. EQUITY INSTRUMENT DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL (CONSOLIDATED)

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the remuneration report.

(ii) Option holdings provided

The number of options over ordinary shares in the Company held during the financial year by each Director of Grange Resources Limited and other key management personnel of the Group, including their personally related parties, are set out below:

30 June 2009

	Balance at beginning of period 1 July 08	Granted as remuneration	Options exercised	Other changes (net)	Balance at end of period 30 June 09	Vested and exercisable	Unvested
Directors of Grange Resources Limited							
A Bohnenn	450,000	-	-	-	450,000	450,000	-
R Clark	4,500,000	-	-	-	4,500,000	4,500,000	-
R Krasnoff (1)	450,000	-	-	(450,000)	-	-	-
D Macoboy (1)	450,000	-	-	(450,000)	-	-	-
D Stewart (1)	450,000	-	-	(450,000)	-	-	-
Other key management personnel of the Group							
W Bould	-	450,000	-	-	450,000	450,000	-
N Longmire	-	50,000	-	-	50,000	50,000	-

These Directors resigned on 2 January 2009.

30 June 2008

	Balance at beginning of period 1 July 07	Granted as remuneration	Options exercised	Other changes (net)	Balance at end of period 30 June 08	Vested and exercisable	Unvested
Directors of Grange Resources Limited							
A Bohnenn	-	450,000	-	-	450,000	-	450,000
R Clark	-	4,500,000	-	-	4,500,000	-	4,500,000
R Krasnoff	-	450,000	-	-	450,000	-	450,000
D Macoboy	-	450,000	-	-	450,000	-	450,000
D Stewart	-	450,000	-	-	450,000	-	450,000
G Wedlock (1)	2,500,000	-	-	(2,500,000)	-	-	-

G Wedlock resigned on 22 January 2008 and forfeited his rights to issued options.

(iii)Share holdings

The number of shares in the Company held during the financial year by each Director of Grange Resources Limited and other key management personnel of the Group, including their personally related parties, are set out below:

30 June 2009

	Balance 1 July 2008	Granted as remuneration	On exercise of options	Other changes (net)	Balance 30 June 2009
Directors of Grange Resources Limited					
Xi Zhiqiang	-	-	-	-	-
N Chatfield	-	-	-	-	-
R Clark	-	-	-	-	-
A Bohnenn	13,774,338	-	-	-	13,774,338
Wei Guo	-	-	-	-	-
C Ko	-	-	-	41,042,760 (2)	41,042,760
P Stephens	-	-	-	-	-
D Sandy (1)	-	-	-	-	-
A Nutter (1)	944,999	-	-	(944,999)	-
R Krasnoff (1)	68,000	-	-	(68,000)	-
D Macoboy (1)	65,000	-	-	(65,000)	-
D Stewart (1)	-	-	-	-	-
Other key management personnel of the Group					
W Bould	34,000	238,152	-	38,000 (3)	310,152
N Longmire	-	28,776	-	-	28,776

30 June 2008

	Balance 1 July 2007	Granted as remuneration	On exercise of Options	Other changes (net)	Balance 30 June 2008
Directors of Grange Resources Limited					
A Bohnenn	13,461,338	-	-	313,000	13,774,338
A Nutter	944,999	-	-	-	944,999
G Wedlock (1)	1,604,000	-	-	(1,604,000)	-
H Moser (1)	4,410,450	-	-	(4,410,450)	-
R Krasnoff	50,000	-	-	18,000	68,000
R Clark	-	-	-	-	-
D Macoboy	-	-	-	65,000	65,000
D Stewart	-	-	-	-	-

(1) These Directors or key management personnel resigned during the relevant year.

(2) Represents the shares held by Mr Ko at the time of his appointment as a Director of the Company on 2 January 2009.

(3) Represents shares acquired by Mr Bould during the year.

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

D. LOANS TO KEY MANAGEMENT PERSONNEL

There were no loans to key management personnel during the year (2008: Nil).

E. OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

A Bohnenn

Fees of $30,000 (2008: $60,000) were paid to Hendygwyn Holding & Beheer B.V., of which Mr A Bohnenn is a Director and shareholder, under a marketing and public relations services agreement.

D Sandy

Fees of $26,605 were paid to Mr D Sandy in relation to consulting services provided to the Group following the merger on 2 January 2009.

NOTE 34. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms. Following the merger between Grange and Ever Green on 2 January 2009, the audit of the parent entity transferred from Ernst & Young to PricewaterhouseCoopers.

A. PRICEWATERHOUSECOOPERS

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Audit and review of financial reports	326	106	40	-
Other assurance services				
Due diligence services	300	178	-	-
Taxation services				
Taxation compliance	412	15	-	-
Tax consulting and advice on mergers and acquisitions	1,289	1,590	-	-
Total remuneration of PricewaterhouseCoopers	2,327	1,889	40	-

B. ERNST & YOUNG

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Audit and review of the financial reports	71	-	71	66
Other assurance services				
Due diligence services	378	-	378	98
Taxation compliance services	134	-	134	194
Other services	65	-	65	28
Total remuneration of Ernst & Young	648	-	648	386

NOTE 35. COMMITMENTS AND CONTINGENCIES

A. LEASE EXPENDITURE COMMITMENTS

The Group leases various offices under non-cancellable operating leases expiring within three years. The leases have varying terms, escalation clauses and renewal rights.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within one year	118	54	118	113
After one year but not more than five years	252	-	252	370
Minimum lease payments	370	54	370	483

B. FINANCE LEASE EXPENDITURE COMMITMENTS

The finance lease commitments comprise of the leasing of the light vehicles and heavy mining equipment. Commitments for minimum lease payments in relation to the Group's finance leases are payable as follows:

Within one year	15,053	16,194	-	-
After one year but not more than five years	60,099	59,283	-	-
	75,152	74,477	-	-
Future finance charges	(13,984)	(14,127)	-	-
Recognised as a liability	61,168	60,350	-	-

C. TENEMENT EXPENDITURE COMMITMENTS

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

Within one year	1,045	860	387	256
After one year but not more than five years	2,100	430	1,310	1,025
	3,145	1,290	1,697	1,281

D. OPERATING EXPENDITURE COMMITMENTS

In order to maintain and continue mining and pellet processing operations in Tasmania there are a number of commitments and ongoing orders to various contractors or suppliers going forward, these will be approximately;

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Within one year	24,280	35,723	-	-
After one year but not more than five years	37,251	34,275	-	-
	61,530	69,998	-	-

E. CONTINGENT LIABILITIES

Bank Guarantees

Bank guarantees have been provided on the Group's behalf to secure, on demand by the Minister for Mines and Energy for the State of Queensland, any sum to a maximum aggregate amount of $1,262,658 (2008: $1,262,258), in relation to the rehabilitation of the Highway Reward project.

Bank guarantees have been provided by Horseshoe Gold Mine Pty Ltd to secure, on demand by the Minister for Mines and Energy for the State of Western Australia, any sum to a maximum aggregate amount of $1,066,500 (2008: $607,500), 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 (2008: $1,000,000), in accordance with the terms of a Heads of Agreement dated 17 February 2005 to acquire land in the Malaysian port city of Kemaman and to secure port facilities in relation to the Southdown project. The guarantee will be payable should the Company withdraw from the offer to acquire the land.

A bank guarantee has been provided by Grange Resources Limited, on demand by the Perth Diocesan Trustees for the amount of $135,072 (2008: $135,072), in accordance with the terms of an office lease agreement dated 20 July 2005 to lease office premises in QBE House.

A bank guarantee has been provided by Grange Resources (Tasmania) Pty Limited, held by the Tasmanian Government, as required under Environmental Management and Pollution Control Act 1994 (EMPCA) for the amount of $1,998,913 (2008: $1,998,913). This amount is to guarantee the rehabilitation responsibilities under the mining lease at Savage River.

A bank guarantee has been provided by Grange Resources (Tasmania) Pty Limited, held by the National Australia Bank, as required under the Goldamere Agreement and applicable Deeds of Variation, for the amount of $2,800,000 (2008: $2,800,000). This amount is a guarantee against the purchase price outstanding with the Tasmanian government as specified in the Goldamere Agreement.

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

Other Contingent Liabilities

During 2006, cracking was detected in the Gregory Development Road adjacent to the Highway-Reward open pit of which the Group has a 30% joint venture interest. Remediation measures are being considered. If found liable, the joint venture maybe required to relocate a section of the road away from the open pit. It is virtually certain that the costs associated with the relocation will be compensated by insurance.

Pursuant to the terms of an agreement dated 21 November 2003, under which the Company purchased certain tenements comprising the Southdown project, the Company is required to make a further payment of $1,000,000 to MedAire, Inc upon commencement of commercial mining operations from those tenements.

In accordance with the terms of the Service Agreement entered into with Managing Director, Russell Clark, two one-off payments of $1,000,000 each (less applicable tax) are due upon the Board being satisfied that the Company has, as part of the Southdown Magnetite and Kemaman Pellet Plant Project, achieved commercial production of magnetite concentrate and commercial production of iron ore pellets (both subject to any applicable law or regulatory policy).

F. CONTINGENT ASSETS

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

NOTE 36. RELATED PARTY TRANSACTIONS

A. ULTIMATE PARENT

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

B. TRANSACTIONS WITH RELATED PARTIES

Sales of iron ore of $171,643,572 (2008: $60,033,557) were made with related parties.

Fees of $30,000 (2008: $60,000) were paid to Hendygwyn Holding & Beheer B.V., of which Mr A Bohnenn is a Director and shareholder, under a marketing and public relations services agreement under normal commercial terms and conditions.

Fees of $26,605 (2008: Nil) were paid to Mr D Sandy in relation to consulting services provided to the Group following the merger on 2 January 2009 under normal terms and conditions.

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

C. OUTSTANDING BALANCES ARISING FROM SALES OF GOODS AND SERVICES

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Trade and other receivables (sales of iron ore)				
Related parties	8,568	1,087	-	-
	8,568	1,087	-	-

D. LOANS TO/FROM RELATED PARTIES

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Non-current loans to subsidiaries	-	-	115,053	16,414
Provision for impairment	-	-	(11,849)	(11,079)
	-	-	103,204	5,335
Non-current loans from subsidiaries	-	-	32,799	32,770
	-	-	32,799	32,770
Current loans from related parties	9,535	95,695	-	-
	9,535	95,695	-	-
Non-current loans from related parties	-	5,989	-	-
	-	5,989	-	-

The non-current loans from related parties of $5.9 million, is governed by a loan agreement which provides for an effective interest rate of 8.85% per annum. All other loans with related parties and subsidiaries are non-interest bearing.

NOTE 37. BUSINESS COMBINATIONS

A. MERGER BETWEEN GRANGE RESOURCES LIMITED AND AUSTRALIAN BULK MINERALS

(i) Summary of acquisition

On 2 January 2009, Grange completed the legal acquisition of Ever Green (the ultimate holding company of the Australian Bulk Minerals operations).

Under the terms of AASB 3 *Business Combinations*, Ever Green was deemed to be the accounting acquirer in the business combination. This transaction has therefore been accounted for as a reverse acquisition under AASB 3. Accordingly, the consolidated financial statements of the Grange Resources Limited Group have been prepared as a continuation of the consolidated financial statements of Ever Green. Ever Green, as the deemed acquirer, has accounted for the acquisition of Grange from 2 January 2009.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	2009 $'000
Purchase consideration:	
115,318,009 shares (being the number of shares of the legal parent, Grange Resources Limited, before the business combination) multiplied by $0.35 per share	40,361
Direct costs relating to the acquisition	14,598
Total purchase consideration	54,960
Fair value of net identifiable assets acquired (see below)	54,960
Goodwill/(Discount on acquisition)	-

(ii) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount $'000	Fair value $'000
Cash and cash equivalents	12,793	12,793
Trade and other receivables	5,852	3,633
Other assets	8,018	-
Property, plant and equipment	6,526	6,032
Mine properties and development	1,594	3,194
Exploration and evaluation	68,051	40,739
Trade and other payables	(8,148)	(8,148)
Employee benefits	(89)	(89)
Decommissioning and restoration	(4,243)	(3,194)
Net assets	90,354	54,960

The acquired business contributed revenues of $0.3 million and a net loss of $20.2 million to the Group for the period from 2 January 2009 to 30 June 2009.

B. ACQUISITION OF AUSTRALIAN BULK MINERALS BY EVER GREEN RESOURCES CO., LTD

(i) Summary of acquisition

On 16 August 2007, Ever Green acquired 100% of the issued share capital of Beviron Pty Ltd and Grange Resources (Tasmania) Pty Ltd (formerly, Goldamere Pty Ltd, trading as, Australian Bulk Minerals).

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	2008 $'000
Purchase consideration	325,247
Reassignment of loan receivable from subsidiary	(63,666)
Direct costs relating to the acquisition	1,449
Total purchase consideration	263,030
Fair value of net identifiable assets acquired (see below)	420,503
Goodwill/(Discount on acquisition)	(157,473)

(ii) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount $'000	Fair value $'000
Cash and cash equivalents	8,379	8,379
Trade and other receivables	7,331	7,331
Inventories	92,101	99,541
Other assets	7,562	7,562
Property, plant and equipment	34,032	105,369
Mine properties and development	13,690	349,339
Exploration and evaluation	-	12,900
Deferred tax assets	9,093	8,813
Trade and other payables	(23,925)	(23,925)
Current tax liability	(11,579)	(11,579)
Employee benefits	(14,739)	(5,837)
Decommissioning and restoration	(9,117)	(9,117)
Deferred tax liabilities	(5,932)	(56,522)
Borrowings	(71,751)	(71,751)
Net assets	35,145	420,503

The acquired business contributed revenues of $178.2 million and net profit of $24.3 million to the Group for the period from 16 August 2007 to 30 June 2008.

NOTE 38. SUBSIDIARIES

The following is a listing of the legal subsidiaries of Grange Resources Limited, the parent entity of the Group.

The consolidated financial statements would normally incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(c), however, as described in Note 1(b), the financial statements have been prepared on the basis of a reverse acquisition, where for accounting purposes, Ever Green is treated as the acquirer of Grange, even though from a legal perspective Grange acquired Ever Green

Name	Percentage of equity interest held by the Group 2009 %	2008 %
Ever Green Resources Co., Limited	100	-
Shagang Mining (Australia) Pty Ltd	100	-
Beviron Pty Ltd	100	-
Grange Resources (Tasmania) Pty Ltd	100	-
Grange Capital Pty Ltd	100	100
Tribune Development Pty Ltd	100	100
Barrack Mines Pty Ltd	100	100
Bamine Pty Ltd	100	100
BML Holdings Pty Ltd	100	100
Horseshoe Gold Mine Pty Ltd	100	100
Surfboard Securities Pty Ltd	100	100
Murchison Copper Mines Pty Ltd	79.18	79.18
Grange Developments Sdn Bhd	100	100
Grange Minerals Sdn Bhd	100	100
EG Mineral Resources Sdn Bhd	51	-

Grange Developments Sdn Bhd, Grange Minerals Sdn Bhd and EG Mineral Resources Sdn Bhd are incorporated in Malaysia and Ever Green Resources Co., Ltd is incorporated in Hong Kong. All other subsidiaries are incorporated in Australia. Grange Resources Limited is a company limited by shares and domiciled in Australia.

NOTE 39. INTERESTS IN JOINT VENTURES

	Consolidated		Parent	
Name of Joint Venture	% Interest 2009	% Interest 2008	% Interest 2009	% Interest 2008
Production Joint Ventures:				
Reward - Copper/Gold	31.15	-	-	-
Highway – Copper	30.00	-	-	-
Development Joint Ventures:			-	-
Reward Deeps/Conviction - Copper	30.00	-	-	-
Bukit Ibam (Malaysia) – Iron Ore	51.00	-	-	-
Southdown – Iron Ore	70.00	-	70.00	70.00
Exploration Joint Ventures:			-	-
Mt Samuel - Exploration Gold	85.00	-	42.50	42.50
Abercromby Well - Exploration Gold/Nickel	10.00	-	-	-
Mt Windsor - Exploration Gold/Base Metals	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.

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

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
ASSETS				
Current assets				
Cash and cash equivalents	5,148	-	4,909	133
Trade and other receivables	46	-	44	195
Total current assets	5,194	-	4,953	328
Non-current assets				
Receivables	14	-	-	-
Property, plant and equipment	5,032	-	4,336	4,308
Exploration and evaluation	42,743	-	41,296	25,337
Total non-current assets	47,789	-	45,632	29,645
Total assets	52,983	-	50,585	29,973
LIABILITIES				
Current liabilities				
Trade and other payables	1,006	-	803	361
Provisions	174	-	-	-
Total current liabilities	1,180	-	803	361
Non-current liabilities				
Provisions	2,672	-	-	-
Total non-current liabilities	2,672	-	-	-
Total liabilities	3,852	-	803	361
Net assets	49,131	-	49,782	29,612

The net contributions of joint ventures (inclusive of resultant revenues) to the Group's operating profit before income tax was a loss of ($691,570). The net contributions of joint ventures (inclusive of resultant revenues) to the Parent operating profit before income tax was a profit of $121,274.

Contingent liabilities in relation to joint ventures are disclosed in Note 35.

NOTE 40. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 18 August 2009, the Company announced its intention to undertake an underwritten one-for-one non-renounceable entitlement offer (Offer) of approximately 495 million new shares to raise $124 million at an offer price of $0.25 per share, conduct placements to major shareholders at a price of $0.29 per share, to raise a further $29 million (Cornerstone Placements), and restructure deferred consideration liabilities to the past owners of the Savage River project (Restructure). The Offer completed on 21 September 2009. The Cornerstone Placements are subject to shareholder approval and approval of the Foreign Investment Review Board. The financial effects of this announcement have not been bought to account at 30 June 2009 and are still being assessed by management.

NOTE 41. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Profit/(loss) for the year	86,010	24,340	(52,165)	1,957
Discount on acquisition	-	(157,473)	-	-
Revaluation of deferred consideration	(144,771)	138,897	-	-
Unwinding of discount	22,965	13,719	-	-
Depreciation and amortisation	57,359	37,044	142	85
Interest expense on finance leases	4,159	1,440	-	-
Impairment of assets	90,300	-	27,312	-
(Profit)/loss on sale of property, plant and equipment	1,289	(2,504)	2,192	(4,245)
Share based payment expense	1,978	-	3,388	(156)
Write off capitalised Items	-	-	867	-
Net unrealised (gain)/loss on foreign exchange	20,030	(14,376)	-	-
Change in operating assets and liabilities, net of effects from purchase of controlled entity				
(Increase)/decrease in trade and other receivables	6,341	(10,532)	13,691	(548)
(Increase)/decrease in derivative financial instruments	5,080	(5,080)	-	-
(Increase)/decrease in inventories	18,289	17,365	-	-
(Increase)/decrease in other current assets	(902)	902	-	(1,108)
Increase/(decrease) in trade and other payables	(10,669)	34,445	(152)	809
Increase/(decrease) in current tax liabilities	-	(11,579)	-	-
Increase/(decrease) in other provisions	2,500	(2,512)	(662)	16
Increase/(decrease) in deferred tax liabilities	(23,452)	8,093	-	-
Net cash inflow/(outflow) from operating activities	136,876	72,189	(5,387)	(3,190)

NOTE 42. EARNINGS PER SHARE

	Consolidated	
	2009 Cents	2008 Cents
Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	19.69	5.82
Total basic earnings per share attributable to the ordinary equity holders of the Company	19.69	5.82
Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	19.69	5.82
Total diluted earnings per share attributable to the ordinary equity holders of the Company	19.69	5.82

A. RECONCILIATIONS OF EARNINGS USED IN CALCULATING EARNINGS PER SHARE

	2009 $'000	2008 $'000
Basic earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share from continuing operations	86,045	22,125
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share from continuing operations	86,045	22,125
	86,045	22,125

B. WEIGHTED AVERAGE NUMBER OF SHARES USED AS THE DENOMINATOR

In accordance with AASB 3, the 2008 Weighted Average Number of Ordinary shares is deemed to be the number of ordinary shares issued by Grange Resources Limited to the vendors of Ever Green Resources Co., Ltd in the reverse acquisition, being 380,025,554.

	2009 Number	2008 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	436,895,226	380,025,554

Options

Options granted to eligible employees under the LTIP and to the Directors, are considered to be potential ordinary shares and are included in the determination of diluted earnings per share to the extent to which they are dilutive. As all the options currently on issue are out of the money, they are not considered dilutive and therefore not included in the calculation of diluted earnings per share. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in Note 43.

NOTE 43. SHARE-BASED PAYMENTS

A. EXPENSES ARISING FROM SHARE-BASED PAYMENT TRANSACTIONS

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefit expense were as follows:

		Consolidated		Parent	
		2009 $'000	2008 $'000	2009 $'000	2008 $'000
Options issued to Directors	(i)	1,143	-	2,113	(156)
Options issued under LTIP		173	-	289	
Shares issued under LTIP		583	-	907	-
Shares issued as STI		79	-	79	-
		1,978	-	3,388	(156)

The types of share-based payments are described below.

B. TYPES OF SHARE-BASED PAYMENTS

(i) Options issued to Directors

On 20 May 2008, the shareholders approved the issuing of 4.5 million options to the Managing Director and 450,000 options to each Non-executive Director (or their respective nominees) at that time. The issuing of these options was intended to act as an incentive for the Directors to align themselves with the Company's strategic plan focussing on optimising performance with the benefits flowing through enhanced shareholder returns. The Board considered the grant of the Director options to be reasonable in the circumstances, given the necessity to attract the highest calibre of professionals to the Company and retain them, whilst maintaining the Company's cash reserves.

Although the options were issued with shareholder approval, ASX Listing Rule 10.13 requires that options issued to a related party of the Company, including a Director, be issued within one month of the date of the meeting approving the issue. The Company inadvertently issued the options outside this period and in accordance with a direction from the Australian Stock Exchange, the options were cancelled on 5 September 2008.

On 28 November 2008, shareholders approved the issue of the Director options on the same terms as those previously approved.

The table below summaries the options issued to the Directors:

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Cancelled during the year	Balance at end of the year	Vested and exercisable at end of the year*
Consolidated and parent entity - 2009								
20 May 2008	6 Mar 2012	$2.05	2,100,000	-	-	(2,100,000)	-	-
20 May 2008	6 Mar 2012	$3.00	2,100,000	-	-	(2,100,000)	-	-
20 May 2008	6 Mar 2012	$3.50	2,100,000	-	-	(2,100,000)	-	-
28 Nov 2008	6 Mar 2012	$2.05	-	2,100,000	-	-	2,100,000	2,100,000
28 Nov 2008	6 Mar 2012	$3.00	-	2,100,000	-	-	2,100,000	2,100,000
28 Nov 2008	6 Mar 2012	$3.50	-	2,100,000	-	-	2,100,000	2,100,000
TOTAL				6,300,000		(6,300,000)	6,300,000	6,300,000
Weighted average exercise price			-	$2.85	-	$2.85	$2.85	$2.85

* Notwithstanding the vesting conditions attaching to these options, the options automatically vested, without any change to the expiry date, as a result of the merger with Ever Green Resources Co., Ltd.

The options granted to Directors carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share.

Fair value of options granted

The fair value at grant date was independently determined using a binomial option pricing model which takes into account the exercise price, the term of the option, the impact of dilution, the share price at the grant date and expected price volatility of the underlying share, the expected dividend yield and the risk fee interest rate for the term of the option.

The model inputs, other than those included in the table above, for options granted during the year ended 30 June 2009 included:

The model inputs for options granted in the year ended 30 June 2008 to Directors are:

Exercise price	$2.05	$3.00	$3.50
Grant date	20 May 2008	20 May 2008	20 May 2008
Expiry date	6 Mar 2012	6 Mar 2012	6 Mar 2012
Share price at grant date	$1.60	$1.60	$1.60
Volatility	60%	60%	60%
Dividend yield	-	-	-
Risk free interest rate	6.39%	6.39%	6.39%
Valuation per option	$0.4831	$0.3390	$0.2738

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for expected changes to the future volatility due to publicly available information.

(ii) Long Term Incentive Plan

The Long Term Incentive Plan (LTIP) is a mechanism to further align the long term interests of 'eligible employees' with shareholders and to facilitate the retention of key employees. This is achieved by linking remuneration with the attainment of key performance hurdles.

C. RIGHTS TO GRANGE SHARES

The Board will review regularly and reserves the right to vary from time to time the appropriate hurdles and vesting periods for Rights to Grange shares.

The objective for the issue of Rights under the LTIP is to reward selected senior employees in a manner that aligns this element of their remuneration package with the creation of long term shareholder wealth while at the same time securing the employee's tenure with the Company over the longer term. The LTIP grants Rights to the Company's shares to selected senior employees, and these Rights vest in several equal tranches over the timeframe stipulated in the LTIP from time to time (currently they vest in three equal tranches over three years). The Company utilises the LTIP to link remuneration with the attainment of key strategic performance milestones which usually take several years to deliver. 50% of the LTIP for an employee relates to company performance goals and 50% relates to personal performance goals. Rights are allocated using a share price that is based on the weighted average price for the Company's shares in the last three months before the new financial year begins.

D. OPTIONS TO GRANGE SHARES

The objective of issuing options under the LTIP is to provide a mechanism for the Board to selectively reward senior employees for having gone the "extra mile" in dealing with exceptional or unplanned or unexpected issues or circumstances which have impacted the business. The Board of Directors, based on the Managing Director's recommendation, may discretionally grant the options via the LTIP processes, and these options vest in over the timeframe stipulated in the LTIP from time to time. A maximum number of options per individual issue has been specified and approved for each job grade in the grade structure matrix. The exercise price of options issued will be equal to a 20% premium on the weighted average price of the Company's shares in the last three months before the financial year begins.

The table below summaries the options issued by the LTIP:

Grant Date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Cancelled during the year	Balance at end of the year	Vested and exercisable at end of the year*
Consolidated and parent entity - 2009								
11/14/15 Jul 2008	1 May 2012	$2.05	-	475,000	-	(150,000)	325,000	325,000
11/14 Jul 2008	1 May 2012	$3.00	-	300,000	-	(150,000)	150,000	150,000
11/14 Jul 2008	6 Mar 2012	$3.50	-	300,000	-	(150,000)	150,000	150,000
16 Jun 2009	1 Oct 2012	$2.50	-	65,000	-	-	65,000	65,000
TOTAL				1,140,000	-	(450,000)	690,000	690,000
Weighted average exercise price			-	$2.70	-	$2.85	$2.61	$2.61

* Notwithstanding the vesting conditions attaching to these options, the options issued in accordance with the plan automatically vested, without any change to the expiry date, as a result of the merger with Ever Green Resources Co., Ltd.

Each option is convertible into one ordinary share.

Fair value of options granted

The fair value at grant date was independently determined using an Binomial option pricing model which takes into account the exercise price, the term of the option, the impact of dilution, the share price at the grant date and expected price volatility of the underlying share, the expected dividend yield and the risk fee interest rate for the term of the option.

Model inputs for options granted

	11/14 Jul 2008	11/14 Jul 2008	11/14 Jul 2008
Exercise price	$2.05	$3.00	$3.50
Grant date	11/14 Jul 2008	11/14 Jul 2008	11/14 Jul 2008
Expiry date	1 May 2012	1 May 2012	1 May 2012
Share price at grant date	$1.76/$1.68	$1.76/$1.68	$1.76/$1.68
Volatility	90%	90%	90%
Dividend yield	-	-	-
Risk free interest rate	6.23%/6.25%	6.23%/6.25%	6.23%/6.25%
Valuation per option	$0.5753/$0.5382	$0.4212/$0.3934	$0.3205/$0.3006

	14 Jul 2008	15 Jul 2008	16 Jun 2009
Exercise price	$2.05	$2.05	$2.50
Grant date	14 Jul 2008	15 Jul 2008	16 Jun 2009
Expiry date	30 Jun 2012	30 Jun 2012	1 Oct 2012
Share price at grant date	$1.68	$1.775	$0.57
Volatility	90%	90%	75%
Dividend yield	-	-	-
Risk free interest rate	6.25%	6.16%	3.76%
Valuation per option	$0.5296	$0.5772	$0.111

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for expected changes to the future volatility due to publicly available information.

The shares issued in accordance with the LTIP are as follows:

	Consolidated		Parent	
	2009	2008	2009	2008
Number of shares issued to employees	354,254	-	471,254	-
	354,254	-	471,254	-

The fair value of these shares has been calculated by reference to the share price as at the first day of the performance period or the employee's commencement date, whichever is the latter.

NOTE 44. ASSETS HELD FOR SALE

In May 2009, the Company announced that it has reached agreement for the sale of its 51% interest in Bukit Ibam to Ophir Mining and Exploration Sdn Bhd. The sale is expected to be completed before the end of December 2009.

A. ASSETS CLASSIFIED AS HELD FOR SALE

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Cash and cash equivalents	13	-	-	-
Trade and other receivables	299	-	-	-
Receivables	14	-	-	-
Property, plant and equipment	433	-	-	-
Mine properties and development	2,929	-	-	-
	3,688	-	-	-

B. LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

Trade and other payables	65	-	-	-
	65	-	-	-

DIRECTORS' DECLARATION

In the Directors' opinion:

a. the financial statements and notes set out on pages 59 to 129 are in accordance with the *Corporations Act 2001*, including:
   (i) complying with Accounting Standards, the *Corporations Act 2001* and other mandatory professional reporting requirements, and
   (ii) giving true and fair view of the Company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the financial year ended on that date, 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, and

The Directors have been given the required declarations by section 295A of the *Corporations Act 2001.*

This declaration is made in accordance with a resolution of the Directors.

Russell Clark
Managing Director

30 September 2009
Perth, Western Australia

INDEPENDENT AUDIT REPORT TO MEMBERS OF GRANGE RESOURCES LIMITED

PRICEWATERHOUSECOOPERS

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REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Grange Resources Limited (the company), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Grange Resources Limited and Grange Resources Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

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

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

a. the financial report of Grange Resources Limited is 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 2009 and of their performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*; and

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 41 to 55 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the Remuneration Report of Grange Resources Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Tim Goldsmith

Tim Goldsmith
Partner

Melbourne
30 September 2009

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. The shareholder information set out below was applicable as at 30 September 2009:

ORDINARY SHARES

1. Twenty largest shareholders

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

Name	Number	%
Shagang International Holdings Limited	465,151,278	44.38
RGL Holdings Co. Ltd	136,809,200	13.05
Stemcor Pellets Limited	82,550,850	7.88
Pacific International Co. Pty Ltd	82,085,520	7.83
National Nominees Limited	66,092,985	6.31
HSBC Custody Nominees (Australia) Limited	38,031,252	3.63
ANZ Nominees Limited <Cash Income A/C>	18,351,846	1.75
Hamersley Holdings Limited	18,000,000	1.72
Merrill Lynch (Australia) Nominees Pty Limited	7,756,511	0.74
Forlife Tasmania Pty Ltd	7,024,875	0.67
Citicorp Nominees Pty Limited	6,435,607	0.61
Zero Nominees Pty Ltd	6,426,920	0.61
Merrill Lynch (Australia) Nominees Pty Limited <Berndale A/c>	4,556,550	0.43
HSBC Custody Nominees (Australia) Limited – A/C 3	4,263,972	0.41
HSBC Custody Nominees (Australia) Limited – GSCO ECA	3,768,218	0.36
Dacroft Pty Ltd	3,426,830	0.33
JP Morgan Nominees Australia Limited	3,273,027	0.31
Droga Capital Pty Ltd	3,000,000	0.29
HSBC Custody Nominees (Australia) Limited – A/C 2	2,861,286	0.27
UBS Nominees Pty Ltd	2,281,430	0.22
	962,148,157	91.80

2. DISTRIBUTION OF EQUITY SECURITIES

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

	Ordinary shares	Director options	Employee options	Other options
1 - 1,000	328	-	-	-
1,001 - 5,000	900	-	-	-
5,001 - 10,000	493	-	-	-
10,001 - 100,000	927	-	5	-
100,001 - and over	186	5	1	1
Total	2,834	5	6	1

The number of shareholders holding less than a marketable parcel of Ordinary Shares at 30 September, 2009 was 528.

3. VOTING RIGHTS

All shares carry one vote per share without restriction.

4. SUBSTANTIAL SHAREHOLDERS

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

Name	Number of fully paid shares	Voting power %
Shagang International Holdings Limited, RGL Holdings Co. Limited and Pacific International Co. Pty Ltd	686,077,278	65.46
Stemcor Pellets Limited	82,550,850	7.88

5. SECURITIES SUBJECT TO VOLUNTARY ESCROW

The following securities are subject to voluntary escrow:

Class of Security	Number of securities	Escrow period ends
Fully paid ordinary shares	342,022,999	9 Dec 2009

TENEMENT SCHEDULE AS AT 24 SEPTEMBER 2009

Prospect	Tenement	Interest	Note
Western Australia			
Horseshoe Lights	L52/42-45	100%	1
	L52/66	100%	1
	M52/743	100%	1
	E52/2042	100%	1
	P52/1203-1211	100%	1
Kumarina	M52/27	100%	4
	E52/1998	100%	1, 2
Wembley	M52/801	100%	3, 5
	P52/1189-1193	100%	5
Abercromby Well	M53/336	10%	6
Red Hill	M27/57	0%	7
Freshwater	M52/277-281	0%	8
	M52/285	0%	8
	M52/295-296	0%	8
	M52/299-301	0%	8
	M52/305-306	0%	8
	M52/368-370	0%	8
Southdown	M70/433	70%)	9, 17
	M70/718	70%	9, 17
	M70/719	70%	9, 17
	G70/217	70%	17
	G70/234-236	70%	17
	E70/2512	70%	17
	E70/3073	100%	
	L70/122	100%	2
Pilbara	E47/1846	100%	2
	E47/1857	100%	2
	E47/1866	100%	2
Queensland			
Mt Windsor JV	ML1571	30%	10
	ML1734	30%	10
	ML1739	30%	10
	ML10028	30%	10
	ML1758	30%	10
	EPM14537	30%	10
Northern Territory			
Mt Samuel	MLC49	50%	11, 15
	MLC527	100%	15
	MLC599	85%	12. 15
	MLC617	85%	13, 15
	MCC174	100%	13
	MCC212	85%	12, 13, 15
	MCC287-288	100%	13
	MCC308	85%	12
	MCC344	100%	15

Prospect	Tenement	Interest	Note
True Blue	MCC342	100%	15
	MLC619	85%	12, 15
Aga Khan	MLC522	100%	15
Black Cat	MCC338-339	100%	15
	MCC316-317	100%	15
	MCC340-341	100%	15
Malaysia			
Bukit Ibam	MC01/2005	51%	16
	ML03/2000	51%	16
Tasmania			
Savage River	2M/2001	100%	18
	14M/2007	100%	18
	11M/2008	100%	18
	EL30/2003	100%	18
	EL19/2005	100%	18
	EL46/2007	100%	18

Notes:

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

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