

GRANGE RESOURCES LIMITED

ACN 009 132 405

NOTICE OF ANNUAL GENERAL MEETING

and

EXPLANATORY MEMORANDUM

and

PROXY FORM

Date of Meeting: 25 November 2009

Time of Meeting: 10.00 am (AEDST)

Place of Meeting: Level 19, Freshwater Place
2 Southbank Boulevard
Southbank VIC 3006

This Notice of Annual General Meeting and accompanying Explanatory Memorandum and Proxy Form should be read in their entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

Should you wish to discuss any matters referred to in this document, please contact the Company Secretary by telephone on +61 8 9321 1118.

GRANGE RESOURCES LIMITED
ACN 009 132 405

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Grange Resources Limited (**Grange or Company**) will be held at Level 19, Freshwater Place, 2 Southbank Boulevard, Southbank VIC 3006 at 10.00 am (AEDST) on 25 November 2009 for the purposes of transacting the following business.

The Explanatory Memorandum that accompanies and forms part of this Notice of Annual General Meeting describes the various matters to be considered at the Meeting.

The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on 23 November 2009 at 10.00 am (AEDST).

Terms used in this Notice of Annual General Meeting will, unless the context otherwise requires, have the same meaning given to them in the glossary as contained in the Explanatory Memorandum.

AGENDA

Item 1 – Annual Report

To receive and consider the financial report, the directors' report and the auditor's report of the Company and its controlled entities for the year ended 30 June 2009.

Item 2 – Resolution 1 – Remuneration Report

To consider, and if thought fit, pass, or without amendment, the following resolution as an **advisory resolution**:

"That the Remuneration Report of the Company for the year ended 30 June 2009 be adopted."

Item 3 – Resolution 2 – Election of Mr Xi Zhiqiang as Director

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That Mr Xi Zhiqiang, who retires in accordance with article 10.10 of the Company's constitution and, being eligible, offers himself for re-election, be re-elected as a Director."

Item 4 – Resolution 3 – Election of Mr Neil Chatfield as Director

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That Mr Neil Chatfield, who retires in accordance with article 10.10 of the Company's constitution and, being eligible, offers himself for re-election, be re-elected as a Director."

Item 5 – Resolution 4 – Election of Mr Wei Guo as Director

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That Mr Wei Guo, who retires in accordance with article 10.10 of the Company's constitution and, being eligible, offers himself for re-election, be re-elected as a Director."

Item 6 – Resolution 5 – Election of Mr Clement Ko as Director

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That Mr Clement Ko, who retires in accordance with article 10.10 of the Company's constitution and, being eligible, offers himself for re-election, be re-elected as a Director."

Item 7 – Resolution 6 – Election of Mr Peter Stephens as Director

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That Mr Peter Stephens, who retires in accordance with article 10.10 of the Company's constitution and, being eligible, offers himself for re-election, be re-elected as a Director."

Item 8 - Resolution 7 – Proposed issue of Shares to the Cornerstone Shareholders

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 10.11, Chapter 2E of the Corporations Act and for all other purposes, approval is given for the issue of:

(a) up to 72,800,000 Shares to Shagang International Holdings Limited or its nominee (Shagang);

(b) up to 18,700,000 Shares to RGL Holdings Co., Ltd (RGL); and

(c) up to 8,300,000 Shares to Pacific International Co. Pty Ltd (PI),

*(collectively, the **Cornerstone Shareholders**) each at an issue price of \$0.29 per Share, as described in the Explanatory Memorandum."*

Voting Exclusion: The Company will disregard any votes cast on this resolution by the Cornerstone Shareholders and any of their Associates.

However the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Item 9 - Resolution 8 – Ratification of Share issue

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That for the purposes of ASX Listing Rule 7.4, and for all other purposes, the Shareholders approve and ratify the issue of 55,000,000 Shares to Stemcor Pellets Limited, Dacroft Pty Ltd and Forlife Tasmania Pty Ltd at a deemed issue price of \$0.25 per Share, as described in the Explanatory Memorandum."

Voting Exclusion: The Company will disregard any votes cast on this resolution by Stemcor Pellets Limited, Dacroft Pty Ltd and Forlife Tasmania Pty Ltd and their Associates.

However, the Company need not disregard a vote if it is cast by the person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Item 10 - Resolution 9 – Approval of grant of Performance Rights to the Managing Director, Mr Russell Clark

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That for the purposes of ASX Listing Rules 10.14, Chapter 2E of the Corporations Act and for all other purposes, Shareholders approve and authorise the Directors to grant 1,182,837 rights (each to acquire one Share in the capital of the Company) for nil consideration to Mr Russell Clark, and to allot and issue Shares on the vesting of those rights, in accordance with the Grange Resources Limited Long Term Incentive Plan and otherwise on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion: In accordance with section 224 of the Corporations Act, and Listing Rules 10.15 and 14.11, the Company will disregard any votes cast on this resolution by any Director (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) or any of his Associates.

However, the Company need not disregard a vote if it is cast by any Director as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by any Director chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Item 11 - Resolution 10 – Proposed issue of Shares to the Managing Director, Mr Russell Clark

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 10.11, Chapter 2E of the Corporations Act and for all other purposes, Shareholders approve and authorise the Directors to allot and issue 1,000,000 Shares to Mr Russell Clark, on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion: In accordance with section 224 of the Corporations Act, and Listing Rules 10.13 and 14.11, the Company will disregard any votes cast on this resolution by Mr Russell Clark or any of his Associates.

However, the Company need not disregard a vote if it is cast by Mr Russell Clark as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by Mr Russell Clark chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

DATED 22nd DAY OF OCTOBER 2009

BY ORDER OF THE BOARD



**STACEY APOSTOLOU
COMPANY SECRETARY**

Proxy instructions

Shareholders are entitled to appoint up to two individuals to act as proxies to attend and vote on their behalf. Where more than one proxy is appointed each proxy may be appointed to represent a specific proportion of the Shareholder's voting rights. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes.

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be completed and posted to the Company, at PO Box 7025, Cloisters Square, Perth WA 6872, Australia or delivered to the Company, at Level 11, 200 St George's Terrace, Perth, Western Australia, or faxed to the Company on facsimile number +61 8 9327 7932, not less than 48 hours before the time for holding the Meeting, or adjourned meeting as the case may be, at which the individual named in the proxy form proposes to vote.

The proxy form must be signed by the Shareholder or his/her attorney duly authorised in writing or, if the Shareholder is a corporation, in a manner permitted by the Corporations Act. The proxy may, but need not, be a Shareholder of the Company.

In the case of Shares jointly held by two or more persons, all joint holders must sign the proxy form.

A proxy form is attached to this Notice of Annual General Meeting.

Corporate representative

A corporation may elect to appoint an individual to act as its representative in accordance with section 250D of the Corporations Act, in which case the Company will require a certificate of appointment of the corporate representative executed in accordance with the Corporations Act. The certificate of appointment must be lodged with the Company and / or the Company's share registry, Computershare Investor Services Pty Ltd, before the Meeting or at the registration desk on the day of the Meeting. Certificates of appointment of corporate representative are available at www.computershare.com or on request by contacting Computershare Investor Services Pty Ltd on telephone number on 1300 557 010 (within Australia) or +61 3 9415 4000 (outside Australia).

GRANGE RESOURCES LIMITED
ACN 009 132 405

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the information of Shareholders of Grange Resources Limited (**Grange or Company**) in connection with the business to be conducted at the Meeting to be held at Level 19, Freshwater Place, 2 Southbank Boulevard, Southbank VIC 3006 at 10.00 am (AEDST) on 25 November 2009.

The purpose of this Explanatory Memorandum is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the resolutions accompanying the Notice of Annual General Meeting.

This Explanatory Memorandum should be read in conjunction with the accompanying Notice of Annual General Meeting.

1. Annual Report

The Corporations Act requires the financial report, directors' report and auditor's report to be laid before the Company's Annual General Meeting. There is no requirement in either in the Corporations Act or the Constitution for Shareholders to vote on, approve or adopt these reports.

Shareholders will be offered the following opportunities:

- (a) to discuss these reports and ask questions or make comment on these reports and on the business, operations and management of the Company; and
- (b) to ask the auditor questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company in relation to the preparation of the financial statements, and the independence of the auditor in relation to the conduct of the audit.

In addition to taking questions at the Annual General Meeting, written questions to the Chairman of the Annual General Meeting, or to the Company's auditor on the above matters may be submitted no later than 5 business days before the Annual General Meeting to the Company Secretary at the Company's registered office.

2. Resolution 1- Remuneration Report

The Annual Report for the year ended 30 June 2009 contains the Remuneration Report which sets out the remuneration policy for the Company and reports the remuneration arrangements in place for the executive Directors, specified executives and non-executive Directors. A copy of the report is set out on pages 41 to 55 of the Company's Annual Report, which is on the Company's website at www.grangeresources.com.au.

Section 250R(2) of the Corporations Act requires the Remuneration Report to be adopted at the Meeting by a resolution. Whilst there is a requirement for a formal resolution, the resolution is advisory only and does not bind the Company. Therefore, of itself, a failure of Shareholders to pass Resolution 1 will not require the Directors to alter any of the arrangements in the Remuneration Report, however the Board will take the outcome of the vote into consideration when considering the Company's remuneration policy.

The Chairman of the Annual General Meeting will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on, the Remuneration Report.

3. Resolution 2 – Re-election of Mr Xi Zhiqiang as a Director

Mr Xi was appointed Director of the Company by the other Directors on 2 January 2009. Article 10.10 of the Constitution of the Company requires that a Director appointed by the other Directors of the Company retires at the next annual general meeting following their initial appointment as a Director.

Therefore, in accordance with the constitution of the Company Mr Xi retires and, being eligible, offers himself for re-election.

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 Holdings Limited and Vale (formerly CVRD) respectively.

Mr Xi is Chairman of the Company and is a member of both the Audit and Remuneration and Nomination Committees.

Directors' Recommendation

The Board, other than Mr Xi, recommends that Shareholders vote in favour of Resolution 2.

4. Resolution 3 – Re-election of Mr Neil Chatfield as a Director

Mr Chatfield was appointed Director of the Company by the other Directors on 2 January 2009. Article 10.10 of the constitution of the Company requires that a Director appointed by the other Directors of the Company retires at the next annual general meeting following their initial appointment as a Director.

Therefore, in accordance with the constitution of the Company Mr Chatfield retires and, being eligible, offers himself for re-election.

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, non-executive director of Whitehaven Coal and Transurban Group and chairman and director of Virgin Blue Holdings Limited. Mr Chatfield was a director of Toll Holdings Limited from 1998 to September 2008.

Mr Chatfield is Deputy Chairman of the Company and is a member of the Audit Committee and Chairman of the Remuneration and Nomination Committee.

Directors' Recommendation

The Board, other than Mr Chatfield, recommends that Shareholders vote in favour of Resolution 3.

5. Resolution 4 – Re-election of Mr Wei Guo as a Director

Mr Wei was appointed Director of the Company by the other Directors on 2 January 2009. Article 10.10 of the constitution of the Company requires that a Director appointed by the other Directors of the Company retires at the next annual general meeting following their initial appointment as a Director.

Therefore, in accordance with the constitution of the Company Mr Wei retires and, being eligible, offers himself for re-election.

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

Mr Wei is a Non-executive Director of the Company.

Directors' Recommendation

The Board, other than Mr Wei, recommends that Shareholders vote in favour of Resolution 4.

6. Resolution 5 – Re-election of Mr Clement Ko as a Director

Mr Ko was appointed Director of the Company by the other Directors on 2 January 2009. Article 10.10 of the constitution of the Company requires that a Director appointed by the other Directors of the Company retires at the next annual general meeting following their initial appointment as a Director.

Therefore, in accordance with the constitution of the Company Mr Ko retires and, being eligible, offers himself for re-election.

Mr Ko is the Chairman and sole shareholder of Pacific Minerals Limited, which is the sole shareholder 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.

Mr Ko is a Non-executive Director of the Company.

Directors' Recommendation

The Board, other than Mr Ko, recommends that Shareholders vote in favour of Resolution 5.

7. Resolution 6 – Re-election of Mr Peter Stephens as a Director

Mr Stephens was appointed Director of the Company by the other Directors on 2 January 2009. Article 10.10 of the constitution of the Company requires that a Director appointed by the other Directors retires at the next annual general meeting following their initial appointment as a Director.

Therefore, in accordance with the constitution of the Company Mr Stephens retires and being eligible offers himself for re-election.

Mr Stephens has more than 25 years experience in senior finance roles with a number of multinational 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.

Mr Stephens is a Non-executive Director of the Company and is Chairman of the Audit Committee and a member of the Remuneration and Nomination Committee.

Directors' Recommendation

The Board, other than Mr Stephens, recommends that Shareholders vote in favour of Resolution 6.

8. Resolution 7 – Proposed issue of Shares to the Cornerstone Shareholders

8.1 Background

On 18 August 2009 Grange announced its intention to undertake an underwritten one-for-one (1:1) non-renounceable entitlement issue of approximately 495,000,000 Shares to raise \$124 million at an offer price of \$0.25 per Share (**Offer**), conduct placements to major Shareholders at a price of \$0.29 per Share, to raise up to a further \$29 million (**Cornerstone Placement**) and restructure certain key liabilities (**Restructure**). Resolution 7 is seeking Shareholder approval of the Cornerstone Placement.

In relation to the Cornerstone Placement, on 17 August 2009, the Company entered into subscription agreements with each of the Cornerstone Shareholders, pursuant to which the Company agreed to allot and issue a total of up to 99,800,000 Shares to the Cornerstone Shareholders at a price of \$0.29 per Share (**Cornerstone Agreements**). The terms of the Cornerstone Agreements are summarised in section 9.2 of this Explanatory Memorandum.

If approved, the Cornerstone Placement will enable the Cornerstone Shareholders to subscribe for a total of 99,800,000 Shares or the number of Shares that could be issued to the Cornerstone Shareholders in order for them to remain in compliance with item 9 of section 611 of the Corporations Act (being the 3% creep provision), whichever is the lower number.

If the maximum number of Shares are issued pursuant to the Cornerstone Placement, \$29 million will be raised. It is intended that, Shagang's contribution of up to \$21.1 million will be by way of a reduction of the amount outstanding at that time against the Bank of China Letter of Credit Facility. The RGL and PI contributions of up to \$7.8 million will be by way of cash. If fewer than 99,800,000 Shares are issued pursuant to the Cornerstone Placement, then the funds raised will be reduced accordingly.

Part of the Restructure involves an issue of 55,000,000 Shares to Stemcor Pellets Limited (**Stemcor**), Dacroft Pty Ltd (**Dacroft**) and Forlife Tasmania Pty Ltd (**Forlife**), (**Stemcor Placement**). Completion of the Cornerstone Placement is subject to certain conditions, summarised in section 8.2 of this Explanatory Memorandum, including successful completion of both the Offer and the Stemcor Placement.

The Board is undertaking the Cornerstone Placement as part of the Offer and Restructure, to provide the Company with additional working capital and strengthen the balance sheet through the repayment of debt. The Board believes that the Cornerstone Placement is in the best interests of Shareholders as it positions the Company and its balance sheet correctly for the current financial climate.

8.2 Key Terms of the Cornerstone Placement

Completion of the Cornerstone Placement is conditional on:

- (a) approval by the Treasurer under the Foreign Acquisitions and Takeovers Act;
- (b) each of Shagang, RGL and PI obtaining all legal and regulatory approvals required for the Cornerstone Placement;
- (c) approval for the quotation of the Cornerstone Placement Shares by ASX;
- (d) Shareholder approval for the purposes of Chapter 2E of the Corporations Act and the Listing Rules, including Listing Rules 7.1 and 10.11;
- (e) completion of the Offer and the Stemcor Placement; and

- (f) the Company being able to issue a cleansing statement in respect of the Cornerstone Placement Shares, or where it is unable to do so, issuing an appropriate disclosure document.

As at the date of this Notice, the only condition that has been satisfied is that the Offer and the Stemcor Placement have been completed.

If the remaining conditions are not satisfied on or before the date that is 3 months from the date of this Meeting, or such later date agreed between the Company and the Cornerstone Shareholders, the Cornerstone Placement will not proceed (subject in all cases to the Listing Rule requirement that the Shares are to be issued to the Cornerstone Shareholders within 1 month of the meeting at which Grange Shareholder approval is obtained for the issue).

Under the Cornerstone Agreements, the Company and the Cornerstone Shareholders have each provided representations, warranties and indemnities that are customary for agreements of this nature.

The Directors have agreed to unanimously recommend the Cornerstone Placement to Shareholders and not to withdraw that unanimous recommendation prior to completion, except to the extent that the recommendation would constitute a breach of their fiduciary or statutory duties.

The Directors' recommendation in respect of Resolution 7 is set out in section 8.8 of this Explanatory Memorandum.

8.3 Listing Rule 10.11

Listing Rule 10.11 provides that a listed company may not, without the approval of ordinary shareholders, issue equity securities to a Related Party unless an exception in Listing Rule 10.12 applies.

The Company proposes to issue to the Cornerstone Shareholders up to 99,800,000 Shares. For the purpose of Listing Rule 10.11, each of the Cornerstone Shareholders is considered to be a Related Party of the Company.

The exceptions set out in Listing Rule 10.12 do not apply to the Cornerstone Placement. Accordingly, Shareholder approval is being sought for the Cornerstone Placement.

8.4 Listing Rule 7.1

Approval pursuant to Listing Rule 7.1 is not required for the issue of Shares to the Cornerstone Shareholders as approval is being obtained under Listing Rule 10.11. Accordingly, the Shares issued to the Cornerstone Shareholders will not be included in the calculation of the Company's annual 15% placement capacity pursuant to Listing Rule 7.1.

8.5 Listing Rule Requirements

In accordance with Listing Rule 10.13, the following information is provided to Shareholders to allow them to assess whether or not to approve the proposed issue of Shares to the Cornerstone Shareholders:

- (a) The Company intends to issue up to 99,800,000 Shares as follows:
 - (i) Shagang up to 72,800,000 Shares;
 - (ii) RGL up to 18,700,000 Shares; and
 - (iii) PI up to 8,300,000 Shares.

The precise total number of Shares issued will be the lower of 99,800,000 and the number of Shares that may be issued to each of Shagang, RGL and PI in order for them to remain in compliance with item 9 of section 611 of the Corporations Act (being the 3% creep provision).

- (b) If Resolution 7 is passed, the issue of the Shares to the Cornerstone Shareholders will occur no later than 1 month after the date of the Meeting, or such longer period as ASX may approve in the event that the conditions precedent to completion of the Cornerstone Placement (summarised in section 8.2 of this Explanatory Memorandum) are not able to be satisfied within this time.
- (c) The Shares to be issued to the Cornerstone Shareholders will be issued at a price of \$0.29 per Share. The Shares will rank pari passu in all respects from the date of issue with the existing Shares of the Company. The Company will apply for official quotation on ASX of all Shares issued pursuant to the Cornerstone Placement.
- (d) If the maximum of 99,800,000 Shares are issued pursuant to the Cornerstone Placement, approximately \$29 million will be raised. It is intended that Shagang's contribution of up to \$21.1 million, will be by way of a reduction of the amount outstanding under the Bank of China Letter of Credit Facility and the contributions by RGL and PI of up to \$7.8 million will be by way of cash to be available for general working capital purposes. If fewer than 99,800,000 Shares are issued pursuant to the Cornerstone Placement, then the amount of funds raised will be reduced accordingly.

8.6 Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a Related Party of the Company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the relevant provisions of the Corporations Act; or
- (b) prior Shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, each of the Cornerstone Shareholders is a Related Party of the Company by virtue of section 288(1) of the Corporations Act and the issue of Shares to the Cornerstone Shareholders constitutes the giving of a financial benefit. As none of the exceptions set out in the Corporations Act apply, the issue of Shares to the Cornerstone Shareholders requires Shareholder approval.

8.7 Information for Shareholders in respect of Chapter 2E

For the purpose of obtaining Shareholder approval, and in accordance with the requirements of Chapter 2E of the Corporations Act, and in particular section 219, the following information is provided to Shareholders to allow them to assess whether or not to approve the proposed issue of Shares to the Cornerstone Shareholders under Resolution 7:

- (a) **(Identity of the related parties):** The Related Parties of the Company to which a financial benefit may be given under Resolution 7 are the Cornerstone Shareholders.
- (b) **(Nature of the financial benefit):** The nature of the financial benefit to be given to each Cornerstone Shareholder is the issue of the Shares pursuant to the Cornerstone Placement.

The Shares to be issued to the Cornerstone Shareholders under the Cornerstone Placement will rank equally with and enjoy the same rights as all other Shares on issue.

The issue price of each Cornerstone Placement Share is \$0.29 (**Placement Price**). The Placement Price was calculated on the basis of the 10 day Volume Weighted Average Price (**VWAP**) of the Company's Shares between the period 27 July 2009 to 7 August 2009, adjusted for the Offer and Stemcor Placement, to give the theoretical price of Shares following completion of the Offer and the Stemcor Placement as calculated on 7 August 2009 (being the Theoretical Ex Rights Price, (**TERP**)), less a discount of 15%.

This calculation is shown below:

10 day VWAP for 27 July 2009 to 7 August 2009

Date	Weighted Average Price	Volume Traded
27 July 2009	\$0.4147	89,130
28 July 2009	\$0.4273	71,375
29 July 2009	\$0.4100	41,555
30 July 2009	\$0.4110	49,252
31 July 2009	\$0.4276	161,396
3 August 2009	\$0.4808	457,078
4 August 2009	\$0.5042	519,890
5 August 2009	\$0.4790	257,298
6 August 2009	\$0.4695	197,657
7 August 2009	\$0.4539	127,338
10 day VWAP	\$0.4714	

Calculation Steps for Derivation of Cornerstone Placement Price

	Units	Outcome
Grange Shares on issue as at 7 August 2009	Shares (m)	495
Grange VWAP assumption (as above)	\$	\$0.4714
Grange market capitalisation as at 7 August 2009	A\$ m	\$233.32
Plus total funds to be raised from Offer	A\$ m	\$123.75
Post Offer implied Company value	A\$ m	\$357.07
Total Shares on issue post Offer and Stemcor Placement	Shares (m)	1,047
Value per Share post Offer and Stemcor Placement (TERP) (calculated as at 7 August 2009 and based on the VWAP between 27 July and 7 August 2009)	A\$	\$0.341
Less 15% discount	A\$	\$0.051
Cornerstone Placement Price	A\$	\$0.29

As it was necessary to have the commitment of the Cornerstone Shareholders to the Cornerstone Placement secured prior to the launch of the Offer and Restructure, the calculation of the Placement Price was finalised on 7 August, being 6 business days prior to the announcement of the Offer and Restructure.

As indicated above, the Placement Price was calculated using 10 day VWAP as a measure of the market value of a Share. VWAP is accepted as an appropriate measure of market value as it reflects both the price of shares and the volume traded over a given period. The Board determined that a 10 day VWAP was suitable as it provided a sufficient period for the Share price to reflect all of the relevant information regarding the Company at the time the price was set and to be representative of trading in Shares.

The appropriate issue price for a placement, and the nature and size of any discount to market price, is dependent upon a number of factors. The key factors that were considered by the Board in setting the discount for the Cornerstone Placement were the Company's outlook and current financial position, the proposed use of proceeds, the size of the Company, its liquidity, the size of the issue relative to the Company's market capitalisation and the risks being assumed by the Cornerstone Shareholders in agreeing to subscribe for Shares under the Cornerstone Placement.

The Board also considered alternative sources of funding to the Cornerstone Placement, including additional debt, an issue of equity, or a combination of both. The Board determined that raising additional debt on acceptable terms would be difficult without the Company first improving its balance sheet. The Board also considered alternative sources of equity funding and determined that there was no guarantee it could be sourced on the same or more favourable terms.

If the Company had elected to raise the additional funds by increasing the size of the Offer, rather than conducting the Cornerstone Placement, the additional Shares would have been issued at \$0.25 per Share rather than \$0.29 per Share. Therefore, the Company would have been required to issue a greater number of Shares to raise the same amount of funds.

It is important to note that the pricing of the Cornerstone Placement is at a 16% premium to the Offer price.

On the basis of the Board's consideration of the factors outlined above, and having taken advice from the Company's financial advisers, the Board considers that Placement Price is fair and reasonable in the circumstances and that the Cornerstone Placement is the best option available to the Company and is in the best interests of the Company and its Shareholders.

- (c) **(Reason and basis for giving the financial benefit):** Prior to the Offer and Stemcor Placement, the Cornerstone Shareholders held a collective 69.23%¹ relevant interest in the Company. Following completion of the Offer and the Stemcor Placement, the Cornerstone Shareholders' relevant interest in the Company has fallen to 65.6%. The Cornerstone Placement will enable the Cornerstone Shareholders to subscribe for the lower of 99,800,000 and that number of Shares that could be issued to them in order for the Cornerstone Shareholders to remain in compliance with item 9 of section 611 of the Corporations Act (being the 3% creep provision).

The reason for proposing the Cornerstone Placement is to raise funds to reduce the Bank of China Letter of Credit Facility, provide capital for the Savage River operations and for general working capital purposes, thereby strengthening the Company's balance sheet.

As outlined in section 8.7(b) of this Explanatory Memorandum, the Board considered the availability and likely terms of alternative sources of funding and

¹ Includes 1,015,640 Shares held by Ever Lucky Developments Limited (an associate of Shagang).

determined that, in the context of the Company's funding requirements, the participation of the Cornerstone Shareholders and the Cornerstone Placement is the best option available to the Company and is in the best interests of the Company and its Shareholders.

- (d) **(Value of the financial benefit):** The value of the financial benefit proposed to be provided to the Cornerstone Shareholders may be expressed as the difference between the value of the Cornerstone Placement Shares and \$0.29, being the Placement Price.

The Board's view is that VWAP is an appropriate measure of market value of Shares as it reflects both the price of shares and the volume traded over a given period. The Board determined that a 10 day VWAP was suitable to determine the value of the Cornerstone Placement Shares as it provides a sufficient period for the Share price to reflect all of the relevant information regarding the Company and to be representative of trading in Shares.

If the Company were to issue the maximum of 99,800,000 Shares at \$0.29 per Share (being the Placement Price), a total of \$28,942,000 would be raised.

The value of the Cornerstone Placement Shares based on the 10 day VWAP on 17 August 2009 (being the date of entering into the Cornerstone Placement agreements) is \$0.35. If the Company were to issue the maximum of 99,800,000 Shares at \$0.35, a total of \$34,930,000 would be raised. Therefore, the value of the financial benefit proposed to be provided to the Cornerstone Shareholders (based on the value of Shares as at the date of entering into the Cornerstone Placement agreements) is \$5,988,000.

The value of the Cornerstone Placement Shares based on the 10 day VWAP on 14 October 2009 (being the last trading date prior to the date of lodgement of this Notice with ASIC) is \$0.281. If the Company were to issue the maximum of 99,800,000 Shares at \$0.281 per Share, a total of \$28,043,800 would be raised. Therefore, the value of the financial benefit proposed to be provided to the Cornerstone Shareholders (based on the value of Shares as at the date this Notice) is nil as the Placement Price is at a 2% premium to this value.

It should be noted that the above calculations provide an indication of the value of the financial benefit only and have been included in this Explanatory Memorandum to provide Shareholders with details of the financial benefit to assist them to make a decision about whether to approve Resolution 7. There is no guarantee that the Company could issue a parcel of 99,800,000 Shares at the prices indicated above. Shareholders should note that the 10 day VWAP fluctuates and may change between the date of lodgement of this Notice with ASIC and the date of the Meeting.

- (e) **(Advantages and disadvantages of Shareholders approving Resolution 1):** The Board considers the advantages for Shareholders arising from the Cornerstone Placement are as follows:

- A maximum of approximately \$29 million will be raised, enabling the Company to restructure its balance sheet during uncertain economic times.
- The Cornerstone Placement is being conducted at a 16% premium to the Offer price.
- As noted above, if the Board had elected to raise the additional funds by increasing the size of the Offer, the additional Shares would have been issued at \$0.25 per Share rather than \$0.29 per Share. Therefore, the Company would have been required to issue a greater number of Shares to raise the same amount

of funds, or if the same number of Shares were issued, less funds would have been raised.

- The Cornerstone Shareholders have been supportive of the Offer and Restructure, thereby ensuring its success. Had the Offer and Restructure not been possible the Company may have had difficulty raising, or been unable to raise, the required funds on the same terms.
- As set out in section 8.7(d) of this Explanatory Memorandum, the Cornerstone Shareholders have agreed to pay \$0.29 per Share to acquire Shares that were valued at \$0.281 as at the last trading day prior to the date of lodgement of this Notice with ASIC. The Placement Price of \$0.29 represents a premium of 2% to that value.

The Board considers the disadvantages for Shareholders arising from the Cornerstone Placement are as follows:

- As set out in section 8.7(d) of this Explanatory Memorandum, the Cornerstone Shareholders have agreed to pay \$0.29 per Share to acquire Shares that were valued at \$0.35 as at the date of entering into the Cornerstone Placement agreements. The Placement Price of \$0.29 represents a discount of 17% to that value. If the Company were able to issue Shares at a lower discount, either fewer Shares would be issued to raise the same amount of funds or more funds would be raised for the issue of the same number of Shares.
- The Cornerstone Placement will result in dilution of all other Shareholders' holdings in the Company of a maximum of 8.7% (based on the number of Shares on issue as at the date of this Notice, and assuming that no other securities are issued by the Company in the meantime).

- (f) **(Directors' recommendations and interests in outcome):** The Directors' recommendations in respect of Resolution 7 are set out in section 8.8 of this Explanatory Memorandum. Messrs Xi Zhiqiang and Wei Guo declare their interest in Resolution 7 on account of their employment with Shagang. Mr Clement Ko declares his interest in Resolution 7 on account of his position as the chairman and sole shareholder of Pacific Minerals Limited, the sole shareholder of PI.

The Company confirms that each of Messrs Xi and Ko declared their interest in the business being transacted at the Board meetings held to discuss and approve the Cornerstone Placement. Messrs Xi and Ko were permitted to be present at the meetings, however were excluded from participation and the decision-making process on matters pertaining to the Cornerstone Placement. Mr Wei was not in attendance at the Board meeting held to approve the Cornerstone Placement.

- (g) **(Trading history):** The highest and lowest recorded sale price and last recorded closing price of Shares on ASX in the 12 months prior to the date of lodgement of this Notice with ASIC are as follows:

Highest	\$0.77 on 13 May 2009
Lowest	\$0.26 on 30 September 2009
Last recorded	\$0.285 on 14 October 2009

- (h) **(Related parties' existing interests):** Details regarding the securities in the Company in which each Cornerstone Shareholder currently holds an interest and the current voting power of each Cornerstone Shareholder as at the date of this Notice, are set out in Table 1 below.

Table 1 – Current relevant interests¹

Cornerstone Shareholder	Existing Shares	Voting Power
Shagang	467,182,558	44.7%
RGL	136,809,200	13.1%
PI	82,085,520	7.8%
TOTAL	686,077,278	65.6%

If Resolution 7 is passed, up to 99,800,000 Shares will be issued to the Cornerstone Shareholders under the Cornerstone Placement².

Table 2 below sets out the securities in the Company in which each Cornerstone Shareholder will hold an interest, and the resulting voting power of each Cornerstone Shareholder, if the maximum number of Shares is allotted pursuant to Resolution 7.

Table 2 – Relevant interests³ after maximum allotment under Resolution 7

Cornerstone Shareholder	Existing Shares	Voting Power
Shagang	539,982,558	47.1%
RGL	155,509,200	13.6%
PI	90,385,520	7.9%
TOTAL	785,877,278	68.6%

- (i) **(Dilution effect of transaction on existing Shareholders' interests):** The dilution effect of the Cornerstone Placement on other existing Shareholders' interests is set out in section 8.7(e) of this Explanatory Memorandum.

Other than the information set out in this Explanatory Memorandum, there is no other information known to the Company or any of its Directors that is reasonably required by Shareholders in order to decide whether or not it is in the interests of the Company to pass Resolution 7.

¹ It should be noted that the table outlines the individual interests of Shagang, RGL and PI, however they are all “associates” for the purposes of the Corporations Act and therefore have a relevant interest in each others holdings pursuant to subsection 608(1) of the Corporations Act. Consequently, each of Shagang, RGL and PI has a relevant interest in 686,077,278 Shares, representing voting power of 65.6% in the Company.

² The number of Shares issued pursuant to the Cornerstone Placement will be the lower of 99,800,000 and the number of Shares that may be issued to each of Shagang, RGL and PI in order for them to remain in compliance with item 9 of section 611 of the Corporations Act (being the 3% creep provision).

³ It should be noted that the table outlines the individual interests of Shagang, RGL and PI, however they are all “associates” for the purposes of the Corporations Act and therefore have a relevant interest in each others holdings pursuant to subsection 608(1) of the Corporations Act. Consequently if Resolution 8 is passed, each of Shagang, RGL and PI will have a relevant interest in 785,877,278 Shares, representing voting power of 68.6% in the Company.

8.8 Directors' Recommendation

All the Directors (excluding Messrs Xi, Wei and Ko) recommend that Shareholders vote in favour of Resolution 7 for the reasons given in sections 8.1 and 8.7 of this Explanatory Memorandum. The Directors (excluding Messrs Xi, Wei and Ko) do not have an interest in the outcome of Resolution 7, except where they are Shareholders. As set out in the proxy form, the chairman of the Meeting intends to vote all undirected proxies in favour of Resolution 7.

Messrs Xi, Wei and Ko do not wish to make a recommendation in relation to Resolution 7 as they each have an interest in the outcome of Resolution 7 by virtue of the declaration of interest noted above in section 8.7(f) of this Explanatory Memorandum.

8.9 Voting Exclusion

In accordance with section 224 of the Corporations Act and Listing Rules 10.13 and 14.11, the Company will disregard any votes cast on Resolution 7 by the Cornerstone Shareholders and any of their Associates.

However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

9. Resolution 8 - Ratification of Share issue

9.1 Background

As announced on 18 August 2009, Grange has been working to restructure certain liabilities that will position it well for future growth. The Offer, Cornerstone Placement, Stemcor Placement and Restructure will provide a number of benefits to Grange, which include:

- significantly reducing the quantum of, and extending the timing for payment of Grange's key liabilities;
- providing material upside to long term cashflows through the significant reduction in the ongoing payments owing to Stemcor; and
- providing working capital to continue with investment in mine cut backs, key equipment and other ongoing operational requirements.

In order to implement the transactions to effect the Restructure, on 17 August 2009, the Company entered into certain agreements for the purposes of restructuring payments due to Stemcor, Dacroft and Forlife, pursuant to which the Company agreed to:

- issue Stemcor, Dacroft and Forlife with a total of 55,000,000 Shares via the Stemcor Placement;
- make certain cash payments out of the proceeds of the Offer; and
- pay an ongoing royalty calculated as 2% of gross revenue receipts from the Savage River Project, commencing in 2012 and ended in 2023.

Resolution 8 is seeking shareholder ratification of the Stemcor Placement.

The Board has undertaken the Stemcor Placement as part of the Offer and Restructure, to provide the Company with additional working capital and strengthen the balance sheet through the repayment of debt. The Board believes that the Restructure, including the Stemcor Placement, is in the best interests of Shareholders as it positions the Company and its balance sheet correctly for the current financial climate.

9.2 Key Details of the Stemcor Placement

The Stemcor Placement was conditional on:

- (a) the Offer proceeding;
- (b) the Company receiving sufficient subscriptions for and issuing at least the minimum subscription amount of 343,038,039 Shares under the Offer;
- (c) in principle approval from ASX that it will grant official quotation of the Shares to be issued under the Stemcor Placement;
- (d) the Company being in a position to issue a cleansing statement on completion; and
- (e) Grange's wholly owned subsidiary, Shagang Mining (Australia) Pty Ltd (**SMAPL**) providing Stemcor, Dacroft, Forlife and Dominant Holdings AG with equal first ranking equitable mortgages over SMAPL's shares in Beviron Pty Ltd.

These conditions have been satisfied and the 55,000,000 Shares were allotted and issued on 23 September 2009.

The Company is seeking shareholder approval to ratify the issue of Shares to Stemcor, Dacroft and Forlife for the purposes of Listing Rule 7.4.

9.3 Listing Rule 7.1

Listing Rule 7.1 provides, in summary, that a listed company may not issue equity securities in any 12 month period which exceed 15% of the number of fully paid ordinary securities of the company on issue at the beginning of the 12 month period, except with the prior approval of shareholders of the company in general meeting of the precise terms and conditions of the proposed issue. Listing Rule 7.2 contains an exception to Listing Rule 7.1 for issues of securities under an agreement to issue securities where the company has complied with the Listing Rules when it entered into the agreement to issue the securities. The Company entered into the agreement to issue Shares under the Stemcor Placement on 17 August 2009, at which time the issue of 55,000,000 Shares was within the Company's 15% annual limit in Listing Rule 7.1.

Resolution 8 has been included in this Notice to preserve the Company's ability to issue further securities (if necessary) under Listing Rule 7.1.

The outcome of Resolution 8 will have no effect on the issue of the 55,000,000 Shares to Stemcor, Dacroft and Forlife as the Company has already issued those Shares within the Company's 15% annual limit at that time. However, if Resolution 8 is not approved, it will restrict the ability of the Company to issue securities without Shareholder approval until the Company's 15% capacity is replenished, in accordance with Listing Rule 7.1.

9.4 Listing Rule 7.4

Listing Rule 7.4 permits a company to subsequently approve an issue of securities made without approval under Listing Rule 7.1.

Listing Rule 7.4 states that an issue of securities made without approval under Listing Rule 7.1 is treated as having been made with approval for the purposes of Listing Rule 7.1 if the issue did not breach Listing Rule 7.1 and Shareholders subsequently approve it.

Listing Rule 7.5 sets out a number of matters which must be included in a notice of meeting seeking shareholder approval under Listing Rule 7.4. In accordance with Listing Rule 7.5, Shareholders are advised as follows:

- (a) a total of 55,000,000 Shares were issued;
- (b) the Shares were issued at a deemed issue price of \$0.25 per Share;
- (c) the Shares were issued to Stemcor, Dacroft and Forlife for the reasons set out in section 10.1 of this Explanatory Memorandum;
- (d) the Shares issued pursuant to this Resolution 8 rank equally in all respects with all other Shares in the Company and are listed on ASX;
- (e) no funds were raised by the allotment and issue of the Shares to Stemcor, Dacroft and Forlife. Details of the consideration received by the Company for the allotment and issue of the Shares are set out in section 9.1 of this Explanatory Memorandum; and
- (f) a voting exclusion statement in respect of Resolution 8 is set out in both the Notice and section 9.6 of this Explanatory Memorandum.

9.5 Directors' Recommendation

The Directors recommend that Shareholders vote in favour of Resolution 8 for the reasons set out in section 9.1 of this Explanatory Memorandum.

9.6 Voting Exclusion

In accordance with Listing Rules 7.5 and 14.11, the Company will disregard any votes cast on Resolution 8 by Stemcor, Dacroft and Forlife and any of their Associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

10. Resolution 9 – Approval of grant of Performance Rights to the Managing Director, Mr Russell Clark

Resolution 9 seeks Shareholder approval to the grant of up to 1,182,837 Performance Rights to Mr Clark, on the terms and conditions set out in this Explanatory Memorandum.

10.1 Background to the grant of Performance Rights

The purpose of the proposed grant of the Performance Rights to Mr Clark is to provide an appropriate remuneration strategy and incentive for Mr Clark to assist the Company to achieve prescribed performance milestones and to assist the Company to retain the services of Mr Clark.

Mr Clark will only benefit from the grant of the Performance Rights if the relevant performance conditions attaching to the Performance Rights are fulfilled and he is issued with Shares on vesting of the Performance Rights.

The Performance Rights proposed to be granted Mr Clark reflect the level of commitment to be provided by Mr Clark to the Company in assisting the Company to achieve certain specified performance objectives, taking into account the responsibilities of Mr Clark and the time commitment required from him. The Performance Rights to be granted to Mr Clark also reflect the value the Board believes Mr Clark brings to the enhancement of the Company and the relative importance of the performance objectives set by the Company.

The Board considers it appropriate for part of Mr Clark's remuneration package to comprise non-cash, incentive based remuneration. If Shareholders approve Resolution 9 the

Performance Rights will be granted no later than 3 months after the date of the Meeting, however, the Performance Rights will only vest if the performance conditions attaching to the Performance Rights are met.

10.2 Key details of the Performance Rights

It is proposed that Mr Clark is to be granted 1,182,837 Performance Rights by the Company on the following key terms:

Tranche	Number of Performance Rights	Vesting Date	Performance conditions	Expiry Date
1	394,279	on or around July/August 2010	<ul style="list-style-type: none"> ➤ the vesting of up to 50% of the Performance Rights for each tranche will be dependent on the Board's assessment of Mr Clark's performance against his personal performance goals for the relevant financial year; and ➤ the vesting of up to 50% of the Performance Rights for each tranche will be dependent on the Board's assessment of the Company's performance against its goals for the relevant financial year. 	30 June 2011
2	394,279	on or around July/August 2011		30 June 2012
3	394,279	on or around July/August 2012		30 June 2013

The precise vesting date for each tranche of Performance Rights will be determined once the Board has assessed Mr Clark's performance against his personal performance goals and the Company's performance against its goals, following the end of each financial year.

The precise number of Performance Rights that will vest in each tranche will be dependent on the Board's assessment of Mr Clark's performance against his personal performance goals and the performance of the Company. Mr Clark's personal performance goals and the criteria for assessing the performance of the Company will be determined by the Board at the start of each financial year.

The other terms and conditions of the Performance Rights are summarised in Schedule 1 to this Explanatory Memorandum.

10.3 Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a Related Party of the Company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provisions; or
- (b) prior shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, Mr Clark is a Related Party and the proposed grant of the Performance Rights and subsequent issue of Shares to Mr Clark on vesting of those Performance Rights, constitutes the giving of a financial benefit. Accordingly, Shareholder approval is required.

An exception to the prohibition in Chapter 2E of the Corporations Act permits the Company to give a financial benefit to a Related Party without the need for Shareholder approval if the benefit is remuneration to an officer of the Company that would be reasonable given the circumstances of the Company and the Related Party's circumstances (including the responsibilities involved in the Related Party's office).

It is arguable that the proposed grant of Performance Rights to Mr Clark is reasonable remuneration. However, the Board considers that it is prudent, from a corporate governance perspective, to seek Shareholder approval for the purposes of Chapter 2E of the Corporations Act in any event.

In accordance with the requirements of Chapter 2E, and in particular section 219, of the Corporations Act, the following information is provided to Shareholders to allow them to assess the proposed grant of Performance Rights and issue of Shares to Mr Clark on vesting of the Performance Rights:

- (a) Mr Clark is a Related Party of the Company to whom Resolution 9 would permit the financial benefit to be given.
- (b) The nature of the financial benefit to be given to Mr Clark is the grant of up to 1,182,837 Performance Rights as set out in sections 10.1 and 10.2 of this Explanatory Memorandum and the issue of up to 1,182,837 Shares upon the vesting of those Performance Rights for no cash consideration.
- (c) The Performance Rights proposed to be granted will be issued in accordance with the terms and conditions set out in section 10.2 of this Explanatory Memorandum and with the terms and conditions of the LTIP (summarised in Schedule 1 to this Explanatory Memorandum).
- (d) No funds will be raised by the grant of Performance Rights to Mr Clark. Any Shares issued upon exercise of the Performance Rights will be issued for no cash consideration.
- (e) As at the date of this Notice, the capital structure of the Company is as follows:

Capital	Number
Ordinary Shares	1,048,048,276
Options	15,990,000
Performance Rights	-

If Shareholders approve all Resolutions contained in this Notice and all Shares are issued as contemplated by this Notice (including the 1,182,837 Performance Rights under Resolution 9), the issued capital of the Company will be as follows:

Capital	Number
Ordinary Shares	1,148,848,276
Options	15,990,000
Performance Rights	1,182,837

If Shareholders approve the grant of 1,182,837 Performance Rights to Mr Clark, under Resolution 9 and all 1,182,837 Performance Rights subsequently vest such that 1,182,837 Shares are issued to Mr Clark, the Performance Rights issued to Mr Clark may result in dilution of the shareholdings of all other existing Shareholders of approximately 0.1% (based on the existing number of Shares as at the date of this Notice and assuming that no other existing options or Performance Rights are exercised and no other securities are issued by the Company in the meantime).

- (f) As at the date of this Notice, Mr Clark holds the following securities in the Company representing 0.4% of the issued capital of the Company on a fully diluted basis:

Director	Number of Shares held Directly or Indirectly	Number of Options held Directly or Indirectly
Mr Clark	Nil	4,500,000

- (g) Details of Mr Clark's remuneration for the year ended 30 June 2009 (based on information extracted from the Company's 2009 financial statements) are as follows:

	Salary	Super-annuation Contributions	Other	Total
Mr Clark	\$470,000	\$75,000	\$1,518,458 ⁽¹⁾	\$2,063,458

- ⁽¹⁾ This amount comprises \$1,509,569 which relates to the value of options vested during the year. In accordance with accounting standards, Mr Clark's options were 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 \$0.265. Had this 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.

Details of the estimated remuneration payable to Mr Clark for the year beginning 1 July 2009 are as follows:

	Salary	Super-annuation Contributions	Other	Total
Mr Clark	\$500,000	\$45,000	\$397,370 ⁽²⁾	\$942,370

- ⁽²⁾ This includes an amount of \$112,370 which reflects the first tranche of Performance Rights vesting, plus an amount of \$285,000 being the value of the Shares proposed to be issued to Mr Clark in accordance with Resolution 10.

- (h) During the last 12 months before the date of lodgement of this Notice with ASIC, the highest trading price of the Shares was \$0.77 on 13 May 2009 and the lowest price was \$0.26 on 30 September 2009. The market price of the Company's Shares over the 5 days of trading on ASX up to and including 14 October 2009 has been between a minimum of \$0.28 per Share to a maximum of \$0.295 per Share. On 14 October 2009, the last trading day before this Notice was lodged with ASIC, Shares closed at a price of \$0.285 per Share.
- (i) The primary purpose of the grant of the Performance Rights to Mr Clark is to provide an incentive to Mr Clark to strive to meet the Company's performance objectives. Given this purpose, the Directors do not consider that there is any opportunity cost or benefit foregone by the Company in granting the Performance Rights or issuing the Shares on the vesting of those Performance Rights, as proposed by Resolution 9.
- (j) The issue of securities to Mr Clark is a more cost effective and appropriate incentive for the Company as opposed to the payment of additional cash compensation.
- (k) Mr Clark has a material personal interest in the outcome of Resolution 9 as he is a recipient of the Performance Rights proposed to be issued under that resolution.

The Company's remaining Directors do not have an interest in the outcome of Resolution 9, except where they are Shareholders. As set out in the proxy form, the chairman of the Meeting intends to vote all undirected proxies in favour of Resolution 9.

- (l) The Directors, other than Mr Clark, recommend that Shareholders vote in favour of Resolution 9 for the reasons given in section 10.1 of this Explanatory Memorandum.
- (m) The Company will incur no liabilities or costs in respect of the proposed grant of the Performance Rights to Mr Clark other than:
 - (i) The fees payable to ASX for quotation of the Shares if and when the performance conditions applicable to the Performance Rights are satisfied and the Performance Rights are vested. At the rates applying at the date of this Notice, these fees would be approximately \$2,500;
 - (ii) A value equal to the weighted average trading price of shares on ASX in the five days immediately before the date of valuation, will be included as wages for the purposes of the Pay-roll Tax Act 2002 (WA), Pay-roll Tax Assessment Act 2002 (WA) and the Taxation Administration Act 2003 (WA). If this value in addition to the other wages that are taxable in the jurisdiction is in excess of the annual pay-roll tax threshold, the Company will have a liability in respect of pay-roll tax in that jurisdiction; and
 - (iii) The cost of the Shares issued on vesting of the Performance Rights, which will be expensed through the Company's income statement in accordance with AASB2 Share-based payments.
- (n) The Company has had an independent valuation undertaken of the Performance Rights proposed to be offered to Mr Clark.

The valuation of the Performance Rights is based on the maximum number of Performance Rights to be issued, multiplied by the prevailing Share price as at the date of issue, multiplied by the probability that the performance conditions will be achieved.

Number issued: the maximum number of Performance Rights that could vest is 1,182,837.

Prevailing share price: As the Share price at the date of grant of the Performance Rights is unknown, using the closing Share price as at 14 October 2009 is the most accurate measure, being \$0.285 per Share.

Probability of performance conditions being achieved: The Performance Rights will vest based on the achievement of personal performance milestones (50%) and Company performance milestones (50%). The Performance Rights will also vest over time, equally in three tranches over three years – 2010/11, 2011/12 and 2012/13.

For the purposes of the valuation, it is assumed that 100% of the Performance Rights will vest so as to disclose the maximum possible value of the Performance Rights.

Total value of Performance Rights: \$337,109

- (o) Neither the Board nor the Company is aware of any other information that would reasonably be required by Shareholders in order to decide whether it is in the best

interests of the Company to pass Resolution 9, other than as stated in this Explanatory Memorandum.

10.4 Listing Rule 10.14

Listing Rule 10.14 provides, in essence, that the approval of shareholders by ordinary resolution is required before any of the following persons can acquire securities under an employee incentive scheme:

- (a) a director;
- (b) an associate of a director; or
- (c) a person whose relationship with the Company or a person referred to in paragraph (a) or (b) above is, in ASX's opinion, such that approval should be obtained.

Mr Clark is a Director of the Company for the purpose of Listing Rule 10.14. Accordingly, in order for Mr Clark to acquire the Performance Rights and Shares on the vesting of the Performance Rights under the LTIP, the Company must obtain Shareholder approval pursuant to Listing Rule 10.14.

10.5 Disclosure Requirements

Listing Rule 10.15 set out a number of matters which must be included in a notice of meeting seeking shareholder approval under Listing Rule and 10.14.

In accordance with Listing Rule 10.15, the following information is disclosed to Shareholders in relation to Resolution 9:

- (a) Mr Clark is a director of the Company;
- (a) the maximum number of Performance Rights that may be granted to Mr Clark for whom approval is required is 1,182,837 Performance Rights. If all 1,182,837 Performance Rights vest, Mr Clark will be entitled to 1,182,837 Shares;
- (b) the Performance Rights will be granted to Mr Clark as an incentive, for no cash consideration. Any Shares issued on exercise of the Performance Rights will be issued for no cash consideration. Accordingly, no funds will be raised by the grant of the Performance Rights or any subsequent issue of Shares to Mr Clark on exercise of those Performance Rights;
- (c) no Director or Associate of a Director of the Company has previously received securities under the LTIP;
- (d) as at the date of lodgement of this Notice with ASIC, Mr Clark is the only Director who is entitled to participate in the LTIP;
- (e) the Performance Rights will be granted no later than 3 months after the date of the Meeting and it is anticipated that the allotment will be on one date;
- (f) the Performance Rights to be granted to Mr Clark will not be quoted on ASX. Any Shares issued to Mr Clark on exercise of those Performance Rights will rank equally in all respects with all other Shares in the Company and the Company will apply for the Shares to be quoted on ASX;
- (g) the proposed grant of Performance Rights to Mr Clark will be made pursuant to the terms and conditions set out in section 10.2 of this Explanatory Memorandum and the terms and conditions of the LTIP as summarised in Schedule 1 to this Explanatory Memorandum;

- (h) details of any securities issued under the LTIP will be published in each annual report of the Company relating to the period in which the securities were issued; and
- (i) a voting exclusion statement in respect of Resolution 9 is in both the Notice and section 10.8 of this Explanatory Memorandum.

10.6 Directors' recommendation

Mr Clark declines to make a recommendation to Shareholders in relation to Resolution 9 due to his material personal interest in the outcome of the resolution. The other Directors, who do not have a material interest in the outcome of Resolution 9, recommend that Shareholders vote in favour of Resolution 9 for the reasons set out in section 10.1 of this Explanatory Memorandum.

10.7 Voting exclusion statement

In accordance with section 224 of the Corporations Act, and Listing Rules 10.13 and 14.11, the Company will disregard any votes cast on this resolution by any Director (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) or any of his Associates.

However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

11. Resolution 10 – Issue of Shares to Managing Director, Mr Russell Clark

11.1 Background

Resolution 10 seeks approval of the issue of 1,000,000 Shares to the Managing Director and Chief Executive Officer, Russell Clark (or his nominee).

It was the recommendation of the Board (as it was constituted prior to the Company's merger with Australian Bulk Minerals) to specifically recognise Mr Clark's role in the successful completion of the merger. Mr Clark led the negotiations on the Company's behalf and through his extensive efforts, the merger was successfully completed, notwithstanding the impact of the Global Financial Crisis on equity markets just prior to the conclusion of the merger in January 2009.

The current Board also acknowledges the proactive role taken by Mr Clark in integrating both companies subsequent to completion of the merger.

The Remuneration Committee proposed a bonus to Mr Clark of \$250,000 to be paid as 1,000,000 Shares (based on the Offer price of \$0.25), which was approved by the Board.

11.2 Chapter 2E of the Corporations Act

As set out in section 10.3 of this Explanatory Memorandum, Chapter 2E of the Corporations Act requires the Company to obtain prior Shareholder approval for the giving of a financial benefit to a Related Party.

For the purposes of Chapter 2E, Mr Clark is considered to be a Related Party of the Company because he is a Director and the proposed issue of Shares by the Company constitutes the giving of a financial benefit. Therefore the proposed issue of Shares by the Company to Mr Clark (or his nominee) requires prior Shareholder approval.

An exception to the prohibition in Chapter 2E of the Corporations Act permits the Company to give a financial benefit to a Related Party without the need for Shareholder approval if the benefit is remuneration to an officer of the Company that would be reasonable given the circumstances of the Company and the Related Party's circumstances (including the responsibilities involved in the Related Party's office).

Notwithstanding that the issue of Shares by the Company to Mr Clark (or his nominee) forms part of his overall remuneration package, and therefore may fall within the reasonable remuneration exception, the Board considers that it is prudent, from a corporate governance perspective, to seek Shareholder approval for the purposes of Chapter 2E of the Corporations Act in any event.

In accordance with the requirements of Chapter 2E, and in particular section 219, of the Corporations Act, the following information is provided to Shareholders to allow them to assess the proposed issue of Shares to Mr Clark (or his nominee):

- (a) Mr Clark is a Related Party of the Company to whom Resolution 10 would permit the financial benefit to be given.
- (b) The nature of the financial benefit to be given to Mr Clark (or his nominee) is the issue of 1,000,000 Shares as set out in section 11.1 of this Explanatory Memorandum for no cash consideration.
- (c) No funds will be raised by the issue of Shares to Mr Clark (or his nominee).
- (d) The capital structure of the Company as at the date of this Notice is set out in section 10.3(e) of this Explanatory Memorandum. If Shareholders approve Resolution 10 the issued capital of the Company will be as follows (assuming that all other Resolutions are approved by Shareholders, no existing options to subscribe for Shares in the Company are exercised and no other securities are issued by the Company in the meantime):

Capital	Number
Ordinary Shares	1,148,848,276
Options	15,990,000
Performance Rights	1,182,837

If Shareholders approve the issue of 1,000,000 Shares to Mr Clark (or his nominee) under Resolution 10 it may result in dilution of the shareholdings of all other existing Shareholders of approximately 0.09% (based on the existing number of Shares on issue as at the date of this Notice and assuming that all other Resolutions are approved by Shareholders, no existing options to subscribe for Shares in the Company are exercised and no other securities are issued by the Company in the meantime).

- (e) Details of the securities in the Company held by Mr Clark as at the date of this Notice are set out in section 10.3(f) of this Explanatory Memorandum.
- (f) Details of Mr Clark's remuneration for the year ended 30 June 2009 and the estimated remuneration payable to Mr Clark for the year beginning 1 July 2009 are set out in section 10.3(g) of this Explanatory Memorandum.
- (g) Details of the trading history of the Company's Shares, including the highest, lowest and most recent closing prices are set out in section 10.3(h) of this Explanatory Memorandum.
- (h) Based on the Company's Share price as at the date of lodgement of this Notice with ASIC, the indicative value of the Shares proposed to be issued to Mr Clark is \$285,000.

- (i) The primary purpose of the issue of the Shares to Mr Clark (or his nominee) is set out in section 11.1 of this Explanatory Memorandum.
- (j) The issue of Shares to Mr Clark (or his nominee) is a more cost effective incentive for the Company as opposed to the payment of additional cash compensation.
- (k) Mr Clark has a material personal interest in the outcome of Resolution 10 as he is the recipient of the Shares proposed to be issued under that resolution. The Company's remaining Directors do not have an interest in the outcome of Resolution 10, except where they are Shareholders. As set out in the proxy form, the Chairman of the Meeting intends to vote all undirected proxies in favour of Resolution 10.
- (l) The Directors, other than Mr Clark, recommend that Shareholders vote in favour of Resolution 10 for the reasons given in section 11.1 of this Explanatory Memorandum.
- (m) The Company will incur no liabilities or costs in respect of the proposed issue of Shares to Mr Clark other than:
 - (i) the fees payable to ASX for quotation of the Shares. At the rates applying at the date of this Notice, these fees would be approximately \$2,300;
 - (ii) a value equal to the weighted average trading price of Shares on ASX in the five days immediately before the date of valuation, will be included as wages for the purposes of the Pay-roll Tax Act 2002 (WA), Pay-roll Tax Assessment Act 2002 (WA) and the Taxation Administration Act 2003 (WA). If this value in addition to the other wages that are taxable in the jurisdiction is in excess of the annual pay-roll tax threshold, the Company will have a liability in respect of pay-roll tax in that jurisdiction; and
 - (iii) the cost of the Shares, which will be expensed through the Company's income statement in accordance with AASB2 Share-based payments.
- (n) Other than the information set out in this Explanatory Memorandum, the Board (other than Mr Clark) is not aware of any other information that would be reasonably required by Shareholders in order to decide whether it is in the best interests of the Company to pass Resolution 10.

11.3 Listing Rule 10.11

Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a Related Party, or a person whose relationship with the entity or a Related Party is, in ASX's opinion, such that approval should be obtained unless an exception in Listing Rule 10.12 applies.

It is the view of the Directors that the exceptions set out in Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought under Listing Rule 10.11 for the issue of Shares to Mr Clark.

11.4 Listing Rule 7.1

Approval pursuant to Listing Rule 7.1 is not required in order to issue the Shares to Mr Clark if approval is obtained under Listing Rule 10.11. Accordingly, the issue of Shares to Mr Clark (or his nominee) will not be included in the 15% calculation of the Company's annual placement capacity pursuant to Listing Rule 7.1.

11.5 Listing Rule Requirements

Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting requesting shareholder approval under Listing Rule 10.11. In accordance with Listing Rule 10.13, the following information is provided to Shareholders in relation to Resolution 10:

- (a) the maximum number of Shares that may be granted by the Company to Mr Clark (or his nominee) is 1,000,000;
- (b) the Shares will be issued to Mr Clark (or his nominee) no later than 1 month from the date of this Meeting and it is intended that the allotment will occur on one date;
- (c) the Shares will be issued to Mr Clark (or his nominee) for no consideration and therefore no funds will be raised by the issue of Shares to Mr Clark;
- (d) the Shares will, from the date of issue, rank pari passu with, and enjoy the same rights as, all other Shares in the Company on issue and the Company will apply for quotation of the Shares on ASX; and
- (e) a voting exclusion statement in respect of Resolution 10 is both in the Notice and section 11.7 of this Explanatory Memorandum.

11.6 Directors' Recommendation

Mr Clark declines to make a recommendation to Shareholders in relation to Resolution 10 due to his material personal interest in the outcome of the resolution. The other Directors, who do not have a material interest in the outcome of Resolution 10, recommend that Shareholders vote in favour of Resolution 10 for the reasons set out in section 11.1 of this Explanatory Memorandum.

11.7 Voting Exclusion Statement

In accordance with section 224 of the Corporations Act, and Listing Rules 10.13 and 14.11, the Company will disregard any votes cast on this resolution by Mr Clark (or his nominee) or any of their Associates.

However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

12. Glossary

The following terms and abbreviations used in the Notice of General Meeting and this Explanatory Memorandum have the following meanings:

\$	means Australian dollars.
AEDST	means Australian Eastern Daylight Saving Time.
Associate	means an 'associate' as defined in section 9 of the Corporations Act, except that a reference to "Associate" in relation to a Listing Rule has the meaning given to it in Listing Rule 14.11.
ASX	means ASX Limited ACN 008 624 691.
Board	means the Board of Directors from time to time.
Company or Grange	means Grange Resources Limited ACN 009 132 405.
Corporations Act	means the Corporations Act 2001 (Cth).
Director	means a Director of the Company from time to time.
Explanatory Memorandum	means this explanatory memorandum.
Listing Rules	means the listing rules of the ASX and any other rules of ASX which are applicable while the Company is admitted to the official list, each as amended from time to time, except to the extent of any express written waiver by ASX.
LTIP	means the Grange Resources Limited Long Term Incentive Plan as amended from time to time.
Meeting and General Meeting	means the general meeting of Shareholders convened by the Notice of General Meeting.
Notice and Notice of General Meeting	means the notice of general meeting which accompanies this Explanatory Memorandum.
Performance Right	means an entitlement to one Share, subject to vesting and satisfaction of any performance conditions, granted in accordance with the LTIP.
Related Party	means a related party as defined in section 228 of the Corporations Act.
Restructure	has the meaning given in section 8.1 of the Explanatory Memorandum.
Share	means a fully paid ordinary share in the capital of Grange.
Shareholder	means a holder of a Share.
Stemcor Placement	has the meaning given in section 8.1 of the Explanatory Memorandum.

Schedule 1 - Summary of the material terms of the Grange Resources Limited Long Term Incentive Plan

The material terms and conditions of the Grange Resources Limited Long Term Incentive Plan are summarised below:

- (a) **(Board):** The LTIP will be administered by the Board (or such persons or committee selected by the Board) in accordance with the LTIP Rules.
- (b) **(Number of Performance Rights):** The Board has discretion to determine the number of Performance Rights offered to Participants, subject to the following limitation. The Company will not issue Shares on exercise of Performance Rights if the total number of Shares issued to a Participant on exercise of the Performance Rights, when combined with the number of Shares which may be issued upon the exercise of all Performance Rights granted under the LTIP and the number of Shares issued during the previous five years under any employee incentive plan of the Company (including the LTIP), would exceed 5% of the Company's issued Shares at that time.
- (c) **(Performance Conditions):** A grant will be in such form and with such terms and conditions, including exercise price, disposal restrictions (if any) and vesting conditions (if any) as the Board determines in its discretion.
- (d) **(Transfer):** Without the prior approval of the Board, Performance Rights may not be transferred or encumbered.
- (e) **(Expiry):** Unless determined otherwise by the Board, vested Performance Rights will expire and cease to exist upon the Board making a determination that the Performance Rights are forfeited and otherwise will expire in accordance with the terms and conditions specified at the time of grant.
- (f) **(Participation in future issues):** There is no participating entitlement inherent in the Performance Rights to participate in new issues of capital which may be offered to Shareholders during the currency of the Performance Rights.
- (g) **(Bonus issue):** If the Company makes a pro rata bonus issue of Shares or other securities to holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) then the number of Shares the subject of the Performance Rights held by the Participant shall be increased by the number of Shares that the Participant would have received if the Shares subject of the Performance Rights had been registered in the name of the Participant before the record date for the bonus issue.
- (h) **(Pro rata issue):** If the Company makes a pro rata issue of securities (except a bonus issue) to the holders of Shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):
 - (i) if no amount is payable on the exercise of the Performance Rights, the number of Performances Rights (or other terms and conditions, if any, applicable to the Performance Rights) held by a Participant may be adjusted in such manner as the Board in its discretion determines. Such adjustment, if any, shall be subject to the Listing Rules, the Corporations Act and any other applicable law;
 - (ii) if an amount is payable on the exercise of the Performance Rights, the exercise price shall be changed as permitted by the Listing Rules.
- (i) **(Reorganisation):** In the event of any reorganisation of Shares, the number of Shares to be delivered in respect of each Performance Right or the amount payable, if any, by a Participant in respect of Shares to be delivered to a Participant will be reorganised in the manner as specified in the Listing Rules as applicable to options at the time of the reorganisation.

- (j) **(Forfeiture):** When granting Performance Rights, the Board may at its discretion determine that, for a period of up to 10 years from the date grant of the Performance Rights, if the Participant has committed any act of fraud or defalcation or gross misconduct in relation to the affairs of the Company or a Related Company, the Participant shall forfeit any right or interest in the Performance Rights or Shares issued on exercise of those Performance Rights or other entitlements of the Participant under the Plan.
- (k) **(Change of Control):** Upon the occurrence of a Change of Control, the Board may determine at its discretion, and subject to such terms and conditions as it determines, that the vesting conditions are deemed to have been satisfied in respect of some or all of the Performance Rights. The Board may also at its discretion determine at any time that a disposal restriction is no longer to apply.
- (l) **(Amendment of the LTIP Rules):** The Rules may be amended by a resolution of the Board.

GRANGE RESOURCES LIMITED
ACN 009 132 405

PROXY FORM

The Company Secretary
Grange Resources Limited

By delivery:
Level 11, 200 St Georges Tce
PERTH WA 6000

By post:
PO Box 7025
Cloisters Square
PERTH WA 6872

By facsimile:
+61 8 9327 7932

I/We ¹ _____
of _____
being a Shareholder/Shareholders of the Company and entitled to _____
votes in the Company, hereby appoint ² _____

or failing such appointment the Chairman of the General Meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at Level 19, Freshwater Place, 2 Southbank Boulevard, Southbank, Victoria, on Wednesday, 25 November 2009 at 10.00 am (AEDST) and at any adjournment thereof in the manner indicated below or, in the absence of indication, as he thinks fit. If 2 proxies are appointed, the proportion or number of votes of this proxy is authorised to exercise is * []% of the Shareholder's votes*/ [] of the Shareholder's votes. (An additional Proxy Form will be supplied by the Company, on request).

IMPORTANT:

If the Chairman of the General Meeting is to be your proxy and you have not directed your proxy how to vote on Resolutions 7 to 10 please tick this box. By marking this box you acknowledge that the Chairman of the General Meeting may exercise your proxy even if he has an interest in the outcome of Resolutions 7 to 10 and that votes cast by him, other than as proxy holder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the General Meeting will not cast your votes on Resolutions 7 to 10 and your votes will not be counted in computing the required majority if a poll is called on Resolutions 7 to 10.

The Chairman of the General Meeting intends to vote undirected proxies in favour of the Resolutions.

The proxy is to vote for or against the Resolution referred to in the Notice as follows:

		For	Against	Abstain
Resolution 1	Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Election of Mr Xi Zhiqiang as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Election of Mr Neil Chatfield as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Election of Mr Wei Guo as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Election of Mr Clement Ko as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Election of Mr Peter Stephens as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Proposed issue of shares to Cornerstone Shareholders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Ratification of Share Issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9	Approval of grant of Performance Rights to Managing Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10	Proposed issue of Shares to Managing Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Authorised signature/s This section **must** be signed in accordance with the instructions below to enable your voting instructions to be implemented.

Individual or Shareholder 1

Shareholder 2

Shareholder 3

Sole Director and Sole Company Secretary

Director

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date

¹Insert name and address of Shareholder

² Insert name and address of proxy

*Omit if not applicable

Proxy Notes:

A Shareholder entitled to attend and vote at the General Meeting may appoint a natural person as the Shareholder's proxy to attend and vote for the Shareholder at the General Meeting. If the Shareholder is entitled to cast 2 or more votes at the General Meeting the Shareholder may appoint not more than 2 proxies. Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder's votes. A proxy may, but need not be, a Shareholder of the Company.

If a Shareholder appoints a body corporate as the Shareholder's proxy to attend and vote for the Shareholder at the General Meeting, the representative of the body corporate to attend the General Meeting must produce the "Certificate of Appointment of Representative" prior to admission. A form of the certificate may be obtained by contacting the Company's share registry, Computershare Investor Services Pty Limited, on 1300 557 010 (within Australia) or +61 3 9415 4000 (outside Australia).

You must sign this form as follows in the spaces provided:

- Individual: Where the holding is in one name, the holder must sign.
- Joint Holding: Where the holding is in more than one name all of the holders must sign.
- Power of Attorney: If signed under a power of attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
- Companies: A director can sign jointly with either another director or a company secretary. Where the company has a sole director who is also a sole company secretary, this form must be signed by that person. If the company does not have a company secretary, a sole director may sign alone. Please indicate the office held by signing in the appropriate space.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or received by facsimile transmission at the Perth office of the Company (Level 11, 200 St Georges Terrace, Perth WA 6000), or by post to PO Box 7025, Cloisters Square, Perth WA 6850 or Facsimile (618) 9327 7932 not less than 48 hours prior to the time of commencement of the Annual General Meeting on Wednesday, 25 November 2009 at 10.00 am (AEDST).
