GRANGE RESOURCES LIMITED

ABN 80 009 132 405

AND CONTROLLED ENTITIES

FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2008

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CORPORATE DIRECTORY

BOARD OF DIRECTORS	Xi Zhiqiang – Non-executive Chairman Russell St John Clark **–** Managing Director and CEO Neil Chatfield – Non-executive Deputy Chairman Anthony Bohnenn – Non-executive Director Wei Guo – Non-executive Director Clement Ko – Non-executive Director David Sandy – Non-executive Director Peter Stephens – Non-executive Director
SECRETARY	Stacey Apostolou
REGISTERED OFFICE	Level 11, QBE House 200 St George's Terrace PERTH WA 6000 Telephone: + 61 (8) 9321 1118 Facsimile: + 61 (8) 9321 1523
SHARE REGISTRY	**Computershare Investor Services Pty Limited** Level 2 45 St George's Terrace PERTH WA 6000
AUDITORS	**Ernst & Young** 11 Mounts Bay Road PERTH WA 6000
SOLICITORS	**Clayton Utz** QV1 Building 250 St George's Terrace PERTH WA 6000
PRINCIPAL BANKERS	**Westpac Banking Corporation Limited** 109 St George's Terrace PERTH WA 6000 **Investec Bank (Australia) Limited** Level 21 140 St George's Terrace PERTH WA 6000
STOCK EXCHANGE	Grange Resources Limited is listed on the Australian Stock Exchange Limited (ASX Code: GRR) and the "OTC" Markets in Berlin, Munich, Stuttgart and Frankfurt in Germany (Code: WKN. 917447)
WEBSITE	**www.grangeresources.com.au**

This half-year report covers the consolidated entity comprising Grange Resources Limited and its subsidiaries (the Group). The functional and presentation currency of Grange Resources Limited and its Australian subsidiaries is AUD ($). The functional currency of the foreign operations, Grange Minerals Sdn Bhd and Grange Developments Sdn Bhd is Malaysian ringgit (MYR).

DIRECTORS' REPORT

Your Directors submit their report for the half-year ended 31 December 2008.

DIRECTORS

The names of the directors of the Company in office during the half-year and until the date of this report are as follows.

Xi Zhiqiang (Non-executive Chairman) Appointed: 2 January 2009
Neil G Chatfield (Non-executive Deputy Chairman) Appointed 2 January 2009
Russell St John Clark (Managing Director and CEO) Appointed: 6 March 2008
Anthony Bohnenn (Non-executive Director) – Stepped down as Non-executive Chairman with effect from 2 January 2009
Peter C Stephens (Non-executive Director) Appointed 2 January 2009
David A Sandy (Non-executive Director) Appointed 2 January 2009
Wei Guo (Non-executive Director) Appointed 2 January 2009
Clement Ko (Non-executive Director) Appointed 2 January 2009

Alexander Henry Nutter (Technical Director) Resigned: 28 November 2008
Richard Krasnoff (Non-executive Director) Resigned: 2 January 2009
Douglas Haig Stewart (Non-executive Director) Resigned: 2 January 2009
David Macoboy (Non-executive Director) Resigned: 2 January 2009

Directors were in office for the entire period unless otherwise stated.

REVIEW AND RESULTS OF OPERATIONS

Operating Results

The Company recorded a consolidated operating loss of $5,508,479 for the half-year ended 31 December 2008 (2007: Operating profit $3,940,177).

Operations

The Company's activities during the period included the following:

MERGER WITH AUSTRALIAN BULK MINERALS ("ABM")

The Company announced on 25 September 2008, that it had entered into binding agreements to merge with ABM to create a leading mid-cap iron ore group with complementary production and development assets.

The merger is to be effected through Grange acquiring 100% of ABM from Shagang International Holdings Limited ("SI"), RGL Holdings Co. Ltd ("RH")[ii], Pacific International Co., Pty Ltd ("PI") and Stemcor Pellets Ltd ("Stemcor") by issuing approximately 380 million Grange shares. SI is a wholly-owned subsidiary of Jiangsu Shagang Group Co., Ltd ("Shagang"), the largest private steel producer and the third largest steel producer in China in 2007. Key assets of the merged entity will be 100% of the Savage River magnetite mining and pellet operation in Tasmania – Australia's largest pellet producer – and 70% of the Southdown magnetite development project near Albany in Western Australia.

Savage River produces 2.5Mtpa of blast furnace pellets with plans to increase production to 2.7Mtpa. Savage River has resources of 323Mt of magnetite at a grade of 50.5% Fe and reserves of 131Mt of magnetite at a grade of 48.9% Fe. Its major customers are Shagang and BlueScope Steel.

Shareholders ratified the proposed merger of Grange and ABM in December 2008 and completion occurred on 2 January 2009. The effective date of the merger was determined as 30 June 2008, and the results of ABM (from that effective date) will be consolidated with Grange with effect from the completion date of 2 January 2009.

SOUTHDOWN MAGNETITE PROJECT ("SOUTHDOWN") & KEMAMAN PELLET PROJECT (Grange 70%; Sojitz Resources & Technology Pty Ltd ("Sojitz") 30%)

In November 2008, the sale of a 30% stake in Exploration Licence E70/2512 to Sojitz was completed. As a result, Sojitz now has a 30% joint venture interest in the whole of the Southdown project. In accordance with the agreement entered into between the parties, Sojitz has paid to Grange a cash payment of $13.4 million, of which $8.7 million will be used to continue the funding of Grange's share of the feasibility study being undertaken for Southdown. In addition, a revenue based royalty of 0.3% will be receivable from Sojitz's share of production from the three adjoining mining leases M70/433, M70/718 and M70/719.

In late September 2008, a 10,000 metre infill diamond drilling program commenced at Southdown with the objective of upgrading the western portion of the deposit to a Measured resource. The drilling component of the program is now complete. In addition one 500 metre hole has been drilled within E70/2512 as part of the program. The core from the drilling program is currently being logged, sampled and assayed. Results of this sampling program are anticipated to be available in April 2009 and the Resource Model will be then updated for a planned release by June 2009.

Following completion of the 2008 metallurgical testwork to determine process characteristics, the remaining testwork to be undertaken is being carried out by Metso in the USA at their Pot Grate Simulation Laboratory. The work underway is to determine pelletising characteristics using magnetite concentrate from the orebody, limestone from Malaysia and bentonite from India. The results from this work, which are expected early calendar 2009, will then provide the basis for Travelling Grate furnace simulations & engineering detail. In addition to the above some further optimization of the plant layout and design of the concentrator will be reviewed to ensure cost effectiveness of capital & operating costs.

In November 2008, the Southdown joint venture adopted a more structured approach to the project development. This approach involves sections of study work being followed by significant peer review as they are completed to ensure the study is of appropriate quality. Once the peer review is complete and both Grange and Sojitz have reviewed its findings, the project may then be approved to go to the next stage.

The merger with ABM provides Grange with access to significant magnetite mine operating experience. Accordingly, the ABM operations team has been providing significant input into the peer review of the feasibility study work. Project activity has been focused on the most cost effective activities whilst this peer review process is undertaken. With the volatility in the world financial markets and the tightened operating conditions in the iron ore industry, the project team is focused on high value activity, such as finalising environmental approvals, land access, metallurgical testwork and ore body modelling.

BUKIT IBAM PROJECT (Grange Minerals Sdn Bhd - 51%)

Construction of the Bukit Ibam processing plant has been completed. The plant will be fully operational by the end of March 2009 with a production capacity rate of 100,000 tpa of magnetite concentrate. Material movement from the pit commenced in March 2009 and this material is being processed in combination with the existing ore stockpiles. The concentrate will be shipped out of the Kuantan Port and sales contracts are currently being negotiated.

CORPORATE

The Company issued the following securities during the period:

- 117,000 ordinary shares in accordance with the Company's Long Term Incentive Plan;
- 450,000 options expiring 2 May 2012;
- 175,000 options expiring 30 June 2012; and
- 6.3 million options expiring 6 March 2012.

SIGNIFICANT EVENTS SINCE THE END OF THE REPORTING PERIOD

The remaining conditions precedent to the merger with ABM were satisfied and the transaction was completed on 2 January 2009.

In accordance with the sale agreement, at completion, the ABM selling shareholders were issued with a total of 380,025,554 ordinary fully paid shares in the Company representing 77% of the Company on an enlarged undiluted basis.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, Ernst & Young, to provide the directors of Grange Resources Limited with an Independence Declaration in relation to the review of the half year financial report. A copy is set out on page 5.

Signed in accordance with a resolution of the directors.

XI ZHIQIANG
CHAIRMAN

Dated this 17th day of March 2009, Perth, WA

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

In relation to our review of the financial report of Grange Resources Limited for the half year ended 31 December 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Peter McIver

Peter McIver
Partner
Perth
17 March 2009

PM:JC:GRANGE:034

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	NOTE	Consolidated 31 Dec 2008 $	Consolidated 31 Dec 2007 $
Continuing operations			
Revenue	3(a)	295,219	1,232,268
Other income	3(b)	27,788	12,294
Gain/ (Loss) on partial disposal of asset	3(c)	(2,191,809)	4,548,420
Other expenses	3(d)	(4,279,490)	(1,852,335)
Profit / (loss) from continuing operations before income Tax		(6,148,292)	3,940,647
Income tax credits	3(e)	356,700	-
Profit / (loss) from continuing operations after income tax expense		(5,791,592)	3,940,647
Attributable to			
- Minority Interest		**(211,113)**	**(470)**
- Members of the parent		**(5,508,479)**	**3,940,177**
Basic earnings per share (cents per share)		(4.84)	3.56
Diluted earnings per share (cents per share)		(4.84)	3.46

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

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008

		Consolidated	
		As at	As at
	NOTE	31 Dec 2008	30 June 2008
		$	$
ASSETS			
Current assets			
Cash and cash equivalents	4	12,789,645	7,659,988
Trade and other receivables		109,457	1,009,966
Prepayments		16,736	50,208
Other Assets	5	2,603,659	-
Total current assets		15,519,497	8,720,162
Non-current assets			
Trade and other receivables		5,511,186	5,225,231
Property, plant & equipment	6	5,931,102	5,926,062
Exploration and evaluation	7	69,961,269	80,994,463
Total non-current assets		81,403,557	92,145,756
TOTAL ASSETS		96,923,054	100,865,918
LIABILITIES			
Current liabilities			
Trade and other payables		2,668,500	1,324,514
Provisions		262,300	387,923
Total current liabilities		2,930,800	1,712,437
Non-current liabilities			
Provisions		4,070,777	4,038,679
Total current liabilities		4,070,777	4,038,679
TOTAL LIABILITIES		7,001,577	5,751,116
NET ASSETS		89,921,477	95,114,802
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	8	86,048,017	86,048,017
Reserves		30,357,053	29,763,948
Accumulated losses		(26,489,616)	(20,909,139)
Total Parent Entity Interest in Equity		89,915,454	94,902,826
Minority interests		6,023	211,976
TOTAL EQUITY		89,921,477	95,114,802

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

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	NOTE	Consolidated 31 Dec 2008 $	 31 Dec 2007 $
Foreign currency translation		(818,012)	304,040
Net income (expense) recognised directly		(818,012)	304,040
in equity		-	-
Profit / (loss) for the period		(5,791,592)	3,940,677
Total recognised income / (expense) for the year		(6,609,604)	4,244,717
Total recognised income / (expense) for the year is attributable to:			
Equity holders of the parent		(6,398,491)	4,245,187
Minority interest		(211,113)	(470)
		(6,609,604)	4,244,717

The above Statement of Recognised Income and Expense should be read in conjunction with the accompanying notes.

CONSOLIDATED CASHFLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	NOTE	Consolidated 31 Dec 2008 $	 31 Dec 2007 $
Cash flows from operating activities			
Receipts from customers		1,940,810	1,426,300
Payments to suppliers and employees		(1,575,266)	(2,318,452)
Tax credits received		356,700	-
Interest received		295,219	358,171
Net cash inflow / (outflow) from operating activities		1,017,463	(533,981)
Cash flows from investing activities			
Payment for exploration and evaluation		(5,796,891)	(5,149,150)
Payment for transaction costs associated with the merger with Australian Bulk Minerals		(2,144,816)	-
Payment for business development		(217,796)	-
Payments for property, plant and equipment		(7,467)	(4,592,812)
Proceeds from / (payment of) security deposit		(300,000)	(300,000)
Payment for purchase of Exploration Licence E70/2512		-	(3,305,971)
Proceeds from purchase of subsidiary cash		-	407,365
Proceeds from sale of 25% of Southdown Project	3 (c)	-	13,420,542
Proceeds from sale of 30% of Exploration Licence E70/2512	3 (c)	13,397,176	-
Net cash inflow / (outflow) used in investing activities		4,930,206	479,974
Cash flows from financing activities			
Capital injection by minority interests in subsidiaries		-	149,536
Payment for share issue costs		-	(29,527)
Net cash inflow / (outflow) from financing activities		-	120,009
Net increase / (decrease) in cash and cash equivalents		5,947,669	66,002
Net foreign exchange differences		(818,012)	304,040
Cash and cash equivalents at beginning of the financial year		7,659,988	13,492,474
Cash and cash equivalents at end of the financial year	4	**12,789,645**	**13,862,516**

The above Consolidated Cashflow should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. CORPORATE INFORMATION

The financial report of Grange Resources Limited (the Company) for the half-year ended 31 December 2008 was authorised for issue in accordance with a resolution of the directors on 17th March 2009.

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

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual financial report of Grange Resources Limited as at 30 June 2008.

It is also recommended that the half-year financial report be considered together with any public announcements made by Grange Resources Limited and its controlled entities during the half-year ended 31 December 2008 in accordance with the continuous disclosure obligations arising under the *ASX Listing Rules.*

(a) Basis of preparation

The half-year consolidated financial report is a general-purpose condensed financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, and AASB 134 *Interim Financial Reporting*. The half-year financial report has been prepared on a historical cost basis.

The financial report is presented in Australian dollars and all values are in whole dollars.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

Going Concern

Grange Resources Limited has reported a net loss of $5,508,479 and has had net operating cash inflows of $1,017,463 for the sixth month period ended 31 December 2008.

On 2 January 2009 Grange Resources Limited acquired Australian Bulk Minerals (ABM) that operates the Savage River magnetite iron ore mine in Tasmania. On 6 March 2009 Grange announced that the No 1 Autogenous mill had experienced some shell cracking resulting in the mill being taken offline for refurbishment and repair over an 8 to 10 week period (refer to the Company announcements made on 6 March 2009).

The impact of the autogenous mill shell cracks referred to above and the broad expectation that iron ore prices will reduce have both had a negative impact on the ABM cash flow forecasts.

In addition, a deferred consideration payment of US$37m is due to be paid by Shagang Mining (Australia) Ltd (SMAPL), a subsidiary company of ABM group, to Stemcor on 31 March 2009. Shagang has a guarantee in place for deferred consideration payments due to Stemcor. On 2 January 2009, when the merger between Grange and ABM was finalised, Grange agreed to indemnify Shagang in the event that Shagang's guarantee to Stemcor is called upon.

Notwithstanding this, the Directors have prepared the financial statements for the half year ended 31 December 2008 on a going concern basis due to the following;

- The expected return on the Savage River mine to full capacity so as to produce positive cash flows in the future; and
- A letter dated 13 March 2009 from Shagang to Grange stating that Shagang undertakes not to call upon the indemnity for the deferred consideration payment due on 31 March 2009 for a period of 12 months from the date of the payment.

(b) Significant accounting policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2008 except for the adoption of amending standards mandatory for annual periods beginning on or after 1 July 2008 as described in Note 2 (d).

(c) Basis of consolidation

The half-year consolidated financial statements comprise the financial statements of Grange Resources Limited and its subsidiaries as at 31 December 2008 ('the Group').

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

(d) Changes in accounting policies

Since 1 July 2008 the Group has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2008.
The following standards and interpretations have also been adopted from 1 July 2008:

- AASB 2008-10 *Amendment to Australian Accounting Standards – Reclassification of Financial Assets (amendments to AASB 139 Financial Instruments: Recognition and Measurement and AASB 7 Financial Instruments Disclosures)*
- Interpretation 12 and AASB 2007-2 *Service Concession Arrangements* and consequential amendments to other Australian Accounting Standards
- Interpretation 129 *Service Concession Arrangements: Disclosures*
- Interpretation 4 (revised) *Determining whether an arrangement contains a lease*
- Interpretation 13 *Customer Loyalty Programmes.*
- Interpretation 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.*

Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Group.

The Group has not elected to early adopted any new standards or amendments.

NOTES TO THE HALF-YEAR FINANCIAL REPORT (CONTINUED)

NOTE 3. REVENUES, OTHER INCOME & EXPENSES

	Consolidated	
	31 Dec 2008	**31 Dec 2007**
	$	**$**
Revenue, income and expenses from continuing operations		
(a) Revenue		
Iron ore sales	-	163,614
Revenue from royalties	-	710,483
Finance revenue	295,219	358,171
	295,219	1,232,268
Breakdown of finance revenue:		
Interest received from other persons / corporations	295,219	358,171
	295,219	358,171
(b) Other income		
Sundry income	27,788	12,294
	27,788	12,294
(c) Gain/ (loss) on sale of asset		
Loss on sale of Exploration Licence E70/2512	(2,191,809)	-
Gain on sale of 25% Southdown Project asset	-	4,548,420
	(2,191,809)	4,548,420

In October 2008 the Group sold 30% of Exploration Licence E70/2512 to Sojitz Resources & Technology Pty Ltd (Sojitz). Sojitz paid $13,397,176 in cash and committed to pay a revenue based royalty of 0.3% which will be payable from Sojitz's share of production from the three adjoining mining leases. The royalty did not satisfy the recognition criteria in AASB118 *Revenue.* A loss on disposal of $2,191,809 was recorded in the income statement for this half year.

In 6 months to 31 December 2007 the Group sold 25% of the Southdown Magnetite Project to Sojitz for $13,420,452 via a farm-in agreement. A profit of $4,548,420 was recorded when the proceeds were allocated to the physical project assets, predominantly land.

(d) Other expenses		
Cost of sales	-	59,649
Administration costs	3,253,898	1,422,138
Business development expenses	867,446	-
Other expenses	158,146	370,548
Total expenses	4,279,490	1,852,335

NOTES TO THE HALF-YEAR FINANCIAL REPORT (CONTINUED)

	Consolidated	
	31 Dec 2008	**31 Dec 2007**
	$	**$**
Total depreciation and amortisation included in total expenses:		
Amortisation of deferred exploration, evaluation and development costs	-	12,469
Accretion	32,100	-
Depreciation	135,031	48,618
Employee benefits included in total expenses:		
Employee benefits	1,366,131	1,291,430
Defined contribution plan expense	104,574	80,424
Share Based payments	1,411,122	(343,887)
	2,881,827	1,027,967
(e) Income Tax Expense		
Research and development credit	356,700	-
	356,700	-

NOTE 4. CASH AND CASH EQUIVALENTS

For the purpose of the half-year consolidated cash flow statement, cash and cash equivalents comprised the following:		Consolidated	
	31 Dec 2008	**30 June 2008**	**31 Dec 2007**
	$	**$**	**$**
Cash at bank and in hand	5,444,807	7,449,146	13,654,947
Short term deposits	-	-	-
Cash at bank and in hand - Joint Ventures	7,344,838	210,842	207,569
	12,789,645	7,659,988	13,862,516

NOTE 5. OTHER ASSETS

		Consolidated	
	31 Dec 2008	**30 June 2008**	**31 Dec 2007**
	$	**$**	**$**
Other Assets	2,603,659	-	-
	2,603,659	-	-

This represents business development costs associated with the merger with Australian Bulk Minerals.

NOTES TO THE HALF-YEAR FINANCIAL REPORT (CONTINUED)

NOTE 6. PROPERTY, PLANT & EQUIPMENT

	Consolidated		
	31 Dec 2008	**30 June 2008**	**31 Dec 2007**
	$	**$**	**$**
Cost	6,399,881	6,259,811	5,741,671
Accumulated depreciation and impairment	(468,779)	(333,749)	(284,569)
	5,931,102	5,926,062	5,457,102

	Consolidated		
	31 Dec 2008	**30 June 2008**	**31 Dec 2007**
	$	**$**	**$**
Movement:			
Property, Plant and Equipment			
Balance at beginning of period, net of accumulated depreciation and impairment	5,926,062	5,457,102	912,908
Additions	196,902	821,367	6,108,954
Disposals	(56,831)	(303,227)	(1,516,141)
Depreciation charge	(135,031)	(49,180)	(48,619)
Balance at end of period	5,931,102	5,926,062	5,457,102

NOTE 7. EXPLORATION AND EVALUATION

	Consolidated		
	31 Dec 2008	**30 June 2008**	**30 Dec 2007**
	$	**$**	**$**
Exploration & evaluation properties (at cost)	67,898,993	79,368,933	55,101,465
Production properties (at cost)	3,289,891	2,853,145	2,173,313
Accumulated amortisation of production properties	(1,227,615)	(1,227,615)	(1,228,031)
	69,961,269	80,994,463	56,046,747

NOTES TO THE HALF-YEAR FINANCIAL REPORT (CONTINUED)

	Consolidated		
	31 Dec 2008	**30 June 2008**	**30 Dec 2007**
	$	**$**	**$**
Movement:			
Exploration & Evaluation Properties			
Balance at beginning of period	79,368,933	55,101,465	30,140,362
Current year expenditure	5,360,145	3,692,982	7,032,443
Receipts from Sojitz	-	(2,718,685)	(7,355,982)
Value of options issued to Hamersley Holdings Limited as part consideration for the purchase of Exploration Licence E70/2512	-	22,184,678	3,838,171
Value of shares issued to Hamersley Holdings Limited as part consideration for the purchase of Exploration Licence E70/2512	-	-	22,410,000
Sale of 30% of Exploration Licence E70/2512 to Sojitz	(15,532,155)	-	-
Transfer to Property, Plant and Equipment	(189,435)	-	-
Expenses incidental to the merger with Australian Bulk Minerals	-	458,844	-
Business Development Expenditure	217,796	649,649	-
Transfer to other assets	(458,845)	-	-
Write off Business Development	(867,446)	-	-
Transfer to Production Properties	-	-	(963,529)
Balance at end of period	67,898,993	79,368,933	55,101,465

	Consolidated		
	31 Dec 2008	**30 June 2008**	**31 Dec 2007**
	$	**$**	**$**
Production properties			
Balance at beginning of period	1,625,530	945,282	-
Transfer from / (to) development, exploration and evaluation properties	-	-	963,529
Current year expenditure	436,746	679,832	(5,778)
Amortisation charged	-	416	(12,469)
Balance at end of period	2,062,276	1,625,530	945,282

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.

NOTES TO THE HALF-YEAR FINANCIAL REPORT (CONTINUED)

NOTE 8. CONTRIBUTED EQUITY

	Consolidated		
	31 Dec 2008	**30 June 2008**	**31 Dec 2007**
	$	**$**	**$**
(a) Share capital			
Ordinary shares			
Issued and fully paid	86,048,017	86,048,017	86,042,857
	86,048,017	86,048,017	86,042,857

	$	**$**	**$**
(b) Movements in ordinary share capital			
At beginning of period	86,048,017	86,048,017	86,042,857
Expenses	-	-	5,160
At end of period	86,048,017	86,048,017	86,048,017

	31 Dec 2008	**30 June 2008**	**31 Dec 2007**
Movements in ordinary share capital	**Number of Shares**	**Number of Shares**	**Number of Shares**
At beginning of period	115,201,099	115,201,099	106,201,099
Share Issues	117,000	-	9,000,000
At end of period	115,318,099	115,201,099	115,201,099

NOTE 9. EXPENDITURE COMMITMENTS

Since the last reporting date there has been no change to any expenditure commitments.

NOTE 10. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Grange has contractual obligations with its financial advisors with regards to the merger between Grange Resources and Australian Bulk Minerals. As a result the merger subsequent to period end, success fees are payable to each of these advisors.

NOTE 11. EVENTS AFTER THE BALANCE SHEET DATE

On 2 January 2009, the Company announced that pursuant to the Share Sale Agreement entered into on 24 September 2008 for the Merger of Grange and Australian Bulk Minerals that the transaction was completed and that 380,025,554 shares had been issued in satisfaction.

NOTES TO THE HALF-YEAR FINANCIAL REPORT (CONTINUED)

NOTE 12. BUSINESS COMBINATIONS

Acquisition of Australian Bulk Minerals

Grange Resources Limited acquired 90% of the voting shares of Ever Green Resources Co Limited, which together with its controlled entities collectively trades as Australian Bulk Minerals. Australian Bulk Minerals operates the magnetite iron ore mine in Savage River, Burnie, Tasmania. Grange issued 342,022,999 ordinary shares with a fair value of $0.34 each, based on the quoted price of the shares of Grange Resources Limited at 2 January 2009 to acquire Australian Bulk Minerals.

Under AASB 3 *Business Combinations*, Australian Bulk Minerals is deemed to be the accounting acquirer in this business combination. This transaction will therefore be accounted for as a reverse acquisition under AASB 3. Australian Bulk Minerals as the deemed acquirer has assumed to have acquired Grange as at 2 January 2009.

The deemed cost of the business consideration and details of fair value of the assets and liabilities acquired are as follows:

	$
Deemed cost of business combination (Refer to (a) below)	52,690,949
Less: Provisional fair value of identifiable assets acquired and liabilities assumed (Refer to (b) below)	(87,317,818)
Discount on Acquisition	**(34,626,869)**

a) Deemed cost of the business combination

	$
Fair value of Grange ordinary shares on issue at the date of acquisition	39,208,154
Fair value of Grange options on issue at the date of acquisition	482,795
Directly attributable costs (estimate)	13,000,000
Total deemed costs of business combination	**52,690,949**

b) Provisional fair value of assets acquired and liabilities assumed at 2 January 2009

	$
Current Assets	
Cash	12,789,645
Trade and other Receivables	126,193
Total Current Assets	**12,915,838**
Non Current Assets	
Receivables	5,511,186
Property, Plant and Equipment	5,931,102
Exploration and Evaluation	69,961,269
Total Non Current Assets	**81,403,557**
Total Assets	**94,319,395**

NOTES TO THE HALF-YEAR FINANCIAL REPORT (CONTINUED)

	$
Current Liabilities	
Trade and Other Payables	2,668,500
Provisions	262,300
Total Current Liabilities	**2,930,800**
Non Current Liabilities	
Provisions	4,070,777
Total Non Current Liabilities	**4,070,777**
Total Liabilities	**7,001,577**
Net Assets	**87,317,818**

The fair value of the identifiable assets and liabilities of Grange Resources Limited at 2 January 2009 are provisionally determined to be equivalent to the carrying amounts on that date as the fair value of the identifiable assets and liabilities of Grange Resources Limited on that day is yet to be determined.

Pursuant to the current Australian income tax law deferred tax assets may arise from this merger to off-set the deferred tax liabilities of ABM as at 2 January 2009. Further work is still required to determine the extent of deferred tax assets arising from the acquisition and therefore no adjustment has been made.

The acquisition of the 10% Minority interest in SMAPL (Subsidiary of Australian Bulk Minerals) held by Stemcor will be accounted for as an equity transaction. As consideration for the transaction Grange issued 38,002,555 shares.

As part of the Combination, the shareholders of Australian Bulk Minerals (Shagang International Holdings Limited (Shagang), Pacific International Co Pty Ltd (PI), RGL Holdings Co Ltd (RH) and Stemcor) have assigned their loans receivable to Grange ($81,500,000). From the perspective of the consolidated entity for the purpose of Consolidated Balance Sheet, the assignment of the loans to Grange, the “in-substance” subsidiary, effectively results in the extinguishment of the debt by the issue of equity. Accordingly the carrying value of the loans will be transferred to equity at the effective date of the transaction.

At the date of acquisition, Grange Resources Limited was involved in mining and exploration. There is no change to this principal activity as a result of the merger.

NOTE 13. RELATED PARTY DISCLOSURE

Fees of $30,000 paid to Hendygwyn Holdings and Beheer b.v., of which Mr Bohnenn is a director and shareholder, under a marketing and public relations services agreement.

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

NOTE 14. SEGMENT INFORMATION

(a) Industry Segments

The Group operates predominantly in the mining and exploration industry.

(b) Geographical Segments

The Group’s geographical segments are determined based on the location of the Group’s assets.

The following tables’ present revenue, expenditure and certain asset information regarding geographical segments for the half year periods ended 31 December 2008 and 2007.

NOTES TO THE HALF-YEAR FINANCIAL REPORT (CONTINUED)

	Australia $	Malaysia $	Total $
Half-year ended 31 December 2008			
Revenue			
Sales revenue and royalties	-	-	-
Total segment revenue	-	-	-
Unallocated revenue			295,219
Total consolidated revenue			295,219
Result			
Profit / (loss) before tax	(5,799,142)	(138,037)	(5,937,179)
Income tax Credits			356,700
Net profit / (loss) for the year			(5,580,479)

	Australia $	Malaysia $	Total $
Half-year ended 31 December 2007			
Revenue			
Sales revenue and royalties	710,483	163,614	874,097
Total segment revenue	710,483	163,614	874,097
Unallocated revenue			4,918,885
Total consolidated revenue			5,792,982
Result			
Profit / (loss) before tax	4,103,456	(163,279)	3,940,177
Income tax expense			-
Net profit / (loss) for the year			3,940,177

DIRECTORS' DECLARATION

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

(1) In the opinion of the directors:

(a) the financial statements and notes of the Company and of the Group are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and Group's financial position as at 31 December 2008 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards AASB 134 "Interim Financial Reporting" and Corporations Regulations 2001; and

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

(2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295(A) of the Corporations Act 2001 for the financial period ending 31 December 2008.

On behalf of the Board

XI ZHIQIANG
CHAIRMAN

Dated this 17th day of March 2009

Perth, Western Australia

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Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half year financial report of Grange Resources Limited which comprises the consolidated balance sheet as at 31 December 2008, and the condensed income statement, consolidated statement of changes in equity, consolidated cash flow statement for the half year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half year end or from time to time during the half year.

Directors' Responsibility for the Half Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half year 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 half year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* . As the auditor of Grange Resources Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Grange Resources Limited is not in accordance with the *Corporations Act 2001*, including:

i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half year ended on that date; and

ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Ernst & Young

Ernst & Young

Peter McIver

Peter McIver
Partner
Perth
17 March 2009