

GRANGE RESOURCES LIMITED

ABN 80 009 132 405

NOTICE OF GENERAL MEETING

and

EXPLANATORY MEMORANDUM

and

PROXY FORM

Date of Meeting: Tuesday, 20th May 2008

Time of Meeting: 10.00 am (WST)

Place of Meeting: Level 11, QBE House, 200 St George's Terrace,
Perth, Western Australia

This Notice of 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.

GRANGE RESOURCES LIMITED
ABN 80 009 132 405

NOTICE OF GENERAL MEETING

Notice is hereby given that the General Meeting of the Shareholders of Grange Resources Limited ABN 80 009 132 405 ("**Company**" or "**Grange Resources**") will be held at Level 11, QBE House, 200 St George's Terrace, Perth, Western Australia at 10.00 am (WST) on Tuesday, 20 May 2008 for the purposes of transacting the following business.

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

Terms used in this Notice of 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

RESOLUTION 1 - RE-ELECTION OF A DIRECTOR, MR RUSSELL CLARK

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

"That Mr Russell Clark, 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 of the Company."

RESOLUTION 2 - RE-ELECTION OF A DIRECTOR, MR DAVID MACOBOY

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

"That Mr David Macoboy, 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 of the Company."

RESOLUTION 3 - APPROVAL FOR THE CONTRACTS TO GRANT DIRECTOR OPTIONS AND PAY BONUS PAYMENTS TO MANAGING DIRECTOR, MR RUSSELL CLARK

To consider and, if thought fit, to pass, the following Resolutions as separate **ordinary Resolutions**:

- 3.1 *"That, subject to the passing of Resolution 1 and for the purposes of Section 195(4) of the Corporations Act, Chapter 2E of the Corporations Act and Listing Rule 10.11 and for all other purposes, Shareholders hereby approve the Company entering into a contract with Mr Russell Clark under which the Company will be required to grant a total of 4,500,000 Director Options to Mr Russell Clark (or his permitted nominees), on the terms and conditions set out in the Explanatory Memorandum."*

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Russell Clark (or his nominee) or any of his associates.

- 3.2 *"That, subject to the passing of Resolution 1 and for the purposes of Chapter 2E of the Corporations Act and for all other purposes, Shareholders hereby approve the Company entering into a contract with Mr Russell Clark under which the Company will be required to pay an amount of \$1,000,000 (less applicable tax) ("**Concentrate Payment**") to Mr Russell Clark in accordance with the terms and conditions set out in the Employment Agreement in respect of the Concentrate Payment (which are summarised in Annexure B to the Explanatory Memorandum) and otherwise on the terms and conditions set out in the Explanatory Memorandum."*

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Russell Clark (or his nominee) or any of his associates.

- 3.3 *"That, subject to the passing of Resolution 1 and for the purposes of Chapter 2E of the Corporations Act and for all other purposes, Shareholders hereby approve the Company entering into a contract with Mr Russell Clark under which the Company will be required to pay an amount of \$1,000,000 (less applicable tax) ("**Pellets Payment**") to Mr Russell Clark in accordance with the terms and conditions set out in the Employment Agreement in respect of the Pellets Payment (which are summarised in Annexure B to the Explanatory Memorandum) and otherwise on the terms and conditions set out in the Explanatory Memorandum."*

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Russell Clark (or his nominee) or any of his associates.

RESOLUTION 4 - APPROVAL OF GRANT OF DIRECTOR OPTIONS TO DIRECTOR, MR DAVID MACOBOY

To consider and, if thought fit, to pass, the following Resolution as an **ordinary Resolution**:

"That, subject to the passing of Resolution 2 and for the purposes of Section 195(4) of the Corporations Act, Chapter 2E of the Corporations Act and Listing Rule 10.11 and for all other purposes, Shareholders hereby approve the grant of a total of 450,000 Director Options by the Company to Mr David Macoboy (or his permitted nominees), on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr David Macoboy (or his nominee) or any of his associates.

RESOLUTION 5 - APPROVAL OF GRANT OF DIRECTOR OPTIONS TO DIRECTOR, MR RICHARD KRASNOFF

To consider and, if thought fit, to pass, the following Resolution as an **ordinary Resolution**:

"That for the purposes of Section 195(4) of the Corporations Act, Chapter 2E of the Corporations Act and Listing Rule 10.11 and for all other purposes, Shareholders hereby approve the grant of a total of 450,000 Director Options by the Company to Mr Richard Krasnoff (or his permitted nominees), on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Richard Krasnoff (or his nominee) or any of his associates.

RESOLUTION 6 - APPROVAL OF GRANT OF DIRECTOR OPTIONS TO DIRECTOR, MR ANTHONY BOHNENN

To consider and, if thought fit, to pass, the following Resolution as an **ordinary Resolution**:

"That for the purposes of Section 195(4) of the Corporations Act, Chapter 2E of the Corporations Act and Listing Rule 10.11 and for all other purposes, Shareholders hereby approve the grant of a total of 450,000 Director Options by the Company to Mr Anthony Bohnenn (or his permitted nominees), on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Anthony Bohnenn (or his nominee) or any of his associates.

RESOLUTION 7 - APPROVAL OF GRANT OF DIRECTOR OPTIONS TO DIRECTOR, MR DOUGLAS STEWART

To consider and, if thought fit, to pass, the following Resolution as an **ordinary Resolution**:

"That for the purposes of Section 195(4) of the Corporations Act, Chapter 2E of the Corporations Act and Listing Rule 10.11 and for all other purposes, Shareholders hereby approve the grant of a total of 450,000 Director Options by the Company to Mr Douglas Stewart (or his permitted nominees), on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Douglas Stewart (or his nominee) or any of his associates.

**DATED 31st DAY OF MARCH 2008
BY ORDER OF THE BOARD**

**NEIL MARSTON
COMPANY SECRETARY**

VOTING EXCLUSION NOTE: Where a voting exclusion applies, 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.

GRANGE RESOURCES LIMITED
ABN 80 009 132 405

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the information of Shareholders of Grange Resources Limited ABN 80 009 132 405 ("**Company**" or "**Grange Resources**") in connection with the business to be conducted at the General Meeting of Shareholders to be held at Level 11, QBE House, 200 St George's Terrace, Perth, Western Australia at 10.00 am (WST) on Tuesday, 20 May 2008.

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

Terms used in the Notice of General Meeting and this Explanatory Memorandum, unless the context otherwise requires, have the same meaning given to them in the Glossary.

1. RESOLUTION 1 – RE-ELECTION OF A DIRECTOR, MR RUSSELL CLARK

Russell Clark was appointed as a Director, and as the Managing Director of the Company, on 6 March 2008. Having been appointed in the period since the previous annual general meeting, Russell Clark is retiring under the casual vacancy provisions of Article 10.10 of the Company's Constitution.

Russell Clark, being eligible, offers himself for re-election as a Director. The remaining Directors recommend to Shareholders that Russell Clark be re-elected as a Director.

Russell Clark holds a Mining Engineering degree (BSc Hons) from the Royal School of Mines, London, UK and a Graduate Diploma from the Securities Institute of Australia. In addition he has undertaken a number of Executive Development programs in Australia and the USA. Prior to his appointment as Managing Director of the Company, Russell Clark worked for Renison Goldfields for over 18 years and with Newmont for the past 8½ years. He has over 30 years of mining experience in Africa, Papua New Guinea, the USA and throughout Australia, in technical, project management, general management and executive positions.

Prior to his appointment as Managing Director of the Company, Russell Clark was Regional Group Executive of Newmont Asia Pacific's Australian and New Zealand gold mines providing management oversight of the operations of Waihi Gold (NZ), KCGM (WA), Tanami (NT), Jundee (WA) and Boddington (WA). Newmont Asia Pacific is one of the largest gold producers in the region.

2. RESOLUTION 2 – RE-ELECTION OF A DIRECTOR, MR DAVID MACOBOY

David Macoboy was appointed as a Director on 30 November 2007. Having been appointed in the period since the previous annual general meeting, David Macoboy is retiring under the casual vacancy provisions of Article 10.10 of the Company's Constitution.

David Macoboy, being eligible, offers himself for re-election as a Director. The remaining Directors recommend to Shareholders that David Macoboy be re-elected as a Director.

David Macoboy has a wealth of business and corporate finance experience. He has extensive expertise in project evaluation and is highly regarded as a corporate strategist.

David Macoboy holds degrees in economics and finance. He has held a number of senior positions through his career including Executive Director of Finance & Corporate with Portman Limited, Group Treasurer with Australian Capital Equity, Vice President, Investment Banking with Merrill Lynch and General Manager, Treasury & Capital Markets with Challenge Bank.

Mr Macoboy's current appointments include as Chairman of Ironclad Mining Limited and Ammtec Limited and as a non-executive director of Global Construction Services Limited. He has previously served on the board of Consolidated Minerals Limited, Westonia Minerals Limited, Monarch Gold Mining Company Limited, Croesus Mining NL, Territory Resources Limited and Anzoil NL.

3. **RESOLUTION 3 - APPROVAL FOR THE CONTRACTS TO GRANT DIRECTOR OPTIONS AND PAY BONUS PAYMENTS TO MANAGING DIRECTOR, MR RUSSELL CLARK**

3.1 **Background**

On 4 February 2008, the Company and Russell Clark entered into the Employment Agreement pursuant to which the Company appointed Russell Clark as the Managing Director of the Company for a term of 3 years, which commenced on 6 March 2008. Further details of the key terms of the Employment Agreement are set out in section 3.2 of this Explanatory Memorandum.

Under the terms of the Employment Agreement, the Company has entered into separate contracts with Russell Clark under which the Company is required to:

- (a) grant a total of 4,500,000 Director Options to Russell Clark (or his permitted nominees) in accordance with the terms and conditions set out in section 3.2 of this Explanatory Memorandum;
- (b) pay the Concentrate Payment to Russell Clark in accordance with the relevant terms and conditions set out in the Employment Agreement (which are summarised in Annexure B to this Explanatory Memorandum); and
- (c) pay the Pellets Payment to Russell Clark in accordance with the relevant terms and conditions set out in the Employment Agreement (which are summarised in Annexure B to this Explanatory Memorandum),

(together referred to as the "**Contracts**").

Further details of the 4,500,000 Director Options, the Concentrate Payment and the Pellets Payment are set out in section 3.2 of this Explanatory Memorandum.

The Contracts which require the Company to grant the 4,500,000 Director Options and pay the Concentrate Payment and Pellets Payment to Russell Clark are conditional upon the Company obtaining the approval of Shareholders.

Resolutions 3.1 to 3.3 (inclusive) seek, subject to the passing of Resolution 1, separate Shareholder approval of each Contract.

3.2 Key terms of the Employment Agreement

The key terms of the Employment Agreement are set out below:

Salary and superannuation

Salary \$500,000 per annum.

Superannuation \$45,000 per annum.

Director Options

The Company is required, subject to the approval of Shareholders, to grant the following Director Options to Russell Clark:

	Number of Director Options	Vesting Date	Exercise Price	Expiry Date
Tranche 1	1,500,000	6 March 2009	\$2.05	6 March 2012
Tranche 2	1,500,000	6 March 2010	\$3.00	6 March 2012
Tranche 3	1,500,000	6 March 2011	\$3.50	6 March 2012

The terms and conditions of the Director Options are set out in Annexure A to this Explanatory Memorandum. In addition, the following terms will apply to the 4,500,000 Director Options granted to Mr Clark under Resolution 3.1:

- (a) If the Employment Agreement is terminated by the Company or Russell Clark giving three months' notice in writing to the other (as provided below), those Director Options which have not yet vested shall immediately lapse and, if at the time of such termination, the Director Options have not been granted, all of the Company's obligations in respect of the Director Options under the Employment Agreement will terminate.
- (b) If there is a change in the control of the Company, the Director Options that have been granted to Russell Clark shall immediately vest and be exercisable for a period of 30 days. At the expiration of the 30 day period, any unexercised Director Options shall lapse.

The Company will only grant the 4,500,000 Director Options to Russell Clark specified above if Resolutions 1 and 3.1 are passed.

Bonus Payments

The Company was required to pay a sign-on bonus payment of \$40,000 (less applicable tax) to Russell Clark within 7 days of him commencing as Managing Director of the Company.

The Company is also required, subject to any applicable law or any requirement or policy of any regulatory body including the requirement to obtain the approval of Shareholders, to pay to Russell Clark:

- (a) the Concentrate Payment, being an amount of \$1,000,000 (less applicable tax), upon the Board being satisfied that the Company has, as part of the Southdown Magnetite and Kemaman Pellet Plant Project, achieved commercial production of magnetite concentrate; and

- (b) the Pellets Payment, being an amount of \$1,000,000 (less applicable tax), upon the Board being satisfied that the Company has, as part of the Southdown Magnetite and Kemaman Pellet Plant Project, achieved commercial production of iron ore pellets.

The bonus payments will be made in cash and do not form part of Russell Clark's remuneration for the purposes of calculating any payment upon termination, any superannuation contribution or any other entitlement.

Term and Termination

The term of the Employment Agreement is 3 years, commencing on 6 March 2008. The Employment Agreement may be terminated earlier by either the Company or Russell Clark by providing 3 months' written notice.

3.3 Rationale for grant of Director Options and Payment of Bonus Payments

In formulating the remuneration package to include the grant of Director Options, the Pellets Payment and the Concentrate Payment, the Board has kept in mind the following key objectives:

- formulating a package that strongly aligns bonus and incentive payments with long term Shareholder returns; and
- including appropriate performance hurdles, linked to operational outcomes.

The Board has agreed a set of incentives that will strongly align Russell Clark's remuneration package with long term wealth creation for Shareholders.

The Concentrate Payment and Pellets Payment are contingent upon the commercial productions of magnetite concentrate and iron ore pellets at the Southdown Magnetite and Kemaman Pellet Plant Project. The exercise prices of the 4,500,000 Director Options are linked to appreciable increases in the Company's share price.

3.4 Southdown Magnetite and Kemaman Pellet Plant Project

The payment of the Concentrate Payment and the Pellets Payment by the Company to Russell Clark are conditional on the Company achieving certain production levels in respect of the Southdown Magnetite and the Kemaman Pellet Plant Project.

The Southdown Magnetite Project is located 90 kilometres north east of the Port of Albany on the south coast of Western Australia.

The Southdown Magnetite deposit is approximately 12 kilometres long. Three mining leases, M70/433, M70/718 and M70/719, cover the western 6 kilometres of the deposit, with the eastern 6 kilometres located within exploration licence E70/2512 held by Grange.

In September 2006, following the completion of a detailed diamond drilling programme, a resource estimate within the mining leases of 479.1 million tonnes containing 37.3% magnetite grading 69.2% Fe was announced. The resource estimate was classified in accordance with the Australasian Code for the Reporting of Identified Mineral Resources and Ore Reserves (JORC Code, 2004). Of the total resource, 427.3 million tonnes grading 38.2% magnetite are classified as an Indicated Resource and 51.8 million tonnes grading 30.1% magnetite are classified as an Inferred Resource.

The magnetite resource within the mining leases is sufficient to support the planned production rate for a period of approximately 22 years. Diamond drilling and aeromagnetic surveys have confirmed that the mineralisation continues for a further 6 kilometres within exploration licence E70/2512 and importantly analytical work has shown the quality of the magnetite to be the same as that within the western portion of the deposit. The known extensions to the magnetite deposit within the exploration licence should extend the project life considerably.

In February 2005, the Company announced a proposal that it had entered into a heads of agreement to acquire up to 60 hectares of land in an industrial estate adjacent to the port of Kemaman to build an iron ore pellet plant. Kemaman Port is located on the east coast of Malaysia in the state of Terengganu. The Kemaman Pellet Plant site is located on land close to the existing deep water port. The Kemaman Pellet Plant will use the Company's magnetite concentrate shipped from Albany (Western Australia) to produce high quality iron ore pellets.

In June 2007, Grange announced that a wholly owned subsidiary of the Japanese trading company, Sojitz Corporation, had entered into a joint venture agreement with the Company to become a 30% equity participant in the Southdown Magnetite Project, excluding the exploration licence E70/2512. Under the joint venture agreement, Sojitz Corporation will fund US\$10 million of pre-commitment development expenditure including detailed engineering and design and establishing project funding arrangements. Teams from Grange and Sojitz Corporation are working closely together to complete pre-commitment development activities and negotiate with other parties to complete the joint venture.

3.5 Section 195(4) of the Corporations Act

Section 195 of the Corporations Act provides, in essence, that a director of a public company may not vote or be present during meetings of directors when matters in which that director holds a "material personal interest" are being considered. As a result, the Board has resolved in accordance with Section 195(4) of the Corporations Act to place the proposed issue of Director Options to Russell Clark under Resolution 3.1 before Shareholders for approval at the Meeting.

3.6 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 provisions; or
- (b) shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, Russell Clark is considered to be a Related Party of the Company because he is a Director and the Company entering into each Contract with Russell Clark constitutes the giving of a financial benefit.

The Company entering into each Contract with Russell Clark involves the provision of a financial benefit to a Related Party of the Company and, therefore, requires Shareholder approval. In accordance with the requirements of Chapter 2E, and in particular with Section 219 of the Corporations Act, the following information is provided to Shareholders to allow them to assess whether or not to approve the Company entering into each Contract with Russell Clark:

- (a) Russell Clark is a Related Party of the Company to whom the proposed Resolutions 3.1 to 3.3 (inclusive) would permit the financial benefits to be given;
- (b) the nature of the financial benefit to be given to Russell Clark is the Company entering into the Contracts with Russell Clark under which the Company is required to:
- (i) grant a total of 4,500,000 Director Options to Russell Clark (or his permitted nominees) in accordance with the terms and conditions set out in section 3.2 of this Explanatory Memorandum;
 - (ii) pay the Concentrate Payment to Russell Clark in accordance with the relevant terms and conditions set out in the Employment Agreement (which are summarised in Annexure B to this Explanatory Memorandum); and
 - (iii) pay the Pellets Payment to Russell Clark in accordance with the relevant terms and conditions set out in the Employment Agreement (which are summarised in Annexure B to this Explanatory Memorandum);
- (c) as at the date of lodgement of the Notice with ASIC, being 1 April 2008 ("**ASIC Lodgement Date**"), the issued capital of the Company is 115,201,099 Shares and 17,500,000 Options. A comparison of the current issued capital of the Company and the issued capital of the Company should Russell Clark exercise all of the 4,500,000 Director Options (assuming that Resolution 3.1 is approved by Shareholders, no existing Options are exercised and no other securities are issued by the Company in the meantime) is set out in the table below:

Current Number of Shares on Issue	Number of Shares on Issue Following Exercise of Director Options by Russell Clark
115,201,099	119,701,099

- (d) if Resolution 3.1 is approved by Shareholders and the 4,500,000 Director Options are granted to Russell Clark by the Company, the exercise of the Director Options by Russell Clark may result in a dilution of all other Shareholders' holdings in the Company to a maximum of approximately 3.91% (based on the number of Shares on issue at the ASIC Lodgement Date and assuming that no existing Options are exercised and no other securities are issued by the Company in the meantime);
- (e) Russell Clark has an interest in the following securities in the Company as at the ASIC Lodgement Date and, assuming Resolution 3.1 is approved by Shareholders, will be entitled to the following securities in the Company:

Director	Shares currently held by Russell Clark¹	Number of Director Options
Russell Clark	Nil ²	4,500,000 ³

Note 1: Subject to the Corporations Act, the Listing Rules and the Company's Constitution, Russell Clark may from time to time either dispose of some or all of his shareholding in the Company, increase his shareholding in the Company and/or exercise some or all of his Director Options after the ASIC Lodgement Date.

Note 2: Russell Clark has no direct or indirect interest in any Shares.

Note 3: 1,500,000 of these Director Options will be exercisable at \$2.05 each and will expire on 6 March 2012. 1,500,000 of these Director Options will be exercisable at \$3.00 each and will expire on 6 March 2012. The remaining 1,500,000 Director Options will be exercisable at \$3.50 each and will expire on 6 March 2012. See section 3.2 of this Explanatory Memorandum for further details.

- (f) the 4,500,000 Director Options will be granted by the Company to Russell Clark for no consideration and therefore no funds will be raised by the grant of the Director Options to Russell Clark. Any funds raised from time to time due to the exercise of any Director Options by Russell Clark will be used as the Board sees fit;
- (g) see section 3.7 of this Explanatory Memorandum regarding an indicative valuation of the Director Options;
- (h) if Resolutions 3.2 and 3.3 are approved by Shareholders, the Company will be required to pay to Russell Clark the Concentrate Payment and the Pellets Payment, each being an amount of \$1,000,000 (less applicable tax), upon the achievement of certain production levels in respect of the Southdown Magnetite and Kemaman Pellet Plant Project. Further details of the key terms of the Concentrate Payment and Pellets Payment are set out in section 3.2 of this Explanatory Memorandum;
- (i) Russell Clark's remuneration which has accrued since appointment on 6 March 2008 to the ASIC Lodgement Date:

Director Fees	Superannuation Contributions	Other	Total
\$21,154	\$1,904	\$40,000	\$63,058

- (j) the respective interest arises because he is a proposed recipient of a financial benefit in the form of the Company entering into the Contracts under which the Company is required to:
 - (i) grant a total of 4,500,000 Director Options to Russell Clark (or his permitted nominees) in accordance with the terms and conditions set out in section 3.2 of this Explanatory Memorandum;
 - (ii) pay the Concentrate Payment to Russell Clark in accordance with the relevant terms and conditions set out in the Employment Agreement (which are summarised in Annexure B to this Explanatory Memorandum); and
 - (iii) pay the Pellets Payment to Russell Clark in accordance with the relevant terms and conditions set out in the Employment Agreement (which are summarised in Annexure B to this Explanatory Memorandum);

- (k) Russell Clark declines to make a recommendation to Shareholders in relation to Resolutions 3.1 to 3.3 (inclusive) due to his material personal interest in the outcome of those Resolutions. The other Directors, who do not have a material interest in the outcome of Resolutions 3.1 to 3.3 (inclusive), recommend that Shareholders vote in favour of those Resolutions on the basis that they believe it is a reasonable remuneration package for securing the services of Mr Clark. The Board (other than Mr Clark) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolutions 3.1 to 3.3;
- (l) as set out in the proxy form, the Chairman intends to vote all undirected proxies in favour of all Resolutions to be considered at this Meeting;
- (m) if Resolution 3.1 is approved by Shareholders, the 4,500,000 Director Options will be offered by the Company to Russell Clark and subsequently granted by the Board no later than 1 month after the date of this Meeting and it is anticipated that the allotment will be on one date;
- (n) if Resolutions 3.2 and 3.3 are approved by Shareholders, it is proposed that the Concentrate Payment and the Pellets Payment will be paid to Russell Clark if and when they become payable in accordance with the relevant terms and conditions set out in the Employment Agreement (which are summarised in Annexure B to this Explanatory Memorandum);
- (o) the proposed grant of the 4,500,000 Director Options to Russell Clark will be made pursuant to the terms and conditions set out in section 3.2 of this Explanatory Memorandum and the proposed payment of the Concentrate Payment and the Pellets Payment will be made pursuant to the relevant terms and conditions set out in the Employment Agreement (which are summarised in Annexure B to this Explanatory Memorandum); and
- (p) other than the information specified above and in sections 3.7 to 3.10 (inclusive) of this Explanatory Memorandum below, the Company believes there is no other information that would be reasonably required by the Shareholders in order to decide whether it is in the best interests of the Company to pass Resolutions 3.1 to 3.3 (inclusive).

3.7 Details Concerning Valuation of 4,500,000 Director Options

The highest, lowest and last sale prices for the Shares on ASX during the 12 months immediately preceding the ASIC Lodgement Date and the respective dates of those sale prices were:

Highest: \$3.00 per Share on 14 August 2007

Lowest: \$1.25 per Share on 19 March 2008

Last: \$1.40 per Share on 31 March 2008 being the last day on which the Company's Shares were traded on ASX before lodgement of the Notice with ASIC.

The Director Options to be granted to Russell Clark, pursuant to Resolution 3.1, will not be quoted on ASX.

The Directors propose to issue the following Director Options to Russell Clark based on the assumptions set out below:

Type of Director Options	Number of Director Options	Value
Tranche 1	1,500,000	\$817,030
Tranche 2	1,500,000	\$615,675
Tranche 3	1,500,000	\$539,813

Grange has prepared a valuation which the Board have adopted in relation to the indicative value of the Director Options to be issued to Russell Clark. The valuation uses the Black-Scholes Option Pricing Model and the following assumptions:

1. The indicative valuation has assumed that the grant date of the Director Options is 20 May 2008, although the volume weighted average Share price ("**VWAP**") used is to 28 March 2008. The valuation is not a representative valuation of the Director Options at the proposed date of issue. In order for this valuation to be provided, a new valuation model would need to be run with updated assumptions at the time of issue (i.e. immediately following the General Meeting).
2. An exercise price of:
 - \$2.05 per Tranche 1 Director Option;
 - \$3.00 per Tranche 2 Director Option; and
 - \$3.50 per Tranche 3 Director Option.
3. The Company's 5 day VWAP of \$1.3461 on 28 March 2008, the date of this indicative valuation.
4. An estimated future volatility of the Company's Share price of 61% based on historical recorded volatility in the Company's Share price as well as those of comparable companies.
5. Risk-free interest rates for the Director Options as follows:
 - Tranche 1 Director Options - 6.62%;
 - Tranche 2 Director Options - 6.62%; and
 - Tranche 3 Director Options - 6.62%.
6. In calculating the indicative value of the Director Options, it has been assumed that they are exercised on their expiry date which is, for each Director Option, 6 March 2012. Please note that this value is indicative only.

The indicative value for each Director Option is as follows:

- Tranche 1 Director Option - \$0.545;
- Tranche 2 Director Option - \$0.41; and
- Tranche 3 Director Option - \$0.36.

3.8 Listing Rule 10.11

ASX 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 ASX Listing Rule 10.12 applies.

The grant of the Director Options to Mr Russell Clark requires the Company to obtain Shareholder approval because the grant of Director Options constitutes giving a financial benefit and Mr Clark is a related party of the Company.

It is the view of the Directors that the exceptions set out ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of Director Options to Mr Clark.

3.9 Listing Rule 7.1

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Director Options to Mr Clark as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Director Options to Mr Clark will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

3.10 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 Rules 7.3 and 10.13, the following information is provided to Shareholders in relation to Resolution 3.1:

- (a) the maximum number of Director Options that may be granted by the Company to Russell Clark (or his permitted nominee) for whom approval is required is 4,500,000 Director Options. If all the Director Options are exercised by Russell Clark, he will be entitled to 4,500,000 Shares;
- (b) the Director Options are granted for no consideration and therefore no funds will be raised by the grant of the Director Options to Russell Clark. Any funds raised from time to time due to the exercise of any Director Options will be used as the Board sees fit;
- (c) the exercise prices for each Tranche of Director Options being granted to Russell Clark are set out in section 3.2 of this Explanatory Memorandum;
- (d) the indicative valuation range for each Director Option is between \$0.545 and \$0.36. Details of the calculation of those indicative values are set out in section 3.7 of this Explanatory Memorandum;
- (e) the proposed grant of the 4,500,000 Director Options to Russell Clark will be made pursuant to the terms and conditions set out in section 3.2 of this Explanatory Memorandum; and
- (f) if Resolution 3.1 is passed by Shareholders, the Director Options will be offered by the Company to Russell Clark and subsequently granted by the Board no later than 1 month after the date of the Meeting and it is anticipated that the allotment will be on one date.

4. RESOLUTIONS 4 to 7 (INCLUSIVE) - APPROVAL FOR THE GRANT OF DIRECTOR OPTIONS TO RECIPIENT DIRECTORS

4.1 Background

Resolutions 4 to 7 (inclusive) seek Shareholder approval for the grant of an aggregate total of 1,800,000 Director Options by the Company, being 450,000 Director Options to each of Messrs David Macoboy, Richard Krasnoff, Anthony Bohnenn and Douglas Stewart ("**Recipient Directors**") (or their permitted nominees). Resolution 4 is subject to Resolution 2 being passed by Shareholders.

The grant of the 1,800,000 Director Options to the Recipient Directors (or their permitted nominees) is intended to act as an incentive for the Recipient Directors to align themselves with the Company's strategic plan focusing on optimising performance with the benefits flowing through to enhanced Shareholder returns.

The Board acknowledges the grant of Director Options to the Recipient Directors (as non-executive directors) is contrary to Recommendation 8.2 of the ASX Corporate Governance Principles and Recommendations. However, the Board considers the grant of Director Options to the Recipient Directors reasonable in the circumstances, given the necessity to attract the highest calibre of professionals to the Company, whilst maintaining the Company's cash reserves.

4.2 Key Details of the Director Options

It is proposed that each Recipient Director is to be granted 450,000 Director Options by the Company with the following key terms:

	Number of Director Options	Vesting Date	Exercise Price	Expiry Date
Tranche 1	150,000	6 March 2009	\$2.05	6 March 2012
Tranche 2	150,000	6 March 2010	\$3.00	6 March 2012
Tranche 3	150,000	6 March 2011	\$3.50	6 March 2012

4.3 Section 195(4) of the Corporations Act

Section 195 of the Corporations Act provides, in essence, that a director of a public company may not vote or be present during meetings of directors when matters in which that director holds a "material personal interest" are being considered. As a result, the Board have resolved in accordance with Section 195(4) of the Corporations Act to place the proposed issue of Director Options to the Recipient Directors under Resolutions 4 to 7 (inclusive) before Shareholders for approval at the Meeting.

4.4 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, each of the Recipient Directors is considered to be a Related Party of the Company because each is a Director and the proposed grant of Director Options by the Company constitutes the giving of a financial benefit.

The proposed grant of Director Options by the Company to the Recipient Directors (or their permitted nominees) involves the provision of a financial benefit to Related Parties of the Company and, therefore, requires prior Shareholder approval.

In accordance with the requirements of Chapter 2E, and in particular with Section 219 of the Corporations Act, the following information is provided to Shareholders to allow them to assess the proposed grant of Director Options by the Company to each of the Recipient Directors (or their permitted nominees):

- (a) each of the Recipient Directors is a Related Party of the Company to whom the proposed Resolutions 4 to 7 (inclusive) would permit the financial benefits to be given;
- (b) the nature of the financial benefit to be given to each of the Recipient Directors (or their permitted nominees) is the grant of up to 450,000 Director Options each as set out in section 4.2 of this Explanatory Memorandum;
- (c) as at the ASIC Lodgement Date, the issued capital of the Company is 115,201,099 Shares and 17,500,000 Options. A comparison of the current issued capital of the Company and the issued capital of the Company should each Recipient Director exercise all of their 450,000 Director Options (assuming that Resolutions 4 to 7 (inclusive) are approved by Shareholders, no existing Options are exercised and no other securities are issued by the Company in the meantime) is set out in the table below:

Current Number of Shares on Issue	Number of Shares on Issue Following Exercise of Director Options by the Recipient Directors
115,201,099	117,001,099

- (d) if Shareholders approve the grant of the 1,800,000 Director Options to the Recipient Directors, the exercise of the Director Options by the Recipient Directors may result in a dilution of all other Shareholders' holdings in the Company to a maximum of approximately 1.56% (based on the number of Shares on issue at the ASIC Lodgement Date and assuming that Resolutions 4 to 7 (inclusive) are approved by the Shareholders, the Director Options the subject of Resolutions 4 to 7 (inclusive) are subsequently granted and exercised, no existing Options are exercised and no other securities are issued by the Company in the meantime);

- (e) the Recipient Directors have an interest in the following securities in the Company as at the ASIC Lodgement Date and, assuming Resolutions 4 to 7 (inclusive) are approved by Shareholders, will be entitled to the following securities in the Company:

Recipient Director	Shares currently held by the Recipient Directors ¹	Number of Director Options ⁶
Anthony Bohnenn	13,629,338 ²	450,000
Richard Krasnoff	60,000 ³	450,000
Douglas Stewart	Nil ⁴	450,000
David Macoboy	15,000 ⁵	450,000

Note 1: Subject to the Corporations Act, the Listing Rules and the Company's Constitution, any of the Recipient Directors may from time to time either dispose of some or all of their shareholding in the Company, increase their shareholding in the Company and/or exercise of some or all of their Director Options after the ASIC Lodgement Date.

Note 2: Anthony Bohnenn has a direct interest in 709,800 Shares and an indirect interest in 12,919,538 Shares by virtue of his interest as beneficial owner of Shares held by HSBC Custody Nominees (Australia) Limited.

Note 3: Richard Krasnoff has no direct interest in any Shares and an indirect interest in 60,000 Shares by virtue of Mary Krasnoff's interest.

Note 4: Douglas Stewart has no direct or indirect interest in any Shares.

Note 5: David Macoboy has no direct interest in any Shares and an indirect interest in 15,000 Shares by virtue of his interest as beneficial owner of Shares held by Jeumont Pty Ltd.

Note 6: Each comprises 150,000 Director Options exercisable at \$2.05 each which will expire on 6 March 2012, 150,000 Director Options exercisable at \$3.00 each which will expire on 6 March 2012 and the remaining 150,000 Director Options exercisable at \$3.50 each which will expire on 6 March 2012. See section 4.2 of this Explanatory Memorandum for further details.

- (f) the 1,800,000 Director Options will be granted by the Company to Recipient Directors for no consideration and therefore no funds will be raised by the grant of the Director Options to Recipient Directors. Any funds raised from time to time due to the exercise of any Director Options by a Recipient Director will be used as the Board sees fit;
- (g) see section 4.5 of this Explanatory Memorandum regarding an indicative valuation of the Director Options;
- (h) please refer to the following table for details of the Recipient Directors' remuneration which has accrued since 1 July 2007 to the ASIC Lodgement Date:

Director	Director Fees	Superannuation Contributions	Other	Total
David Macoboy	\$18,349	\$1,651	Nil	\$20,000 ¹
Richard Krasnoff	\$36,748	\$3,308	Nil	\$40,056 ²
Anthony Bohnenn	\$55,021	\$4,952	Nil	\$59,973 ³
Douglas Stewart	\$25,617	\$2,306	Nil	\$27,923 ⁴

Note 1: David Macoboy was appointed as a Director on 30 November 2007. Budgeted total annual remuneration for David Macoboy for the financial year ending 30 June 2008 is equivalent to \$60,000 per annum.

Note 2: Budgeted total annual remuneration for Richard Krasnoff for the financial year ending 30 June 2008 is \$60,000.

Note 3: Budgeted total annual remuneration for Anthony Bohnenn for the financial year ending 30 June 2008 is \$90,000.

Note 4: Douglas Stewart was appointed as a Director on 23 October 2007. Budgeted total annual remuneration for Douglas Stewart for the financial year ending 30 June 2008 is equivalent to \$60,000 per annum.

- (i) David Macoboy declines to make a recommendation to Shareholders in relation to Resolution 4 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 4, recommend that Shareholders vote in favour of Resolution 4 on the basis that they consider the grant of Director Options is reasonable in the circumstances, given the necessity to attract the highest calibre of professionals to the Company, whilst maintaining the Company's cash reserves. The Board (other than Mr Macoboy) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution;
- (j) Richard Krasnoff declines to make a recommendation to Shareholders in relation to Resolution 5 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 5, recommend that Shareholders vote in favour of Resolution 5 on the basis that they consider the grant of Director Options is reasonable in the circumstances, given the necessity to attract the highest calibre of professionals to the Company, whilst maintaining the Company's cash reserves. The Board (other than Mr Krasnoff) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution;
- (k) Anthony Bohnenn declines to make a recommendation to Shareholders in relation to Resolution 6 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 6, recommend that Shareholders vote in favour of Resolution 6 on the basis that they consider the grant of Director Options is reasonable in the circumstances, given the necessity to attract the highest calibre of professionals to the Company, whilst maintaining the Company's cash reserves. The Board (other than Mr Bohnenn) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution;
- (l) Douglas Stewart declines to make a recommendation to Shareholders in relation to Resolution 7 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 7, recommend that Shareholders vote in favour of Resolution 7 on the basis that they consider the grant of Director Options is reasonable in the circumstances, given the necessity to attract the highest calibre of professionals to the Company, whilst maintaining the Company's cash reserves. The Board (other than Mr Stewart) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution;

- (m) if Resolutions 4 to 7 (inclusive) are approved by Shareholders, it is proposed that the Director Options will be offered by the Company to Recipient Directors and subsequently granted by the Board no later than 1 month after the date of this Meeting and it is anticipated that the allotment will be on one date;
- (n) the proposed grant of the Director Options to Recipient Directors will be made pursuant to the terms and conditions set out in section 4.2 and Annexure A of this Explanatory Memorandum; and
- (o) other than the information specified above and in sections 4.5 to 4.8 (inclusive) of this Explanatory Memorandum below, the Company believes there is no other information that would be reasonably required by the Shareholders in order to decide whether it is in the best interests of the Company to pass Resolutions 4 to 7 (inclusive).

4.5 Details Concerning Valuation of Director Options

The highest, lowest and last sale prices for the Shares on ASX during the 12 months immediately preceding the ASIC Lodgement Date and the respective dates of those sale prices were:

Highest: \$3.00 per Share on 14 August 2007

Lowest: \$1.25 per Share on 19 March 2008

Last: \$1.40 per Share on 31 March 2008 being the last day on which the Company's Shares were traded on ASX before lodgement of the Notice with ASIC.

The Director Options to be granted to the Recipient Directors, pursuant to Resolutions 4 to 7 (inclusive), will not be quoted on ASX.

The Directors propose to issue the following Director Options to each Recipient Director based on the assumptions set out below:

Type of Director Options	Number of Director Options	Value
Tranche 1	150,000	\$81,703
Tranche 2	150,000	\$61,568
Tranche 3	150,000	\$53,981

Grange has prepared a valuation which the Board have adopted in relation to the indicative value of the Director Options to be issued to the Recipient Directors. The valuation uses the Black-Scholes Option Pricing Model and the following assumptions:

1. The indicative valuation has assumed that the grant date of the Director Options is 20 May 2008, although the VWAP used is to 28 March 2008. The valuation is not a representative valuation of the Director Options at the proposed date of issue. In order for this valuation to be provided, a new valuation model would need to be run with updated assumptions at the time of issue (i.e. immediately following the General Meeting).

2. An exercise price of:
 - \$2.05 per Tranche 1 Director Option;
 - \$3.00 per Tranche 2 Director Option; and
 - \$3.50 per Tranche 3 Director Option.
3. The Company's 5 day VWAP of \$1.3461 on 28 March 2008, the date of this indicative valuation.
4. An estimated future volatility of the Company's Share price of 61% based on historical recorded volatility in the Company's Share price as well as those of comparable companies.
5. Risk-free interest rates for the Director Options as follows:
 - Tranche 1 Director Options - 6.62%;
 - Tranche 2 Director Options - 6.62%; and
 - Tranche 3 Director Options - 6.62%.
6. In calculating the indicative value of the Director Options, it has been assumed that they are exercised on their expiry date which is, for each Director Option, 6 March 2012. Please note that this value is indicative only.

The indicative value for each Director Option is as follows:

- Tranche 1 Director Option - \$0.545;
- Tranche 2 Director Option - \$0.41; and
- Tranche 3 Director Option - \$0.36.

4.6 Listing Rule 10.11

ASX 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 ASX Listing Rule 10.12 applies.

The grant of the Director Options to the Recipient Directors requires the Company to obtain Shareholder approval because the grant of Director Options constitutes giving a financial benefit and the Recipient Directors are related parties of the Company.

It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of Director Options to the Recipient Directors.

4.7 Listing Rule 7.1

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Director Options to the Recipient Directors as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Director Options to the Recipient Directors will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

4.8 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 Resolutions 4 to 7 (inclusive):

- (a) the maximum number of Director Options that may be granted by the Company to each of the Recipient Directors (or their permitted nominees) for whom approval is required is 450,000 Director Options, being an aggregate total of 1,800,000 Director Options. If all the Director Options are exercised by the Recipient Directors, then they will each be entitled to 450,000 Shares, being an aggregate total of 1,800,000 Shares;
- (b) the Director Options are granted for no consideration and therefore no funds will be raised by the grant of the Director Options to the Recipient Directors. Any funds raised from time to time due to the exercise of any Director Options by a Recipient Director will be used as the Board sees fit;
- (c) the exercise price for each Tranche of Director Options being granted to the Recipient Directors is set out in section 4.2 of this Explanatory Memorandum;
- (d) the indicative valuation range for each Director Option is between \$0.545 and \$0.36. Details of the calculation of those indicative values are set out in section 4.5 of this Explanatory Memorandum;
- (e) the proposed grant of the Director Options to the Recipient Directors will be made pursuant to the terms and conditions set out in section 4.2 and Annexure A of this Explanatory Memorandum; and
- (f) if Resolutions 4 to 7 (inclusive) are approved by Shareholders, the Director Options will be offered by the Company to the Recipient Directors and subsequently granted by the Board no later than 1 month after the date of the Meeting and it is anticipated that the allotment will be on one date.

Annexure A

Terms and Conditions of the Director Options

The Director Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Director Option gives the Optionholder the right to subscribe for one Share. To obtain the right given by each Director Option, the Optionholder must exercise the Director Options in accordance with the terms and conditions of the Director Options.
 - (b) The Director Options will expire at 5:00 pm (WST) on 6 March 2012 (**Expiry Date**). Any Director Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
 - (c) The amount payable upon exercise of each Director Option (**Exercise Price**) is as follows:
 - \$2.05 for the Tranche 1 Director Options;
 - \$3.00 for the Tranche 1 Director Options; and
 - \$3.50 for the Tranche 1 Director Options.
 - (d) The Director Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
 - (e) An Optionholder may exercise their Director Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Director Options specifying the number of Director Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Director Options being exercised;
- (Exercise Notice).**
- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
 - (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Director Options specified in the Exercise Notice.
 - (h) The Director Options are not transferable.
 - (i) All Shares allotted upon the exercise of Director Options will upon allotment rank pari passu in all respects with other Shares.
 - (j) The Company will not apply for quotation of the Director Options on ASX. However, The Company will apply for quotation of all Shares allotted pursuant to the exercise of Director Options on ASX within 10 Business Days after the date of allotment of those Shares.

- (k) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (l) There are no participating rights or entitlements inherent in the Director Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Director Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Director Options prior to the date for determining entitlements to participate in any such issue.
- (m) In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders after the date of issue of the Director Options, the exercise price of the Director Options will be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.
- (n) In the event the Company proceeds with a bonus issue of securities to Shareholders after the date of issues of the Director Options, the number of securities over which a Director Option is exercisable may be increased by the number of securities which the Optionholder would have received if the Director Option had been exercised before the record date for the bonus issue.

Annexure B

Key Terms of Bonus Payments

1. Concentrate Payment

Under the Employment Agreement, if the Company, as part of the Southdown Magnetite and Kemaman Pellet Plant Project, begins to produce an ongoing, commercial quantity of magnetite concentrate grading over 69% Fe and the Board is satisfied that this has occurred, the Company will, subject to any applicable law or any requirement or policy of any regulatory body, make the Concentrate Payment to Russell Clark in the amount of \$1,000,000 (less applicable tax) within three months of the Board being satisfied.

Under the Employment Agreement the phrase “begins to produce an ongoing, commercial quantity of magnetite concentrate grading over 69% Fe” will, subject to Board endorsement, be taken to have occurred when the quantity over magnetite concentrate grading over 69% Fe produced exceeds 200,000 tonnes per month over three consecutive months.

2. Pellets Payment

Under the Employment Agreement, if the Company, as part of the Southdown Magnetite and Kemaman Pellet Plant Project, begins to produce an ongoing, commercial quantity of iron ore pellets grading over 67.4% Fe and the Board is satisfied that this has occurred, the Company will, subject to any applicable law or any requirement or policy of any regulatory body, make the Pellets Payment to Russell Clark in the amount of \$1,000,000 (less applicable tax) within three months of the Board being satisfied.

Under the Employment Agreement the phrase “begins to produce an ongoing, commercial quantity of iron ore pellets grading over 67.4% Fe” will, subject to Board endorsement, be taken to have occurred when the quantity over magnetite concentrate grading over 69% Fe produced exceeds 200,000 tonnes per month over three consecutive months.

GLOSSARY

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

"\$"	means Australian dollars.
"ASIC Lodgement Date"	has the meaning given to it in section 3.6(c) of this Explanatory Memorandum.
"Associate"	has the meaning given to it by Division 2 of Part 1.2 of the Corporations Act except that a reference to "Associate" in relation to a Listing Rule has the meaning given to it by Division 2 of Part 1.2 of the Corporations Act excluding Section 12 and Section 13 is to be applied as if it was not confined to associate references occurring in Chapter 7 of the Corporations Act.
"ASX"	means ASX Limited ACN 008 624 691.
"Board"	means the Board of Directors from time to time.
"Business Day"	means a week day on which banks generally open for business in Perth, Western Australia.
"Chairman"	means the Chairman of the Company.
"Company" or "Grange Resources"	means Grange Resources Limited ABN 80 009 132 405.
"Concentrate Payment"	has the meaning given to it in Resolution 3.2.
"Constitution"	means the constitution of the Company from time to time.
"Contracts"	has the meaning given to that term in section 3.1 of this Explanatory Memorandum.
"Corporations Act"	means the Corporations Act 2001 (Cth).
"Directors"	means the directors of the Company from time to time and "Director" means any one of them.
"Employment Agreement"	means the employment agreement between the Company and Russell Clark dated 4 February 2008.
"Explanatory Memorandum"	means this explanatory memorandum.
"Listing Rules"	means the listing rules of ASX and any other rules of ASX which are applicable while the Company is admitted to the official list, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.

"Meeting" or "General Meeting"	means the general meeting of Shareholders of the Company or any adjournment thereof, convened by the Notice.
"Notice" or "Notice of General Meeting"	means the notice of general meeting which accompanies this Explanatory Memorandum.
"Option"	means a right to subscribe for a Share, subject to its terms and conditions.
"Optionholder"	means the holder of a Director Option.
"Pellets Payment"	has the meaning given to it in Resolution 3.3.
"Director Option"	means an option to subscribe for a Share, granted pursuant to Resolutions 3.1. 4, 5, 6 or 7.
"Recipient Directors"	has the meaning given to that term in section 4.1 of this Explanatory Memorandum.
"Related Party"	has the meaning as that term is defined in Section 228 of the Corporations Act.
"Resolution"	means a resolution referred to in the Notice.
"Share"	means a fully paid ordinary share in the capital of the Company.
"Shareholder"	means a holder of shares in the Company.
"Southdown Magnetite and Kemaman Pellet Plant Project"	means the Company's iron ore mining and processing joint venture, which includes mining of the Southdown magnetite (iron ore) deposit, concentrating the magnetite ore at Southdown to produce magnetite concentrate, pumping the magnetite concentrate as slurry to Albany Port, shipping the magnetite concentrate to Kemaman Port in Malaysia, where it is to be processed through a new pelletizing plant (to be built) to produce high quality iron ore pellets, which are to be sold to regional steel plants.
"WST"	means western standard time.

Voting Entitlement Instructions

Voting Entitlement

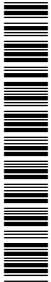
For the purposes of determining voting entitlements at the General Meeting, Shares will be taken to be held by the persons who are registered as holding the Shares at 10.00 am on 18 May 2008. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the General Meeting.

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TO LODGE A PROXY FORM:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia
Facsimile 61 8 9323 2033

FOR ALL ENQUIRIES CALL:
(within Australia) 1300 557 010
(outside Australia) 61 3 9415 4000



000001 000 GRR
MR JOHN SMITH 1
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

 **FOR YOUR VOTE TO BE EFFECTIVE IT MUST BE RECEIVED BY 10.00AM (WST) SUNDAY 18 MAY 2008**



YOUR SECURITYHOLDER INFORMATION IS AVAILABLE ONLINE, SIMPLY VISIT:
www.investorcentre.com.au

- Review your securityholding
- Update your securityholding

YOUR SECURE ONLINE ACCESS INFORMATION

SRN/HIN: I1234567890

POST CODE: 3030

! FOR SECURITY REASONS IT IS
IMPORTANT THAT YOU KEEP
YOUR SRN/HIN CONFIDENTIAL.

HOW TO COMPLETE THIS PROXY FORM *Please read these notes prior to completion of the voting form.*

VOTES ON ITEMS OF BUSINESS

Voting 100% of your holding. You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

Voting a portion of your holding. You may indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. The sum of the votes cast on each item or the percentages for and against an item must not exceed your voting entitlement or 100%.

A proxy need not be a securityholder of the Company.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the proportion or number of votes each proxy may exercise, otherwise each proxy may exercise half of the votes. Fractions of votes will be disregarded. A separate Proxy Form should be used for each proxy. You can obtain additional forms by telephoning the company's share registry or you may copy this form. If you lodge two proxies please lodge both forms together.

SIGNING INSTRUCTIONS

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 securityholders should sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.


If a representative of a corporate securityholder or proxy is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained by telephoning the company's share registry or at www.computershare.com.

LODGEMENT OF A PROXY FORM. This Form (and any Power of Attorney under which it is signed) must be received at an address given above no later than 48 hours before the commencement of the meeting at 10.00am (WST), Tuesday 20 May 2008. Any Proxy Form received after that time will not be valid for the scheduled meeting.

STEP 1 APPOINT A PROXY TO VOTE ON YOUR BEHALF

I/We being a member/s of Grange Resources Limited hereby appoint

the Chairman of the Meeting OR

 Please leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Grange Resources Limited to be held at Level 11, QBE House, 200 St George's Terrace, Perth, Western Australia on Tuesday 20 May 2008 at 10.00am (WST) and at any adjournment of that meeting.

IMPORTANT: FOR ITEMS 3.1 AND 4 TO 7 BELOW If the Chairman of the Meeting is your nominated proxy, or may be appointed by default, and you have not directed your proxy how to vote on Items 3.1 and 4 to 7 below, please place a mark in this box. By marking this box you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of those items 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 Meeting will not cast your votes on Items 3.1 and 4 to 7 and your votes will not be counted in computing the required majority if a poll is called on these items. The Chairman of the Meeting intends to vote undirected proxies in favour of each of these items.

STEP 2 ITEMS OF BUSINESS

! PLEASE NOTE: If you mark the **Abstain** box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

	For	Against	Abstain
1 Re-election of a Director, Mr Russell Clark	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of a Director, Mr David Macoboy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.1 Approval of Grant of Director Options to the Managing Director, Mr Russell Clark	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.2 Approval to Pay Bonus Payments 'Concentrate Payment' to the Managing Director, Mr Russell Clark	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.3 Approval to pay Bonus Payments 'Pellets Payment' to the Managing Director, Mr Russell Clark	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Approval of Grant of Director Options to Director, Mr David Macoboy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Approval of Grant of Director Options to Director, Mr Richard Krasnoff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Approval of Grant of Director Options to Director, Mr Anthony Bohnenn	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 Approval of Grant of Director Options to Director, Mr Douglas Stewart	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

In addition to the intention advised above, the Chairman of the Meeting intends to vote undirected proxies in favour of each of the other items of business.

SIGN SIGNATURE OF SECURITYHOLDER(S) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary



000001 000 GRR
MR JOHN SMITH 1
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Change of name and/or address. If your name and/or address is incorrect, please mark this box and make the correction on this form. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes. *Please note, you cannot change ownership of your securities using this form.*

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