

QUARTERLY REPORT

FOR THE PERIOD ENDING 30 SEPTEMBER 2006

CORPORATE DETAILS

Board of Directors

Anthony Bohnenn (Chairman)
Geoff Wedlock (Managing Director)
Alex Nutter (Technical Director)
Richard Krasnoff (Non-Executive)
Hans-Rudolf Moser (Non-Executive)

Capital Structure

| | |
|------------------|-------------|
| Ordinary Shares | 104,661,599 |
| 50c Opts 6/07 | 1,500,000 |
| \$1.25 Opts 6/07 | 1,500,000 |
| \$1.50 Opts 6/08 | 1,500,000 |
| \$2.50 Opts 6/11 | 1,000,000 |

Stock Exchange Listing

Australian Stock Exchange
ASX Code: GRR

Principal & Registered Office

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SEPTEMBER QUARTER HIGHLIGHTS

Southdown Magnetite & Kemaman Pellet Project

- Mineral Resource increased to 479 million tonnes grading 37.3% magnetite.
- Malaysian Government grants "Pioneer Status" for the Kemaman Pellet Plant. Significant investment incentives include:
 - 100% corporate income tax exemption for a period of 15 years.
 - An Infrastructure Allowance to construct and provide infrastructure to the West Wharf at Kemaman Port. The Company can offset the Allowance against 85% of the statutory income after the 15 year tax exempt period.
- Public Environmental Review (PER) document for Southdown prepared for public release.
- Negotiations for Slurry Pipeline easement successfully concluded with 32 landowners. Negotiations with remaining landowners ongoing.
- International tender process for project participants continuing.

Gold Royalties

- Royalty payments from the Red Hill and Freshwater Projects of \$1,031,298 generated during the quarter.

Bukit Ibam (Malaysia) Iron Ore Project

- Construction of iron ore processing plant at Bukit Ibam iron ore mine commenced. Plant commissioning is expected in December 2006 with initial production of 20,000 tonnes per month planned.

Corporate

- In October 2006, a share placement to sophisticated investors of 9.5 million shares at \$1.30 raised a total of \$11.98 million after expenses.

SOUTHDOWN MAGNETITE & KEMAMAN PELLET PROJECT
(Grange 100%)

The following summary report is an update on progress achieved with the Southdown Magnetite Project to date.

Overview

Located approximately 90 kilometres northeast of the Port of Albany on the south coast of Western Australia (figure 1), the Southdown Magnetite deposit, represents the largest known magnetite deposit of its kind in the southern portion of Western Australia.

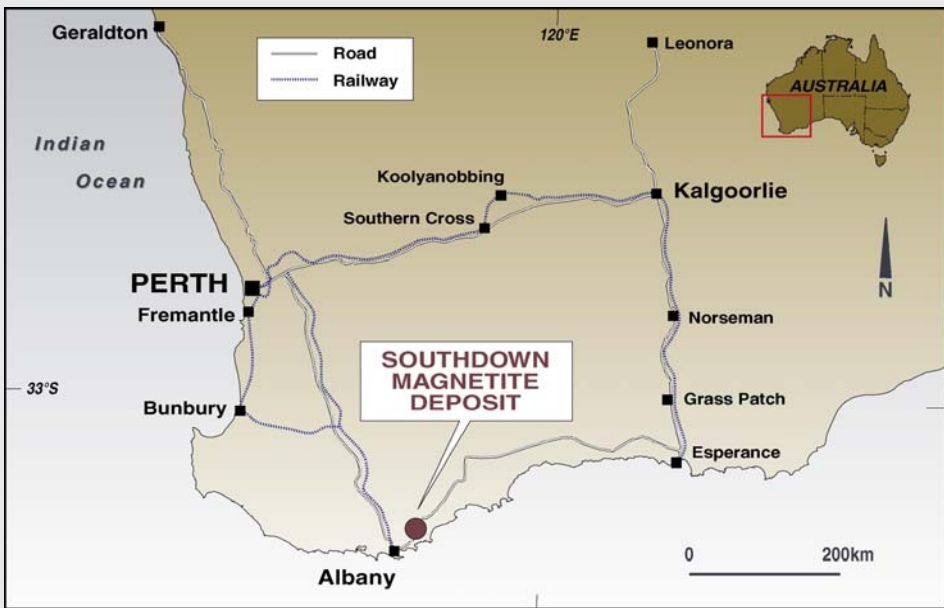


Figure 1: Location of Southdown Magnetite Project, Albany WA

The current resource base is 479.1 million tonnes containing 37.3% magnetite grading 69.2% Fe.

The development plan is to mine the Southdown Magnetite deposit using proven open pit mining methods with the magnetite mineralisation being crushed, ground, screened and then magnetically separated to produce a magnetite concentrate at a planned production rate of 6.6 Mtpa.

The magnetite concentrate will be pumped as slurry, approximately 100 km to a concentrate storage facility at the port of Albany before being loaded on to capsize vessels and shipped to an iron ore pellet plant located in Kemaman, Malaysia. Filtered water recovered from the slurry will be pumped back to the mine site for re-use in the concentrator via a return water pipeline buried beside the slurry pipeline.

At Albany Port, the construction of a new berth will be required and the Albany Port Authority will provide land to accommodate a concentrate storage facility and ship loading infrastructure. Widening of the existing shipping channel into the Princess Royal Harbour and extending the channel into King George Sound is also proposed to facilitate the use of capsize vessels.

Grange has entered into a Heads of Agreement with subsidiaries of Road Builder (M) Holdings Bhd to secure the future use of infrastructure at Kemaman on the east coast of peninsular Malaysia, comprising an existing deep water wharf and 60 hectares of land for the pellet plant. The design capacity of the pellet plant is 6.8 Mtpa.

The magnetite resource within the Grange mining leases is sufficient to support the planned production rate for a period of 22 years. Known extensions to the magnetite deposit within adjacent tenements owned by Rio Tinto could extend project life considerably.

Capital and Operating Costs

The preliminary capital cost estimates for the Project (Southdown & Kemaman) is forecast at US\$1,175M in December 2005 dollars. This cost has been derived from budget quotations for equipment supply and detailed construction assessment and estimates. It includes owner's costs and allowances for contingency and risk.

The preliminary estimate of the operating cost for iron ore pellets, free on board (FOB) Kemaman is US\$39.43/tonne. This estimate is based on leased mining equipment. The current mining schedule has approximately the same waste to ore ratio in each year of operation and provides for the backfilling of the mined out pit with waste after year 5. Consumables and labour cost estimates are based on current resource industry experience. Power, water and ocean freight cost estimates are based on expressions of interest from a variety of suppliers.

Project Financing and Structuring

Grange has appointed Azure Capital, a Perth based merchant banking firm, to assist in the process of determining the most appropriate partners capable of facilitating the financing and development of the project.

In March 2006, Grange announced the commencement of an international tender process for joint venture partners. An Information Memorandum has been compiled and an on-line data room established to provide interested parties with relevant information.

The tender process is expected to be concluded in the fourth quarter of 2006.

Project Schedule

Indicative timetable for completion of key milestones are:

| Timetable | Date |
|--|----------|
| Completed Resource Evaluation | Sep 2006 |
| Complete Detailed Mine planning | Nov 2006 |
| Release Public Environmental Review document (PER) | Nov 2006 |
| Kemaman Environmental Approval | Q4 2006 |
| Complete Southdown Technical Feasibility | Q4 2006 |
| Establish Project Structure / Finance | Q4 2006 |
| EPA Bulletin Published (Albany Port & Southdown) | Q2 2007 |
| Ministerial & Other Approvals (Southdown) | Q3 2007 |
| Commence Project Construction | Q4 2007 |
| Commence Commissioning | Q4 2009 |
| First Production Year (1 st pellets) | 2010 |

Bankable Feasibility Study

The Bankable Feasibility Study into the Project commenced in early 2005 and is scheduled for completion towards the end of the fourth quarter 2006.

The technical aspects of the study have largely been completed confirming that a high quality magnetite concentrate can be readily produced suitable for the production of both direct reduction "DR" and blast furnace "BF" pellets.

The preliminary economics confirm the Project's robustness and viability based on NPV and IRR criteria.

Mineral Resources

Golder Associates Pty Ltd (Golder) has completed a resource model using all geological and assay data available as at 4 September 2006 and prepared a mineral resource statement (Table 1).

The model was constructed using geological data from 195 diamond drill holes from the Grange drilling programme and 52 diamond drill holes from earlier drilling undertaken in 1986/87. Assay data from 8,611 samples from the Grange drill holes and 892 samples from resampling the 1986/87 drill holes were included in the model.

The magnetite deposit within the Company's mining leases has a strike length of approximately 6,000 metres and a vertical depth ranging from approximately 50 to 500 metres. The available data has allowed Golder to estimate the resource contained within 5950 metres of strike, with variable depths ranging from 50 metres below surface in the west to 480 metres below surface in the east. The average thickness of the deposit is 85 metres.

The resource estimate was classified in accordance with the Australasian Code for the Reporting of Identified Mineral Resources and Ore Reserves (JORC Code, 2004). The classification was considered appropriate on the basis of drill hole spacing, sample interval, geological interpretation and representativeness of all available data. The resource has been defined using geological boundaries and a nominal cut-off grade of 10 wt% Davis Tube Concentrate (DTC) and includes minor internal dilution. All estimated grades were weighted by %DTC.

There is potential to increase the total magnetite resource by including material from the oxidised zone but further drilling is required for this material to be upgraded to Resource status.

TABLE 1
SOUTHDOWN MAGNETITE PROJECT
IN SITU MINERAL RESOURCE ESTIMATE

| Class | Indicated Resource | Inferred Resource | Total |
|--------------------------------------|--------------------|-------------------|-------|
| Tonnes (Mt) | 427.3 | 51.8 | 479.1 |
| DTC wt% | 38.2 | 30.1 | 37.3 |
| DTC Fe% | 69.2 | 69.0 | 69.2 |
| DTC SiO ₂ % | 1.9 | 2.0 | 1.9 |
| DTC Al ₂ O ₃ % | 1.4 | 1.3 | 1.3 |
| DTC TiO ₂ % | 0.37 | 0.44 | 0.37 |
| DTC S% | 0.42 | 0.63 | 0.44 |
| DTC Na ₂ O% | 0.05 | 0.04 | 0.05 |
| DTC K ₂ O% | 0.009 | 0.011 | 0.009 |
| DTC P% | 0.002 | 0.003 | 0.002 |
| DTC MgO% | 0.23 | 0.25 | 0.24 |
| DTC CaO% | 0.18 | 0.22 | 0.18 |
| DTC Mn% | 0.036 | 0.036 | 0.036 |
| DTC V% | 0.021 | 0.023 | 0.021 |
| DTC LOI% | -3.0 | -2.9 | -3.0 |

Notes:

- Estimation method: Block model, Ordinary Kriging using 3m composite data.
- Resources reported below the depth of oxidation (approx 25m) with depths ranging from 50m to 480m below surface.
- Resources reported for 5950m of strike.
- The resource was defined using geological boundaries and a nominal cut-off grade of 10 wt% Davis Tube Concentrate (DTC).
- Extrapolation was limited to within 100m of drill holes with assays.
- In-situ density for the main mineralised unit was assigned to the mineralised domains using a regression of $0.0091 \times \text{DTC wt\%} + 3.172\text{t/m}^3$. This regression was derived from 3097 paired density and DTC wt% values.
- In-situ density for the other mineralised unit was assigned to the mineralised domains using a regression of $0.0081 \times \text{DTC wt\%} + 3.250\text{t/m}^3$. This regression was derived from 614 paired density and DTC wt% values.
- The Ordinary Kriging interpolation method was used for resource estimation of DTC, DTC Fe, DTC SiO₂, DTC Al₂O₃, DTC TiO₂, DTC S, DTC, Na₂O and DTC K₂O using variogram parameters defined from geostatistical analysis.
- The Inverse Distance Squared interpolation method was used for resource estimation of DTC P, DTC MgO, DTC CaO, DTC Mn, DTC V, and DTC LOI to allow reporting of these additional variables not required to be of the same level of rigour as the other variables.
- Estimations for concentrate grades were weighted by Davis Tube concentrate (DTC) in order to appropriately reflect the relationship between DTC and the DTC assays. Weighting was completed by calculating the accumulation (DTC x DTC assay) and subsequently back calculating the DTC assay estimates by dividing by relevant estimated DTC values.
- Recovery and grade rounded to 1 decimal place (except TiO₂, S, Na₂O, MgO & CaO - 2 decimal places and K₂O, P, Mn & V - 3 decimal places).
- Resources rounded to nearest 100,000 tonnes.

The information in Table 1 is based on information compiled by Mr Richard Gaze who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Gaze is employed by Golder Associates Pty Ltd. Mr Gaze has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Gaze consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Mine Planning

Detailed mine planning and scheduling is currently being undertaken following the completion of the September 2006 Mineral Resource update and is scheduled for completion in November 2006.

Metallurgical Test Work

A comprehensive test work programme has been conducted on representative samples of magnetite ore from the Southdown magnetite deposit and has demonstrated that a high quality magnetite concentrate can readily be produced, suitable for the production of both direct reduction (DR) and blast furnace pellets (BF).

Both Outokumpu and Kobelco have successfully produced good quality pellets from the concentrate utilising their respective technologies. The concentrate processed by both companies contained relatively high sulphur (0.7%S) and further pelletising tests are to be undertaken on a low sulphur concentrate (<0.2%S) produced by reverse flotation. Information being generated by Outokumpu and Kobelco will determine the operating conditions for the future pellet plant to be established at Kemaman.

Following the test results from the pelletising of Southdown concentrates, Grange has initiated further laboratory pellet production to allow in-plant basket tests to be undertaken. These tests are planned to be made at operating Midrex, HYL and other direct reduction facilities.

Southdown Infrastructure

A proposed pipeline will transport the magnetite concentrate in slurry form from the Southdown site into the Albany port area where it will be dewatered in the filter plant prior to stockpiling. The proposed pipeline alignment affects 47 different landowners and a number of government agencies. Wherever possible the proposed pipeline alignment is sited across cleared land and along property boundaries. In July 2006 a revised offer was made to affected landowners. By 20 October 2006 easement agreements had been signed by 32 landowners, whilst negotiations remain ongoing with the remaining 15 parties.

Power will be sourced from a new 220kV transmission line from Muja to Kojonup proposed to be constructed by Western Power Networks. Grange has contracted Western Power Networks to obtain the easement for this transmission line and route selection work is proceeding. Grange attended a number of Public Information Days in August at the request of Western Power as part of the public consultation process.

The Albany Port will require the construction of a new berth and the provision of land to accommodate a concentrate storage facility and ship loading infrastructure. Widening of the existing shipping channel into the Princess Royal Harbour and extending the channel into King George Sound is also proposed to facilitate the access of capesize vessels.

Design of the Seawall at Berth 7 including a geotechnical assessment of the impact of Grange's port facilities on the reclaimed land and seawall is in progress.

Kemaman Infrastructure

The Kemaman West Wharf consists of a jetty with a concrete deck approximately 510 metres long by 29 metres wide, sufficient to berth a Capesize and Panamax vessel concurrently. The depth of the berth pocket was originally dredged to 18 metres although parts of the turning basin have not been fully dredged as yet. Under the terms of the Heads of Agreement, Road Builder is required to provide for vessels with a draft of 16m.

Dredging of the turning basin to ensure that Road Builder meet this requirement commenced in July 2006.

Environmental Approvals

Australia The draft Public Environmental Review (PER) document was lodged at the EPA and other government agencies in July 2006. Responses from the agencies were received in August 2006 and additional assessment work has been completed in response to questions raised by the agencies. The updated PER document for Southdown will be submitted to the EPA and government agencies for final approval before public release in November 2006.

Malaysia The final Project review meeting for the Detailed Environmental Impact Assessment (DEIA) with the Malaysian environmental authorities was held in Kuala Lumpur on 7 September 2006. Approval is now expected in the fourth quarter of 2006.

Malaysia – Strong support for investment

Malaysia is one of the most stable countries in the world with a strong mandate to grow its economy by encouraging industry to invest in the country.

In September, the Malaysian Minister of Finance approved "Pioneer Status" for the project with a package of special incentives including:

- A 100% corporate income tax exemption at the statutory income level for a period of 15 years.

- An Infrastructure Allowance to construct and provide infrastructure to the West Wharf at Kemaman Port. The Company can offset the Allowance against 85% of the statutory income after the 15 year tax exempt period.
- A 100% exemption on Withholding Tax applicable on payments to non-residents for interests, royalty, services and contracts for a period of 5 years commencing from 2007.
- An exemption on import duty and sales tax on all raw materials and machinery imported into the country by Grange used directly in the manufacturing of iron ore pellets.
- 25 expatriate positions to operate the project, and
- A Matching Training Grant of RM1 million (AUD370,000) for a period of four years beginning 2009.

The package is one of the best packages offered by the Malaysian Government in relation to a project of this nature. The Company is delighted that it has received a 15 year tax exempt period which is beyond the standard 5 or 10 year tax exempt period normally given.

RED HILL (Mining Lease M27/57)

**(Barrick (PD) Australia Limited ("Barrick PD"), a 100% subsidiary of Barrick Gold Corp.
Grange 4% Gross Revenue Royalty)**

Grange holds a 4% gross revenue royalty on all production after the first 85,000 ounces of gold produced from the Red Hill mining lease M27/57, which is located approximately 4 km north east of the Kanowna Belle Gold Mine owned and operated by Barrick PD.

Barrick PD has advised that mining and processing operations continued at Red Hill during the September 2006 quarter generating royalty income to Grange of \$997,872. Total mined ore production from within M27/57 for the quarter was 330,418 tonnes @ 2.13g/t. A total of 505,248 tonnes was hauled to the Paddington processing plant during the quarter.

A total of 453,129 tonnes at a grade of 2.22g/t was processed during the quarter, producing some 30,463 ounces of recovered gold. The total gold recovered from M27/57 at Red Hill as at 30 September 2006 is 264,217 ounces.

Total mined ore production from commencement of mining (February 2003) until 30 September 2006 is 5,486,495 tonnes @ 1.81g/t gold. Total ore processed during this period was 4,465,216 tonnes @ 1.81g/t.

FRESHWATER

**(Barrick Gold of Australia Limited ("Barrick") 100%;
Grange - Production Royalty)**

Barrick has advised that mining and processing operations were undertaken at the Plutonic East underground mine during the September 2006 quarter, with 10,468 tonnes at a grade of 6.87 g/t gold being mined and processed from the Freshwater section of the mine generating royalty income to Grange of \$33,426.

Barrick also advised that development drilling of 63 RC holes for 3,948 metres was undertaken in the Trout area during the quarter. The aim of the drilling was to test for the continuity of the main lode grade west of the existing pits within the \$700 shell. Mineralisation has been identified in the mafic unit and is related to quartz veining and sulphide content. Holes were centred on 20 x 20 metre spacing. Most holes have returned assays supporting the expected grade identified by the original 40 x 40 metre drilling. The best result returned was 6 m (83m – 89m) @ 12.68 g/t from FRC 10422.

No exploration drilling was undertaken during the quarter.

BUKIT IBAM (MALAYSIA) IRON ORE PROJECT (Grange Minerals Sdn Bhd earning 51%)

Grange Minerals Sdn. Bhd., a wholly owned Malaysian subsidiary of Grange Resources, is earning 51% equity in the Bukit Ibam iron ore project, by funding mine development work. Bukit Ibam is located in Pahang State, Malaysia. The mine operated in the late 1960's and produced approximately 22 million tonnes of iron ore before its closure.

Throughout the quarter, work continued on plant site preparation and mining works to clean up the old open pit area in preparation to mine. A pit survey has been commissioned for early November and geological mapping will commence in late November. The plant site foundations are now complete and the crusher is scheduled for delivery in late October. It is expected that plant construction will be completed in December and production of iron ore for pipe coating consumers is expected to commence before the year end.

A proposal for a more extensive Exploration Licence at Bukit Ibam, in joint venture with the Pahang State Development Corporation is in the final stages of a draft agreement.

WEMBLEY (Grange 100%; Gleneagle Gold Limited ("Gleneagle") Earning 80%)

The Wembley Gold Project, located approximately 65km south east of Gleneagle's Fortnum Gold Project, hosts a resource of 568,000 tonnes at 2.3g/t gold (42,700 contained ounces) within the Durack and Outback deposits. The project consists of one granted mining lease and a mining lease application in which Gleneagle is earning an 80% interest by spending \$500,000 on exploration.

Gleneagle has advised that no field work was completed during the quarter, with the results of drilling completed in the previous quarter to be incorporated in an updated resource estimate which will enable the completion of further pit optimisation work.

OTHER PROJECTS

Grange Minerals Sdn. Bhd., has applied for Exploration Licences in the Malaysian States of Kelantan and Terengganu. The proposed Licence areas contain advanced gold and iron ore prospects.

Grange Minerals have opened an office in Kuantan, Pahang State, Malaysia as a base for exploration and mining activities.

Unless otherwise stated, the information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Alex Nutter who is a member of The Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Mr Nutter is a full time employee of the company. Mr Nutter has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Nutter consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

ALEX NUTTER
Technical Director

CORPORATE MATTERS

Share Issues

No share issues were made during the quarter.

Subsequent to the end of the quarter, the company completed (on 17 October 2006) a placement to professional and sophisticated investors of 9,500,000 Shares at \$1.30 per Share raising a net amount of \$11.98 million, after placement expenses.

Cash Reserves

The cash and cash assets balance of Grange at 30 September 2006 was \$9.2 million.

Following the abovementioned share placement, the cash and cash assets balance of Grange at 30 October 2006 was \$21.1 million.

Shareholder Information

As at 30 September 2006 Grange had 1,151 shareholders and 95,034,974 shares on issue with the Top 20 shareholders holding 89.52% of the total issued capital.

As at 29 October 2006 Grange had 1,190 shareholders and 104,661,599 shares on issue with the Top 20 shareholders holding 90.0% of the total issued capital.

For further information visit the Grange website at www.grangeresources.com.au or alternatively contact Neil Marston on + 61(8) 9321 1118.

NEIL MARSTON

Company Secretary

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

| |
|--------------------------|
| Grange Resources Limited |
|--------------------------|

ABN

| |
|----------------|
| 80 009 132 405 |
|----------------|

Quarter ended ("current quarter")

| |
|-------------------|
| 30 September 2006 |
|-------------------|

Consolidated statement of cash flows

| | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| Cash flows related to operating activities | | |
| 1.1 Receipts from product sales and related debtors | 844 | 844 |
| 1.2 Payments for | | |
| (a) exploration and evaluation | - | - |
| (b) development | - | - |
| (c) production | - | - |
| (d) administration | - | - |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | 60 | 60 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Other (provide details if material) | - | - |
| 1.7(i) Payment to directors and employees | (618) | (318) |
| 1.7(ii) Payment for all other working capital | (104) | (404) |
| Net Operating Cash Flows | (182) | (182) |
| Cash flows related to investing activities | | |
| 1.8 Payment for purchases of: | | |
| (a)prospects | - | - |
| (b)equity investments | - | - |
| (c)other fixed assets | (7) | (7) |
| 1.9 Proceeds from sale of: | | |
| (a)prospects | - | - |
| (b)equity investments | - | - |
| (c)other fixed assets | - | - |
| 1.10 Loans to other entities | - | - |
| 1.11 Loans repaid by other entities | - | - |
| 1.12 Other (provide details if material) | - | - |
| 1.12(i) Payment for security deposit | - | - |
| 1.12(ii) Proceeds from release of security deposit | - | - |
| 1.12(iii) Payment for exploration, development and production | (1,812) | (1,812) |
| Net investing cash flows | (1,819) | (1,819) |
| 1.13 Total operating and investing cash flows (carried forward) | (2,001) | (2,001) |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

| | | | |
|----------|--|----------------|----------------|
| 1.13 | Total operating and investing cash flows (brought forward) | (2,001) | (2,001) |
| | Cash flows related to financing activities | | |
| 1.14 | Proceeds from issues of shares, options, etc. | - | - |
| 1.15 | Proceeds from sale of forfeited shares | - | - |
| 1.16 | Proceeds from borrowings | - | - |
| 1.17 | Repayment of borrowings | - | - |
| 1.18 | Dividends paid | - | - |
| 1.19 | Other (provide details if material) | - | - |
| 1.19(i) | Payment for buy back of shares | - | - |
| 1.19(ii) | Payment for share issue | - | - |
| | Net financing cash flows | - | - |
| | Net increase (decrease) in cash held | (2,001) | (2,001) |
| 1.20 | Cash at beginning of quarter/year to date | 8,500 | 8,500 |
| 1.21 | Exchange rate adjustments to item 1.20 | - | - |
| 1.22 | Cash at end of quarter | 6,499 | 6,499 |

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

| | | Current quarter \$A'000 |
|------|--|----------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 475 |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10 | - |

1.25 Explanation necessary for an understanding of the transactions

Refer to attachment 1

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Not Applicable

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Not Applicable

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

| | Amount available \$A'000 | Amount used \$A'000 |
|---------------------------------|-----------------------------|------------------------|
| 3.1 Loan facilities | Nil | Nil |
| 3.2 Credit standby arrangements | Nil | Nil |

Estimated cash outflows for next quarter

| | \$A'000 |
|--------------------------------|------------|
| 4.1 Exploration and evaluation | 954 |
| 4.2 Development | - |
| Total | 954 |

Reconciliation of cash

| Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows. | Current quarter \$A'000 | Previous quarter \$A'000 |
|---|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank | 1,280 | 2,087 |
| 5.2 Deposits at call | 5,000 | 6,000 |
| 5.3 Bank overdraft | Nil | Nil |
| 5.4 Other (Cash held with Joint Ventures) | 219 | 413 |
| Total: cash at end of quarter (item 1.22) | 6,499 | 8,500 |

Changes in interests in mining tenements

| | Tenement reference | Nature of interest (note (2)) | Interest at beginning of quarter | Interest at end of quarter |
|-----|---|-------------------------------------|--|-------------------------------|
| 6.1 | Interests in mining tenements relinquished, reduced or lapsed | | | |
| 6.2 | Interests in mining tenements acquired or increased | | | |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

| | Total number | Number quoted | Issue price per security (see note 3) (cents) | Amount paid up per security (see note 3) (cents) |
|--|-------------------|-------------------|---|--|
| 7.1 Preference securities <i>(description)</i> | | | | |
| 7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions | | | | |
| 7.3 *Ordinary securities | 95,034,974 | 95,034,974 | | |
| 7.4 Changes during quarter (a) Increases through exercise of options (b) Increases through issues | - | - | | |
| 7.5 *Convertible debt securities <i>(description)</i> | | | | |
| 7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted | | | | |
| 7.7 Options <i>(description and conversion factor)</i> | 1,500,000 | - | Exercise price 50 cents | Expiry date 30 June 2007 |
| | 1,500,000 | - | 125 cents | 30 June 2007 |
| | 1,500,000 | - | 150 cents | 30 June 2008 |
| | 1,000,000 | - | 250 cents | 30 June 2011 |
| 7.8 Issued during quarter ¹ | - | - | | |
| 7.9 Exercised during quarter | - | - | | |
| 7.10 Cancelled during quarter | - | - | | |
| 7.11 Debentures <i>(totals only)</i> | | | | |
| 7.12 Unsecured notes <i>(totals only)</i> | | | | |

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Neil Marston
(Company Secretary)

Date: 30 October 2006

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* applies to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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ATTACHMENT 1 TO APPENDIX 5B
PAYMENTS/LOANS TO DIRECTORS AND RELATED PARTIES AND ASSOCIATES OF DIRECTORS
AND RELATED PARTIES OF GRANGE RESOURCES LIMITED

Payments and loans during the quarter to directors and related parties, and associates of directors and related parties, of Grange Resources Limited total \$475,530 and include:-

- Directors' fees (inclusive of superannuation) of \$32,781 paid to non-executive directors of the Consolidated Entity.
- Executive directors' salaries (inclusive of superannuation) of \$442,749. This amount includes a bonus paid to an executive director of \$300,000.