

GRANGE RESOURCES LIMITED

ABN 80 009 132 405

AND CONTROLLED ENTITIES

HALF YEAR FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2005

GRANGE RESOURCES LIMITED
ABN 80 009 132 405
HALF YEAR FINANCIAL REPORT

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DIRECTOR'S REPORT

Your directors submit their report for the results of Grange Resources Limited ("Grange" or "the Consolidated Entity") for the half year ended 31 December 2005 ("Balance Date").

DIRECTORS

The names of the directors of the company in office during the half year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Anthony Bohnenn (Non-executive Chairman)
Geoff Wedlock (Managing Director)
Alexander Henry Nutter (Technical Director)
Richard Krasnoff (Non-executive Director)
Hans-Rudolf Moser (Non-executive Director)

OPERATING RESULTS FOR THE PERIOD

The Company recorded a consolidated operating profit of \$0.698 million for the half year ending 31 December 2005, compared with a consolidated operating loss of \$3.665 million for the corresponding period last year ending 31 December 2004. The operating profit was generated on consolidated revenue of \$6.957 million, compared to \$1.417 million last year.

The increase in consolidated revenue was due to one shipment of copper concentrate comprising 4,556 tonnes from the Reward Deeps and Conviction underground mine being shipped during the period compared to nil shipments in the corresponding period last year and under the terms of the copper concentrate sale agreement higher revenue being received due to the significant increase in the spot price of copper during the period.

Grange had consolidated net assets of \$31.247 million at the end of the half year, consisting largely of the following items:

- \$15.281 million being the value attributable to capitalised exploration and evaluation expenditure associated with the Southdown Magnetite Project; and
- \$13.582 million held in cash investments available at call or on term deposit;
- \$1.907 million being receivables including cash backed security deposits;
- \$0.646 million in plant and equipment; and
- \$1.791 million in provisions
- \$1.510 million in current payables.

As at 31 December 2005 the Company's cash reserves were \$13.582 million in cash investments available at call or on term deposit.

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REVIEW OF OPERATIONS FOR THE PERIOD

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

- Grange continued to progress towards completion of the bankable feasibility study into the Southdown Magnetite and Kemaman Pellet Plant Projects. On 30 September 2005 Grange announced a significant increase in mineral resources at Southdown from 279 million tonnes to 426 million tonnes, grading 36% magnetite, as at 20 September 2005. Metallurgical test work with Outokumpu and Kobelco was undertaken in November 2005 and with preliminary results confirming that the Southdown concentrates are capable of producing a quality pellet able to be sold into the DR or BF markets.
- Completion of a \$10.8 million capital raising through the issue of 8.0 million shares at \$1.35 each.
- Royalties totalling \$640,665 were earned from the Redhill Project during the period. During the period Placer Dome Asia Pacific maintained full-scale mining operations at Red Hill.
- Royalties totalling \$44,044 were earned from the Freshwater Project during the period. During the period Barrick Gold of Australia Ltd continued mining from the Plutonic East underground mine and the Salmon open pit. Encouraging drilling results were recorded from the Plutonic East underground mine and the Cod, Perch West and Salmon gold prospect within the Freshwater leases.
- Mining operations at the Reward Deeps and Conviction underground mine ceased during July 2005 due to the exhaustion of ore reserves. The final shipment of copper concentrate comprising 4,556 tonnes from the Reward Deeps and Conviction underground mine was exported in August 2005 generating gross revenue of approximately \$3.46 million.

SIGNIFICANT EVENTS SINCE THE END OF THE REPORTING PERIOD

On 18 January 2006 the Consolidated Entity announced that the Golden Arrow II fund has converted 1 million unlisted options into an equivalent number of fully paid ordinary shares by payment of \$0.5 million to the Consolidated Entity.

On 31 January 2006 the Consolidated Entity announced a significant increase in the indicated mineral resource at the Southdown Project. The indicated resource increased to 347 million tonnes grading 38% magnetite, which represents a 125% increase from the previous resource estimate announced in September 2005. The total indicated and inferred resources have increased to 458 million tonnes grading 37% magnetite.

On 13 February 2006, the Consolidated Entity announced estimated project costs of \$US1,153 million for the Southdown-Kemaman project and reflects the current high levels of activity and demand in the resource industry. 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 contingencies and risk.

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ROUNDING

The amounts contained in this report and in the half year financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

AUDITORS INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, Ernst & Young, to provide the directors of Grange Resources Limited with an Independence Declaration in relation to the review of the half year financial report. This Independence Declaration is attached to the Independent Review Report to the members of Grange Resources Limited and forms part of the Director's Report.

Signed in accordance with a resolution of the directors.



Geoff Wedlock
Managing Director

Dated this 23rd day of February 2006, Perth WA

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CONDENSED INCOME STATEMENT
 FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Notes	CONSOLIDATED	
		2005 31 December	2004 31 December
Continuing Operations			
Revenue	2	6,957	1,417
Expenses	2	(5,955)	(5,055)
Profit from continuing operations before tax, borrowing costs and share based payment		1,002	(3,638)
Borrowing costs		(43)	(27)
Profit before tax and share based payment		959	(3,665)
Share based payment		(261)	-
Profit before income tax		698	(3,665)
Income tax expense	3	-	-
Profit after tax from continuing operations		698	(3,665)
Net profit attributable to members of Parent		698	(3,665)
Basic Earnings per share (cents per share)		1.13c	(5.2c)
Diluted Earnings per share (cents per share)		1.10c	(5.2c)

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CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2005

	Notes	CONSOLIDATED	
		AS AT 31 DEC 2005 \$'000	AS AT 30 JUNE 2005 \$'000
CURRENT ASSETS			
Cash and cash equivalents		13,582	8,739
Trade and other receivables		1,632	1,381
Inventories		-	2,095
Prepayments		18	54
TOTAL CURRENT ASSETS		15,232	12,269
NON CURRENT ASSETS			
Trade and other receivables		275	303
Property, plant & equipment		646	450
Deferred exploration and evaluation costs		15,344	7,815
Other financial assets		3,085	2,856
TOTAL NON CURRENT ASSETS		19,350	11,424
TOTAL ASSETS		34,582	23,693
CURRENT LIABILITIES			
Trade and other payables		1,510	2,506
Provisions		470	683
Current income tax liabilities		34	34
TOTAL CURRENT LIABILITIES		2,014	3,223
NON CURRENT LIABILITIES			
Provisions		1,321	1,321
TOTAL NON CURRENT LIABILITIES		1,321	1,321
TOTAL LIABILITIES		3,335	4,544
NET ASSETS		31,247	19,149

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CONDENSED STATEMENT OF FINANCIAL POSITION
 AS AT 31 DECEMBER 2005 CONTINUED

	Notes	CONSOLIDATED	
		AS AT	AS AT
		31 DEC 2005	30 JUNE 2005
		\$'000	\$'000
EQUITY			
Issued capital	4(a)	49,543	38,404
Accumulated Losses		(24,431)	(25,129)
Other reserves		6,135	5,874
TOTAL EQUITY		31,247	19,149

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CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Notes	CONSOLIDATED	
		2005	2004
		31 December	31 December
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		6,453	693
Payments to suppliers and employees		(4,207)	(7,765)
Interest received		253	329
Interest paid		(43)	(27)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		2,456	(6,770)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for plant and equipment		(223)	(39)
Payment for exploration, evaluation and development		(8,237)	(694)
Payment for security deposit		(228)	(46)
Payment for investments		(63)	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(8,751)	(779)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from capital raising		10,800	-
Proceeds from exercise of options		1,000	97
Payment for share issue expenses		(662)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		11,138	97
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		4,843	(7,452)
Cash and cash equivalents at beginning of period		8,739	16,232
CASH AND CASH EQUIVALENTS AT END OF PERIOD		13,582	8,780

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CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

CONSOLIDATED	Contributed Equity \$'000	Reserves \$'000	Accumulated Losses \$'000	Total \$'000
At 1 July 2004	31,299	5,874	(20,035)	17,138
Total income and expense for the period recognised directly in equity	-	-	-	-
Profit/(loss) for the period	-	-	(3,665)	(3,665)
Total income/expense for the period	-	-	(3,665)	(3,665)
Exercise of options	97	-	-	97
At 31 December 2004	31,396	5,874	(23,700)	13,570

CONSOLIDATED	Contributed Equity \$'000	Reserves \$'000	Accumulated Losses \$'000	Total \$'000
At 1 July 2005	38,404	5,874	(25,129)	19,149
Total income and expense for the period recognised directly in equity	-	-	-	-
Profit/(loss) for the period	-	-	698	698
Total income/expense for the period	-	-	698	698
Share issues	10,800	-	-	10,800
Exercise of options	1,000	-	-	1,000
Equity raising costs	(661)	-	-	(661)
Cost of share based payment	-	261	-	261
At 31 December 2005	49,543	6,135	(24,431)	31,247

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

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

The half year financial report should be read in conjunction with the annual financial report of Grange Resources Limited as at 30 June 2005, which was prepared based on Australian Accounting Standards applicable before 1 July 2004 ("AGAAP").

It is also recommended that the half year financial report be considered together with any public announcements made by Grange Resources Limited during the half year ended 31 December 2005 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and Stock Exchange Listing Rules.

(a) Basis of Accounting

The half year financial report is a general purpose report which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

The financial statements have been prepared in accordance with the historical cost convention.

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

(b) Statement of compliance

The half-year financial report complies with the Corporations Act 2001 and AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures that the half-year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standard IAS 34 "Interim Financial Reporting".

This is the first half-year financial report prepared based on AIFRS and comparatives for the half-year ended 31 December 2004 and the full year ended 30 June 2005 have been restated accordingly. A summary of the significant accounting policies of the consolidated entity under AIFRS are disclosed below.

Reconciliation of:

-AIFRS equity as at 1 July 2004, 31 December 2004 and 30 June 2005; and
-AIFRS profit/(loss) for the half-year 31 December 2004 and full year 30 June 2005,
to the balances prepared in the 31 December 2004 half-year report and the 30 June 2005 full year financial report prepared under AGAAP are detailed in Note 1(c)(xvii) below.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont')

(iii) Exploration, Evaluation, Development and Restoration Costs

Impairment

The carrying values of exploration and evaluation costs are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(iv) Recoverable amount of assets

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

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

(v) Borrowing costs

Borrowing costs may be either expensed in the period in which they are incurred or, where the borrowing costs are incurred are directly associated with the construction, purchase or acquisition of a qualifying asset, the borrowing costs are capitalised as part of the cost of the asset.

For the current period all borrowing costs have been expensed.

(vi) Inventories

Inventories comprise broken ore, work in progress, concentrate and stores which are carried at the lower of cost and net realisable value. Costs represent weighted average cost and includes direct costs and an appropriate portion of fixed and variable overhead expenditure, including amortisation. Net realisable value is the amount estimated to be obtained from sale of the item of inventory in the normal course of business, less any anticipated costs to be incurred prior to its sale.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont')

(vi) Trade and other receivables

Receivables are recognised and carried at the original invoice amount less a provision for any uncollectible debts. Collateral is not normally obtained and a provision for doubtful debts is recognised when collection is no longer probable. Bad debts are written off as incurred.

Trade terms are determined by contractual agreement or otherwise on a 30 day basis.

(vii) Cash and cash equivalents

For the purposes of the statement of cashflows, cash includes deposits at call which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts.

Cash and short term deposits in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of 3 months or less.

(viii) Employee Entitlements

The amounts expected to be paid to employees for their pro-rata entitlement to annual leave are measured at their nominal amounts. No non-current employee entitlements exist at present.

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, sick leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled.

Employee benefit expenses and revenues arising in respect of the following categories:

-wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave benefits; and other types of employee benefits;

are recognised against profits on a net basis in their respective categories.

(ix) Interest in joint venture operation

The Consolidated Entity's interest in its joint venture operation is accounted for by recognising the Consolidated Entity's assets and liabilities from the joint venture, as well as expenses incurred by the Consolidated Entity and the Consolidated Entity's share of income earned from the joint venture, in the consolidated financial statements.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont')

(x) Foreign currency translation

Both the functional and presentation currency of the Company and its Australian subsidiaries is Australian dollars (A\$). Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences in the consolidated financial report are taken to the income statement.

(xi) Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(xii) Share-based payment transactions

The Consolidated Entity provides benefits to employees (including directors) in the form of share-based payment transactions, whereby employees render services in exchange for share options ("equity-settled transactions").

The current plan in place is the Grange Resources Ltd Directors' and Officers' Option Plan.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using the binomial model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Grange Resources Ltd ("market conditions").

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date").

The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects:

- (i) the extent to which the vesting period has expired and;
- (ii) the number of awards that, in the opinion of the Board of the Consolidated Entity, will ultimately vest.

This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of those conditions is included in the determination of fair value at grant date.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont')

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

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

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

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

(xiii) Revenue Recognition

Sales revenue is recognised when title in the product has passed to the buyer, unless otherwise contracted.

Royalty revenue is recognised in the month in which the ore is processed at a treatment plant.

Other revenues are recognised when a right to receive it has been attained.

(xiv) Income Tax

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

Deferred income tax liabilities are recognised for all taxable temporary differences:

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

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

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except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

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

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

(xiv) Other taxes

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

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

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

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

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

(xv) Issued capital

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

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

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont')

(xvi) AASB 1 Transitional exemptions

The Consolidated Entity has made its election in relation to the transitional exemptions allowed by AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' as follows:

Share based payment transactions

AASB 2 'Share-Based Payments' is applied only to equity instruments granted after 7 November 2002 that had not vested on or before 1 January 2005.

(xvii) Impact of adoption of AIFRS

The impacts of adopting AIFRS on the total equity and profit after tax as reported under Australian Accounting Standards applicable before 1 July 2005 ("AGAAP") are illustrated below.

(i) Reconciliation of total equity as presented under AGAAP to that under AIFRS

	30 June 2005	Consolidated	
	\$'000	31 December 2004	1 July 2004
		\$'000	\$'000
Total equity under AGAAP	19,149	13,570	17,138
<i>Adjustments to accumulated losses (net of tax):</i>			
Recognition of share-based payment expense (i)	(180)	-	-
<i>Adjustments to other reserves (net of tax):</i>			
Recognition of share-based payment expense (i)	180	-	-
Total equity under AIFRS	19,149	13,570	17,138

(i) Under AASB 2 *Share-based Payments*, the Consolidated Entity would recognise the fair value of options granted to executives and directors as remuneration as an expense on a pro rata basis over the vesting period in the income statement with a corresponding adjustment to equity. Share-based payments are not recognised under AGAAP.

Management has decided to adopt the AASB 1 *First Time Adoption of Australian Equivalent to International Financial Reporting Standards* transitional arrangements which allow companies not to fully retrospectively apply AASB 2 Share-based Payments. Under the terms of the transitional arrangements the cost of options issued after 7 Nov 2002 which had not vested at 1 Jan 2005 have been recognised in the income statement.

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(ii) Reconciliation of profit after tax under AGAAP to that under AIFRS

	30 June 2005	Consolidated 31 December 2004
	\$'000	\$'000
Profit/(loss) after tax as previously reported	(5,093)	(3,665)
Share based payment expense (a)	(180)	-
Net profit under AIFRS	(5,273)	(3,665)

(a) Share-based payment costs are charged to the income statement under AASB 2 'Share-based payment' but not under AGAAP.

(iii) Explanation of material adjustments to the cash flow statements

There are no material differences between the cash flow statements presented under AIFRS and those presented under AGAAP.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont')

Note	2005 \$'000	2004 \$'000
2. REVENUE AND EXPENSES		
Profit/(loss) from ordinary activities before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:		
<i>(i) Revenues from ordinary activities :</i>		
Sales and royalty revenues	6,391	1,051
Interest	253	329
Other	313	37
Total revenue	6,957	1,417
<i>(ii) Expenses</i>		
Cost of sales	(3,247)	(2,881)
Administration costs	(1,409)	(1,866)
Other expenses	(1,299)	(308)
Total expenses	(5,955)	(5,055)
Total depreciation and amortisation included in total expenses:		
Amortisation	306	419
Depreciation	27	31
Employee benefits included in total expenses:		
Employee benefits	890	642
3. INCOME TAX		
The prima facie tax on operating profit differs from the income tax provided in the financial statements as follows:		
Operating profit/(loss)	959	(3,665)
Prima facie tax on operating profit/(loss) at 30%	287	(1,099)
Tax effect of permanent differences		
Non-deductible expenses	-	-
(Utilisation of tax losses)/timing differences not recognised	(287)	1,099
Income tax expense	-	-

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont')

4. ISSUED CAPITAL

Ordinary shares

Issued and full paid

	AS AT 31 DEC 2005	AS AT 30 JUNE 2005
	\$'000	\$'000
	49,543	38,404
	Thousands of shares	\$'000
<i>Movements in ordinary shares on issue</i>		
At 1 July 2005	82,749	38,404
Issued for placement	8,000	10,800
Issued for cash on exercise of options	2,000	1,000
Share issue expenses	-	(661)
	92,749	49,543

5. SUBSEQUENT EVENTS

On 18 January 2006 the Consolidated Entity announced that the Golden Arrow II fund has converted 1 million unlisted options into an equivalent number of fully paid ordinary shares by payment of \$0.5 million to the Consolidated Entity.

On 31 January 2006 the Consolidated Entity announced a significant increase in the indicated mineral resource at the Southdown Project. The indicated resource increased to 347 million tonnes grading 38% magnetite, which represents a 125% increase from the previous resource estimate announced in September 2005. The total indicated and inferred resource has increased to 458 million tonnes grading 37% magnetite.

On 13 February 2006, the Consolidated Entity announced estimated project costs of \$US1,153 million for the Southdown-Kemaman project and reflects the current high levels of activity and demand in the resource industry. 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 contingencies and risk.

6. SEGMENT INFORMATION

The Consolidated Entity operates predominantly in one geographic segment, Australia and one industry segment, mining and exploration.

7. CONTINGENT ASSETS AND LIABILITIES

Since the last annual reporting date, there has been no change of any contingent liabilities or contingent assets.

GRANGE RESOURCES LIMITED
ABN 80 009 132 405
HALF YEAR FINANCIAL REPORT

DIRECTORS' DECLARATION

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

In the opinion of the directors:

- (a) the financial statements and notes of the Consolidated Entity:
 - (i) give a true and fair view of the financial position as at 31 December 2005 and the performance for the half year ended on that date of the Consolidated Entity; and
 - (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

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

On behalf of the Board



Geoff Wedlock
Managing Director

Dated 23rd day of February 2006, Perth WA

Independent review report to members of Grange Resources Limited

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity and accompanying notes to the financial statements for the consolidated entity comprising both Grange Resources Limited (the company) and the entities it controlled during the half year, and the directors' declaration for the company, for the period ended 31 December 2005.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the consolidated entity, and that complies with Accounting Standard AASB 134 "Interim Financial Reporting", in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

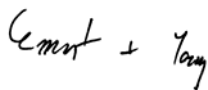
Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. The Auditors' Independence Declaration would have been expressed in the same terms if it had been given to the directors at the date this audit report was signed.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of the consolidated entity, comprising Grange Resources Limited and the entities it controlled during the half-year is not in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity at 31 December 2005 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.



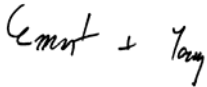
Ernst & Young



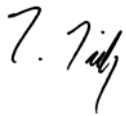
V W Tidy
Partner
Perth
24 February 2006

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

In relation to our review of the financial report of Grange Resources Limited for the half-year ended 31 December 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



V W Tidy
Partner
Perth
24 February 2006

APPENDIX 4D
HALF YEAR REPORT
PERIOD ENDED 31 DECEMBER 2005
 PREVIOUS CORRESPONDING REPORTING PERIOD: 31 DECEMBER 2004

GRANGE RESOURCES LIMITED ABN 80 009 132 450
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2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

\$A '000			
Revenue from ordinary activities <i>(item 2.1)</i>	Up	391% to	6,957
Profit from ordinary activities after tax attributable to members <i>(item 2.2)</i>	Up	(119)% to	698
Net profit for the period attributable to members <i>(item 2.3)</i>	Up	(119)% to	698
DIVIDENDS <i>(item 2.4)</i>	Amount per security	Franked amount per security	
Interim dividend	Nil	Nil	
Previous corresponding period	Nil	Nil	
Record date for determining entitlements to the dividend <i>(item 2.5)</i>			
Not applicable			
The Company does not propose to pay a dividend for the current period. <i>(item 2.6)</i>			
The principal activities of the Company during the half year were:			
<ul style="list-style-type: none"> • The sale of copper concentrate • Royalty income from production of gold • Mineral exploration and evaluation with particular emphasis on the Southdown Project • Investment of cash assets • Administration of the Company and its subsidiaries 			
The Company experienced an increase in revenues from the previous corresponding reporting period of \$5.54 million as a result of favourable metal prices.			

3. NET TANGIBLE ASSETS

	Current period	Previous corresponding period
Net tangible assets per ordinary security	N/A	N/A

4. CONTROL GAINED OVER ENTITIES HAVING MATERIAL EFFECT

Name of entity	Not applicable
Date from which control is gained	Not applicable
Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity since the date in the current period on which control was acquired	Not applicable
Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity for the whole of the previous corresponding period	Not applicable

LOSS OF CONTROL OF ENTITIES HAVING MATERIAL EFFECT

Name of entity	Not applicable
Date from which control is gained	Not applicable
Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity since the date in the current period on which control was acquired	Not applicable
Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity for the whole of the previous corresponding period	Not applicable

5. INTERIM DIVIDEND (DISTRIBUTION) ON ALL SECURITIES

	Current period	Previous corresponding period
Date the dividend is payable	Not applicable	Not applicable
Ordinary securities <i>(each class separately)</i>	Nil	Nil
Preference securities <i>(each class separately)</i>	Not applicable	Not applicable
Other equity instruments <i>(each class separately)</i>	Not applicable	Not applicable
Total	Nil	Nil

6. DIVIDEND OR DISTRIBUTION REINVESTMENT PLANS

The dividend or distribution plans shown below are in operation.

Not applicable

The last date(s) for receipt of election notices for the dividend or distribution plans

Not applicable

7. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

Name of entity	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss)	
	Current period	Previous corresponding period	Current Period '000	Previous corresponding period '000
Bamine Pty Ltd	100	100	(2)	-
Barrack Mines Pty Ltd	100	100	(20)	-
BML Holdings Pty Ltd	100	100	1,777	(2,316)
Grange Capital Pty Ltd	100	100	-	-
Horseshoe Gold Mine Pty Ltd	100	100	(195)	-
Surfboard Securities Pty Ltd	100	100	-	-
Streetnet Pty Ltd	100	100	-	-
Tribune Resources Pty Ltd	100	100	(9)	-
Total	-	-	1,551	(2,316)
Other material interests	-	-	-	-
Total	-	-	1,551	(2,316)

8. AUDIT

This half year financial report is based on accounts which have been subject to an audit review.