

# GRANGE RESOURCES LIMITED

ACN 009 132 405

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## NOTICE OF ANNUAL GENERAL MEETING

and

## EXPLANATORY MEMORANDUM

and

## PROXY FORM

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**Date of Meeting:** Friday, 26 November 2010

**Time of Meeting:** 11.00 am (WST)

**Place of Meeting:** QV1 Conference Centre  
Level 2  
QV1 Building  
250 St Georges Terrace  
Perth WA 6000

*This Notice of Annual General Meeting and accompanying Explanatory Memorandum and Proxy Form should be read in their entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting. Should you wish to discuss any matters referred to in this document, please contact the Company Secretary by telephone on +61 8 9327 7901.*

# GRANGE RESOURCES LIMITED

ACN 009 132 405

## NOTICE OF ANNUAL GENERAL MEETING

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Notice is hereby given that the Annual General Meeting of Grange Resources Limited (**Grange** or **Company**) will be held at QV1 Conference Centre Level 2, QV1 Building, 250 St Georges Terrace, Perth WA 6000 at 11.00 am (WST) on Friday, 26 November 2010 for the purposes of transacting the following business.

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

The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on 24 November 2010 at 11.00 am (WST).

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

### AGENDA

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#### **Item 1 – Annual Report**

To receive and consider the financial report, the Directors' Report and the Auditor's Report of the Company and its controlled entities for the year ended 30 June 2010.

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#### **Item 2 – Resolution 1 – Remuneration Report**

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

*"That the Remuneration Report of the Company for the year ended 30 June 2010 be adopted."*

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#### **Item 3 – Resolution 2 – Re-election of Mr Xi Zhiqiang as Director**

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

*"That Mr Xi Zhiqiang, who retires in accordance with article 10.3 of the Company's constitution and, being eligible, offers himself for re-election, be re-elected as a Director."*

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#### **Item 4 – Resolution 3 – Re-election of Mr Zhao Hong Lin as Director**

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

*"That Mr Zhao Hong Lin, who having been appointed to fill a casual vacancy 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."*

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## Item 5 – Resolution 4 – Re-election of Mr John Hoon as Director

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

*"That Mr John Hoon, who having been appointed to fill a casual vacancy, 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."*

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## Item 6 – Resolution 5 – Remuneration of Directors

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

*"That, pursuant to Article 10.12 of the Company's Constitution, and for the purposes of ASX Listing Rule 10.17 and for all other purposes, the maximum aggregate remuneration payable by the Company to its Directors (as a whole) for their non-executive services be increased by \$200,000, from \$600,000 per annum to \$800,000 per annum, divided amongst the Directors in such proportion and manner as the Directors agree or, in default of that agreement, equally is approved."*

**Voting Exclusion:** In accordance with Listing Rules 10.17 and 14.11, the Company will disregard any votes cast on this resolution by any Director or any of his Associates.

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

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## Item 7 - Resolution 6 – Approval of Grant of Performance Rights to the Managing Director, Mr Russell Clark

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

*"That, for the purposes of ASX Listing Rule 10.14, Chapter 2E of the Corporations Act and for all other purposes, Shareholders approve and authorise the Directors to grant 382,595 rights (each to acquire one Share in the capital of the Company) for nil consideration to Mr Russell Clark, and to allot and issue Shares on the vesting of those rights, in accordance with the Grange Resources Limited Long Term Incentive Plan and otherwise on the terms and conditions set out in the Explanatory Memorandum."*

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

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

**DATED 22nd DAY OF OCTOBER 2010**

**BY ORDER OF THE BOARD**

A handwritten signature in black ink, appearing to read 'Pauline Carr', with a large, stylized initial 'P'.

**PAULINE CARR  
COMPANY SECRETARY**

### **Proxy Instructions**

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

*The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be completed and posted to Computershare Investor Services Pty Limited GPO Box 242 Melbourne Victoria 3001 Australia. Alternatively you can fax your form to (within Australia) 1800 783 447 or (outside Australia) +61 3 9473 2555 not less than 48 hours before the time for holding the Meeting, or adjourned meeting as the case may be, at which the individual named in the proxy form proposes to vote.*

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

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

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

### **Corporate Representative**

*A corporation may elect to appoint an individual to act as its representative in accordance with section 250D of the Corporations Act, in which case the Company will require a certificate of appointment of the corporate representative executed in accordance with the Corporations Act.*

*The certificate of appointment must be lodged with the Company and / or the Company's share registry, Computershare Investor Services Pty Ltd, before the Meeting or at the registration desk on the day of the Meeting.*

*Certificates of appointment of corporate representative are available at [www.computershare.com](http://www.computershare.com) or on request by contacting Computershare Investor Services Pty Ltd on telephone number on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia).*

# GRANGE RESOURCES LIMITED

ACN 009 132 405

## EXPLANATORY MEMORANDUM

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This Explanatory Memorandum has been prepared for the information of Shareholders of Grange Resources Limited (**Grange** or **Company**) in connection with the business to be conducted at the Meeting to be held at the QV1 Conference Centre Level 2, QV1 Building, 250 St Georges Terrace, Perth WA 6000 at 11.00 am (WST) on Friday, 26 November 2010.

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

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

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### **1. Annual Report**

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

Shareholders will be offered the following opportunities:

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

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

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### **2. Resolution 1- Remuneration Report**

The Annual Report for the year ended 30 June 2010 contains the Remuneration Report which sets out the remuneration policy for the Company and reports the remuneration arrangements in place for the executive Directors, specified executives and non-executive Directors. A copy of the report is set out on pages 31 to 41 of the Company's Annual Report, which is on the Company's website at [www.grangeresources.com.au](http://www.grangeresources.com.au)

Section 250R(2) of the Corporations Act requires the Remuneration Report to be adopted at the Meeting by a resolution. Whilst there is a requirement for a formal resolution, the resolution is advisory only and does not bind the Company. Therefore, of itself, a failure of Shareholders to pass Resolution 1 will not require the Directors to alter any of the arrangements in the

Remuneration Report however the Board will take the outcome of the vote into consideration when considering the Company's remuneration policy.

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

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

Mr Xi is required to resign under the Director rotation provisions of article 10.3 of the Company's Constitution. Under these provisions one third of the Directors retire from office at each Annual General Meeting. The retiring Director however, if eligible, may offer himself for re election.

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

Mr Xi has more than six years experience in overseas project implementation. He set up a trading subsidiary of Baosteel in Australia in 1995 and presided over the company for four years. He was involved in commercial and trading affairs at Baosteel before he joined Shagang in January 2008. He was also involved in finalising the documents of Baosteel's two major overseas mining joint ventures with Hamersley Holdings Limited and Vale (formerly CVRD) respectively.

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

#### **Directors' Recommendation**

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

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### **4. Resolution 3 – Re-election of Mr Zhao Hong Lin as a Director**

Mr Zhao was appointed Director of the Company to fill a casual vacancy by the other Directors on 30 July 2010. Article 10.10 of the Company's Constitution requires that a Director appointed by the other Directors of the Company retires at the next annual general meeting following their initial appointment as a Director.

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

Mr Zhao is an executive director on the Board of the Jiangsu Shagang Group ("Shagang"), China's largest private steel company. He has 35 years experience in the industry and is presently the Commander of Project Development Headquarters with Shagang. Mr Zhao has extensive project management and implementation experience and expertise.

Mr Zhao is presently a non executive Director of the Company and replaced Mr Wei Gao who retired from the Board on 30 July 2010. Subject to the granting of an appropriate Australian employment visa it is anticipated that Mr Zhao will at some stage assume an executive position with the Company to facilitate the development of the Southdown Magnetite Project.

#### **Directors' Recommendation**

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

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## 5. Resolution 4 – Re-election of Mr John Hoon as a Director

Mr Hoon was appointed Director of the Company to fill a casual vacancy by the other Directors on 2 June 2010. Article 10.10 of the constitution of the Company requires that a Director appointed by the other Directors of the Company retires at the next annual general meeting following their initial appointment as a Director.

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

Mr Hoon has a strong background in financial and audit matters has an extensive Australian and South East Asian business network across a wide range of sectors. He was previously a Director of Bao Australia Pty Ltd, a subsidiary of China Shanghai Baosteel Corporation which is one of the largest listed companies in China and which has numerous joint ventures with Australian mining companies. In addition Mr Hoon, together with his associates, successfully founded and established Navitas Limited, an Australian listed company providing private business and English language education.

Mr Hoon is a non executive Director of the Company and is the Chairman of the Audit Committee and a member of the Remuneration and Nomination Committee.

### Directors' Recommendation

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

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## 6. Resolution 5 – Remuneration of Directors

In accordance with the Listing Rules and the Company's Constitution, the maximum annual aggregate amount of remuneration that may be provided to Non-Executive Directors is the amount determined by Shareholders.

Resolution 5 seeks Shareholder approval pursuant to article 10.12 of the Company's Constitution and for the purposes of Listing Rule 10.17 and for all other purposes, for the Company to be authorised to increase the maximum annual aggregate amount of remuneration that may be paid to Non-Executive Directors (as a whole). In calculating the total amount of Non-Executive Directors' fees payable for the purpose of Listing Rule 10.17, superannuation contributions made by the Company for the benefit of Non-Executive Directors are included in the calculation.

Currently, the maximum annual aggregate amount which may be provided as remuneration to all Non-Executive Directors of the Company for their services as directors out of the funds of the Company, is \$600,000, as approved by Shareholders at the Company's 12 December 2008 General Meeting.

The Directors have resolved to seek Shareholder approval to increase the maximum annual aggregate remuneration of Non-Executive Directors by \$200,000, from \$600,000 to \$800,000 per annum.

Listing Rule 10.17 provides that an entity must not increase the total amount of directors' fees payable by it or any of its controlled entities without the approval of holders of its ordinary securities. Listing Rule 10.17 does not apply to the salary of an executive director. This requirement is also reflected in article 10.12 of the Company's Constitution.

Grange undertakes regular reviews of the fees paid to Non-executive Directors to ensure that they are competitive. Reviews include the consideration of fees paid to the non-executive directors of comparable Australian listed companies.

It is not intended to use the maximum amount immediately. The proposed increase in the aggregate maximum amount is anticipated to be utilised for future appointments of new Directors.

The proposed increase in the maximum aggregate amount:

- (a) provides scope to appoint, when required, additional Non-Executive Directors to enhance the range of skills and expertise on the Board;
- (b) facilitates the maintenance of a fee "buffer" to provide Board succession planning flexibility. Specifically it allows the appointment of new Directors to the Board before existing Directors retire to allow for an orderly handover and induction and for optimal training;
- (c) permits the Company, in the future, to increase the size of its Board as it takes on new responsibilities or as the business grows and allows it to remain flexible and responsive to a changing operating environment; and
- (d) ensures that the Company's Board remuneration structure remains competitive with peer-group companies and that Directors are appropriately compensated for the increased time commitment required of Non-Executive Directors in order to fulfil their obligations.

#### **Directors' Recommendation**

The Board recommends that Shareholders vote in favour of Resolution 5.

#### **Voting Exclusion Statement**

In accordance with Listing Rules 10.17 and 14.11, the Company will disregard any votes cast on this Resolution by any Director or any of his Associates. However, the Company need not disregard a vote if it is cast by any Director as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by any Director chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

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## **7. Resolution 6 - Approval of grant of Performance Rights to the Managing Director, Mr Russell Clark**

Resolution 6 seeks Shareholder approval to the grant of up to 382,595 Performance Rights to Mr Clark, on the terms and conditions set out in this Explanatory Memorandum.

### **7.1 Background to the Grant of Performance Rights**

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

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

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

The Board considers it appropriate for part of Mr Clark's remuneration package to comprise non-cash, incentive based remuneration. If Shareholders approve Resolution 6 the Performance Rights will be granted no later than three months after the date of the Meeting, however, the Performance Rights will only vest if the performance conditions attaching to the Performance Rights are met.

On September 15, 2010 the Company announced a change to its financial year end from 30 June to 31 December with effect from 1 July 2010. The proposed grant of 382,595 performance rights to Mr Clark pertains to the 6 month period from 1 July 2010 to 31 December 2010 in order to align with the Company's new financial year end.

## 7.2 Key Details of the Performance Rights

It is proposed that Mr Clark is to be granted 382,595 Performance Rights by the Company on the following key terms:

Tranche	Number of Performance Rights	Vesting Date	Performance Conditions	Expiry Date
1	127,531	on or around January/February 2011	<ul style="list-style-type: none"> <li>➤ the vesting of up to 50% of the Performance Rights for each tranche will be dependent on the Board's assessment of Mr Clark's performance against his personal performance goals for the relevant financial year; and</li> <li>➤ the vesting of up to 50% of the Performance Rights for each tranche will be dependent on the Board's assessment of the Company's performance against its goals for the relevant financial year.</li> </ul>	31 December 2011
2	127,532	on or around January/February 2012		31 December 2012
3	127,532	on or around January/February 2013		31 December 2013

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

The precise number of Performance Rights that will vest in each tranche will be dependent on the Board's assessment of Mr Clark's performance against his personal performance goals and the performance of the Company. Mr Clark's personal performance goals and the criteria for assessing the performance of the Company will be determined by the Board at the start of each financial year. The other terms and conditions of the Performance Rights are summarised in Schedule 1 to this Explanatory Memorandum.

### **7.3 Chapter 2E of the Corporations Act**

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

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

Chapter 2E of the Corporations Act requires the Company to obtain prior Shareholder approval for the giving of a financial benefit to a Related Party.

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

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

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

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

- (a) Mr Clark is a Related Party of the Company to whom Resolution 6 would permit the financial benefit to be given.
- (b) The nature of the financial benefit to be given to Mr Clark is the grant of up to 382,595 Performance Rights as set out in this Explanatory Memorandum and the issue of up to 382,595 Shares upon the vesting of those Performance Rights for no cash consideration.
- (c) The Performance Rights proposed to be granted will be issued in accordance with the terms and conditions set out in section 7.2 of this Explanatory Memorandum and with

the terms and conditions of the LTIP (summarised in Schedule 1 to this Explanatory Memorandum).

- (d) No funds will be raised by the grant of Performance Rights to Mr Clark. Any Shares issued upon exercise of the Performance Rights will be issued for no cash consideration.
- (e) As at the date of this Notice, the capital structure of the Company is as follows:

<b>Capital</b>	<b>Number</b>
Ordinary Shares	1,152,077,403
Options	6,990,000
Performance Rights	1,182,837

If Shareholders approve all Resolutions contained in this Notice and all Shares are issued as contemplated by this Notice (including the 382,595 Performance Rights under Resolution 6), the issued capital of the Company will be as follows:

<b>Capital</b>	<b>Number</b>
Ordinary Shares	1,152,855,629
Options	6,990,000
Performance Rights	1,565,432

If Shareholders approve the grant of 382,595 Performance Rights to Mr Clark, under Resolution 6 and all 382,595 Performance Rights subsequently vest such that 382,595 Shares are issued to Mr Clark, the Performance Rights issued to Mr Clark may result in dilution of the shareholdings of all other existing Shareholders of approximately 0.03% (based on the existing number of Shares as at the date of this Notice and assuming that no other existing options or Performance Rights are exercised and no other securities are issued by the Company in the meantime).

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

<b>Director</b>	<b>Number of Shares held Directly or Indirectly</b>	<b>Number of Options held Directly or Indirectly</b>
Mr Clark	1,000,000	4,500,000

- (g) Details of Mr Clark's remuneration for the year ended 30 June 2010 (based on information extracted from the Company's 2010 financial statements) are as follows:

	<b>Salary</b>	<b>Superannuation Contributions</b>	<b>Other</b>	<b>Total</b>
Mr Clark	\$500,000	\$45,000	\$643,882 <sup>(1)</sup>	\$1,188,882

- (1) Includes a bonus of \$250,000 paid to Mr Clark as 1,000,000 shares in Grange for the successful integration of the Grange and ABM businesses post merger. The payment was approved by shareholders at the Annual General Meeting on 25 November 2009. The Grange share price on the date of the approval was \$0.27 per share. It also includes variable remuneration amounts for the year ended 30 June 2010 including an amount of \$161,865 for short term incentive payments and \$206,828 for long term incentive payments which is expensed through the Company's income statement over the vesting period in accordance with AASB 2 Share based payments

Details of the estimated remuneration payable to Mr Clark for the 12 months beginning 1 July 2010 are as follows:

	Salary	Superannuation Contributions	Other	Total
Mr Clark	\$600,000	\$54,000	\$163,180 <sup>(2)</sup>	\$817,180

(2) This represents a long term variable remuneration amount of \$94,103 for the year ended 30 June 2010 which is expensed through the Company's income statement over the vesting period in accordance with AASB 2 Share based payments

- (h) During the last 12 months before the date of lodgement of this Notice with ASIC, the highest trading price of the Shares was \$0.75 on 14 April 2010 and the lowest price was \$0.24 on 22 December 2009. The market price of the Company's Shares over the 5 days of trading on ASX up to and including 6 October 2010 has been between a minimum of \$0.615 per Share to a maximum of \$0.63 per Share. On 6 October 2010, the last trading day before this Notice was lodged with ASIC, Shares closed at a price of \$0.63 per Share.
- (i) The primary purpose of the grant of the Performance Rights to Mr Clark is to provide an incentive to Mr Clark to strive to meet the Company's performance objectives. Given this purpose, the Directors do not consider that there is any opportunity cost or benefit foregone by the Company in granting the Performance Rights or issuing the Shares on the vesting of those Performance Rights, as proposed by Resolution 6.
- (j) The issue of securities to Mr Clark is a more cost effective and appropriate incentive for the Company as opposed to the payment of additional cash compensation.
- (k) Mr Clark has a material personal interest in the outcome of Resolution 6 as he is a recipient of the Performance Rights proposed to be issued under that Resolution. The Company's remaining Directors do not have an interest in the outcome of Resolution 6, except where they are Shareholders. As set out in the proxy form, the chairman of the Meeting intends to vote all undirected proxies in favour of Resolution 6.
- (l) The Directors, other than Mr Clark, recommend that Shareholders vote in favour of Resolution for the reasons given in section 7.1 of this Explanatory Memorandum.
- (m) The Company will incur no liabilities or costs in respect of the proposed grant of the Performance Rights to Mr Clark other than:
- (i) The fees payable to ASX for quotation of the Shares if and when the performance conditions applicable to the Performance Rights are satisfied and the Performance Rights are vested. At the rates applying at the date of this Notice, these fees would be approximately \$2,000;

- (ii) A value equal to the weighted average trading price of shares on ASX in the five days immediately before the date of valuation, will be included as wages for the purposes of the Pay-roll Tax Act 2002 (WA), Pay-roll Tax Assessment Act 2002 (WA) and the Taxation Administration Act 2003 (WA). If this value in addition to the other wages that are taxable in the jurisdiction is in excess of the annual pay-roll tax threshold, the Company will have a liability in respect of pay-roll tax in that jurisdiction; and
  - (iii) The cost of the Shares issued on vesting of the Performance Rights, which will be expensed through the Company's income statement in accordance with AASB2 Share-based payments.
- (n) The valuation of the Performance Rights is based on the maximum number of Performance Rights to be issued, multiplied by the prevailing Share price as at the date of issue, multiplied by the probability that the performance conditions will be achieved.

*Number issued:* the maximum number of Performance Rights that could vest is 382,595.

*Prevailing share price:* As the Share price at the date of grant of the Performance Rights is unknown, using the closing Share price as at 6 October 2010 is the most accurate measure, being \$0.63 per Share.

*Probability of performance conditions being achieved:* The Performance Rights will vest based on the achievement of personal performance milestones (50%) and Company performance milestones (50%). The Performance Rights will also vest over time, equally in three tranches over three years – 2011, 2012 and 2013

*Total value of Performance Rights:* \$241,035

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

- (o) Neither the Board nor the Company is aware of any other information that would reasonably be required by Shareholders in order to decide whether it is in the best interests of the Company to pass Resolution 6, other than as stated in this Explanatory Memorandum.

#### **7.4 Listing Rule 10.14**

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

- (a) a director;
- (b) an associate of a director; or

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

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

## **7.5 Disclosure Requirements**

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

In accordance with Listing Rule 10.15, the following information is disclosed to Shareholders in relation to Resolution 6:

- (a) Mr Clark is a director of the Company;
- (b) the maximum number of Performance Rights that may be granted to Mr Clark for whom approval is required is 382,595 Performance Rights. If all 382,595 Performance Rights vest, Mr Clark will be entitled to 382,595 Shares;
- (c) the Performance Rights will be granted to Mr Clark as an incentive, for no cash consideration. Any Shares issued on exercise of the Performance Rights will be issued for no cash consideration. Accordingly, no funds will be raised by the grant of the Performance Rights or any subsequent issue of Shares to Mr Clark on exercise of those Performance Rights;
- (d) no Director or Associate of a Director of the Company has received securities under the LTIP since the Company last obtained Shareholder approval;
- (e) as at the date of lodgement of this Notice with ASIC, Mr Clark is the only Director who is entitled to participate in the LTIP;
- (f) the Performance Rights will be granted no later than 3 months after the date of the Meeting and it is anticipated that the allotment will be on one date;
- (g) the Performance Rights to be granted to Mr Clark will not be quoted on ASX. Any Shares issued to Mr Clark on exercise of those Performance Rights will rank equally in all respects with all other Shares in the Company and the Company will apply for the Shares to be quoted on ASX;
- (h) the proposed grant of Performance Rights to Mr Clark will be made pursuant to the terms and conditions set out in section 7.2 of this Explanatory Memorandum and the terms and conditions of the LTIP as summarised in Schedule 1 to this Explanatory Memorandum;
- (i) details of any securities issued under the LTIP will be published in each annual report of the Company relating to the period in which the securities were issued; and
- (j) a voting exclusion statement in respect of Resolution 6 is in both the Notice and section 7.7 of this Explanatory Memorandum.

## **7.6 Directors' Recommendation**

Mr Clark 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 for the reasons set out in section 7.1 of this Explanatory Memorandum.

#### **7.7 Voting Exclusion Statement**

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

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

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## Glossary

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

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

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## Schedule 1 - Summary of the Material Terms of the Grange Resources Limited Long Term Incentive Plan

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

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

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

000001 000 GRR  
MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

**Lodge your vote:**

 **Online:**  
www.investorvote.com.au

 **By Mail:**  
Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

Alternatively you can fax your form to  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only  
(custodians) www.intermediaryonline.com

**For all enquiries call:**  
(within Australia) 1300 263 865  
(outside Australia) +61 3 9946 4436

## Proxy Form



Vote online or view the annual report, 24 hours a day, 7 days a week:

**www.investorvote.com.au**

- Cast your proxy vote**
- Access the annual report**
- Review and update your securityholding**

**Your secure access information is:**

**Control Number: 999999**

**SRN/HIN: 1999999999**

**PIN: 99999**



**PLEASE NOTE:** For security reasons it is important that you keep your SRN/HIN confidential.

 **For your vote to be effective it must be received by 11:00am (WST) Wednesday 24 November 2010**

### How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

#### Appointment of Proxy

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing 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 percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

### Signing Instructions for Postal Forms

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, 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 sign in the appropriate place to indicate the office held. Delete titles as applicable.

### Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

**Comments & Questions:** If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,  
or turn over to complete the form** →

MR SAM SAMPLE  
 FLAT 123  
 123 SAMPLE STREET  
 THE SAMPLE HILL  
 SAMPLE ESTATE  
 SAMPLEVILLE VIC 3030

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

## Proxy Form

Please mark  to indicate your directions

### STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

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

the Chairman of the Meeting **OR**



**PLEASE NOTE:** 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 Annual General Meeting of Grange Resources Limited to be held at QV1 Conference Centre, Level 2, QV1 Building, 250 St Georges Terrace, Perth WA 6000 on Friday, 26 November 2010 at 11:00am (WST) and at any adjournment of that meeting.

**Important for Resolutions 6:** If the Chairman of the Meeting is your proxy and you have not directed him/her how to vote on Resolutions 6 below, please mark the box in this section. 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 Resolutions 6 and your votes will not be counted in computing the required majority if a poll is called on this resolution. The Chairman of the Meeting intends to vote undirected proxies in favour of Resolutions 6.

I/We acknowledge that the Chairman of the Meeting may exercise my proxy even if he/she has an interest in the outcome of that resolution and that votes cast by him/her, other than as proxy holder, would be disregarded because of that interest.

### STEP 2 Items of Business



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

	For	Against	Abstain
Resolution 1 Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Election of Mr Xi Zhiqiang as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Election of Mr Zhao Hong Lin as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 Election of Mr John Hoon as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 Remuneration of Directors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 Approval of grant of Performance Rights to Managing Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item 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

Contact Name

\_\_\_\_\_

Contact Daytime Telephone

\_\_\_\_\_

Date

\_\_\_\_/\_\_\_\_/\_\_\_\_