GRANGE
RESOURCES LIMITED
A.C.N. 009 132 405

STOCK EXCHANGE ANNOUNCEMENT

LISTING RULE 4.5 - ANNUAL REPORT

30 September 2004

Pursuant to Listing Rule 4.5, attached is the Annual Financial Report of Grange Resources Limited for the financial year ended 30 June 2004.

The attached represents all documents required by Section 319 of the Corporations Act which, pursuant to this announcement, also constitutes their lodgement with ASIC.

For more information visit the Grange website at www.grangeresources.com.au, or alternatively contact Alec Pismiris on (08) 9321 1118.

ALEC PISMIRIS
Company Secretary

GRANGE RESOURCES LIMITED

ABN 80 009 132 405

AND CONTROLLED ENTITIES

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2004

GRANGE RESOURCES LIMITED
ABN 80 009 132 405
ANNUAL REPORT 2004

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Anthony Bohnenn
(Non-Executive Chairman)
Adam Rankine-Wilson
(Managing Director)
Alexander Henry Nutter
(Technical Director)
Geoffrey Lloyd Warburton Wedlock
(Executive Director)
Hans-Rudolf Moser
(Non-Executive Director)

SENIOR MANAGEMENT

Alec Christopher Pismiris
(Company Secretary)

REGISTERED OFFICE

Level 13, Forrest Centre
221 St George's Terrace
PERTH WA 6000
Telephone: (+618) 9321 1118
Facsimile: (+618) 9321 1523

SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 2
45 St George's Terrace
PERTH WA 6000

AUDITORS

Ernst & Young
Central Park
152 St George's Terrace
PERTH WA 6000

SOLICITORS

Clayton Utz
QV1 Building
250 St George's Terrace
PERTH WA 6000

PRINCIPAL BANKERS

Westpac Banking Corporation Limited
109 St George's Terrace
PERTH WA 6000

NM Rothschild & Sons (Australia) Limited
Level 21
140 St George's Terrace
PERTH WA 6000

STOCK EXCHANGE

Grange Resources Limited is listed on the Australian Stock Exchange Limited (ASX Code: GRR) and the "OTC" Markets in Berlin, Munich, Stuttgart and Frankfurt in Germany (Code: WKN. 917447)

WEBSITE

www.grangeresources.com.au

GRANGE RESOURCES LIMITED
ABN 80 009 132 405
ANNUAL REPORT 2004

CONTENTS

CHAIRMAN'S REPORT 2

DIRECTORS' REPORT 3

STATEMENT OF CORPORATE GOVERNANCE PRACTICES 27

STATEMENT OF FINANCIAL PERFORMANCE 40

STATEMENT OF FINANCIAL POSITION 41

STATEMENT OF CASHFLOWS 42

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies 43
2. Revenue from Ordinary Activities 49
3. Expenses & Losses/(Gains) 49
4. Income Tax 51
5. Receivables (Current) 52
6. Receivables (Non-current) 52
7. Inventories (Current) 52
8. Investments 53
9. Interests in Subsidiaries 53
10. Interests In Joint Venture Operations And Business Undertakings 53
11. Property, Plant and Equipment 55
12. Other Assets 56
13. Deferred Exploration, Evaluation and Development Costs 57
14. Accounts Payable (Current) 58
15. Accounts Payable(Non-current) 58
16. Provisions (Current) 58
17. Provisions (Non-current) 58
18. Contributed Equity 59
19. Reserves and Retained Losses 60
20. Notes to the Statements of Cashflows 60
21. Expenditure Commitments 61
22. Employee Benefits and Superannuation Commitments 62
23. Contingent Liabilities and Assets 63
24. Subsequent Events 63
25. Earnings Per Share 64
26. Remuneration of Auditors 64
27. Director and Executive Disclosures 65
28. Related Party Information 69
29. Segment Information 69
30. Financial Instruments 71
31. Impact of the Adopting of IFRS 73

DIRECTORS' DECLARATION 74

INDEPENDENT AUDIT REPORT 75

ASX ADDITIONAL INFORMATION 76

CHAIRMAN'S REPORT

On behalf of your Board of Directors, I have pleasure in presenting the Annual Report and Financial Statements of Grange Resources Limited ("Grange" or the "Company") and its controlled entities for the financial year ended 30 June 2004.

Grange recorded a consolidated operating profit after tax of $5.00 million for the financial year ended 30 June 2004 compared to an operating loss of $2.21 million in the previous financial year. The result was achieved on revenue of $27.33 million including revenue of $26.56 million generated from the production of copper concentrate from the Reward Deeps and Conviction underground mine which compared to $6.42 million in the previous financial year. The increase in Grange's revenue was largely attributable to sales of copper concentrate from the Reward Deeps and Conviction underground mine increasing to four shipments during the financial year compared with only one shipment in the previous financial year.

During the financial year, the Company concluded its capital management programme that delivered a significant concentration of wealth to shareholders by reducing the number of shares on issue in the capital of the Company. In July 2003, shareholders of the Company approved an on-market share buy-back authorising the Company to acquire up to 10% of its issued capital over a six month period. The Company bought-back and cancelled 1,366,677 fully paid ordinary shares for a total consideration of $446,187 exclusive of transaction costs.

The 2004/2005 financial year will see the continuation of copper concentrate production from the Reward Deeps and Conviction underground mine until the anticipated cessation of mining operations in January 2005. The Company further expects royalty payments from Freshwater and Red Hill Projects to continue throughout the current financial year. Revenue from mining operations are expected to decrease over the current financial year as a consequence of the cessation of mining operations at the Reward Deeps and Conviction underground mine. In anticipation of this reduction in operating cash flows, the Company has devoted significant resources to the identification of new investment opportunities in the resources sector with particular emphasis on iron ore, manganese and coal deposits located in South East Asia. The Company is actively pursuing investment opportunities in Malaysia and Indonesia. Grange's objective is to acquire mining projects that have the potential to provide an immediate cash flow to compliment the Company's existing mining projects, including the potential development of the Southdown Magnetite Project.

The Board of Grange is committed to pursuing a strategy that will deliver long-term growth to shareholders. Grange has a strong balance sheet, significant cash reserves with no debt, allowing the Company to pursue its ambitions of achieving growth through acquisitions in the resources sector.

I wish to extend my sincere thanks to the Board and management team of Grange for their significant contributions and efforts. Appreciation is also extended to our shareholders for their support and we look forward to continued success in the financial year ahead.

ANTHONY BOHNENN
Chairman

DIRECTORS' REPORT

Your Directors present their report with respect to the results of Grange Resources Limited ("Grange" or "the Company") and its controlled entities (the "Consolidated Entity") for the year ended 30 June 2004 (the "Balance Date") and the state of affairs of the Company and Consolidated Entity at Balance Date.

DIRECTORS

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

Names, qualifications, experience and special responsibilities

Anthony Bohnenn
Non-Executive Chairman

Mr Bohnenn was appointed as a director of Grange in November 2001 and subsequently elected as Chairman on 1 July 2003. Mr Bohnenn has more than 25 years experience as Managing Director in the investment banking and financial services industries, with an emphasis in research and funds management. Mr Bohnenn is based in the Netherlands and his main focus has been identifying investment opportunities in Australia, China and Asia. Mr Bohnenn is chairman of the Audit and Compliance Committee and Remuneration Committee.

Adam Rankine-Wilson FAICD. ASIA.
Managing Director

Mr Rankine-Wilson was reappointed as Managing Director of Grange in November 2001. He was joint Managing Director of Grange between September 1990 and February 1994 and Managing Director from November 1995 until September 2000. Mr Rankine-Wilson is a Non-executive Director of Investment Company of the West Limited, Plantcorp Limited and Capital Growth Corporation Limited. Previous directorships of publicly listed companies have included Musgrave Block Holdings Limited (since renamed to Unitract Limited), ECAT Development Capital Limited (since renamed to Clinical Cell Culture Limited), Australian Silicon Limited (since renamed to BMA Gold Limited) and Wave Capital Limited (since renamed Riversdale Mining Limited). Over the past 15 years, Mr Rankine-Wilson has also been a director of numerous other private and public companies. He has extensive experience in the mining and investment industries, particularly in Western Australia.

Alexander Henry Nutter BSc. MSc. DIC. FAusIMM. MAIG.
Technical Director

Mr Nutter is a geologist and holds degrees from Southampton, Leeds and London universities. He has over 30 years experience in mineral exploration, resource evaluation and mining geology in Australia, West Africa and the Asia-Pacific region. He has held senior positions in the mining industry and has been responsible for the discovery and/or acquisition of several mineral resources for both international and Australian public companies. Mr Nutter resigned as a director of the Company on 24 May 2000 and was re-appointed as a director in November 2001.

DIRECTORS' REPORT (CONTINUED)

Geoffrey Lloyd Warburton Wedlock B.Sc.
Executive Director

Mr Wedlock was appointed a director of Grange on 26 February 2004. Mr Wedlock's previous roles have included executive positions with BHP Billiton Limited, Portman Mining Limited and Western Metals Limited. Mr Wedlock has more than 35 years of experience in minerals exploration and project management.

Hans Rudolf Moser
Non-Executive Director

Mr Moser is based in Switzerland with more than 20 years experience in the Swiss banking industry. He has a Bachelor of Commerce from the University of Basel in Switzerland and is a Director of a number of Australian publicly listed companies in the resource and technology sectors. Mr Moser manages a large European investment fund and has been an active investor in Australian companies for many years. Mr Moser also serves on the Audit and Compliance Committee and Remuneration Committee.

COMPANY SECRETARY

Alec Christopher Pismiris B.Comm. ACIS

Mr Pismiris was appointed Company Secretary and Chief Financial Officer of Grange in December 2001. Mr Pismiris is also a director and company secretary of several public and private companies. Mr Pismiris has a Bachelor of Commerce from the University of Western Australia and is an associate of The Institute of Chartered Secretaries and Administrators. Mr Pismiris has over 20 years experience in the securities and finance industry. Mr Pismiris also serves on the Audit and Compliance Committee and Remuneration Committee.

Interests in the shares and options of the Company

At the date of this report the direct or indirect interest of each director of the Company in the issued securities of Grange were:

Director	Ordinary Shares	12 Cent Options over Ordinary Shares	50 Cent Options over Ordinary Shares
A Bohnenn	9,612,313	1,125,000	1,000,000
A Rankine-Wilson	1,523,606	1,500,000	2,000,000
A H Nutter	99,999	750,000	Nil
G L W Wedlock	14,000	Nil	1,500,000
H R Moser	3,560,450	750,000	Nil

EARNINGS PER SHARE

	Cents
Basic earnings per share	7.3
Diluted earnings per share	6.9

DIVIDENDS

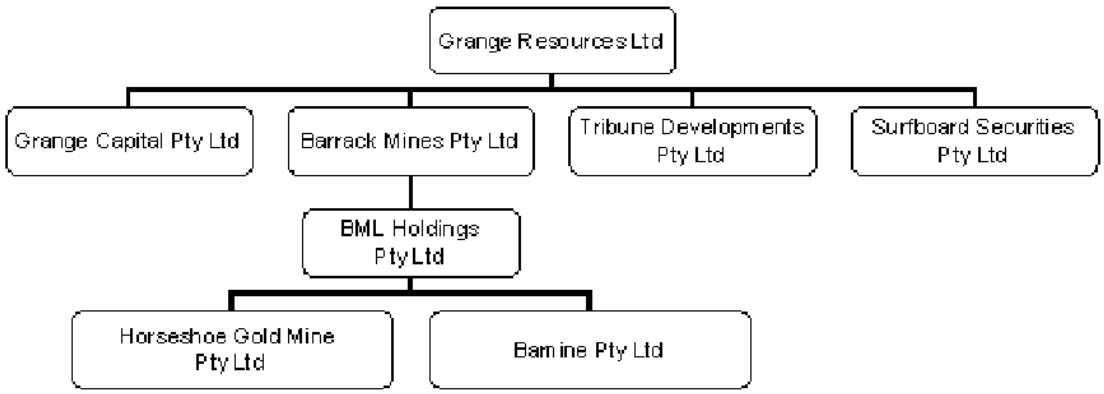
Since the end of the previous financial year, no amount has been paid or declared by the Company by way of a dividend.

DIRECTORS' REPORT (CONTINUED)

CORPORATE INFORMATION

Corporate Structure

Grange Resources Limited is a company limited by shares that is incorporated and domiciled in Australia. Grange Resources Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which are outlined in the following illustration of the group's corporate structure.



Nature of operations and principle activities

The principal activities during the year of entities within the Consolidated Entity were:

- production of copper concentrate and mine development;
- royalty income from production of gold;
- minerals exploration and evaluation;
- investment of cash assets; and
- administration of the Consolidated Entity.

Employees

The consolidated entity employed twelve employees at the Balance Date (2003: eleven employees)

REVIEW AND RESULTS OF OPERATIONS

Review of operations and highlights

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

- The Company's capital management programme delivered further concentration of wealth to shareholders. In July 2003 shareholders of the Company approved the terms of an on-market share buy-back authorising the Company to acquire up to a maximum of 6,675,522 of the fully paid ordinary shares on issue, representing 10% of the capital of the Company, over a six month period which commenced 1 August 2003. During the six-month period, the Company acquired 1,366,677 fully paid ordinary shares for a total consideration of $446,187 exclusive of transaction costs.

DIRECTORS' REPORT (CONTINUED)

- During the financial year the Company arranged a share placement to The Golden Arrow Fund II comprising of 4,285,715 fully paid ordinary shares at an issue price of $0.35 each with a one for one free attaching unlisted option (exercisable at 50 cents each on or before 28 November 2006), raising $1.50 million before expenses of the issue. The placement took place in two tranches and was approved by shareholders at the Company's annual general meeting held in November 2003.

- Revenue from sales increased during the financial year by over 300% to $26.82 million due largely to the shipment of copper concentrate from the Reward Deeps and Conviction underground mine. Four shipments of copper concentrate were exported throughout the financial year.

- During the financial year 787,588 tonnes of ore grading 4.17% copper from the Reward Deeps/Conviction underground mine were processed through the Thalanga plant for the production of 110,149 tonnes of copper concentrate (Grange's share being 33,044 tonnes) containing 25.98% copper. Since extraction of underground ore commenced in December 2002 to 30 June 2004, 1.1 million tonnes grading 4.2% copper have been processed through the Thalanga plant for the production of 158,487 tonnes of copper concentrate (Grange's share being 47,546 tonnes) containing 26.4% copper.

  Ore reserves for the Mt Windsor Joint Venture as at 31 August 2004 amount to 267,000 tonnes grading 4.3% copper and are based on mining the Lower Reward Deeps ore body by a combination of uphole bench open stoping and sub level caving and mining the Highway South ore body by uphole bench stoping. Mineral resources for the Mt Windsor Joint Venture as at 31 August 2004 amounted to 427,000 tonnes grading 4.4% copper. The mineral resources are inclusive of those resources modified to produce the ore reserves.

- Royalties continued to be received from the Freshwater project during the financial year with ore production from both underground and open pit. Royalty income earned for the financial year ended 30 June 2004 totalled $173,788 comprising $29,984 from open pit ore and $143,804 from underground ore.

  Royalty income derived from open pit ore from November 1996 when the royalty was first established, to 30 June 2004 totalled $2.54 million. Gold ore treated during this period has been 3.8 million tonnes at an average grade of 2.03g/t gold for the recovery of 232,000 ounces. The royalty has averaged $10.95 per ounce of gold produced.

  Royalty income for underground ore from December 2001 when development of the Plutonic East mine commenced, to 30 June 2004 amounts to $396,000. Gold ore treated during this period has been 119,776 tonnes at an average grade of 6.55g/t gold for the recovery of an estimated 23,400 ounces. The royalty has averaged $16.90 per ounce of gold produced

  As at 31 December 2003 the Freshwater ore reserves amounted to 820,000 tonnes grading 4.3g/t gold containing 114,200 ounces gold. Of these reserves 328,000 tonnes grading 6.6g/t gold containing 69,600 ounces gold are underground reserves from Plutonic East and 492,000 tonnes grading 2.8g/t gold containing 44,600 ounces gold are open pit reserves.

  In addition to these reserves, Freshwater mineral resources as at 31 December 2003 amounted to approximately 4.1 million tonnes grading 5.0 g/t gold containing 655,400 ounces gold. The majority of the mineral resources, 3.6 million tonnes grading 5.3g/t gold, are present at the Plutonic East underground mine.

- During the financial year royalty payments from mining activities at the Redhill Miming Lease (M27/157) commenced as a consequence of the 85,000 ounce gold production threshold being reached during the June 2004 quarter. Royalty income for the financial year ended 30 June 2004 totalled $90,307. As at 30 June 2004 gold production from M27/157 totalled 89,127 ounces.

DIRECTORS' REPORT (CONTINUED)

Ore reserves within M27/57 as at 30 June 2004 amounted to 4.3 million tonnes grading 1.96g/t gold containing 272,000 ounces of gold. The ore reserves are estimated to a depth of 145 metres. Mineral resources within M27/57 as at 30 June 2004 amounted to 6.3 million tonnes grading 1.8g/t gold containing 365,000 ounces of gold to a depth of 150 metres. The mineral resources are inclusive of those resources modified to produce the ore reserves.

- Horseshoe Gold Mine Pty Ltd, a wholly owned subsidiary of Grange has a joint venture agreement with Gleneagle Gold Limited ("Gleneagle") over the Wembley Gold Project. During the financial year Gleneagle completed a fifteen hole reverse circulation drilling programme, aggregating 1,578 metres, at the Durack Project. The programme was designed to test for high grade near surface mineralisation within the Durack resource and test the potential down dip extensions of interpreted high grade shoots. The results confirmed the presence of high-grade mineralisation within the current resource and the potential for high grade shoots extending below the known resource.

- During the financial year the Company secured the right to acquire the Southdown Magnetite Project ("Southdown") located approximately 90 km from Albany on the south coast of Western Australia from Global Doctor Pty Ltd, a wholly owned subsidiary of MedAire Inc. Under the terms of the purchase agreement, the total consideration payable for Southdown is $1.65 million on a staggered purchase arrangement over a period of time up to the commencement of commercial mining operations. Evaluation of the project has commenced and the following activities have been completed:

  - detailed ground magnetic and gravity surveys confirmed the extent and structure of the deposit and identified extensive strongly magnetic zones untested by previous drilling.
  - logging of drill core and development of an electronic data base and geological model to enable resource estimates to JORC standard to be undertaken.
  - planning of diamond drilling programme to determine the size and grade of the resource.
  - study of development options for the project.

- On 6 September 2003, Hillgrove Gold Limited ("Hillgrove") and Grange announced their intention, through an equally and jointly owned nominee, to make an off-market takeover bid for all the fully paid ordinary shares in Selwyn Mines Limited (Receivers and Managers appointed). The bid was designed to secure 1,500 sq. km. exploration and mining tenement package that is located in the Eastern Succession of the Mt. Isa Inlier in North West Queensland. Hillgrove and Grange subsequently announced they would not proceed with the proposed off-market takeover bid for all the fully paid ordinary shares in Selwyn Mines Limited following an announcement by Ivanhoe Mines that a subsidiary of Ivanhoe Australia had purchased the copper-gold project's mining and exploration leases in Australia from Selwyn Mines Limited.

- In February 2004 Grange announced the appointment of Mr Geoff Wedlock as an Executive Director of the Company. Mr Wedlock brought 35 years of experience in minerals exploration and project management including executive positions with BHP Billiton Limited, Portman Mining Limited and Western Metals Limited. This experience will assist Grange in identifying and evaluating new investment opportunities in the resources sector

- Throughout the financial year Grange devoted significant resources to the identification of new investment opportunities in the resources sector with particular emphasis on iron ore, manganese and coal deposits located in South East Asia. The Company actively pursued investment opportunities in Malaysia and Indonesia.

DIRECTORS' REPORT (CONTINUED)

MINING HIGHLIGHTS

Reward Deeps Project

- 110,149 tonnes of copper concentrate (Grange's share being 33,044 tonnes) grading 25.98% copper and 0.8g/t gold produced during the year from 787,588 tonnes of ore grading 4.17% copper.
- Revenue of $26.56 million generated by Grange from the sale of 41,005 tonnes of copper concentrate.
- Main decline extended to the 945mRL level to provide access to additional reserves in Lower Reward Deeps.
- Ore reserves of 267,000 tonnes @ 4.3% copper containing 11,400 tonnes of copper as at 31 August 2004.
- Mineral resources of 427,000 tonnes @ 4.4% copper containing 18,700 tonnes of copper as at 31 August 2004.

Freshwater Project

- Royalty income of $173,788 earned during the year.
- 41,388 tonnes of ore grading 6.69g/t gold mined and processed from the Plutonic East underground mine for the production of approximately 8,280 ounces gold.
- 85,573 tonnes of open pit ore grading 2.22g/t gold mined and processed for the production of 5,305 ounces gold.
- Total Freshwater ore reserves 820,000 tonnes @ 4.3 g/t gold containing 114,200 ounces gold, as at 31 December 2003.
- Total Freshwater mineral resources 4.1 million tonnes @ 5.0g/t gold containing 655,000 ounces gold, as at 31 December 2003.

Red Hill Project

- Royalty payments commenced in the June 2004 quarter with royalty income of $90,307 being accrued during the financial year.
- 1.15 million tonnes of ore grading 1.65g/t gold were processed during the year for the production of 58,150 ounces gold. 1.45 million tonnes of ore grading 1.69g/t gold were mined.
- Ore reserves of 4.3 million tonnes @ 1.96g/t gold containing 272,000 ounces as at 30 June 2004 subject to royalty payments.
- Mineral resources of 6.3 million tonnes @ 1.80 g/t gold containing 365,000 ounces gold as at 30 June 2004.

Southdown Magnetite Project

- Project acquired and evaluation commenced.
- Detailed ground magnetic and gravity surveys completed and confirm the extent and structure of the deposit and identified extensive strongly magnetic zones untested by previous drilling.
- An inferred resource of 83 million tonnes grading 37.5% magnetite present in the western 2km of the 6km long deposit within the Company's tenements.

Wembley Project

- Exploration drilling by joint venture partner Gleneagle Gold Limited confirms the presence of high grade near surface mineralisation.

DIRECTORS' REPORT (CONTINUED)

MINING AND EXPLORATION ACTIVITIES

Mount Windsor Joint Venture
Grange 30%, TCM 70%

The Mt Windsor Joint Venture is an unincorporated joint venture between BML Holdings Pty Ltd (BML) 30% (a wholly owned subsidiary of Grange) and Thalanga Copper Mines Pty Limited ("TCM") 70%, the manager. The joint venture mines and processes copper ore from an underground mine developed to extract ore from the Reward Deeps and Conviction copper deposits and produces copper concentrate for export. The joint venture operated the Reward and Highway open pit mines during 1998-2002 until ore reserves were exhausted. Exploration is being undertaken to locate additional resources and ore reserves. The project area is located approximately 37 km south of Charters Towers in North Queensland.

Reward Deeps & Conviction Copper Mine (Grange 30%, TCM 70%)

Operations

During the year 787,588 tonnes of ore grading 4.17% copper were processed through the Thalanga plant for the production of 110,149 tonnes of copper concentrate (Grange's share being 33,044 tonnes) containing 25.98% copper. Since extraction of underground ore commenced in December 2002 to 30 June 2004, 1.1 million tonnes grading 4.2% copper have been processed through the Thalanga plant for the production of 158,487 tonnes of copper concentrate (Grange's share being 47,546 tonnes) containing 26.4% copper.

A summary of production statistics for the Reward Deeps project to 30 June 2004 is presented in Table 1.

TABLE 1
MT WINDSOR JOINT VENTURE
REWARD DEEPS PROJECT – 2004 PRODUCTION STATISTICS

	Sept 2003 Quarter	Dec 2003 Quarter	March 2004 Quarter	June 2004 Quarter	Year to 30.6.04	Project to 30.6.04
Ore Mined (t)	177,330	228,517	187,604	144,058	737,509	1,131,596
Ore Milled (t)	**201,951**	**228,265**	**203,449**	**153,923**	**787,588**	**1,113,796**
Head grade – (Cu %)	4.72	4.60	2.81	4.61	4.17	4.22
Copper Recovery (%)	89.88	88.94	83.46	88.07	87.60	89.04
Concentrates Produced (t)	**31,807**	**34,235**	**19,522**	**24,585**	**110,149**	**158,487**
Concentrate Grade						
Copper (%)	27.04	26.11	24.71	25.43	25.98	26.43
Gold (g/t)	0.8	0.8	0.8	0.8	0.8	0.8
Silver (g/t)	17	17	17	17	17	17

Mining of the Reward Deeps ore body was completed in June 2004 and mining of the Conviction ore body was completed in July 2004. Reconciliations of copper production from the mill to the ore body models show that the Reward Deeps and Conviction ore bodies performed close to expectations. Underground diamond drilling undertaken during the year was successful in proving up ore reserves at Lower Reward Deeps, Hanging Wall Lens and Highway South resulting in an extension to the life of the project. To provide access to the Lower Reward Deeps mineralisation below the 1000mRL level the main decline has been extended from the 990mRL level to the 945mRL level and levels developed at 970mRL and 945mRL.

DIRECTORS' REPORT (CONTINUED)

Copper recovery and concentrate grade were below budget for the year primarily due to variable head grade and some poorer quality ore. Zones of ore containing higher than expected zinc were encountered in the Reward Deeps ore body and this together with excessive dilution from wall rock material caused problems in maintaining quality feed to the mill.

Mining operations were interrupted for approximately two weeks during August 2003 whilst a change in mining contractors took place. A dispute with the previous mining contractor was settled in May 2004 during an arbitration hearing.

Concentrate Sales and Production Costs

Sales revenue of $26.56 million from the sale of 41,005 tonnes of copper concentrate was recorded for the year. Shipments were made from Townsville during September 2003, December 2003, March 2004 and the fourth shipment was made after the end of the financial year in August 2004.

The project generated for the Company an operating profit before depreciation and amortisation of $10.21 million and a net profit of $6.60 million for the year. The average cash cost of production for the year was $0.60/lb of payable copper, selling expenses $0.13/lb of payable copper and amortisation and depreciation costs $0.11/lb of payable copper.

Up to the end of June 2004 the average cash cost of production for the project was $0.67/lb of payable copper, selling expenses $0.14/lb of payable copper and amortisation and depreciation costs $0.11/lb of payable copper. The project has, to the end of June 2004, generated for the Company an operating profit after depreciation and amortisation of $5.68 million.

Based on the current ore reserves, the project is scheduled to produce approximately 202,000 tonnes of concentrate (Grange share 60,600 tonnes) containing 26.5% copper by January 2005.

Ore Reserves

Ore reserves as at 31 August 2004 are summarised in Table 2 and are based on mining the Lower Reward Deeps ore body by a combination of uphole bench open stoping and sub level caving and mining the Highway South ore body by uphole bench stoping.

TABLE 2
MT WINDSOR JOINT VENTURE
ORE RESERVES AS AT 31 AUGUST 2004

Resource	Cut-off Grade Cu%	Status	Tonnes	Grade		Contained Cu (t)
				Cu %	Au g/t	
Lower Reward Deeps		Proven	34,000	2.1	0.9	700
		Probable	32,000	3.9	1.0	1,300
	2.0	**Total**	**66,000**	**3.0**	**0.9**	**2,000**
Highway South		Probable	201,000	4.7	0.6	9,400
	2.0	**Total**	**201,000**	**4.7**	**0.6**	**9,400**
Total Proven			**34,000**	**2.1**	**0.9**	**700**
Total Probable			**233,000**	**4.6**	**0.7**	**10,700**
Grand Total			**267,000**	**4.3**	**0.7**	**11,400**

DIRECTORS' REPORT (CONTINUED)

Notes:

- Reserves rounded to nearest 1,000 tonnes
- Copper Grades rounded to 1 decimal place.
- Contained copper rounded to nearest 100 tonnes.

This reserve information has been compiled by Mr Hamish McLeod of Thalanga Copper Mines Pty Ltd who is a competent person as defined in Appendix 5A to the ASX Listing Rules. Thalanga Copper Mines has consented in writing to the information being included in the form and context in which it appears.

Highway and Reward Copper Mines (Grange 30%, TCM 70%)

Rehabilitation of the Highway and Reward mine site continued during the year. Capping and top soiling of the Reward and Highway waste rock dumps was completed in June 2003 and seeding of the dumps was undertaken during January 2004 following suitable rainfall.

Exploration (Grange 30%, TCM 70%)

Exploration activities during the year were focused on increasing mine life by extending the resource base. Underground diamond drilling to delineate resources at Hanging Wall Lens, Lower Reward Deeps above and below the 1000mRL level and Highway South were undertaken. In addition an underground diamond-drilling programme designed to test several targets within 200 metres of the Reward Deeps decline was planned and commenced during August 2004. A review of all previous exploration within the joint venture tenements was commenced with the objective of outlining new targets for follow up exploration.

Mineral Resources

Mineral resources for the Mt Windsor Joint Venture as at 31 August 2004 amount to 427,000 tonnes grading 4.4% copper and are summarised in Table 3.

TABLE 3
MT WINDSOR JOINT VENTURE
MINERAL RESOURCES AS AT 31 AUGUST 2004

Resource	Cut-off Grade Cu%	Status	Tonnes	Grade		Contained Cu (t)
				Cu %	Au g/t	
Lower Reward Deeps		Measured	51,000	2.5	0.9	1,300
		Indicated	54,000	4.6	1.0	2,400
	2.0	**Total**	**105,000**	**3.5**	**0.9**	**3,700**
Highway South		Measured	89,000	7.7	0.6	6,900
		Indicated	218,000	3.5	0.6	7,600
		Inferred	15,000	3.0	0.6	500
	2.0	**Total**	**322,000**	**4.7**	**0.6**	**15,000**
Total Measured			**140,000**	**5.8**	**0.7**	**8,100**
Total Indicated			**272,000**	**3.7**	**0.7**	**10,100**
Total Inferred			**15,000**	**3.0**	**0.6**	**500**
Grand Total			**427,000**	**4.4**	**0.7**	**18,700**

DIRECTORS' REPORT (CONTINUED)

Notes:

- Resources estimated within wire frames representing interpreted cut-off grades
- Estimation method: Block model, Ordinary Kriging
- Resources rounded to nearest 1,000 tonnes.
- Copper Grades rounded to 1 decimal place.
- Contained copper rounded to nearest 100 tonnes.

This resource information has been compiled by Mr Adrian Shephard of Shephard Contract Services Pty Ltd. Mr Shepherd is a competent person as defined in Appendix 5A to the ASX Listing Rules. Mr Shepherd has consented in writing to the information being included in the form and context in which it appears.

Freshwater Project
Grange - Sliding Scale Production Royalty
Barrick Gold of Australia Limited ("Barrick") 100%

The Freshwater project is located adjacent to and to the east of the Plutonic Gold Mine located approximately 180km north east of Meekatharra in Western Australia. The project is owned and operated by Barrick Gold of Australia Limited. The Company holds a sliding scale royalty based on grade, tonnage and type of ore milled on all production from the Freshwater leases.

Royalty and Production

During the year ore production from the Freshwater leases was from both underground and open pit with 41,389 tonnes grading 6.69g/t gold being mined from the Plutonic East underground mine and 85,573 tonnes grading 2.22g/t gold being mined from the Callop and Piranha open pits.

Total royalty income earned for the year ended 30 June 2004 amounted to $173,788 made up of $29,984 from open pit ore and $143,804 from underground ore. A summary of production statistics and the cash received from royalty income received for the year ending 30 June 2004 is provided in Table 4. The cash received from royalty income is inclusive of royalty income accrued but not paid in the previous financial year.

TABLE 4
FRESHWATER PROJECT
PRODUCTION AND ROYALTY INCOME FOR YEAR TO 30 JUNE 2004

Period	Ore Milled (Tonnes)	Grade (g/t Au)	Royalty ($)
OPEN PIT ORE			
September 2003 Quarter	15,933	2.24	7,966
December 2003 Quarter	30,918	2.80	52,205
March 2004 Quarter	0	0	0
June 2004 Quarter	38,722	1.75	9,681
TOTAL OPEN PIT	**85,573**	**2.22**	**69,852**
UNDERGROUND ORE			
September 2003 Quarter	6,057	4.01	12,136
December 2003 Quarter	16,707	6.95	50,558
March 2004 Quarter	11,242	7.65	50,923
June 2004 Quarter	7,383	6.81	30,187
TOTAL UNDEGROUND	**41,389**	**6.69**	**143,804**

Royalty income from open pit ore from November 1996 when the royalty was first established, to 30 June 2004, amounts to $2.54 million. Gold ore treated during this period has been 3.8 million tonnes at an average grade of 2.03g/t gold for the recovery of 232,000 ounces. The royalty has averaged $10.95 per ounce of gold produced.

Royalty income from underground ore from December 2001 when development of the Plutonic East mine commenced, to 30 June 2004 amounts to $396,000. Gold ore treated during this period has been 119,776 tonnes at an average grade of 6.55g/t gold for the recovery of an estimated 23,400 ounces. The royalty has averaged $16.90 per ounce of gold produced.

Reserves and Resources

Barrick has advised that as at 31 December 2003 the Freshwater ore reserves amounted to 820,000 tonnes grading 4.3g/t gold containing 114,200 ounces gold. Of these reserves 328,000 tonnes grading 6.6g/t gold containing 69,600 ounces gold are underground reserves from Plutonic East and 492,000 tonnes grading 2.8g/t gold containing 44,600 ounces gold are open pit reserves from Salmon and Callop.

In addition to these reserves, Freshwater mineral resources as at 31 December 2003 amount to approximately 4.1 million tonnes grading 5.0g/t gold containing 655,400 ounces gold. The majority of the mineral resources, 3.6 million tonnes grading 5.3g/t gold, are present at the Plutonic East underground mine with the remaining 455,000 tonnes grading 2.4g/t gold containing 34,400 ounces of gold being open pit resources from Salmon, Callop and Barramundi.

Ore reserves and mineral resources are summarised in Tables 5 and 6. The Measured and Indicated Resources summarised in Table 6 are **exclusive** of those Mineral Resources modified to produce the Ore Reserves in Table 5.

TABLE 5
FRESHWATER PROJECT
ORE RESERVES AS AT 31 DECEMBER 2003

Location	Category	Tonnes	Grade g/t Au	Contained Ounces
UNDERGROUND				
Plutonic East	Probable	328,000	6.6	69,600
Total Underground		**328,000**	**6.6**	**69,600**
OPEN PIT				
Callop	Probable	73,000	1.8	4,400
Salmon	Probable	419,000	3.0	40,200
Total Open Pit		**492,000**	**2.8**	**44,600**
TOTAL FRESHWATER RESERVES		**820,000**	**4.3**	**114,200**

DIRECTORS' REPORT (CONTINUED)

Assessment Criteria

Underground Reserves:

- Plutonic East Model 3
- Mining Methods – Mechanised room and pillar, Airleg
- Mining Recovery – Room and Pillar 90%, Long Hole 97%
- Dilution - variable @ 0.1g/t Au
- Metallurgical Recoveries – Primary 88%
- Cut off Grades – Lower 3.0g/t Au, Upper 70g/t Au
- Estimates at gold price of A$570
- Density - Primary 2.8

Open Pit Reserves:

- Bench Height 3.0 metres
- Mining Method – Open Cut
- Mining Recovery 95%
- Minimum Mining Width - 2metres
- Cut off Grades – Salmon - Lower 0.9g/t Au, Upper 30g/t; Callop - Lower 0.9g/tAu, Upper Laterite 4g/tAu, Oxide 5g/tAu Transitional 6g/tAu, Primary 9g/tAu
- Metallurgical recoveries - Laterite, Oxide & Transitional 92%, Primary 88%
- Estimates at gold price of A$550

TABLE 6
FRESHWATER PROJECT
MINERAL RESOURCES AS AT 31 DECEMBER 2003

Location	Category	Tonnes	Grade g/t Au	Contained Ounces
UNDERGROUND				
Plutonic East	Indicated	578,000	5.3	98,000
	Inferred	3,068,000	5.3	523,000
Total Underground		**3,646,000**	**5.3**	**621,000**
OPEN PIT				
Callop	Indicated	18,000	1.6	900
	Inferred	23,000	1.6	1,200
Salmon	Indicated	304,000	2.4	23,000
	Inferred	5,000	3.0	500
Barramundi	Indicated	35,000	3.4	3,700
	Inferred	6,000	2.6	500
Goldfish	Indicated	64,000	2.3	4,600
Total Open Pit		**455,000**	**2.4**	**34,400**
TOTAL RESOURCES		**4,101,000**	**5.0**	**655,400**

DIRECTORS' REPORT (CONTINUED)

Assessment Criteria

Underground Resources:

- Resource Method – Sectional Interpretation and ID^2 grade interpolation constrained inside lodes
- Block Model – Plutonic East Model 3
- Drilling up to 30 October 2003
- Dilution – no edge and contains up to 2 metres internal dilution
- Minimum width - 2metres
- Cut off Grades – Lower 3.0g/t Au, Upper 70g/t Au
- Density – Primary: 2.8
- Search Sphere – Indicated: 40m x 40m x 20m; Inferred: 80m x 80m x 40m
- Drill spacing – partly 10m, 20m x 20m and 20m X 40m:remainder 80m X 80m

Open Pit Resources

- Resource Method – Sectional Interpretation and ID3 grade interpolation
- Bench Height 3.0 metres
- Dilution – undiluted
- Mining Method – Open Cut
- Mining Recovery 95%
- Minimum Mining Width - 2metres
- Cut off Grades – Salmon - Lower - 0.9g/t Au, Upper - 30g/t; Callop - Lower - 0.9g/tAu, Upper Oxide 5g/tAu Transitional 6g/tAu; Barramundi -Laterite - 2.1, Oxide - 1.8.
- Metallurgical recoveries - Laterite, Oxide & Transitional 92%, Primary 88%
- Estimates at gold price of A$550
- Densities – Salmon - Oxide - 1.6,1.7, Transitional - 1.7,1.8,2.0,2.1,2.3, Primary - 2.6; Callop - Oxide - 1.8, Transitional – 2.4;
- Goldfish - Laterite - 2.1, Oxide - 1.7; Upper - 11g/tAu; Barramundi -Lower 0.9g/tAu, Upper 15g/tAu
- Open pit mineral resources are quoted as the resources remaining adjacent to mined pits within an A$700/ounce optimised shell.

These reserve and resource statements have been prepared by Maurice Rowley, Manager Mine Geology for Barrick Gold of Australia Limited, who is a competent person as defined in Appendix 5A to the ASX Listing Rules. Mr Rowley is a full time employee of Barrick Gold of Australia Limited. Barrick Gold of Australia Limited has consented in writing to the information being included in the form and context in which it appears.

Development Drilling and Exploration

Barrick reported that development drilling was undertaken during the year at several projects including Plutonic East, Salmon, Salmon North, Cod, Goldfish and Area 4 to provide data for mine design and reserve estimation.

No exploration activity was undertaken on the Freshwater tenements during the year.

Red Hill Project
Grange 4% Gross Revenue Royalty
Placer Dome Asia Pacific ("PDAP") 100%

Grange holds a 4% gross revenue royalty on all production after the first 85,000 ounces of gold produced from the Red Hill Mining Lease (M27/57), which is located approximately 4km north east of the Kanowna Bell Gold Mine, 20km north east of Kalgoorlie. The project is owned and operated by PDAP.

DIRECTORS' REPORT (CONTINUED)

Gold mineralisation at Red Hill occurs mainly as free gold in shallow dipping quartz veins within a porphyry host. Drilling has shown the presence of a large tonnage low-grade gold deposit, which extends outside the boundaries of M27/57 on to tenements held 100% by PDAP and not subject to the royalty.

PDAP has advised that during the financial year the reconciled tonnage of ore mined from M27/57 at Red Hill was 1,448,792 tonnes grading 1.69g/t gold. Ore from Red Hill is being trucked to Paddington for processing and for the year ending 30 June 2004, 1,148,061 tonnes grading 1.65g/t gold were processed. During the June 2004 quarter the 85,000-ounce threshold limit was reached and royalty payments commenced with $90,307 being received for the June 2004 quarter. A summary of production statistics and royalty income received for the year ending 30 June 2004 is provided in Table 7.

TABLE 7
RED HILL PROJECT – MINING LEASE M27/57
PRODUCTION AND ROYALTY INCOME FOR YEAR TO 30 JUNE 2004

Period	Ore Milled (Tonnes)	Grade (g/t Au)	Cumulative Gold Ounces	Royalty ($)
September 2003 Quarter	174,785	1.43	38,669	0
December 2003 Quarter	278,404	1.53	51,612	0
March 2004 Quarter	297,655	1.68	67,076	0
June 2004 Quarter	397,217	1.80	89,127	90,307
TOTALS	**1,148,061**	**1.65**	**89,127**	**90,307**

Total reconciled mined ore production from commencement of mining in February 2003 until 30 June 2004 is 1,747,271 tonnes grading 1.62g/t gold. Total dry tonnes hauled to the Paddington mill during this period were 1,484,033 and ore processed was 1,442,652 tonnes grading 1.58g/t gold.

Reserves and Resources

PDAP has completed an updated reserve and evaluation model for the Red Hill project, which included the results of a 200,000 tonne milling trial on Red Hill ore.

PDAP has advised that as at 30 June 2004, mineral resources within M27/57 amounted to 6.3 million tonnes grading 1.80g/t gold containing 365,000 ounces of gold. Within these resources PDAP has estimated ore reserves of 4.3 million tonnes grading 1.96g/t gold (272,000 contained ounces) at a cut-off grade of 1.20g/t gold and a gold price of A$542/ounce.

Ore reserves and mineral resources within Mining Lease M27/57 are summarised in Tables 8 and 9. The Measured and Indicated Resources summarised in Table 9 are **inclusive** of those Mineral Resources modified to produce the Ore Reserves in Table 8.

TABLE 8
RED HILL PROJECT - MINING LEASE M27/57
MINING RESERVE AS AT 30 JUNE 2004

Reserve Classification	Cut-off Grade (g/t)	Tonnes	Grade (g/t)	Ounces
Probable	1.20	4,313,633	1.96	271,828
Total	**1.20**	**4,313,633**	**1.96**	**271,828**

DIRECTORS' REPORT (CONTINUED)

Notes:

- Estimation method: Block model, Multiple Indicator Kriging (MIK)
- Reserves estimated to a depth of 145 metres
- Gold Price A$542 / oz

This reserve statement has been compiled by Mr Andrew Law of Placer Dome Asia Pacific who is a competent person as defined in Appendix 5A to the ASX listing rules. Placer Dome has consented in writing to the information being included in the form and context in which it appears.

TABLE 9
RED HILL PROJECT - MINING LEASE M27/57
MINERAL RESOURCES AS AT 30 JUNE 2004

Resource Category	Cut-off Grade (g/t)	Tonnes	Grade (g/t)	Ounces
Inferred	0.90	38,000	1.90	2,345
Indicated	0.90	6,259,000	1.80	362,576
Total	**0.90**	**6,298,000**	**1.80**	**364,922**

Notes:

- Estimation method: Block model, Multiple Indicator Kriging (MIK)
- Resources estimated to a depth of 150 metres
- Resources rounded to nearest 1,000 tonnes

This resource statement has been compiled by Mr Roger Cooper of Placer Dome Asia Pacific, who is a competent person as defined in Appendix 5A to the ASX listing rules. Placer Dome has consented in writing to the information being included in the form and context in which it appears.

Southdown Magnetite Project
Grange 100%

During November 2003 the Company entered into a conditional purchase agreement to acquire the Southdown Magnetite Project from Global Doctor Pty Ltd a wholly owned subsidiary of MedAire Inc. Under the terms of the purchase agreement, Grange can acquire Southdown on a staggered purchase arrangement as follows:

- $150,000 initial payment
- $100,000 within 12 months of Settlement
- $400,000 within 24 months of Settlement
- $1,000,000 upon the commencement of commercial mining operations on the Mining Tenements.

The Southdown project is located approximately 90 kilometres northeast of the Port of Albany on the south coast of Western Australia. It comprises three granted mining leases ML70/433, ML70/718 and ML70/719 covering an area of 1700 hectares on freehold farming property.

During 1986 and 1987 drilling programmes were undertaken to appraise the potential of the Southdown resource. The drilling was undertaken over the western 2 km of the deposit and outlined a significant resource of magnetite ore grading 37.4% magnetite. The magnetite mineralisation is contained within a banded quartz-magnetite-gneiss that varies in thickness from 50 to 100m in the portion of the deposit that has been subject to detailed drilling. The deposit dips at 60 to 65 degrees to the south and has been intersected to vertical depths of approximately 230m. The deposit extends for a strike length of approximately 12 km and the Company's mining leases cover the western 6km of the deposit.

DIRECTORS' REPORT (CONTINUED)

Grange has commenced a detailed review of the Southdown project to assess its viability and evaluate development options. Detailed ground magnetic and gravity surveys have been completed and results have confirmed the extent and structure of the deposit and identified extensive strongly magnetic zones untested by previous drilling. Modelling of the geophysical data indicates that the width of the magnetic zones is similar along the 6km strike length and that the average depth to the top of the magnetic zones is approximately 20 to 25 metres.

Drill core from the 1986 and 1987 drilling programmes has been re-logged and a geological model developed. A mineral resource estimate classified in accordance with the Australian Code for the Reporting of Identified Mineral Resources and Ore Reserves (JORC, 1999) has been prepared by Golder Associates for the western portion of the resource. The mineral resource is summarised in Table 10.

TABLE 10
SOUTHDOWN MAGNETITE PROJECT
MINERAL RESOURCE ESTIMATE – WESTERN ZONE

Classification	Tonnes	Magnetic Recovery wt%	Fe%
Inferred	83,300,000	37.5	69.1

Notes:

- Estimation method: Block model, inverse distance squared
- Resources reported below the depth of oxidation (approx 25m) and to a maximum depth of 270m.
- Cut off grade: 15 wt% magnetic recovery.
- Fe values reported represent Davis Tube assays
- In-situ density values interpolated and assigned by geological domain (average 3.3).
- Resources rounded to nearest 100,000 tonnes.
- Recovery and grade rounded to 1 decimal place.

This resource statement has been compiled by Mr James Farrell and Mr Richard Gaze of Golder Associates Pty Ltd. Mr Gaze is a competent person as defined in Appendix 5A to the ASX listing rules. Golder Associates Pty Ltd has consented in writing to the information being included in the form and context in which it appears.

Diamond drilling programmes are being planned to determine the size and grade of the resource located within the Company's tenements.

Wembley
(Grange 100%, Gleneagle Gold Limited ("Gleneagle") Earning 80%)

The Wembley Gold Project is located approximately 65km south east of Gleneagle's Fortnum Gold Project and comprises one granted mining lease and a mining lease application. The granted mining lease covers the Durack and Outback prospects, which host a resource of 557,000 tonnes grading 2.18g/t gold (39,000 contained ounces). Gleneagle is earning an 80% interest in the tenements by spending $500,000 on exploration.

During the year Gleneagle completed a fifteen hole reverse circulation drilling programme, aggregating 1,578 metres, at the Durack Project. The programme was designed to test for high grade near surface mineralisation within the Durack resource and test the potential down dip extensions of interpreted high grade shoots. Eleven of the holes recorded intersections in excess of 2.0g/t gold the most significant intersections being 12m @ 8.04g/t Au from 87m in DURC004, 8m @ 7.15g/t Au from14m in DURC005 and 25m @ 3.19g/t Au from 77m in DURC008.

Gleneagle has advised that the drilling confirms:

- The presence of high grade near surface mineralisation, which may enable the development of shallow open pits.
- The potential for the delineation of a series of high grade shoots extending beneath the current resource.
- A component of higher-grade mineralisation that may elevate the tenor of the current resource grade.

Gleneagle has advised that further work is being planned to evaluate the economic potential of the high grade zones of mineralisation defined within the known resource and also to investigate regional targets within the joint venture tenements.

Other Exploration Projects

In addition to the above projects, the Company holds interests in several exploration projects in Western Australia and the Northern Territory.

In the **Wiluna District** of Western Australia the Company holds a 10% free carried interest to a decision to mine or expenditure of $2 million in the **Abercromby Well Joint Venture** with MPI Nickel Pty Ltd. The tenement is prospective for gold mineralisation.

During the year the Horseshoe Mine Partnership was terminated and 100% ownership of the **Horseshoe Lights Project** reverted to the Company. Substantial resources of low-grade copper bearing material are present at Horseshoe Lights in stockpiles, dumps, tailings and in-situ hard rock resources. Previous work has shown that the tailings and stockpiles are readily amenable to leaching. The Company intends to seek opportunities to establish a copper leaching operation on site.

At **Thaduna** the Company holds tenements over the old Thaduna and Green Dragon copper mines located approximately 170km north east of Meekatharra in Western Australia. The Company considers the stockpiles and tailings associated with the Thaduna mine represent potential feed to an operation that may be established at the Horseshoe Lights Mine to process low-grade copper resources.

The Company holds equity in several tenements in the **Tennant Creek** region in the Northern Territory. The most prospective area with potential to host a high-grade gold, copper, bismuth resource, is the **Mt Samuel** prospect located approximately 6km south of Tennant Creek. Access to the Mt Samuel property is currently not available due to the presence of an Aboriginal sacred site.

DIRECTORS' REPORT (CONTINUED)

TENEMENT SCHEDULE
AS AT 31 AUGUST 2004

PROSPECT	TENEMENT	INTEREST	PROSPECT	TENEMENT	INTEREST
Western Australia			**Queensland**		
Horseshoe Lights	L52/42-45	100%	Mt Windsor JV	ML 1571	30% (9)
	L52/66	100%		ML 1734	30% (9)
	M52/743	100%		ML 1739	30% (9)
	M52/744	100%(1)		ML 10028	30% (9)
				ML 1758	30% (9)
Thaduna	M52/165	100% (3)		ML 10295-10312	30% (1) (9)
	M52/180	100% (3)		EPM 14537	30% (1) (9)
Wembley	M52/801	100% (2)(4)	**Northern Territory**		
	M52/587	100%(1)(2)(4)	Mt Samuel	MLC 49	50% (10) (13)
				MLC 527	100% (13)
Horseshoe South	M52/558	100% (1)		MLC 599	85% (11) (13)
	M52/585	100% (1)		MLC 617	85% (11) (13)
				MLC 678-681	85%(11) (1)
Abercromby Well JV	M53/336	10% (5)		MCC 174	100% (12)
				MCC 212	85% (11) (32)
Red Hill	M27/57	(6)		MCC 287-288	100% (12)
				MCC 308	85% (11)
Horseshoe South West	M52/651	100% (1)		MCC 344	100% (13)
Freshwater	M52/277-281	(7)	The Trump	MCC 316-317	100%(13)
	M52/285	(7)		MCC 340-341	100%(13)
	M52/295-296	(7)			
	M52/299-301	(7)	True Blue	MCC 342	100%(13)
	M52/305-306	(7)		MLC 619	85% (11)(13)
	M52/368-370	(7)			
			Aga Khan	MLC 522	100%(13)
Southdown	M70/433	100% (8)			
	M70/718	100% (8)	Black Cat	MCC 338-339	100%(13)
	M70/719	100% (8)			

Notes:

1. Under application.
2. Subject to option agreement with Gleneagle Gold Limited
3. Subject to 5% Net Smelter Return royalty with Trans-Global Resources NL.
4. Subject to 1% Net Smelter Return royalty with Lac Minerals (Australia) NL.
5. Subject to joint venture agreement with MPI Nickel Pty Ltd.
6. Royalty interest with Placer Dome Asia Pacific.
7. Royalty interest with Barrick Gold of Australia Limited.
8. Subject to conditional purchase agreement with Global Doctor Pty Ltd
9. Subject to joint venture agreement with Thalanga Copper Mines Pty Limited.
10. Subject to joint venture agreement with Santexco Pty Ltd.
11. Subject to joint venture agreement with W. & L.D.C. Appel.
12. Subject to option agreement with J.L. Love & G.P. Hamilton.
13. Subject to 2% Net Profit Royalty with Lytton Nominees Pty Ltd and Moublon Pty Ltd.

DIRECTORS' REPORT (CONTINUED)

OPERATING RESULTS FOR THE YEAR

The consolidated operating profit of the Consolidated Entity after providing for income tax amounted to $5.00 million (2003: loss $2.21 million). The result included the following items of significance:

- revenue generated from four shipments of copper concentrate from the Reward Deeps and Conviction underground mine was $26.56 million;
- royalty income generated from the Freshwater and Redhill Projects for the year was $264,095; and
- expenditure associated with mining operations at the Reward Deeps and Conviction underground mine totalled $19.51 million for the year including mining, transportation, milling, depreciation, amortisation and administration.

REVIEW OF FINANCIAL CONDITION

Capital Structure

During the financial year the Company arranged a share placement to The Golden Arrow Fund II comprising of 4,285,715 fully paid ordinary shares at an issue price of $0.35 each with a one for one free attaching unlisted option (exercisable at 50 cents each on or before 28 November 2006), raising $1.50 million before expenses of the issue. The placement took place in two tranches and was approved by shareholders at the Company's annual general meeting held in November 2003.

In addition, 35,000 fully paid ordinary shares were issued at an issue price of $0.12 each during the financial year pursuant to the exercise of options issued under the Grange Resources Limited Directors' and Officers' Option Plan.

In July 2003 shareholders of the Company approved the terms of an on-market share buy-back authorising the Company to acquire up to a maximum of 6,675,522 of the fully paid ordinary shares on issue, representing 10% of the capital of the Company over a six month period commencing 1 August 2003. During the six month period, the Company acquired 1,366,677 fully paid ordinary shares for a total consideration of $446,187 exclusive of transaction costs.

The Company has a sound capital structure and as at the date of this report remains debt free.

Cash from operations

Net cash flows from operating activities increased from a deficit of $3.95 million in the previous period to a surplus of $11.82 million during the financial year. The increase was largely attributable to cash receipts derived during the financial year from four shipments of copper concentrate from the Reward Deeps and Conviction underground mine compared to one shipment in the previous financial year.

The Company expects cash flows from operating activities to decrease substantially due the cessation of mining activities at the Reward Deeps and Conviction Project during the current financial year.

Liquidity and funding

During the financial year the Company generated sufficient cash reserves to fund its operations. As a consequence, the Company remained debt free for the entire period. The Company has sufficient funds to finance its current operations. However, in the event the Company identifies new investment opportunities in the resources sector, there may be a requirement to seek additional funding by either offering equity or alternatively seeking debt or a combination thereof.

DIRECTORS' REPORT (CONTINUED)

Risk Management

The Board takes a proactive approach to risk management and is responsible for identifying areas of significant business risk and ensuring that management's objectives and activities are aligned with the expectations and risk management policies identified by the board.

The Board believes that it is crucial for all directors to be part of this process, and as such the Board has not established a separate risk management committee but instead delegated this task to the Audit and Compliance Committee of the Board. The following controls assist in achieving these objectives:

- Financial Reporting - An annual budget is approved by directors. Quarterly actual results are reported against budget and revised forecasts for the year are prepared regularly.
- Quality and Integrity of Personnel - All personnel are advised of the Company's policies and practices with performance appraisals taking place on an ongoing basis.
- Operational Reporting - Key areas identified and major activities are subject to regular reporting to the board.
- Continuous Disclosure - Continuous disclosure is a recurring agenda item at board meetings and is monitored and considered on an ongoing basis by the Audit & Compliance Committee.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Shareholders' equity increased $6.03 million or 54% during the financial year from $11.11 million to $17.14 million. Factors contributing to this increase included the following:

- the buy-back and cancellation of 1,366,677 fully paid ordinary shares for a total consideration of $446,187 exclusive of transaction costs ;
- the issue of 4,285,715 fully paid ordinary shares at an issue price of $0.35 each with a one for one free attaching unlisted option (exercisable at 50 cents each on or before 28 November 2006) raising $1.50 million before expenses of the issue;
- the issue of 35,000 fully paid ordinary shares issued at an issue price of $0.12 each during the financial year pursuant to the exercise of options; and
- the profit from ordinary activities after tax of $5.00 million.

SIGNIFICANT EVENTS AFTER BALANCE DATE

There have been no significant events that have occurred after the balance date.

The directors are not aware of any other matters or circumstances at the date of this report, other than those referred to in this report or the consolidated accounts that have significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the Consolidated Entity in subsequent financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The coming year should see the cessation of mining activities at the Reward Deeps and Conviction underground mine in January 2005.

The Company expects royalty payments from Barrick Gold to continue during the 2004/05 financial year from mining activities on the Freshwater leases.

The Company expects royalty payments from Placer Dome Asia Pacific to continue during the 2004/05 financial year from mining activities at the Red Hill project.

DIRECTORS' REPORT (CONTINUED)

The Company will continue to evaluate the potential of the Southdown Magnetite Project and pursue further growth opportunities in the resources sector with particular emphasis on iron ore, manganese and coal deposits located in South East Asia including Malaysia and Indonesia.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The mining and exploration tenements held by the Consolidated Entity contain environmental requirements and conditions that the entities must comply with in the course of normal operations. These conditions and regulations cover the management of the storage of hazardous materials and rehabilitation of mine sites. There have been no significant known breaches of the Consolidated Entity's environmental obligations.

SHARE OPTIONS

Unissued Shares

As at the date of this report unissued ordinary shares of the Company under option are:

Option Expiry Date	Exercise Price	Number of Fully Paid Shares
30 June 2007	$0.12	4,980,000
28 November 2006	$0.50	4,285,715
30 June 2007	$0.50	4,500,000

At the Balance Date there were 13,825,715 unissued ordinary shares under options. During the financial year 8,785,715 options were issued on the following basis:

- the issue of 4,285,715 unlisted options exercisable at 50 cents each on or before 28 November 2006 to The Golden Arrow Fund II in conjunction with a placement of 4,285,715 fully paid ordinary shares
- the issue of 4,500,000 unlisted options exercisable at 50 cents each on or before 30 June 2007 to directors of which 1,500,000 options were issued pursuant to the Grange Resources Limited Directors' and Officers' Option Plan and 3,000,000 issued following approval by shareholders.

Shares issued as a result of the exercise of options

During the financial year an employee exercised 35,000 options issued under the Grange Resources Limited Directors' and Officers' Option Plan and were converted to ordinary shares at an exercise price of $0.12 per share.

Since Balance Date two employees have exercised a further 60,000 options issued under the Grange Resources Limited Directors' and Officers' Option Plan and were converted to ordinary shares at an exercise price of $0.12 per share.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Consolidated Entity has paid premiums in respect of Directors' and Officers' Liability Insurance and Company Reimbursement policies, which cover all directors and officers of the Consolidated Entity. The policy conditions preclude the Consolidated Entity from any detailed disclosures.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the managing director, executive directors and senior executive team. The remuneration committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms, including cash and fringe benefits, such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Consolidated Entity.

To assist in achieving these objectives, the remuneration committee links the nature and amount of executive directors' and officers' emoluments to their individual performance and the Consolidated Entity's financial and operational performance. The criteria considered by the remuneration committee include those relating to profitability, cash flow, share price growth and individual performance.

The executive directors review the emoluments of non-executive directors and where appropriate, recommend changes for approval by shareholders.

Details of the nature and amount of each element of the emolument of each director of the Company and the most highly paid executive officer of the Company and of the Consolidated Entity paid or payable by the Consolidated Entity during the financial year are as follows.

Emoluments of Directors of the Company and of the Consolidated Entity

	Annual Emoluments		Long Term Emoluments			
Director	Base Fees $	Other $	Superann -uation $	Number of Options Issued	Equity Based $	Total $
A Bohnenn [1]	50,000	60,000	Nil	1,000,000	134,500	244,500
A Rankine - Wilson	261,538	Nil	23,538	2,000,000	269,000	554,076
A H Nutter	80,765	Nil	106,629	Nil	Nil	187,394
G L W Wedlock [2]	49,846	41,294	4,486	1,500,000	201,750	297,378
H R Moser	23,000	Nil	Nil	Nil	Nil	23,000

Notes:

1 Other includes fees of $60,000 paid to Hendygwyn Holding & Beheer b.v., of which Mr Bohnenn is a director and shareholder, under a marketing and public relations services agreement.

2 Other includes fees of $41,294 (GST inclusive) paid to Keypalm Pty Ltd, of which Mr Wedlock is a director and shareholder, under a consultancy agreement prior to his appointment as an executive director.

Options granted to directors and any of the five most highly paid executive officers

During the financial year shareholders of the Company approved the issue of 4,500,000 options to directors including Messrs Bohnenn, Rankine-Wilson and Wedlock. The 1,500,000 options issued to Mr Wedlock were issued pursuant to the Grange Resources Limited Directors' and Officers' Option Plan. The 3,000,000 options issued to Messrs Bohnenn and Rankine-Wilson were issued outside the Grange Resources Limited Directors' and Officers' Option Plan and were subject to shareholder approval. These options have been included in Directors' emoluments for this financial year. The options allow the holder to take up one ordinary share in the Company at an exercise price of $0.50. The options are unlisted and expire on 30 June 2007

DIRECTORS' REPORT (CONTINUED)

The value attributable to these options issued to directors ranged between $0.112 (11.2 cents) to $0.157 (15.7 cents) per option. This valuation was derived using the Black & Scholes valuation model which takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the option. The total financial benefit derived by directors as a consequence of the option issue ranged between $504,000 to $706,500. The value of the options issued to directors and included in Directors' emoluments above is based on the average value derived using the Black & Scholes valuation model.

Emoluments of the most highly paid Executive Officer of the Company and of the Consolidated Entity

	Annual Emoluments		Long Term Emoluments		
Executive Officer	Base Fees $	Other $	Superann-uation $	Equity Based $	Total $
A C Pismiris	108,553	Nil	32,308	Nil	140,861

The elements of emoluments have been determined on the basis of the cost to the Consolidated Entity during the financial year.

Executives of the Company are those directly accountable and responsible for the operational management and strategic direction of the Company and the Consolidated Entity.

The category 'Other' includes the value of any cash and or non-cash benefits provided including.

DIRECTORS' MEETINGS

The number of meetings of directors including meetings of committees of the Board held during the year and the number of meetings attended by each director were as follows:

Director	Directors Meetings	Meetings of Committees		
		Audit & Compliance	Remuneration	Seal
Number of Meetings held	4	2	2	7
Number of meetings attended				
A Bohnenn	4	2	2	nil
A Rankine - Wilson	4	n/a	n/a	5
A H Nutter	4	n/a	n/a	7
G L W Wedlock [1]	nil	n/a	n/a	nil
H R Moser [2]	nil	2	2	nil
A C Pismiris [3]	4	2	2	7

Notes:

1 Mr Wedlock did not attend the one directors meeting held following his appointment to the Board.
2 Mr Moser did not attend any of the directors meetings held during the financial year.
3 Mr Pismiris is the Company Secretary and is not a member of the Board.

DIRECTORS' REPORT (CONTINUED)

Other directors and members of management may attend meetings of the Audit and Compliance Committee at the invitation of the Chairman. The details of the functions and membership of the other committees of the Board are included in the Statement of Corporate Governance Practices.

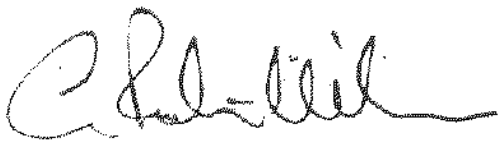
TAX CONSOLIDATION

Effective from 1 July 2002 for the purposes of income taxation, Grange and its 100% owned subsidiaries have formed a tax consolidated group. Members of the group have agreed to enter into a tax sharing arrangement in order to allocate income tax expense to the wholly subsidiaries on a pro rata basis. In addition the agreement provides for the allocation of income tax liabilities between the entities should the lead entity default on its tax payment obligations.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, during the financial period the directors of Grange Resources Limited support and have adhered to the principles of corporate governance. The Company's corporate governance statement is contained in the following section of this report.

This report is made out on the 30th day of September 2004 in accordance with a resolution of the directors.



ADAM RANKINE-WILSON
Managing Director

Dated this 30th day of September 2004

Perth, Western Australia

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Board of Directors of Grange Resources Limited is responsible for the corporate governance of the Company. The Board guides and monitors the business activities and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Corporate Governance Statement has been changed as a consequence of the introduction of the Australian Stock Exchange Corporate Governance Council's ("Council") "Principles of Good Corporate Governance and Best Practice Recommendations". In accordance with the recommendations of the Council, the Corporate Governance Statement must now contain certain specific information and must disclose the extent to which the Company has followed the guidelines during the period. Where a recommendation has not been followed, that fact must be disclosed, together with the reasons for the departure. Grange's Corporate Governance Statement is structured with reference to the Council's principles and recommendations. The following represents a summary of Grange's adherence to the Council's principles and recommendations:

Principle 1. Lay the foundations for management and oversight
Grange largely complies with the recommendations of the Council. The composition of the Board is currently made up of a majority of executive directors. Grange continues to actively pursue a strategy focused on acquiring mining projects that have the potential to provide an immediate cash flow. Whilst the Company seeks to identify new mining projects, Directors consider the current composition of Board to be appropriate.

Principle 2. Structure the board to add value
Grange complies with this recommendation.

Principle 3. Promote ethical and responsible decision making
Grange complies with this recommendation.

Principle 4. Safeguard integrity in financial reporting
Grange complies with this recommendation.

Principle 5. Make timely and balanced disclosure
Grange complies with this recommendation.

Principle 6. Respect the rights of shareholders
Grange complies with this recommendation.

Principle 7. Recognise and manage risk
Grange complies with this recommendation.

Principle 8. Encourage enhanced performance
Grange complies with this recommendation.

Principle 9. Remunerate fairly and responsibly
Grange complies with this recommendation except for the grant of Director Options to a non-executive director implemented prior to the introduction of the Council's principles and recommendations. The grant of these options was approved at the annual general meeting held in November 2003. The objective of granting Director Options is to ensure maximum stakeholder benefit is achieved from the retention of a high quality board and to provide incentive to the directors of the Company to identify new commercial opportunities for the Company.

Principle 10. Recognise the legitimate interests of stakeholders
Grange complies with this recommendation.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES (CONTINUED)

The Grange Corporate Governance Policies and Procedures were in place for the entire reporting period and were largely consistent with the Councils best practice recommendations. The process to achieve consistency with the Council's recommendations will be gradual. Where the Company's corporate governance practices do not correlate with the practices recommended by the Council, the Company does not consider that the practices are appropriate for the Company due to the scale and nature of the Company's operations.

To illustrate where the Company has addressed each of the Council's recommendations, the following table cross-references each recommendation with sections of this report. The table does not provide the full text of each recommendation but rather the topic covered.

Recommendation	Section
Recommendation 1.1 Functions of the Board and Management	1.1
Recommendation 2.1 Independent Directors	1.2
Recommendation 2.2 Independent Chairman	1.2
Recommendation 2.3 Role of the Chairman and CEO	Not Applicable
Recommendation 2.4 Establishment of Nomination Committee	2.3
Recommendation 2.5 Reporting on Principle 2	1.2, 1.4.6, 2.3 and the Directors' Report
Recommendation 3.1 Directors' and Key Executives' Code of Conduct	1.1
Recommendation 3.2 Company Securities Trading Policy	1.4.9
Recommendation 3.3 Reporting on Principle 3	1.1 and 1.4.9
Recommendation 4.1 Attestations by Company Secretary	1.4.11
Recommendation 4.2 Establishment of Audit Committee	2.1
Recommendation 4.3 Structure of Audit Committee	2.1
Recommendation 4.4 Audit Committee Charter	2.1
Recommendation 4.5 Reporting on Principle 4	2.1
Recommendation 5.1 Policy for Compliance with Continuous Disclosure	1.4.4
Recommendation 5.2 Reporting on Principle 5	1.4.4
Recommendation 6.1 Communications Strategy	1.4.8 and 4
Recommendation 6.2 Attendance of Auditor at General Meetings	1.4.8 and 4
Recommendation 7.1 Policies on Risk Oversight and Management	2.1
Recommendation 7.2 Attestations by Company Secretary	1.4.11
Recommendation 7.3 Reporting on Principle 7	2.1
Recommendation 8.1 Evaluation of Board, Directors and Key Executives	1.4.10
Recommendation 9.1 Remuneration Policies	2.2
Recommendation 9.2 Establishment of Remuneration Committee	2.2
Recommendation 9.3 Executive and Non-Executive Director Remuneration	2.2
Recommendation 9.4 Equity-Based Executive Remuneration	2.2
Recommendation 9.5 Reporting on Principle 9	2.2
Recommendation 10.1 Company Code of Conduct	3

STATEMENT OF CORPORATE GOVERNANCE PRACTICES (CONTINUED)

1. Board of Directors

1.1 Role of the Board

The Board's current role is to collectively govern and manage the Company. The Directors must act in the best interests of the Company as a whole. It is the role of the Board to govern and manage the Company in accordance with the stated objectives of the Company.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

To assist the Board carry out its functions, it has developed a Code of Conduct to guide the Directors in the performance of their roles.

1.2 Composition of the Board

To add value to the Company, the Board has been formed so that it has effective composition, size and commitment to adequately discharge it responsibilities and duties. The names of the Directors and their qualifications and experience are stated on page one of the Director's Report. Directors are appointed based on their experience and on the independence of their decision-making and judgment.

The Company's Constitution provides for the appointment of a minimum number of directors as three and up to a maximum of eight. Currently the Company has five directors comprising two executive directors. The Constitution does not require a shareholding qualification for directors.

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. Messrs A Bohnenn and H R Moser are Non-Executive Directors. In addition to being Non-Executive Mr Moser also meets the following criteria for independence adopted by the Company.

An Independent Director:

(i) is a Non-Executive Director and:

(ii) is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;

(iii) within the last three years has not been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;

(iv) within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;

(v) is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;

(vi) has no material contractual relationship with the Company or other group member other than as a Director of the Company;

(vii) has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and

(viii) is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES (CONTINUED)

Mr Bohnenn, the Non-executive Chairman of the Company does not meet the Company's criteria for independence as a consequence of his substantial shareholding in Grange and the marketing and public relations services agreement Grange has with Hendygwyn Holding & Beheer b.v.. However, Mr Bohnenn's experience and background makes his contribution to the Board such that it is appropriate for him to retain his position.

1.3 Responsibilities of the Board

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following.

(i) Leadership of the Organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board, management and employees.

(ii) Strategy Formulation: working to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.

(iii) Overseeing Planning Activities: overseeing the development of the Company's strategic plan and approving that plan as well as the annual and long-term budgets.

(iv) Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.

(v) Monitoring, Compliance and Risk Management: overseeing the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.

(vi) Company Finances: approving expenses in excess of those approved in the annual budget and approving and monitoring acquisitions, divestitures and financial and other reporting.

(vii) Human Resources: appointing, and, where appropriate, removing executives as well as reviewing the performance of executives and monitoring the performance of senior management in their implementation of the Company's strategy.

(viii) Ensuring the Health, Safety and Well-Being of Employees: in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.

(ix) Delegation of Authority: where appropriate delegating appropriate powers to the Company's executives to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of any Committees of the Board.

1.4 Board Policies

1.4.1 Conflicts of Interest

Directors must disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company and if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES (CONTINUED)

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the Corporations Act, absent himself or herself from the room when discussion and/or voting occurs on matters about which the conflict relates.

1.4.2 Commitments

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

1.4.3 Confidentiality

In accordance with legal requirements and agreed ethical standards, Directors and key executives of the Company have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

1.4.4 Continuous Disclosure

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the ASX Listing Rules, the Company immediately notifies the ASX of information:

- concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

Upon confirmation of receipt from the ASX, the Company posts all information disclosed in accordance with this policy on the Company's website in an area accessible by the public.

1.4.5 Education and Induction

New Directors undergo an induction process in which they are given a full briefing on the Company. Information conveyed to new Directors includes:

- details of the roles and responsibilities of a Director with an outline of the qualities required to be a successful Director;
- formal policies on Director appointment as well as conduct and contribution expectations;
- details of all relevant legal requirements;
- a copy of the Board Charter;
- guidelines on how the Board processes function;
- details of past, recent and likely future developments relating to the Board including anticipated regulatory changes;
- background information on and contact information for key people in the organisation including an outline of their roles and capabilities;
- an analysis of the Company;
- a synopsis of the current strategic direction of the Company including a copy of the current strategic plan and annual budget; and
- a copy of the Constitution of the Company.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES (CONTINUED)

1.4.6 Independent Professional Advice

The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to specified limits, to assist them to carry out their responsibilities.

1.4.7 Related Party Transactions

Related party transactions include any financial transaction between a Director and the Company and will be reported in writing to each Board meeting. Unless there is an exemption under the Corporations Act from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

1.4.8 Shareholder Communication

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

(i) communicating effectively with shareholders through releases to the market via ASX, the Company's website, information mailed to shareholders and the general meetings of the Company;

(ii) giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;

(iii) making it easy for shareholders to participate in general meetings of the Company; and

(iv) requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company also makes available a telephone number and for shareholders to make enquiries of the Company.

1.4.9 Trading in Company Shares

The Company has a Share Trading Policy under which Directors are required to discuss their intention to trade in the Company's securities with the Chairman prior to trading. Consideration will be given in these discussions to any special circumstances (eg financial hardship).

Directors must not trade in the shares of any other entity if inside information on such entity comes to the attention of the director by virtue of holding office as a director of the Company.

The following guidelines are to be observed by Directors and employees of Grange:

- Securities may be purchased or sold immediately following the release of Grange's, half-yearly and final results ("results announcements") (subject to observing the additional approval requirements set out below).
- Securities should not be purchased or sold during the two week period preceding any results announcements.
- Securities should not be purchased or sold preceding any material ASX announcement by Grange, if the employee is aware that it is likely that such an announcement will be made.
- Securities should not be purchased or sold for the purpose of short term speculation.
- Securities may be purchased or sold at other times (subject to additional disclosure requirements established by the Board).

STATEMENT OF CORPORATE GOVERNANCE PRACTICES (CONTINUED)

In addition, consistent with the law, designated officers are prohibited from trading in the Company's securities while in the possession of unpublished price sensitive information concerning the Company. Unpublished price sensitive information is information regarding the Company of which the market is not aware and that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

Notice of an intention to trade must be given prior to trading in the Company's securities as well as a confirmation that the person is not in possession of any unpublished price sensitive information. The completion of any such trade by a Director must also be notified to the Company Secretary who in turn advises the ASX.

1.4.10 Performance Review/Evaluation

The Board intends to conduct an evaluation of its performance periodically. There was no evaluation conducted during the financial year.

1.4.11 Attestations by Company Secretary

In accordance with the Board's policy, the Company Secretary is required to make the attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing this Annual Report.

2. Board Committees

The Board currently has three committees which have been established to consider particular issues and strategies in order to advise and guide the Board. Committees are also established as the need arises. Details of board committees that operated throughout the year follow.

2.1 Audit & Compliance Committee

The audit and compliance committee was in place for the entire reporting period and operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the Company to deal with the effectiveness and efficiency of business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information. The Board has delegated the responsibility for the establishment and maintenance of the internal control framework and ethical standards to the audit and compliance committee. The committee's responsibilities include the following:

- oversee and appraise the independence, quality and extent of the total audit effort;
- perform an independent overview of the financial information prepared by Company management for shareholders and prospective shareholders;
- evaluate the adequacy and effectiveness of the Company 's and the Group 's risk management and financial control, and other internal control systems and evaluate the operation thereof; and
- review and endorse the annual and half year attestation statements in accordance with regulatory requirements.
- the appointment of external auditors.
- review and implement risk management and internal control structures appropriate to the needs of Grange.
- monitor compliance issues applicable laws and regulations, particularly compliance with the Stock Exchange Listing Rules;
- review all public releases to the ASX of material consequence, prior to release to the market; and
- review of Corporate Governance Practices.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES (CONTINUED)

The members of the Audit and Compliance Committee throughout the reporting period were Mr A Bohnenn, Mr H R Moser and Mr A C Pismiris. The Audit and Compliance Committee held two meetings throughout the year and details of attendance of the members are contained in the following table:

Committee Member	September 2003	February 2004
Mr A Bohnenn	✓	✓
Ms H R Moser	✓	✓
Mr A C Pismiris	✓	✓

The qualifications of audit and compliance committee members are as follows:

A Bohnenn has more than 25 years experience as Managing Director in the investment banking and financial services industries, with an emphasis in research and funds management. Mr Bohnenn is based in the Netherlands and his main focus has been identifying investment opportunities in Australia, China and Asia.

H R Moser is based in Switzerland with more than 20 years experience in the Swiss banking industry. He has a Bachelor of Commerce from the University of Basel in Switzerland and is a Director of a number of Australian publicly listed companies in the resource and technology sectors. Mr Moser manages a large European investment fund and has been an active investor in Australian companies for many years.

A C Pismiris B.Comm, ICSA. Has significant experience in the management and administration of Investment Company Of The West Limited since his appointment as a director and company secretary in October 2002. He is also a director and company secretary of a number of public companies where as part of his role, he serves as Financial Controller. Mr Pismiris is an Associate of the Chartered Secretaries & Administrators. He is chairman of the audit and compliance committee.

2.2 Remuneration Committee

The Remuneration Committee was in place for the entire reporting period. It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality board by remunerating directors and executives fairly and appropriately with reference to relevant market conditions. To assist in achieving this objective, the Board attempts to link the nature and amount of executives' emoluments to the Company's performance. The outcome of the remuneration structure is:

- the retention and motivation of key executives;
- attraction of quality personnel with appropriate expertise; and
- performance incentives that allow executives to share the rewards of the success of Grange.

2.2.1 Role

The role of the Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for executives.

2.2.2 Composition

The members of the Remuneration Committee throughout the reporting period were Mr A Bohnenn, Mr H R Moser and Mr A C Pismiris. The Remuneration Committee held two meetings throughout the year and details of attendance of the members are contained in the following table:

STATEMENT OF CORPORATE GOVERNANCE PRACTICES (CONTINUED)

Committee Member	August 2003	February 2004
Mr A Bohnenn	✓	✓
Ms H R Moser	✓	✓
Mr A C Pismiris	✓	✓

2.2.3 Responsibilities

The responsibilities of the Remuneration Committee include setting policies for executives' remuneration, setting the terms and conditions of employment for the Managing Director, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both Executive and Non-Executive Directors and making recommendations to the Board on any proposed changes and undertaking an annual review of the Managing Director's performance, including, setting with the Company's Executives, goals for the coming year and reviewing progress in achieving those goals.

2.2.4 Remuneration Policy

The Company is committed to remunerating its senior executives in a manner that is market competitive and consistent with best practice as well as supporting the interests of shareholders. Consequently, under the Company's Remuneration Policy the remuneration of senior executives may be comprised of the following:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- a performance bonus designed to reward actual achievement by the individual of performance objectives and for materially improved Company performance;
- participation in the Grange Resources Limited Directors' and Officers' Option Plan with thresholds approved by shareholders;
- statutory superannuation.

By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration the Company aims to align the interests of senior executives with those of shareholders and increase Company performance. The following table details the amount of remuneration, including both monetary and non-monetary components, for each of the five highest-paid executives including Directors of the Company during the year (discounting accumulated entitlements).

	Salary & Fees $	Cash Bonus $	Non Cash Benefit $	Super'n $	Retire-ment Benefit $	Value of Shares and Options $	Fees $
Senior Executives							
A Rankine-Wilson	261,538	Nil	Nil	23,538	Nil	269,000	Nil
A H Nutter	80,765	Nil	Nil	106,629	Nil	Nil	Nil
G L W Wedlock	49,846	Nil	Nil	4,486	Nil	201,750	41,294
A C Pismiris	108,553	Nil	Nil	32,308	Nil	Nil	Nil

The value of shares and options granted to senior executives has been calculated using the Black & Scholes valuation model which takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the option.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES (CONTINUED)

The objective behind using this remuneration structure is to drive improved Company performance and thereby increase shareholder value as well as aligning the interests of executives and shareholders.

The Board may use its discretion with respect to the payment of bonuses, share options and other incentive payments. This discretion is exercised on the following basis:

Non-Executive Directors are paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance based bonuses and do not participate in equity schemes of the Company.

Non-Executive Directors are entitled to statutory superannuation.

2.2.5 Current Director Remuneration

The aggregate amount of remuneration paid to Non-Executive Directors was approved by shareholders on 4 November 1999 and is currently $150,000 annually. The following table details the remuneration received by all of the Company's Directors.

	Salary & Fees $	Cash Bonus $	Non Cash Benefit $	Super'n $	Retire-ment Benefit $	Value of Shares and Options $	Fees $
Non-Executive Directors							
A Bohnenn	50,000	Nil	Nil	Nil	Nil	134,500	60,000
H R Moser	23,000	Nil	Nil	Nil	Nil	Nil	Nil

For further information in relation to the remuneration of Directors, refer to the Directors' Report.

There is no scheme to provide retirement benefits, other than statutory superannuation, to directors.

For further information in relation to the remuneration of Directors, refer to the Directors' Report.

2.3 Seal Committee

Any two directors and the Company Secretary of the Company can participate on this committee. The committee has the responsibility of approving the application of the Company seal to documents that legally bind the Company.

2.4 Nomination Committee

The Directors have elected not to appoint a Nomination Committee due to the scale and nature of the Company's activities.

Subject to the provision of the Company's Constitution, the issues of board composition and selection criteria for directors are dealt with by the full board. The board continues to have the mix of skills and experience necessary for the conduct of the Company's activities.

The Constitution provides for events whereby directors may be removed from the board. Similarly shareholders have the ability to nominate, appoint and remove directors.

In addition, the Constitution provides for the regular rotation of directors which ensures that directors seek re-election by shareholders at least once every three years.

Given these existing regulatory requirements, directors are not appointed for a specified term and directors' continuity of service is in the hands of shareholders.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES (CONTINUED)

3. Company Code Of Conduct

As part of its commitment to recognising the legitimate interests of stakeholders, the Company has established a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders. These stakeholders include employees, clients, customers, government authorities, creditors and the community as whole. This Code includes the following.

Responsibilities to Shareholders and the Financial Community Generally

The Company complies with the spirit as well as the letter of all laws and regulations that govern shareholders' rights. The Company has processes in place designed to ensure the truthful and factual presentation of the Company's financial position and prepares and maintains its accounts fairly and accurately in accordance with the generally accepted accounting and financial reporting standards.

Responsibilities to Clients, Customers and Consumers

Each employee has an obligation to use their best efforts to deal in a fair and responsible manner with each of the Company's clients, customers and consumers. The Company for its part is committed to providing clients, customers and consumers with fair value.

Employment Practices

The Company endeavours to provide a safe workplace in which there is equal opportunity for all employees at all levels of the Company. The Company does not tolerate the offering or acceptance of bribes or the misuse of Company assets or resources.

Obligations Relative to Fair Trading and Dealing

The Company aims to conduct its business fairly and to compete ethically and in accordance with relevant competition laws. The Company strives to deal fairly with the Company's customers, suppliers, competitors and other employees and encourages it employees to strive to do the same.

Responsibilities to the Community

As part of the community the Company is committed to conducting its business in accordance with applicable environmental laws and regulations and encourages all employees to have regard for the environment when carrying out their jobs.

Responsibility to the Individual

The Company is committed to keeping private information collected during the course of its activities, confidential and protected from uses other than those for which it was provided.

Conflicts of Interest

Employees and Directors must avoid conflicts as well as the appearance of conflicts between personal interests and the interests of the Company.

How the Company Complies with Legislation Affecting its Operations

Within Australia, the Company strives to comply with the spirit and the letter of all legislation affecting its operations. Outside Australia, the Company will abide by local laws in all countries in which it operates. Where those laws are not as stringent as the Company's operating policies, particularly in relation to the environment, workplace practices, intellectual property and the giving of "gifts", Company policy will prevail.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES (CONTINUED)

How the Company Monitors and Ensures Compliance with its Code

The Board, management and all employees of the Company are committed to implementing this Code of Conduct and each individual is accountable for such compliance. Disciplinary measures may be imposed for violating the Code.

4. Role of Shareholders

The Board aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders as follows:

- The Annual Financial Report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document). The Board ensures that the annual report includes relevant information about the operations of the Company during the financial year, changes in the state of affairs of the Company and details of future developments, in addition to other disclosures required by the Corporations Act 2001;
- Release of a Half-Yearly Report to the Australian Stock Exchange Limited;
- Release of Quarterly Activites and Cashflow Reports to the Australian Stock Exchange Limited; and
- Proposed major changes in the economic entity which may impact on share ownership rights are submitted to a vote of shareholders.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals.

Shareholders are responsible for voting on appointment of directors, appointment of auditors, level of remuneration of Non-Executive Directors and any matters of special business.

The Board currently has three committees which have been established to consider particular issues and strategies in order to advise and guide the Board. Committees are also established as the need arises. Details of board committees that operated throughout the year are provided earlier in this report.

GRANGE RESOURCES LIMITED
ABN 80 009 132 405
ANNUAL REPORT 2004

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2004

	Note	Consolidated 2004 $	Consolidated 2003 $	Grange Resources Limited 2004 $	Grange Resources Limited 2003 $
Sales revenue	2	26,822,347	6,438,801	90,307	-
Cost of sales	3(a)	(19,896,426)	(7,333,640)	(90,307)	-
Net profit/(loss) from mining activities		6,925,921	(894,839)	-	-
Other revenue from ordinary activities	2	509,036	436,235	55,065	83,337
Administration costs	3(c)	(2,085,986)	(1,652,042)	(2,078,460)	(1,655,868)
Borrowing costs	3(d)	(32,970)	(27,825)	(20,959)	-
Other expenses from ordinary activities	3(e)	(277,152)	(70,231)	(254,442)	(49,537)
Profit/(Loss) from ordinary activities before income tax		**5,038,849**	**(2,208,702)**	**(2,298,796)**	**(1,622,068)**
Income tax expenses relating to ordinary activities	4	(34,465)	-	-	-
Profit/(Loss) from ordinary activities after income tax expense		**5,004,384**	**(2,208,702)**	**(2,298,796)**	**(1,622,068)**
Net profit/(loss) attributable to members of Grange Resources Ltd		**5,004,384**	**(2,208,702)**	**(2,298,796)**	**(1,622,068)**
Share issue costs		(30,000)	-	(30,000)	-
Total revenue/expenses & valuation adjustments attributable to members of Grange Resources Ltd and recognised directly in equity		**(30,000)**	**-**	**(30,000)**	**-**
Total changes in equity other than those resulting from transactions with owners as owners		**$4,974,384**	**$(2,208,702)**	**$(2,328,796)**	**$(1,622,068)**
Basic earnings per share (cents per share)	25	7.3	(3.02)		
Diluted earnings per share (cents per share)	25	6.9	(3.02)		

GRANGE RESOURCES LIMITED
ABN 80 009 132 405
ANNUAL REPORT 2004

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2004

	Notes	Consolidated 2004 $	Consolidated 2003 $	Grange Resources Limited 2004 $	Grange Resources Limited 2003 $
Current Assets					
Cash	20(a)	16,231,815	3,771,497	249,244	168,535
Receivables	5	232,139	3,279,660	163,589	347,033
Inventories	7	272,980	3,044,770	-	-
Other	12	53,205	42,312	53,205	42,312
Total Current Assets		**16,790,139**	**10,138,239**	**466,038**	**557,880**
Non-Current Assets					
Receivables	6	309,488	309,488	1,082,261	1,047,896
Investments	8	746,855	-	5,327,998	4,581,143
Property, plant and equipment	11	260,568	280,325	4,753	-
Other	12	1,702,452	1,614,988	-	-
Deferred exploration, evaluation and development costs	13	1,474,179	4,117,198	487,717	558,294
Total Non-Current Assets		**4,493,542**	**6,321,999**	**6,902,729**	**6,187,333**
Total Assets		**21,283,681**	**16,460,238**	**7,368,767**	**6,745,213**
Current Liabilities					
Accounts payable	14	1,674,192	2,980,635	131,555	52,556
Provisions	16	536,675	616,354	63,541	54,121
Tax Liabilities	4	34,365	-	34,365	-
Total Current Liabilities		**2,245,232**	**3,596,989**	**229,461**	**106,677**
Non-Current Liabilities					
Payables	15	400,000	-	16,989,960	15,218,407
Provisions	17	1,500,287	1,757,484	584,603	584,603
Total Non-Current Liabilities		**1,900,287**	**1,757,484**	**17,574,563**	**15,803,010**
Total Liabilities		**4,145,519**	**5,354,473**	**17,804,024**	**15,909,687**
Net Assets		**$17,138,162**	**$11,105,765**	**(10,435,257)**	**$(9,164,474)**
Equity					
Contributed Equity	18	31,299,421	30,271,408	31,299,421	30,271,408
Reserves	19	5,874,348	5,874,348	4,752,143	4,752,143
Accumulated losses	19	(20,035,607)	(25,039,991)	(46,486,821)	(44,188,025)
Total Equity/(Shareholders' Deficit)		**$17,138,162**	**$11,105,765**	**$(10,435,257)**	**$(9,164,474)**

STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2004

	Notes	Consolidated 2004	Consolidated 2003	Grange Resources Limited 2004	Grange Resources Limited 2003
Cashflows from Operating Activities		$	$	$	$
Receipts from product sales		27,382,720	6,391,568	-	-
Other income		176,662	57,042	-	53,174
Payments to suppliers and employees		(16,047,439)	(10,747,723)	(2,046,807)	(1,610,116)
Interest received		332,373	381,690	20,246	28,792
Borrowing costs		(32,970)	(27,825)	(20,959)	-
Net cash provided by/(used in) operating activities	20(b)	11,811,346	(3,945,248)	(2,047,520)	(1,528,150)
Cashflows from Investing Activities					
Payment for exploration, evaluation & development work		(39,441)	(725,150)	(19,731)	(42,128)
Payment for tenements		(246,855)	-	(246,855)	-
Payments for property, plant and equipment		(5,281)	(39,522)	(4,752)	(4,897)
Refund of security deposit		-	116,511	-	66,746
Payment of security deposit		(87,464)	(1,614,988)	-	-
Advances to related entities		-	(198,826)	-	(198,826)
Net cash (used in) investing activities		(379,041)	(2,461,975)	(271,338)	(179,105)
Cashflows from Financing Activities					
Proceeds from borrowings from controlled entities within wholly owned group		-	-	1,371,554	3,834,268
Payment of share issue expenses		(30,000)	-	(30,000)	-
Proceeds from issue of fully paid shares		1,504,200	60,000	1,504,200	60,000
Payments for shares bought back		(446,187)	(2,238,716)	(446,187)	(2,236,049)
Net cash provided by/(used in) financing activities		1,028,013	(2,178,716)	2,399,567	1,658,219
Net increase/(decrease) in cash held		12,460,318	(8,585,939)	80,709	(49,036)
Cash at the beginning of the financial year		3,771,497	12,357,436	168,535	217,571
Cash at the end of the financial year	20(a)	16,231,815	3,771,497	249,244	168,535

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The following is a summary of the significant accounting policies adopted by the Consolidated Entity in the preparation of the accounts. Unless otherwise disclosed, the financial statements have been prepared in accordance with the historical cost convention.

(a) Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous year.

(b) Principles of Consolidation

The accounts of the Consolidated Entity comprise the accounts of Grange Resources Limited and all of its controlled entities. Control exists where Grange Resources Limited has the capacity to dominate the decision making relative to the financial and operating policies of another entity so that the other entity operates with Grange Resources Limited to achieve the objectives of Grange Resources Limited.

On acquisition of a controlled entity, the difference between the purchase consideration plus incidental expenses and the fair values of identifiable net assets acquired is initially brought to account as goodwill or discount on acquisition. Discount on acquisition is then eliminated by reducing proportionately the fair value of the non-monetary assets acquired. Purchased goodwill is amortised over a period of three years, being the period during which the benefits are expected to arise. The unamortised balance of goodwill is reviewed at each balance date and charged to profit and loss to the extent that applicable future benefits are no longer probable.

A list of controlled entities is contained in note 9 to the accounts. All inter-company balances and transactions between entities in the Consolidated Entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where controlled entities have entered or left the Consolidated Entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

(c) Recoverable Amount of Non-Current Assets

The carrying amounts of all non-current assets are reviewed at least annually to determine whether they exceed their recoverable amount.

The recoverable amounts of all non-current assets have been assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

(d) Property, Plant and Equipment

Property, plant and equipment are brought to account at cost less, where applicable, any accumulated depreciation or amortisation. The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets.

Property, plant and equipment are depreciated to their residual value at rates based upon the life of the individual asset or the life of the mine, whichever is considered shorter. Both the straight line and diminishing value methods are used and assets are depreciated over a 1 to 6 year period (2003: 1 to 6 years).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Mineral Exploration and Evaluation Expenditure

Mining tenements and capitalised exploration expenditure (including acquisition costs) are stated at cost, less, where applicable, any accumulated amortisation. The carrying amount of deferred mineral exploration and evaluation expenditure is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets.

Costs arising from the acquisition, exploration and evaluation relating to an area of interest are carried forward provided that rights to tenure of the area of interest are current and provided further that at least one of the following conditions is met:

(i) such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or
(ii) exploration and evaluation activities in the area of interest have not at balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Ultimate recoupment of these costs is dependent on the successful development and commercial exploitation or sale, of the respective areas of interest.

(f) Development Properties

Development expenditure incurred by, or on behalf of, the entity is accumulated separately for each area of interest in which economically recoverable reserves have been identified to the satisfaction of the directors.

Once a development decision has been taken, all past and future exploration and evaluation expenditure in respect of the area of interest is aggregated with the costs of development and classified under non-current assets as "Development Properties".

All expenditure incurred prior to the commencement of commercial levels of production from each development property is carried forward to the extent to which recoupment out of revenue to be derived from the sale of production from the relevant development property, or from the sale of that property, is reasonably assured.

No amortisation is provided in respect of development properties until they are reclassified as "Production Properties" following a decision to commence mining.

(g) Production Properties

Production properties represent the accumulation of all exploration, evaluation and development expenditure incurred by, or on behalf of, the entity in relation to areas of interest in which mining of a mineral resource has commenced.

Where further development expenditure is incurred in respect of a production property after the commencement of production, such expenditure is carried forward as part of the cost of that production property only when substantial future economic benefits are thereby established, otherwise such expenditure is classified as part of the cost of production.

Costs on production properties in which the Consolidated Entity has an interest are amortised over the life of the area of interest to which such costs relate on the production output basis.

The net carrying value of each production property is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Restoration, Rehabilitation and Environmental Costs

Restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are accrued at the time of those activities and treated as exploration and evaluation expenditure.

Restoration, rehabilitation and environmental costs arising annually from development and production are expensed during the production phase of operations as part of the cost of production. Rehabilitation costs in relation to the Horseshoe Mine were provided for at the time of placing the mine on care and maintenance and are reviewed and, where necessary, adjusted on an annual basis.

Restoration, rehabilitation and environmental obligations recognised include the costs of rehabilitation, plant and waste site closure and subsequent monitoring of the environment.

Costs are estimated on the basis of current undiscounted costs, current legal requirements and current technology.

Estimates of future costs are reassessed at least annually. Changes in estimates relating to areas of interest in the exploration and evaluation phase are dealt with retrospectively, with any amounts that would have been written off or provided against under the accounting policy for exploration and evaluation immediately written off. Changes in estimates of costs relating to producing areas are dealt with prospectively over the remaining mine life.

(i) Investments

Current investments are carried at the lower of cost and net market value except where they have been disposed of subsequent to year end where they are carried at the lower of cost and the net value realised from their sale.

All other non-current investments are carried at the lower of cost and recoverable amount.

(j) 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.

Revenue received from the sale of product, materials or services during the exploration, evaluation, expenditure or development phases of operations is offset against expenditure in respect of the area of interest/mineral resource concerned.

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

(k) Foreign Currencies

Transactions in foreign currencies are converted into Australian dollars at their actual conversion rates or at rates at which they are expected to be delivered into foreign exchange hedging contracts.

Foreign currency amounts receivable and payable at Balance Date have been converted into Australian dollars at their actual rates of conversion subsequent to year end or at rates at which they are expected to be delivered into foreign exchange contracts.

Specific Hedges

Where a purchase or sale is specifically hedged, exchange gains or losses on the hedging transaction arising up to the date of purchase or sale and costs, premiums and discounts relative to the hedging transaction are deferred and included in the measurement of the purchase or sale. Exchange gains and losses arising on the hedge transaction after that date are taken to the net profit.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) 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. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

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.

The value of the employee option plan described in note 22 is not being charged as an employee entitlement expense.

(m) Inventories

Inventories comprise broken ore, work in progress and concentrate 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.

(n) Cash

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.

(o) Interests in Joint Venture Operations

The Consolidated Entity's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the statement of financial position and statement of financial performance. Details of the Consolidated Entity's interests are shown in note 10.

Where part of a joint venture interest is farmed out in consideration of the farm-in party undertaking to incur further expenditure on behalf of both the farm-in party and the entity in the joint venture area of interest, exploration expenditure incurred and carried forward prior to farm out continues to be carried forward without adjustment, unless under the terms of the farm out it is considered excessive based on the diluted interest retained. A provision is then made to reduce exploration expenditure to its recoverable amount. Any cash received in consideration for farming out part of a joint venture interest is treated as a reduction in the carrying value of the related mineral property.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Trade and Other Debtors

Trade and other debtors 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.

Receivables from controlled entities are carried at the principal amount. Interest, when charged, is recognised as income on an accruals basis.

(q) Trade and Other Creditors

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Amounts payable to controlled entities are carried at the principal amount. Interest when charged by the lender, is recognised as an expense on an accruals basis.

(r) Borrowings

Loans are carried at their principal amounts. Interest is charged as an expense as it accrues.

Finance lease liability is determined in accordance with the requirements of AASB 1008.

(s) Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs include:
- interest on bank overdrafts and short-term and long-term borrowings;
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings; and
- finance charges on leased assets.

(t) Leases

Leases are classified as either operating or finance leases based on the economic substance of their agreement so as to reflect the risks and benefits incidental to ownership.

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

Leases that effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the group are capitalised at the present value of the minimum lease payments and disclosed as property plant and equipment or computer equipment under lease. A lease liability of equal value is also recognised.

(u) Currency and Commodity Hedging

Hedging is undertaken in order to avoid or minimise possible adverse financial or cashflow effects of movements in commodity prices and exchange rates. Premiums received or costs arising upon entering into forward sale, option and other derivative contracts intended to hedge specific future production, together with subsequent realised and unrealised gains or losses, are deferred until the hedged production is delivered.

In those circumstances where a hedging transaction is terminated prior to maturity because the hedged production is no longer expected to be produced, any previously deferred gains and losses are recognised in the statement of financial performance account on the date of termination.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Earnings per Share ("EPS")

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:
- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effects of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses;
- other non-discretionary changes in revenue or expenses during the period that would result from the dilution of potential ordinary shares; and
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(w) Contributed Equity

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.

(x) Taxes

Income Taxes

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Goods and Services Tax (GST)

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 Statement of Financial Position.

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.

(y) Comparative Figures

Where necessary, comparative figures have been reclassified and repositioned for consistency with current year disclosures.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 2. REVENUE FROM ORDINARY ACTIVITIES

	Notes	Consolidated		Grange Resources Limited	
		2004	2003	2004	2003
		$	$	$	$
Revenues from operating activities					
Revenue from sale of Copper		26,558,252	6,087,781	-	-
Revenue from Royalties		264,095	351,020	90,307	-
Total revenues from operating activities		26,822,347	6,438,801	90,307	-
Revenue received from non-operating activities					
Interest received from other persons/corporations		332,374	381,690	49,887	28,792
Sundry income		176,662	54,545	5,178	54,545
Total revenues from non-operating activities		509,036	436,235	55,065	83,337
Total revenue from ordinary activities		27,331,383	6,875,036	145,372	83,337

NOTE 3. EXPENSES AND LOSSES/(GAINS)

	Notes	Consolidated		Grange Resources Limited	
		2004	2003	2004	2003
		$	$	$	$
(a) Cost of sales					
Mining costs		7,352,139	2,476,092	-	-
Selling costs		3,471,724	791,463	-	-
Mine administration		1,645,667	360,378	-	-
Environmental costs		64,791	83,798	-	-
Ore transportation costs		1,477,562	699,128	-	-
Milling costs		3,176,617	1,861,828	-	-
Amortisation and depreciation		2,707,926	1,060,952	90,307	-
Total cost of sales		19,896,426	7,333,640	90,307	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3. EXPENSES AND LOSSES/(GAINS) (CONTINUED)

	Notes	Consolidated		Grange Resources Limited	
		2004 $	2003 $	2004 $	2003 $
(b) Amortisation and depreciation expenses					
Amortisation and depreciation of mining assets					
- Amortisation of deferred exploration, evaluation and development costs		2,682,460	1,053,546	90,307	-
- Depreciation of plant and equipment		25,466	7,406	-	-
Total amortisation and depreciation of mining assets		2,707,926	1,060,952	90,307	-
Depreciation of non-current assets					
- Office furniture and equipment		-	-	-	39,295
Total depreciation of non-current assets		-	-	-	39,295
Total amortisation and depreciation expenses		2,707,926	1,060,952	90,307	39,295
(c) Administration costs					
Payroll cost		1,058,139	779,491	1,058,139	779,491
Rent and outgoings		108,630	83,471	108,630	83,471
Audit		31,800	36,000	31,800	36,000
Legal		126,097	85,231	126,097	85,231
Travel		202,868	130,072	202,868	130,072
Consultants		216,838	149,125	216,838	149,125
Insurance		65,148	53,147	65,148	53,147
Other		276,466	335,505	268,940	339,331
Total administration costs		2,085,986	1,652,042	2,078,460	1,655,868
(d) Borrowing costs					
Borrowing costs expensed					
- Interest paid to non-related entities		32,970	27,825	20,959	-
Total borrowing costs expensed		32,970	27,825	20,959	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3. EXPENSES AND LOSSES/(GAINS) (CONTINUED)

	Notes	Consolidated		Grange Resources Limited	
		2004 $	2003 $	2004 $	2003 $
(e) Other expenses from operating activities					
Horseshoe maintenance expenses		22,710	-		-
Write-off of loans		219,148	-	219,148	-
Southdown tenement expenditure		35,294	-	35,294	-
Depreciation of office equipment		-	39,295	-	39,295
Write off of exploration assets		-	30,936	-	10,242
Total other expenses from operating activities		277,152	70,231	254,442	49,537
(f) Operating leases					
Minimum lease payments		74,052	57,366	74,052	57,366

NOTE 4. INCOME TAX

The prima facie income tax expense/(benefit) on the profit/(loss) from ordinary activities is reconciled to the income tax provided in the accounts as follows:				
Prima facie income tax expense/(benefit) on the profit /(loss) from ordinary activities at 30% (2003: 30%)	1,511,655	(662,611)	(689,639)	(486,620)
Tax effect of permanent differences:				
- Entertainment	1,238	1,392	1,238	1,392
- Other non-deductible expenses/permanent differences	143,173	120,292	63,944	2,019
(Utilisation of tax losses)/timing differences not recognised	(1,621,601)	540,927	624,457	483,209
Income tax expense/(benefit) attributable to profit/(loss) from ordinary activities	34,465	-	-	-
Deferred tax assets and liabilities				
Current tax payable	34,365	-	34,365	-

Potential net future income tax benefits attributable to tax losses carried forward but not brought to account amount to approximately $5,060,701 at 30% for the Consolidated Entity and $5,192,612 at 30% for the Company (2003: Consolidated Entity $6,682,302 at 30%, Company $4,568,155 at 30%). The benefits will only be obtained if:

- The Company and Consolidated Entity derive future assessable income of a nature and amount which will enable the benefit from the deductions for the losses to be realised;
- The Company and Consolidated Entity continue to comply with the conditions for the deductibility imposed by law; and
- No changes in tax legislation adversely affect the Company and Consolidated Entity's ability to realise the benefit from the deductions for the losses.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4. INCOME TAX (CONTINUED)

Tax consolidation

Effective from 1 July 2002 for the purposes of income taxation, Grange and its 100% owned subsidiaries have formed a tax consolidated group. Members of the group have agreed to enter into a tax sharing arrangement in order to allocate income tax expense to the wholly subsidiaries on a pro rata basis. In addition the agreement provides for the allocation of income tax liabilities between the entities should the lead entity default on its tax payment obligations. The head entity of the tax consolidated group is Grange Resources Limited. Formation of the tax consolidated group did not have a material financial effect on the consolidated group.

NOTE 5. RECEIVABLES (CURRENT)

	Notes	Consolidated		Grange Resources Limited	
		2004 $	2003 $	2004 $	2003 $
Trade debtors (a)		180,438	788,127	-	-
Security deposits (a)		47,416	47,416	-	-
Amounts receivable from related parties (Note 28 (d))		-	324,932	-	324,932
Other debtors (a)		4,285	4,285	163,589	22,101
Foreign currency hedge receivable		-	2,114,900	-	-
		232,139	3,279,660	163,589	347,033

NOTE 6. RECEIVABLES (NON-CURRENT)

Related party receivables					
Loans to controlled entities (Note 28 (d)) (a)		-	-	12,864,281	12,829,916
Provision for doubtful recovery (Note 28 (d))		-	-	(12,092,225)	(12,092,225)
		-	-	772,056	737,691
Other receivables (non-current)					
Security deposits (a)		309,488	309,488	310,205	310,205
		309,488	309,488	1,082,261	1,047,896

(a) Terms and conditions of the above financial instruments

The above financial instruments are all non-interest bearing. Trade debtors have repayment terms generally on 30 day terms and security deposits no fixed repayment terms.

NOTE 7. INVENTORIES (CURRENT)

Product inventory – at cost	-	2,724,671	-	-
Stores inventory – at cost	272,980	320,099	-	-
Total inventory	272,980	3,044,770	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 8. INVESTMENTS

	Notes	Consolidated		Grange Resources Limited	
		2004 $	2003 $	2004 $	2003 $
Non-Current					
Tenements		746,855	-	746,855	-
Controlled entities (at cost) (Note 9)		-	-	27,903,678	27,903,678
Provision for diminution		-	-	(23,322,535)	(23,322,535)
		746,855	-	5,327,998	4,581,143

NOTE 9. INTERESTS IN SUBSIDIARIES

Name	Percentage of equity interest held by the consolidated entity		Investment	
	2004 %	2003 %	2004 $	2003 $
Grange Capital Pty Ltd	100	100	-	-
Tribune Developments Pty Ltd	100	100	-	-
Barrack Mines Pty Ltd	100	100	4,581,143	4,581,456
Bamine Pty Ltd	100	100	-	-
BML Holdings Pty Ltd	100	100	-	-
Horseshoe Gold Mine Pty Ltd	100	100	-	-
Surfboard Securities Pty Ltd	100	100	-	-
			4,581,143	4,581,456

The Company and all subsidiaries are incorporated in Australia. Grange Resources Limited is a company limited by shares and domiciled in Australia.

NOTE 10. INTERESTS IN JOINT VENTURE OPERATIONS AND BUSINESS UNDERTAKINGS

At 30 June 2004 the Consolidated Entity was a participant in the following joint ventures:

	Consolidated		Grange Resources Limited	
Name of Joint Venture	% Interest 2004	% Interest 2003	% Interest 2004	% Interest 2003
Production Joint Ventures:				
Reward - Copper/Gold	31.15	31.15	-	-
Highway - Copper	30.00	30.00	-	-
Development Joint Ventures:				
Reward Deeps/Conviction – Copper	30.00	30.00	-	-
Exploration Joint Ventures:				
Mt Samuel - Exploration Gold	85.00	85.00	42.50	42.50
Abercromby Well - Exploration Gold/Nickel	10.00	10.00	-	-
Mt Windsor - Exploration Gold/Base Metals	30.00	30.00	-	-

The joint ventures are not separate legal entities. They are contractual arrangements between the participants for the sharing of costs and output and do not in themselves generate revenue and profit.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 10. INTERESTS IN JOINT VENTURE OPERATIONS AND BUSINESS UNDERTAKINGS (CONTINUED)

The Consolidated Entity's direct interests in joint venture net assets, as summarised below, are included in the corresponding balance sheet items in the Consolidated Entity accounts.

	Notes	Consolidated		Grange Resources Limited	
		2004	2003	2004	2003
		$	$	$	$
Current Assets					
Cash		252,579	242,707	-	-
Inventories		272,980	3,044,770	-	-
Total Current Assets		525,559	3,287,477	-	-
Non-Current Assets					
Deferred exploration, evaluation and development costs		908,569	3,244,421	-	-
Property, plant and equipment		231,902	256,468	-	-
Total Non-Current Assets		1,140,471	3,500,889	-	-
Total Assets		1,666,030	6,788,366	-	-
Current Liabilities					
Accounts payable		993,384	721,044	-	-
Provisions		473,134	562,233	-	-
Total Current Liabilities		1,466,518	1,283,277	-	-
Non-Current Liabilities					
Provisions		915,684	1,172,568	-	-
Total Non-Current Liabilities		915,684	1,172,568	-	-
Total Liabilities		2,382,202	2,455,845	-	-
Net Assets Employed in Joint Venture Operations		(716,172)	4,332,521	-	-

The net contributions of joint venture operations (inclusive of resultant revenues) to the group operating profit before income tax and abnormal items was a profit of $6,847,138 (2003: loss $894,839).

Contingent liabilities in relation to joint ventures are disclosed in note 23.

Business Undertakings

A partnership was formed in the 1998/99 financial year between the Consolidated Entity and a group of investors, led by Hestak Pty Ltd, for the purpose of monitoring and carrying out various mining activities in relation to the Horseshoe Mine and other partnership assets. The partnership was terminated on 15 March 2004 and the Consolidated Entity has 100% in the Horseshoe Mine.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 11. PROPERTY, PLANT AND EQUIPMENT

	Notes	Consolidated		Grange Resources Limited	
		2004	2003	2004	2003
		$	$	$	$
At Balance Date					
Plant and equipment					
- At cost		1,138,052	1,138,052	-	-
- Accumulated depreciation		(1,131,512)	(1,106,946)	-	-
		6,540	31,106	-	-
Office equipment					
- At cost		102,318	97,509	51,416	46,663
- Accumulated depreciation		(73,652)	(73,652)	(46,663)	(46,663)
		28,666	23,857	4,753	-
Motor vehicles					
- At cost		24,362	24,362	24,362	24,362
- Accumulated depreciation		(24,362)	(24,362)	(24,362)	(24,362)
		-	-	-	-
Pastoral lease		225,362	225,362	-	-
Total written down amount		260,568	280,325	4,753	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Notes	Consolidated		Grange Resources Limited	
		2004	2003	2004	2003
		$	$	$	$
Reconciliations					
Property, plant and equipment					
Balance at beginning of year		-	-	-	-
Additions		31,106	38,512	-	-
Disposals		-	-	-	-
Depreciation expense		(24,566)	(7,406)	-	-
Write down to recoverable amount		-	-	-	-
Balance at end of year		6,540	31,106	-	-
Office Equipment					
Balance at beginning of year		23,857	51,863	-	28,003
Additions		4,809	4,894	4,753	4,897
Disposals		-	-	-	-
Transfer to leased assets		-	-	-	-
Depreciation expense		-	(32,900)	-	(32,900)
Write down to recoverable amount		-	-	-	-
Balance at end of year		28,666	23,857	4,753	-
Motor Vehicles					
Balance at beginning of year		-	6,395	-	6,395
Disposals		-	-	-	-
Depreciation expense		-	(6,395)		(6,395)
Balance at end of year		-	-	-	-

NOTE 12. OTHER ASSETS

Current					
Prepayments		53,205	42,312	53,205	42,312
Non-Current					
Security deposit - cash backed		1,702,452	1,614,988	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 13. DEFERRED EXPLORATION, EVALUATION & DEVELOPMENT COSTS

	Notes	Consolidated		Grange Resources Limited	
		2004	2003	2004	2003
		$	$	$	$
Exploration & evaluation properties (at cost)		289,860	767,343	68,101	558,294
Development properties (at cost)		-	-	-	-
Production properties (at cost)		23,341,379	22,831,456	509,923	-
Less: Accumulated amortisation		(22,157,060)	(19,481,601)	(90,307)	-
		1,474,179	4,117,198	487,717	558,294
Movement:					
Exploration & Evaluation Properties					
Balance at beginning of year		767,343	696,789	558,294	526,407
Current year expenditure		32,440	101,490	19,730	42,129
Transfer to production properties		(509,923)	-	(509,923)	-
Write-down to recoverable amount		-	(30,936)	-	(10,242)
Balance at end of year		289,860	767,343	68,101	558,294
Development Properties					
Balance at beginning of year		-	3,340,958	-	-
Current year expenditure		-	-	-	-
Transfer to production properties		-	(3,340,958)	-	-
Balance at end of year		-	-	-	-
Production Properties					
Balance at beginning of year		3,349,855	442,681	-	-
Transfer from development, exploration and evaluation properties		509,923	3,340,958	509,923	-
Current year expenditure		-	619,762	-	-
Amortisation charged		(2,675,459)	(1,053,546)	(90,307)	-
Balance at end of year		674,396	3,349,855	419,616	-

The directors have reviewed the carrying values of each area of interest as at Balance Date. Where the carrying value of an individual area of interest was in excess of its recoverable amount the area of interest has been written down to its recoverable amount.

The ultimate recoupment of exploration and evaluation expenditure is dependent upon successful development and commercial exploitation or alternatively the sale of the respective areas of interest at an amount at least equal to book value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 14. PAYABLES (CURRENT)

	Notes	Consolidated		Grange Resources Limited	
		2004	2003	2004	2003
		$	$	$	$
Trade creditors (a) (i)		1,574,192	839,416	31,555	46,237
Other creditors (a) (ii)		100,000	26,319	100,000	6,319
Foreign currency hedge deferred gain		-	2,114,900	-	-
		1,674,192	2,980,635	131,555	52,556

(a) Terms and conditions relating to the above financial instruments:

(i) Trade creditors are non-interest bearing and have repayment terms between 7 and 30 days
(ii) Other creditors are non-interest bearing and have a repayment date of 30 November 2004.

NOTE 15. PAYABLES (NON-CURRENT)

Other creditors	400,000	-	400,000	-
Loans from controlled entities - unsecured (Note 28)	-	-	16,589,960	15,218,407
	400,000	-	16,989,960	15,218,407

NOTE 16. PROVISIONS (CURRENT)

Provision for annual leave	63,541	54,121	63,541	54,121
Provision for mine rehabilitation (a)	473,134	562,233	-	-
	536,675	616,354	63,541	54,121

NOTE 17. PROVISIONS (NON-CURRENT)

Provision for mine rehabilitation (a)	1,500,287	1,757,484	584,603	584,603

(a) The provision for rehabilitation is recognised for mining activities for costs such as reclamation, plant closure and other costs associated with the rehabilitation of a mine site. Estimates of the rehabilitation obligations are based on expert opinions based on the anticipated future costs. The consolidated entity has assumed that no significant changes will occur in the relevant Federal and State legislation in relation to the rehabilitation of such mines in the future.

	2004	2004
(b) Movements in provisions		
Total current and non current carrying amount at the beginning of financial year	2,319,717	584,603
Reversal of over provision in prior years	(251,353)	-
Amounts utilised during the year	(94,943)	-
Carrying amount at the end of the financial year	1,973,421	584,603

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 18. CONTRIBUTED EQUITY	Consolidated 2004 $	Consolidated 2003 $	Grange Resources Limited 2004 $	Grange Resources Limited 2003 $
(a) Issued and paid up capital				
Ordinary fully paid shares	31,299,421	30,271,408	31,299,421	30,271,408
	31,299,421	30,271,408	31,299,421	30,271,408

	2004 Number of Shares	2004 $	2003 Number of Shares	2003 $
(b) Movements in shares on issue				
Beginning of the financial year	66,755,221	30,271,408	79,298,595	32,450,124
Issued during the financial year				
- public equity raising	4,285,715	1,500,000	-	-
less costs of transaction	-	(30,000)	-	-
- exercise of options	35,000	4,200	500,000	60,000
Bought back during the year (i)	(1,366,677)	(446,187)	(13,043,374)	(2,238,716)
End of the financial year	69,709,259	31,299,421	66,755,221	30,271,408

(i) In July 2003 shareholders of the Company approved the terms of an on-market share buy-back authorising the Company to acquire up to a maximum of 6,675,522 of the fully paid ordinary shares on issue, representing 10% of the capital of the Company, over a six month period which commenced 1 August 2003. During the six-month period, the Company acquired 1,366,677 fully paid ordinary shares for a total consideration of $446,187 exclusive of transaction costs.

(c) Share Options

Options over ordinary shares

During the financial year 4,285,715 options were issued over ordinary shares, exercisable from the date of issue and with an expiry of 28 November 2006. The options had an exercise price of $0.35
During the financial year 4,500,000 options were issued over ordinary shares to directors, exercisable from the date of issue and with an expiry of 30 June 2007. The options had an exercise price of $0.50. Details are provided in note 27.
During the year 35,000 shares were issued pursuant to the exercise of options at 12 cents.
At the end of the financial year there were the following unissued shares in respect of which options were outstanding:

	2004		2003	
Option Expiry Date	Exercise Price	Number of Fully Paid Shares	Exercise Price	Number of Fully Paid Shares
30 June 2007	$0.12	4,980,000	$0.12	5,075,000
28 November 2006	$0.50	4,285,715	Nil	Nil
30 June 2007	$0.50	4,500,000	Nil	Nil

(d) Terms and conditions of contributed equity
Ordinary shares

Ordinary shares have the right to receive dividends as declared and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on the shares held. Ordinary shares entitle their holder to one vote per share, either in person or by proxy, at a meeting of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 19. RESERVES AND RETAINED LOSSES

	Notes	Consolidated		Grange Resources Limited	
		2004	2003	2004	2003
		$	$	$	$
(a) Reserves					
General reserve		667,433	667,433	667,433	667,433
Option issue reserve		3,568,912	3,568,912	3,568,912	3,568,912
Asset revaluation reserve		1,638,003	1,638,003	515,798	515,798
		5,874,348	5,874,348	4,752,143	4,752,143
(b) Retained Losses					
Balance at beginning of year		(25,039,991)	(22,831,289)	(44,188,025)	(42,565,957)
Net loss attributable to members		5,004,384	(2,208,702)	(2,298,796)	(1,622,068)
Balance at end of year		(20,035,607)	(25,039,991)	(46,486,821)	(44,188,025)

NOTE 20. NOTES TO THE STATEMENTS OF CASHFLOWS

(a) Reconciliation of Cash

For the purposes of the statements of cash flows, cash includes cash on hand and in banks, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	Notes	Consolidated		Grange Resources Limited	
		2004	2003	2004	2003
		$	$	$	$
Cash at bank		316,753	384,983	72,457	168,535
Deposits at call (i)		15,662,483	3,143,807	176,787	-
Cash at bank - Joint ventures (ii)		252,579	242,707	-	-
		16,231,815	3,771,497	249,244	168,535

(i) Deposits at call - deposits are bearing floating interest rates between 1.00% p.a. and 5.49% at 30 June 2004 (30 June 2003 - between 1.5% and 4.70%).

(ii) Joint Venture cash at bank - represents Mount Windsor Joint Venture, Reward, Highway and Reward Deeps/Conviction cash calls paid by Grange Resources Limited but not yet used by the joint ventures to pay creditors.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 20. NOTES TO THE STATEMENTS OF CASHFLOWS (CONTINUED)

(b) Reconciliation of cash flow from operating activities with loss from ordinary activities after income tax

Profit/(Loss) from ordinary activities after income tax	5,004,384	(2,208,702)	(2,298,796)	(1,622,068)
Non-cash flows in loss from ordinary activities:				
Amortisation of deferred exploration, evaluation & development costs	2,682,460	1,053,546	90,307	-
Depreciation of plant & equipment	25,466	46,701	-	39,295
Provision for annual leave	9,420	15,270	9,420	15,270
Write down of exploration assets	-	30,936	-	10,242
Changes in assets and liabilities				
Receivables	3,047,521	457,272	149,079	18,770
Prepayments	(10,893)	(6,940)	(10,893)	(6,940)
Trade creditors and accruals	(1,406,871)	8,094	(21,002)	17,281
Provisions	(346,296)	(647,198)	-	-
Inventories	2,771,790	(2,694,227)	-	-
Tax liabilities	34,365	-	34,365	-
Cash Inflow/(Outflow) from operating activities	11,811,346	(3,945,248)	(2,047,520)	(1,528,150)

NOTE 21. EXPENDITURE COMMITMENTS

	Notes	Consolidated		Grange Resources Limited	
		2004 $	2003 $	2004 $	2003 $
(a) Lease expenditure commitments					
Operating lease office premises					
Payable					
- not later than one year		94,452	75,562	94,452	75,562
- later than one year but not later than two years		-	94,452	-	94,452
- later than two years but not later than five years		-	-	-	-
		94,452	170,014	94,452	170,014

The operating lease commitments refer to the rent of the Perth office for two years (1 September 2003 to 31 August 2005).

(b) Exploration Expenditure Commitments

In order to maintain the mining and exploration tenements in which the Consolidated Entity is involved, the Consolidated Entity is committed to meet conditions under which the tenements were granted. If the Consolidated Entity continues to hold those tenements, the minimum expenditure requirements (excluding obligations farmed out under joint venture arrangements) will be approximately:

Payable				
- not later than one year	336,200	164,500	336,200	164,500
- later than one year but not later than two years	336,200	164,500	336,200	164,500
- later than two years but not later than five years	1,008,600	493,500	1,008,600	493,500
	1,681,000	822,500	1,681,000	822,500

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 22. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

Grange Resources Limited Directors' & Officers' Option Plan

In July 2002 the Company established the Grange Resources Directors' and Officers' Option Plan ("Plan") where Grange may at the discretion of management and directors, grant options over the ordinary shares of Grange to directors, executives and eligible full-time staff of the Consolidated Entity. The maximum number of options issued must not exceed 10% of the total number of fully paid shares on issue. The options, issued for nil consideration, are granted in accordance with performance guidelines established by the directors of Grange, although the management of Grange retains the final discretion on the issue of the options. Options issued pursuant to the Plan cannot be transferred and will not be quoted on the Australian Stock Exchange Limited.

(a) Plan options held at the beginning of the reporting period

The following table summaries information about options held by directors and employees as at 1 July 2003:

Number of options	Grant Date	Vesting Date	Expiry Date	Exercise Price
4,875,000	5 August 2002	5 August 2002	30 June 2007	$0.12
200,000	12 September 2002	12 September 2002	30 June 2007	$0.12

(b) Plan options granted during the reporting period

The following table summaries information about options granted pursuant to the Grange Resources Directors' and Officers' Option Plan to a director during the reporting period.

Number of options	Grant Date	Vesting Date	Expiry Date	Exercise Price
1,500,000	29 April 2004	29 April 2004	30 June 2007	$0.50

(c) Plan options exercised

(i) The following table summaries information about options exercised by an employee during the year ended 30 June 2004:

Number of options	Grant Date	Exercise date	Expiry date	Exercise price	Proceeds from share issue	Number of shares issued	Issue date
35,000	12 September 2002	23 February 2004	30 June 2007	$0.12	$4,200	35,000	23 February 2004

(ii) There were 500,000 options exercised by a director and 250,000 options issued to a director cancelled during the year ended 30 June 2003.

(iii) Fair value of shares issued during the reporting period is estimated to be the market price of shares of Grange Resources Limited on the ASX as at close of trading on the issue date.

(iv) The fair value attributable to 35,000 shares issued pursuant to the exercise of options by an employee was $17,850.

(d) Plan options held at the end of the reporting period

The following table summaries information about options held by directors and employees as at 30 June 2004:

Number of options	Grant Date	Vesting Date	Expiry Date	Exercise Price
4,875,000	5 August 2002	5 August 2002	30 June 2007	$0.12
165,000	12 September 2002	12 September 2002	30 June 2007	$0.12
1,500,000	29 April 2004	29 April 2004	30 June 2007	$0.50

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 22. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (CONTINUED)

The number of employees of the Company at Balance Date was 13 (2003: 12)

(f) Superannuation Commitments

Employees contribute to their own superannuation plans at various percentages of their salaries and wages and the end benefit is determined by accumulation of contributions and earnings of the fund.

The Consolidated Entity also contributed to staff superannuation plans during the financial year at a rate of 9% of employees' wages and salaries as required by the Superannuation Guarantee Legislation.

These contributions are legally enforceable only where payable in terms of a ratified award obligation or under the Superannuation Guarantee Legislation.

NOTE 23. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

(a) Contingent Liabilities

Bank Guarantees

At year end bank guarantees have been provided on the Consolidated Entity's behalf to secure, on demand by the Minister for Mines and Energy for the State of Queensland, any sum to a maximum aggregate amount of $1,233,858 (2003: $1,233,858), in relation to the rehabilitation of the Highway Reward project.

Bank guarantees have been provided on the Consolidated Entity's behalf to secure, on demand by the Minister for Mines and Energy for the State of Western Australia, any sum to a maximum aggregate amount of $327,500 (2003: $327,500), in relation to the rehabilitation of the Horseshoe Lights Mine.

In December 2002 an employee of the former mining contractor Brandrill Limited was fatally injured at the Reward Deeps and Conviction underground mine. A coronial inquest has been completed. A prosecution has been commenced against Thalanga Copper Mines Pty Limited ("TCM") the manager of the Mt Windsor Joint Venture under the Mining and Quarrying Safety and Health Act 1999 (Qld) ("MQSHA). Should TCM be found guilty, a fine may be imposed. The family of the deceased has submitted the claim against Work Cover and subsequently Work Cover has submitted claim against Brandrill and TCM. TCM has referred matter to its Insurance Company. The hearing is scheduled to commence in November 2004.

As a result of flooding at the mine site in January 2004, Ryan Drilling Services Pty Ltd (Ryan) has filed a claim against the Joint Venture, with the Supreme Court of Queensland seeking compensation of $300,000 for alleged damages to a drilling rig. Ryan is pursuing a further $1,500 per day for loss of profit. The Joint Venture has disclaimed liability and is defending the action. It is not practical to estimate the potential effect of this claim but any liability that may arise in the unlikely event the claim is successful will be limited to the excess on the Joint Venture's insurance policy of $250,000.

In August 2004 an employee of the mining contractor Faminco Limited was fatally injured at the Reward Deeps and Conviction underground mine. A coronial inquest into the fatality is scheduled to be held in November 2004.

No material losses are anticipated in respect of any of the above contingent liabilities.

(b) Contingent Assets

The Consolidated Entity did not have any contingent assets at the Balance Date.

NOTE 24. SUBSEQUENT EVENTS

There have been no significant events that have occurred subsequent to balance date.

NOTE 25. EARNINGS PER SHARE

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

	Consolidated Entity	
	2004	2003
	$	$
Earnings used in calculating basic and diluted earnings per share	$5,004,384	$(2,208,702)
	Number of Shares	**Number of Shares**
Weighted average number of ordinary shares used in calculating basic earnings per share	68,867,613	73,069,416
Effect of dilutive securities:		
- Share options (i)	3,674,840	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	72,542,453	73,069,416

(i) None of the 5,075,000 share options on issue at 30 June 2003 are considered dilutive to the weighted average number of ordinary shares.

Conversions, calls, subscription or issues after 30 June 2004

Since the end of the financial year, 60,000 shares have been issued pursuant to the Directors' and Officers' Option Plan. There have been no other conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since Balance Date and before the completion of this financial report.

NOTE 26. REMUNERATION OF AUDITORS

	Notes	Consolidated		Grange Resources Limited	
		2004	2003	2004	2003
		$	$	$	$
Amounts received or due and receivable by Ernst & Young:					
- audit or review of the financial report of the entity and any other in the Consolidated Entity		31,800	36,000	31,800	36,000
- other services in relation to the entity and any other entity in the Consolidated Entity					
- tax compliance		63,599	106,821	63,599	106,821
- corporate advisory		-	-	-	-
		95,399	142,821	95,399	142,821

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 27. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Specified Directors and Specified Executives

(i) Specified Directors:

A Bohnenn	Chairman (non-executive)
A Rankine-Wilson	Managing Director
A H Nutter	Technical Director
G L W Wedlock	Executive Director (appointed 26 February 2004)
H R Moser	Director (non-executive)

(ii) Specified Executives

A C Pismiris	Company Secretary

(b) Remuneration of Specified Directors and Specified Executives

(i) Remuneration Policy

The Remuneration Committee of the Board of Directors of Grange Resources Limited is responsible for determining and reviewing compensation arrangements for the directors and executive team. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of directors and executives on a periodic basis by reference to relevant market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

To assist in achieving these objectives, the Remuneration Committee links the nature and amount of executive directors' and officers' emoluments to the company's financial performance and operational performance. All directors and executives have the opportunity to qualify for participation in the Grange Resources Directors' and Officers' Option Plan which currently provides incentives where specified criteria are met including criteria relating to profitability, cash flow and share price growth.

It is the policy of the Remuneration Committee that employment agreements are entered in to with executive directors and other executives. The current employment agreements have a 3 year term and have 3 month notice periods.

If the Company elects to terminate an executive's employment agreement, the executive is entitled to a lump sum payment equivalent to the executives total remuneration for a period represented by the lesser of twelve months or the unexpired period of the employment agreement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 27. DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)

(ii) Remuneration of Specified Directors

		Primary			Post Employment		Equity	Other	Total
		Salary & Fees $	Cash Bonus $	Non Cash Benefit $	Super'n $	Retire-ment Benefit $	Options $	Fees $	$
Specified Directors									
A Bohnenn									
	2004	**50,000**	**-**	**-**	**-**	**-**	**134,500**	**60,000**	**244,500**
	2003	50,000	-	-	-	-	123,750	60,000	233,750
A Rankine-Wilson									
	2004	**261,538**	**-**	**-**	**23,538**	**-**	**269,000**	**-**	**554,076**
	2003	148,930	-	-	4,431	-	165,000	-	318.361
A H Nutter									
	2004	**80,765**	**-**	**-**	**106,629**	**-**	**-**	**-**	**187,394**
	2003	105,499	-	-	69,044	-	82,500	-	257,043
G L W Wedlock									
	2004	**49,846**	**-**	**-**	**4,486**	**-**	**201,750**	**41,294**	**297,376**
	2003	-	-	-	-	-	-	-	-
H R Moser									
	2004	**23,000**	**-**	**-**	**-**	**-**	**-**	**-**	**23,000**
	2003	23,000	-	-	-	-	82,500	-	105,500
Total remuneration: Specified Directors									
	2004	**465,149**	**-**	**-**	**134,653**	**-**	**605,250**	**101,294**	**1,306,346**
	2003	327,429	-	-	73,475	-	453,750	60,000	914,654

(iii) Remuneration of Specified Executives

		Primary			Post Employment		Equity	Other	Total
		Salary & Fees $	Cash Bonus $	Non Cash Benefit $	Super'n $	Retire-ment Benefit $	Options $	Fees $	$
Specified Executives									
A C Pismiris									
	2004	**108,553**	**-**	**-**	**32,308**	**-**	**-**	**-**	**140,861**
	2003	79,153	-	-	21,445	-	82,500	-	183,098
Total remuneration: Specified Executives									
	2004	**108,553**	**-**	**-**	**32,308**	**-**	**-**	**-**	**140,861**
	2003	79,153	-	-	21,445	-	82,500	-	183,098

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 27. DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)

(c) Remuneration options: Granted and vested during the year

During the year options were issued as equity compensation benefits to certain specified directors as disclosed below. The options granted to Mr Wedlock were issued pursuant to Grange Resources Directors' and Officers' Option Plan. The options granted to Messrs Bohnenn and Rankine-Wilson were issued pursuant to receiving shareholder approval. The options were issued for nil consideration. Each option entitles the holder to subscribe for one ordinary fully paid share in the entity at an exercise price of $0.50. All options issued to Messrs Wedlock, Bohnenn and Rankine-Wilson vested at issue date. The options may be exercised at any time up to the date of expiry being 30 June 2007.

	Options Issued	Issue Date	Value per option at issue date $	Exercise Price per share $	First Exercise Date	Last Exercise Date
Specified Directors						
A Bohnenn	1,000,000	29 April 2004	0.1345	0.50	29 April 2004	30 June 2007
A Rankine-Wilson	2,000,000	29 April 2004	0.1345	0.50	29 April 2004	30 June 2007
G L W Wedlock	1,500,000	29 April 2004	0.1345	0.50	29 April 2004	30 June 2007
	4,500,000					

All options issued during the reporting period vested at issue date.

(d) Shares issued on exercise of remuneration options

No shares were issued on exercise of remuneration options.

(e) Option holdings of Specified Directors and Specified Executives

	Balance at 1 July 2003	Granted as Remuner-ation	Options Exercised	Net Change	Balance at 30 June 2004
Specified Directors					
A Bohnenn	1,125,000	1,000,000	-	1,000,000	2,125,000
A Rankine-Wilson	1,500,000	2,000,000	-	2,000,000	3,500,000
A H Nutter	750,000	-	-	-	750,000
G L W Wedlock	-	1,500,000	-	1,500,000	1,500,000
H R Moser	750,000	-	-	-	750,000
	4,125,000	4,500,000	-	4,500,000	8,625,000
Specified Executives					
A C Pismiris	750,000	-	-	-	750,000
	750,000	-	-	-	750,000

All options held by specified directors and executives are exercisable.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 27. DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)

(f) Shareholdings of Specified Directors and Specified Executives

	Balance at 1 July 2003	Granted as Remuner-ation	On Exercise of Options	Net Change Other	Balance at 30 June 2004
Specified Directors					
A Bohnenn	8,762,313	-	-	850,000	9,612,313
A Rankine-Wilson	523,606	-	-	1,000,000	1,523,606
A H Nutter	99,999	-	-	-	99,999
G L W Wedlock	-	-	-	14,000	14,000
H R Moser	3,560,450	-	-	-	3,560,450
	12,946,368	-	-	1,864,000	14,810,368
Specified Executives					
A C Pismiris	-	-	-	-	-
	-	-	-	-	-

All equity transactions with specified directors and executives have been entered into under terms no more favourable than those the entity would have adopted if dealing at arms length.

(g) Other transactions with Specified Directors & Executives

- Fees of $60,000 (2003: $60,000) were paid to Hendygwyn Holding & Beheer b.v., of which Mr A Bohnenn is a director and shareholder, under a marketing and public relations services agreement.
- Fees of $41,294 (2003: Nil) were paid to Keypalm Pty Ltd, of which Mr G L W Wedlock is a director and shareholder, under a consultancy agreement prior to Mr Wedlock's appointment as a director.
- An administration fee of $5,210 (2003: Nil) was accrued and paid to Grange from Riversdale Mining Limited (formerly Wave Capital Limited) for the year ended 30 June 2004 for the provision of shared offices to Riversdale Mining Limited by the Company on a reimbursement of costs basis. Grange Resources Limited as at 30 June 2004 had one director, Mr A Rankine-Wilson in common with Wave Capital Limited.
- An administration fee of $4,689 (2003: $9,418) was accrued and paid to Grange from Capital Growth Corp Limited for the period 1 June 2003 to 31 March 2004 for the provision of shared offices to Capital Growth Corp Limited by the Company on a reimbursement of costs basis. Grange Resources Limited as at 30 June 2004 had one director, Mr A Rankine-Wilson in common with Capital Growth Corp Limited.
- An administration fee of $87 (2003: Nil) was accrued and paid to Grange from Plantcorp Limited for the period 11 May 2004 to 11 June 2004 for the provision of office supplies to Plantcorp Limited by the Company on a reimbursement of costs basis. Grange Resources Limited as at 30 June 2004 had one director, Mr A Rankine-Wilson in common with Plantcorp Limited.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 28. RELATED PARTY DISCLOSURE

Ultimate parent

Grange Resources Limited is the ultimate Australian holding company of the Consolidated Entity.

Wholly-owned group transactions

		Consolidated		Grange Resources Limited	
		2004	2003	2004	2003
	Notes	$	$	$	$
Aggregate amounts receivable at Balance date from:					
Controlled entities (iii)		-	-	12,864,281	12,829,916
Provision for non-recovery		-	-	(12,092,225)	(12,092,225)
Other related parties					
- Partners (i)		-	324,932	-	324,932
- Agricultural Trading Systems Pty Ltd (ii)		-	51,338	51,338	51,338
- Provision for non-recovery		-	(51,338)	(51,338)	(51,338)
- Resources Trading Systems Pty Ltd (in liquidation) (ii)		-	36,750	36,750	36,750
- Provision for non-recovery		-	(36,750)	(36,750)	(36,750)
		-	324,932	772,056	1,062,623
Aggregate amounts payable at Balance Date to:					
Controlled entities		-	-	16,589,960	15,218,407
		-	-	16,589,960	15,218,407

(i) Debtor amounts owing by partners of the Consolidated Entity in the Horseshoe Mine Partnership for the reimbursement of Horseshoe Mine care and maintenance expenses. The Horseshoe Mine Partnership was dissolved on 15 March 2004.

(ii) Shareholder loans made to private companies in which the Consolidated Entity has or had substantial shareholdings. These loans are unsecured, interest free and are repayable at such time as is unanimously agreed by the directors of those companies. Both loans have been provided for in full as their recoverability is considered doubtful.

(iii) Loans from controlled entities are interest free with no fixed repayment date.

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

NOTE 29. SEGMENT INFORMATION

(a) Geographic Segments

The Consolidated Entity operates predominantly in one geographic segment, Australia.

(b) Industry Segments

The Consolidated Entity operates predominantly in the mining and exploration industry and has progressively wound up its interests in the technology and financial services industry.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 29. SEGMENT INFORMATION (CONTINUED)

	Mining & Exploration Activities		Financial Services & Technology Activities		Consolidated	
	2004 $	2003 $	2004 $	2003 $	2004 $	2003
Revenue						
Sales revenue	26,558,252	6,087,781	-	-	26,558,252	6,087,781
Other revenue	264,095	351,020	24,404	-	288,499	351,020
Total segment revenue	26,822,347	6,438,801	24,404	-	26,846,751	6,438,801
Non-segment revenue						
Interest revenue					332,374	381,690
Unallocated revenue					152,258	54,545
Total consolidated revenue					27,331,383	6,875,036
Results						
Segment results	7,320,236	(953,609)	23,961	(837)	7,344,197	(954,446)
Unallocated expenses					(2,789,979)	(1,690,491)
Unallocated revenue					484,631	436,235
Consolidated Entity profit/(loss) from ordinary activities before income tax					5,038,849	(2,208,702)
Income tax expense					(34,465)	-
Consolidated Entity profit/(loss) from ordinary activities after income tax					5,004,384	(2,208,702)
Assets						
Segment assets	20,283,656	15,491,123	115,052	101,030	20,398,708	15,592,153
Unallocated assets					884,973	868,085
Total assets					21,283,681	16,460,238
Liabilities						
Segment liabilities	3,532,105	5,235,515	18,318	18,318	3,550,423	5,253,833
Unallocated liabilities					595,096	100,640
Total liabilities					4,145,519	5,354,473
Other segment information:						
Acquisition of property, plant and equipment, intangible assets and other non current assets	-	38,512	-	-	5,281	43,410
Depreciation and amortisation	2,707,926	1,053,546	-	-	2,707,926	1,100,247
Non cash expenses other than depreciation and amortisation	2,425,491	2,694,227	-	-	2,425,491	2,694,227

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 30. FINANCIAL INSTRUMENTS

The Consolidated Entity is a party to derivative financial instruments entered into in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates and commodity prices.

(a) Hedging instruments

Commodity Contracts

The Consolidated Entity had committed to the following hedging contracts, in order to protect it from adverse movements in commodity prices.

	2004 Qty Hedged (tonnes)	2004 Average Price (US$/tonne)	2003 Qty Hedged (tonne)	2003 Average Price (US$/tonne)
Copper Forwards (tonnes)	-	-	1,170	$1,651

As commodity contacts can be settled other than by physical delivery of the underlying commodity, they are classified as financial instruments. On maturity, the contracted price is compared to the spot price on that date and the price differential is applied to the contracted quantity. A net amount is paid or received by the Consolidated Entity.

As these contracts are entered into for the purpose of hedging future production, the gains and costs of entering into these contracts and any unrealised gains and losses are deferred until the underlying production occurs.

Foreign exchange contracts

The sales revenue of the Consolidated Entity is predominantly denominated in United States dollars. In order to protect against adverse exchange rate movements, a portion of anticipated United States dollar exposure in relation to sales from the Reward Deeps project was sold forward under foreign exchange contracts.

At Balance Date, the details of outstanding contracts are:

	Sell US Dollars		Buy Australian Dollars		Average Exchange Rate	
Maturity	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**
0 - 12 months	-	$6,452,779	-	$11,802,303	-	54.7c

The unrealised gains and losses are measured by comparing the contracted price to the spot price at Balance Date. The amounts disclosed below are only indicative of the amounts which may be ultimately realised and should be considered in conjunction with unrealised gains or losses on commodity contracts.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 30. FINANCIAL INSTRUMENTS (CONTINUED)

As these contracts are hedging anticipated future sales, any unrealised gains and losses on the contracts, together with the cost of the contracts, are deferred and will be recognised in the measurement of the underlying transaction.

(b) Interest rate risk

The Consolidated Entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities are set out below.

	2004 Floating Interest Rate $	2004 Non-Interest Bearing $	2004 Total $	2003 Floating Interest Rate $	2003 Non-Interest Bearing $	2003 Total $
Financial Assets						
Cash at bank	568,053	1,279	569,332	477,210	563	477,773
Cash on deposit	15,662,483	-	15,662,483	3,293,724	-	3,293,724
Receivables	-	494,211	494,211	-	3,541,732	3,541,732
Security deposits	1,702,452	47,416	1,749,868	1,614,988	47,416	1,662,404
	17,932,988	542,906	18,475,894	5,385,922	3,589,711	8,975,633
Weighted average interest rate	3.12%	NA		2.37%	NA	
Financial Liabilities						
Trade and other creditors	-	2,108,557	2,108,557	-	2,980,635	2,980,635
	-	2,108,557	2,108,557	-	2,980,635	2,980,635
Weighted average interest rate	NA	NA		NA	NA	

(c) Net fair values

The fair value of on-balance sheet financial assets and liabilities of the Consolidated Entity, excluding foreign exchange contracts, approximate their carrying values.

In relation to the foreign exchange contracts and commodity contracts, the net fair value is taken to be the unrealised gain or loss at Balance Date calculated by reference to the current forward rates for contacts with similar maturity profiles

	2004 Carrying Amount $	2004 Net Fair Value $	2003 Carrying Amount $	2003 Net Fair Value $
Financial Assets				
Foreign Exchange Contracts	-	-	2,114,900	1,239,008
Financial Liabilities				
Commodity Contracts	-	-	-	(507,481)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 31. IMPACT OF THE ADOPTION OF IFRS

Grange Resources Limited has commenced the transition of its accounting policies from current Australian Standards to Australian equivalents of International Financial Reporting Standards ("IFRS"). The Company has allocated internal resources and will consult with external consultants to perform diagnostics and conduct impact assessments to identify areas that will be impacted by the transition to IFRS. As the majority of the Company's assets are represented as cash at bank, the impact is unlikely to be significant. Grange Resources Limited has a 30 June year end, therefore priority has been given to considering the preparation of an opening balance sheet in accordance with AASB equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when Grange Resources Limited prepares its first fully IFRS compliant financial report for the year ended 30 June 2006. Set out below are areas where accounting policies will change and may have an impact on the financial report of the Company. At this stage the Company has not been able to reliably quantify the impacts on the financial report.

The likely impact on the group's existing *accounting policies* is as follows:

Mineral Exploration and Evaluation Expenditure
No specific IFRS guidance currently exists for the treatment of exploration and evaluation expenditure. An exposure draft ED6 "Exploration for and Evaluation of Mineral Resources" ("ED6"), has been drafted which proposes that the treatment previously used under Australian GAAP may continue to be used subject to impairment testing.
If the stated "grandfathering" approach embodied in ED6 and discussed by the IASB (International Accounting Standards Board) in July 2004 is implemented, the company expects that the existing policy of accounting for exploration and evaluation will comply with IFRS requirements and therefore no significant difference is expected to result in relation to the recognition of exploration and evaluation assets.

Restoration, Rehabilitation and Environmental Costs
Environmental obligations associated with the retirement or disposal and/ or exploration properties will be recognised when the disturbance occurs and is based on the extent of damage incurred. The provision is measured as the present value of the future expenditure. A corresponding rehabilitation asset is also recognised to the extent that the obligation relates to development. On an ongoing basis, the rehabilitation liability will be remeasured at each reporting period in line with the change in the time value of money (recognised as an interest expense in the Statement of Financial Performance and an increase in the provision), and additional disturbances/ change in the rehabilitation cost will be recognised as additions/ changes to the corresponding asset and rehabilitation liability. The rehabilitation asset will be amortised to the statement of financial performance on the same basis as the development asset. Currently Grange has a rehabilitation liability, which progressively increases (with the corresponding amount booked in the Statement of Financial Performance) over the life of the operation.
On transition, Grange will be required to:
- Remeasure the existing environmental rehabilitation provision to the present value of the future expenditure;
- Estimate the value that would have been included in the cost of the asset when the liability arose; and
- Amortise the asset to the date of transition.

Taxation
Under the Australian equivalent to IAS 12 "Income Taxes", the company will be required to used a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either the Statement of Financial Position or a tax-based balance sheet. The impact of the adoption of this standard is yet to be quantified by the company.

Share Based Payments
Under AASB 2 "Share Based Payments", the company will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Statement of Financial Performance. This standard is not limited to options and also extends to other forms of equity-based remuneration. It applies to all share-based payments issued after 7 November 2002, which have not vested as at 1 January 2005.

Reliable estimation of the future financial effects of this change in accounting policy is impracticable as the details of the future equity based remuneration plans are unknown.

DIRECTORS' DECLARATION

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

In the opinion of the directors:

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

  (i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2004 and of their performance for the year ended on that date; and

  (ii) complying with Accounting Standards and Corporations Regulations 2001; and

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

On behalf of the Board

ADAM RANKINE-WILSON
Managing Director

Dated this 30th day of September 2004

Perth, Western Australia

ERNST & YOUNG

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Independent audit report to members of Grange Resources Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Grange Resources Limited (the company) and the consolidated entity, for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

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 company and the consolidated entity, and that complies with Accounting Standards in Australia, 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.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit opinion

In our opinion, the financial report of Grange Resources Limited is in accordance with:

(a) the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the financial position of Grange Resources Limited and the consolidated entity at 30 June 2004 and of their performance for the year ended on that date; and

  (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

V W Tidy
Partner
Perth
Date: 30 September 2004

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW).

ASX ADDITIONAL INFORMATION

SHAREHOLDER INFORMATION AT 30 JULY 2004

ORDINARY SHARES

1. Distribution of Shareholders

(a) Analysis of number of shareholders by size and holding:

Category of shareholding	Number of shareholders
1 – 1,000	188
1,001 – 5,000	397
5,001 – 10,000	170
10,001 – 100,000	211
100,001 – and over	43
TOTAL	1,009

(b) There are 290 holders of ordinary shares each holding less than a marketable parcel.

2. Top Twenty Shareholders

The twenty largest holders of ordinary fully paid shares are listed below:

Name	Number	%
ANZ Nominees Limited	24,670,928	35.39
National Nominees Limited	8,600,221	12.34
RBC Global Services Australia Nominees Pty Ltd	4,285,715	6.15
Equitas Finance Pty Limited	3,525,102	5.06
Dr Salim Cassim	1,975,712	2.83
Mr King Chong Chai	1,767,650	2.54
HSBC Custody Nominees (Australia) Limited	1,305,806	1.87
Blackmort Nominees Pty Ltd	1,300,000	1.86
Westpac Custodian Nominees Limited	1,082,209	1.55
M F Custodians Limited	1,025,000	1.47
Dr Salim Cassim	1,000,000	1.43
Bayonet Investments Pty Ltd	700,000	1.00
Nefco Nominees Pty Ltd	631,078	0.91
Mr James Ng	574,500	0.82
Mr Hans-Rudolf Moser	560,450	0.80
Clodene Pty Ltd	549,090	0.79
Bayonet Investments Pty Ltd	523,606	0.75
Zero Nominees Pty Ltd	500,000	0.72
First Distribution Services Limited	453,941	0.65
Hollywood Marketing (WA) Pty Ltd	441,119	0.63
	55,472,127	79.56

ASX ADDITIONAL INFORMATION (CONTINUED)

3. Voting Rights

In accordance with Article 9.22 of the Company's Constitution, subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholders or classes of shareholders:

(a) on a show of hands, every member present in person and each other person present as a proxy, attorney or representative of a member has one vote; and

(b) on a poll, each member present in person has one vote for each fully paid share held by the member and each person present as a proxy, attorney or representative of a member has one vote for each fully paid share held by the member that the person represents,

but a member is not entitled to vote at a general meeting in respect of shares which are the subject of a current restriction agreement for so long as any breach of that agreement subsists.

4. Substantial Shareholders

An extract of the Company's Register of Substantial Shareholders is set out below:

Name	Number of fully paid shares	Percentage of issued capital %
Anthony Bohnenn	9,612,313	13.79
RBC Global Services Australia Nominees Pty Ltd	4,285,715	6.15
Mr Hans-Rudolf Moser	3,560,450	5.11
Equitas Finance Pty Limited	3,525,102	5.06

UNQUOTED SECURITIES

The Company has the following unquoted securities on issue:

Class of Security	Number of securities on issue	Number of security holders
12 cent options expiring 30 June 2007	5,075,000	9
50 cent options expiring 28 November 2006	4,285,715	1
12 cent options expiring 30 June 2007	4,500,000	3