

# GRANGE RESOURCES LIMITED

ACN 009 132 405

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## NOTICE OF ANNUAL GENERAL MEETING and EXPLANATORY MEMORANDUM and PROXY FORM

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Date of Meeting: 28 November 2008  
Time of Meeting: 11.00 am (WDT)  
Place of Meeting: QV1 Conference Centre  
Level 2, QV1 Building  
250 St George's Terrace  
PERTH WA 6000

***This Notice of Annual General Meeting and accompanying Explanatory Memorandum and Proxy Form should be read in their entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.***

***Should you wish to discuss any matters referred to in this document, please contact the Company Secretary by telephone on +61 8 9321 1118.***

**GRANGE RESOURCES LIMITED**  
**ACN 009 132 405**  
**NOTICE OF ANNUAL GENERAL MEETING**

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Notice is hereby given that a Meeting of Grange Resources Limited (**Grange** or **Company**) will be held at QV1 Conference Centre, Level 2, QV1 Building, 250 St George's Terrace, Perth WA 6000 at 11.00 am (WDT) on 28 November 2008 for the purposes of transacting the following business.

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

The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on 26 November 2008 at 5pm (WDT).

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

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**AGENDA**

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**Item 1 - Annual financial reports and accounts for the year ended 30 June 2008**

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2008 comprising the financial statements together with the directors' declaration and report in relation to that financial year and the Auditor's Report on those financial statements.

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**Item 2 - Resolution 1 - Remuneration Report**

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

*"To approve the Remuneration Report for the year ended 30 June 2008."*

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**Item 3 - Resolution 2 - Re-election of Director, Mr Richard Krasnoff**

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

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

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#### **Item 4 - Resolution 3 - Ratification of issues of securities**

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

*"That, for the purposes of Listing Rule 7.4 and for all other purposes, the Shareholders hereby approve and ratify the allotment and issue of 117,000 Shares to CPU Share Plans Pty Ltd as trustee for the Grange Resources Limited Long Term Incentive Plan for the benefit of Eligible Employees on the terms and conditions referred to in the Explanatory Memorandum."*

In accordance with Listing Rules 7.5 and 14.11, the Company will disregard any votes cast on this resolution by Eligible Employees and any of their Associates.

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

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#### **Item 5 - Resolution 4 – Approval of issue of Director Options to Managing Director, Mr Russell Clark**

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

*"That, for the purposes of section 195(4) of the Corporations Act, Chapter 2E of the Corporations Act and Listing Rule 10.11 and for all other purposes, the issue of 4,500,000 options to Mr Russell Clark or his nominee, on the terms and conditions set out in the Explanatory Memorandum, is approved."*

Voting Exclusion: In accordance with section 224 of the Corporations Act, and Listing Rules 10.13 and 14.11, the Company will disregard any votes cast on this resolution by Mr Russell Clark (or his nominee) or any of his Associates.

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

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#### **Item 6 - Resolution 5 – Approval of issue of Director Options to Director, Mr David Macoboy**

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

*"That, for the purposes of section 195(4) of the Corporations Act, Chapter 2E of the Corporations Act and Listing Rule 10.11 and for all other purposes, the issue of 450,000 options to Mr David Macoboy or his nominee, on the terms and conditions set out in the Explanatory Memorandum, is approved."*

Voting Exclusion: In accordance with section 224 of the Corporations Act, and Listing Rules 10.13 and 14.11, the Company will disregard any votes cast on this resolution by Mr David Macoboy (or his nominee) or any of his Associates.

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

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**Item 7 - Resolution 6 – Approval of issue of Director Options to Director, Mr Richard Krasnoff**

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

*"That, subject to the passing of resolution 2 and for the purposes of section 195(4) of the Corporations Act, Chapter 2E of the Corporations Act and Listing Rule 10.11 and for all other purposes, the issue of 450,000 options to Mr Richard Krasnoff or his nominee, on the terms and conditions set out in the Explanatory Memorandum, is approved."*

Voting Exclusion: In accordance with section 224 of the Corporations Act, and Listing Rules 10.13 and 14.11, the Company will disregard any votes cast on this resolution by Mr Richard Krasnoff (or his nominee) or any of his Associates.

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

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**Item 8 - Resolution 7 – Approval of issue of Director Options to Director, Mr Anthony Bohnenn**

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

*"That, for the purposes of section 195(4) of the Corporations Act, Chapter 2E of the Corporations Act and Listing Rule 10.11 and for all other purposes, the issue of 450,000 options to Mr Anthony Bohnenn or his nominee, on the terms and conditions set out in the Explanatory Memorandum, is approved."*

Voting Exclusion: In accordance with section 224 of the Corporations Act, and Listing Rules 10.13 and 14.11, the Company will disregard any votes cast on this resolution by Mr Anthony Bohnenn (or his nominee) or any of his Associates.

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

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**Item 9 - Resolution 8 – Approval of issue of Director Options to Director, Mr Douglas Stewart**

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

*"That, for the purposes of section 195(4) of the Corporations Act, Chapter 2E of the Corporations Act and Listing Rule 10.11 and for all other purposes, the issue of 450,000 options to Mr Douglas Stewart or his nominee, on the terms and conditions set out in the Explanatory Memorandum, is approved."*

Voting Exclusion: In accordance with section 224 of the Corporations Act, and Listing Rules 10.13 and 14.11, the Company will disregard any votes cast on this resolution by Mr Douglas Stewart (or his nominee) or any of his Associates.

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

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**Item 10 - Resolution 9 - Issue of securities under the Grange Resources Limited  
Long Term Incentive Plan**

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

*"That, for the purposes of Listing Rule 7.2 Exception 9(b) and for all other purposes, Shareholders approve and authorise the Directors of the Company to:*

- (a) grant options and rights to acquire shares in the capital of the Company; and*
- (b) issue shares in the capital of the Company pursuant to those options and rights,*

*from time to time, under the Grange Resources Limited Long Term Incentive Plan, on the terms and conditions summarised in Schedule 1 of the Explanatory Memorandum, as an exception to Listing Rule 7.1."*

Voting Exclusion: In accordance with Listing Rules 7.2 exception 9(b) and 14.11, the Company will disregard any votes cast on this resolution by the Directors of the Company (except those who are ineligible to participate in the Grange Resources Limited Long Term Incentive Plan) and any of their Associates.

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

**DATED 20<sup>th</sup> DAY OF OCTOBER 2008**

**BY ORDER OF THE BOARD**



**NEIL MARSTON  
COMPANY SECRETARY**

**GRANGE RESOURCES LIMITED**  
**ACN 009 132 405**  
**EXPLANATORY MEMORANDUM**

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This Explanatory Memorandum has been prepared for the information of Shareholders of Grange Resources Limited (**Grange** or **Company**) in connection with the business to be conducted at the Meeting to be held at QV1 Conference Centre, Level 2, QV1 Building, 250 St George's Terrace, Perth WA 6000 at 11.00 am (WDT) on 28 November 2008.

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

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

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## **1. Business of Annual General Meeting**

### **1.1 Annual financial reports and accounts for the year ended 30 June 2008**

The first item of the Notice of Annual General Meeting is to receive and consider the annual financial report and accounts of the Company for the year ended 30 June 2008 comprising the financial statements together with the Directors' Declaration and Report in relation to that financial year and the Auditor's Report. No resolution is required in respect of this agenda item. However, it provides Shareholders with the opportunity to ask questions of the Company's management and auditors in relation to the Company's results and operations for the financial year. Please refer to the section 'Questions from Shareholders' at page 22 of this Explanatory Memorandum.

### **1.2 Resolution 1 - Remuneration Report**

The Annual Report for the year ended 30 June 2008 contains a Remuneration Report which sets out the remuneration policy for the Company and reports the remuneration arrangements in place for the executive Directors, specified executives and non-executive Directors. A copy of the report is set out on pages 19 to 27 of the Annual Financial Report which is on the Company website at [www.grangeresources.com.au](http://www.grangeresources.com.au).

Pursuant to section 250R(3) of the Corporations Act, the Shareholder vote is advisory only and will not require the Company to alter any arrangements detailed in the Remuneration Report, should resolution 1 not be passed. Notwithstanding the legislative effect of this requirement, the Board has determined that it will take the outcome of the vote into consideration when considering the remuneration policy.

### **1.3 Resolution 2 - Re-election of Director, Mr Richard Krasnoff**

Mr Richard Krasnoff retires by rotation in accordance with article 10.3 of the Constitution. It is a requirement of the Constitution that one-third of Director's retire from office at each annual general meeting. The retiring Director however, if eligible, may offer himself for re-election.

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

Mr Krasnoff was appointed as a director of Grange on 16 June 2005. Mr Krasnoff's previous roles have included an executive position with Wesfarmers Limited and as a management consultant with McKinsey & Company for a period of ten years.

Mr Krasnoff is a graduate of the Australian Institute of Company Directors and has completed a Master of Business Administration from the Harvard Business School. During the past three years he has also served as a director of Conquest Mining Limited.

#### **1.4 Retirement of Director, Mr Alex Nutter**

Mr Alex Nutter also retires by rotation in accordance with article 10.3 of the Constitution. However, Mr Nutter will not be offering himself for re-election at the Meeting.

#### **1.5 Resolution 3 - Ratification of issues of securities**

##### **(a) Background**

In August 2007 Grange implemented the Grange Resources Limited Long Term Incentive Plan (**LTIP**). Under the LTIP, the Board may, from time to time at its discretion grant Options or Rights, or both, under the LTIP to Eligible Employees. The quantity and nature of share options or performance rights issued to executives varies depending upon each executive's remuneration classification.

Subsequent to the approval of the LTIP, the Company issued rights to selected Eligible Employees, the vesting conditions of which were dependent upon individual performance milestones during 2007, such key targets as project acquisitions, stakeholder agreements and project approvals. These performance milestones were chosen due to their relevance to the ongoing success of the Company.

Following a review of achievement against the individual performance milestones, the Company issued 117,000 Shares to CPU Share Plans Pty Ltd as trustee for the LTIP for the benefit of Eligible Employees on 10 July 2008. Resolution 3 seeks Shareholder ratification to the issue of these Shares.

##### **(b) Listing Rule 7.4**

Listing Rule 7.4 permits a company to subsequently approve an issue of securities made without approval under Listing Rule 7.1. Listing Rule 7.1 provides, in summary, that a listed company may not issue equity securities in any 12 month period which exceed 15% of the number of issued securities of the company held at the beginning of the 12 month period, except with the prior approval of Shareholders of the company in general meeting of the precise terms and conditions of the proposed issue.

Resolution 3 has been included in this Notice of Annual General Meeting to preserve the Company's ability to issue further securities (if necessary) under Listing Rule 7.1. The outcome of resolution 3 will have no effect on the issue of Shares to the trustee of the LTIP as they have already been issued. However, if resolution 3 is not approved by Shareholders, it will restrict the ability of the Company to issue securities without Shareholder approval until the Company's 15% capacity is replenished, in accordance with Listing Rule 7.1.

Listing Rule 7.4 states that an issue of securities made without approval under Listing Rule 7.1 is treated as having been made with approval for the purpose of Listing Rule 7.1 if the issue did not breach Listing Rule 7.1 and Shareholders subsequently approve it.

(c) **Details of the issue**

In accordance with Listing Rule 7.5, Shareholders are advised as follows:

- (i) a total of 117,000 Shares were issued;
- (ii) the Shares were issued at a deemed issue price of \$1.93 for no consideration;
- (iii) the Shares were issued to CPU Share Plans Pty Ltd, in respect of selected Eligible Employees, being senior managers of the Company;
- (iv) the Shares issued pursuant to this resolution 3 rank equally in all respects with all other Shares in the Company and are listed on ASX; and
- (v) the Shares were issued for no consideration and as such, no funds were raised from the issue of such Shares.

(d) **Voting Exclusion Statement**

In accordance with Listing Rules 7.5 and 14.11, the Company will disregard any votes cast on resolution 3 by an Eligible Employee and by an Associate of an Eligible Employee. However, the Company need not disregard a vote if it is cast by an Eligible Employee as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by a representative of an Eligible Employee chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Accordingly, an Eligible Employee and Associates of an Eligible Employee may not vote on resolution 3.

**1.6 Resolutions 4 to 8 (inclusive) – Approval of issue of Director Options to Messrs Russell Clark, David Macoboy, Richard Krasnoff, Anthony Bohnenn and Douglas Stewart**

(a) **Background**

Resolution 4 seeks approval of the issue of 4,500,000 Director Options to the Managing Director and Chief Executive Officer, Russell Clark or his nominee.

Resolutions 5 to 8 (inclusive) seek approval of the issue of 450,000 Director Options to each of the non-executive Directors, Messrs David Macoboy, Richard Krasnoff, Anthony Bohnenn and Douglas Stewart or their respective nominees. Resolution 6 is subject to resolution 2 being passed by Shareholders.

At the general meeting of the Company held on 20 May 2008, Shareholders approved the issue to the Recipient Directors (or their respective nominees) of the same number of options on the same terms (save as described in section 1.6(b) below) as the Director Options. Although those options were issued with Shareholder approval, Listing Rule 10.13 requires that options issued to a Related Party of the Company, including a Director, must be issued within 1 month of the date of the meeting approving the issue. The Company inadvertently issued those options to the Recipient Directors on 9 July 2008, which was 1 month and 19 days after the date of the approval. In accordance with a direction from ASX, those options were cancelled on 5 September 2008.

Resolutions 4 to 8 (inclusive) seek approval of the Shareholders to issue the Director Options to the Recipient Directors on the terms set out in Schedule 2 to this Explanatory Memorandum. The Director Options are intended to replace the Cancelled Options.

As with the Cancelled Options, the grant of the Director Options is intended to act as an incentive for the Recipient Directors to align themselves with the Company's strategic plan focusing on optimising performance with the benefits flowing through to enhanced Shareholder returns.

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

(b) **Key details of Director Options**

The key terms of the Director Options are as follows:

	Number		Exercise Price	Vesting Date	Expiry Date
	Managing Director	Each Non-Executive Director			
<b>Tranche 1</b>	1,500,000	150,000	\$2.05	6 March 2009	6 March 2012
<b>Tranche 2</b>	1,500,000	150,000	\$3.00	6 March 2010	6 March 2012
<b>Tranche 3</b>	1,500,000	150,000	\$3.50	6 March 2011	6 March 2012

The full terms of the Director Options are set out in Schedule 2 of this Explanatory Memorandum. Each Director Option will be issued on the same terms, with no distinction (other than quantum) between those granted to the Managing Director and those granted to the non-executive Directors. Other than as outlined below, the quantum, exercise prices, vesting dates and expiry dates for the Director Options are the same as the Cancelled Options they are intended to replace.

The terms of the Director Options are largely the same as the terms of the Cancelled Options. The differences are as follows:

- (i) each unvested Director Option will automatically vest on a Change in Control of the Company or on the death of the holder, and does not lapse if not exercised within 30 days of the Change of Control. The Cancelled Options previously issued to Russell Clark would have automatically vested on a Change in Control of the Company only and would have been exercisable for a period of 30 days, after which any unexercised options would have lapsed. There were no early vesting provisions applicable to the Cancelled Options issued to the other Recipient Directors;
- (ii) if the employment of any Recipient Director is terminated, all options held by that Recipient Director that have not vested at the date of termination will be cancelled. Previously, this only applied to the Cancelled Options held by Russell Clark;
- (iii) the Director Options will not be transferable, except to entities (whether personal, corporate or trust) related to or owned and controlled by the holder personally. The Cancelled Options were not transferable at all;
- (iv) Director Options may be exercised in multiples of 100 (as opposed to multiples of 1,000 for the Cancelled Options); and
- (v) holders will be given at least 7 business days notice (as opposed to 6 business days for the Cancelled Options) prior to the record date for determining entitlements to any new issues of capital, to give the holders the opportunity to exercise the Director Options (if vested) and participate in the issue.

These changes are largely for uniformity and to address the issues that have been raised regarding the terms of the Cancelled Options.

(c) **Section 195(4) of the Corporations Act**

Section 195(4) of the Corporations Act provides, in essence, that a director of a public company may not vote or be present during meetings of directors when matters in which that director holds a "material personal interest" are considered. As a result, the Board have resolved in accordance with section 195(4) of the Corporations Act to place the proposed issue of Director Options to the Recipient Directors under resolutions 4 to 8 (inclusive) before Shareholders for approval at the Meeting.

## 1.7 Chapter 2E of the Corporations Act

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

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

For the purposes of Chapter 2E, each of the Recipient Directors is considered to be a Related Party of the Company because each is a Director and the proposed grant of Director Options by the Company constitutes the giving of a financial benefit.

The proposed grant of Director Options by the Company to the Recipient Directors (or their respective nominees) involves the provision of a financial benefit to Related Parties of the Company and, therefore, requires prior Shareholder approval. In accordance with the requirements of Chapter 2E, and in particular with section 219 of the Corporations Act, the following information is provided to Shareholders to allow them to assess the proposed grant of Director Options by the Company to each of the Recipient Directors (or their respective nominees):

- (a) each of the Recipient Directors is a Related Party of the Company to whom the proposed resolutions 4 to 8 (inclusive) would permit the financial benefits to be given;
- (b) the nature of the financial benefit to be given to each of the Recipient Directors (or their respective nominees) is the grant of 4,500,000 Director Options to the Managing Director, Mr Russell Clark, and the grant of 450,000 Director Options to each of the non-executive Directors, Messrs David Macoboy, Richard Krasnoff, Anthony Bohnenn and Douglas Stewart;
- (c) as at the date of lodgement of the Notice of Annual General Meeting with ASIC, being 9 October 2008 (**ASIC Lodgement Date**), the issued capital of the Company is 115,318,099 Shares and 10,075,000 options. A comparison of the current issued capital of the Company and the issued capital of the Company should each Recipient Director exercise all of their 450,000 Director Options, or in the case of the Managing Director, his 4,500,000 Director Options (assuming that resolutions 4 to 8 (inclusive) are approved by Shareholders, no existing options are exercised and no other securities are issued by the Company in the meantime) is set out in the table below:

Current number of shares on issue	Number of shares on issue following Exercise of Director Options by the Recipient Directors
115,318,099	121,618,099

- (d) if Shareholders approve the grant of the 6,300,000 Director Options to the Recipient Directors, the exercise of the Director Options by the Recipient Directors may result in a dilution of all other Shareholders' holdings in the Company to a maximum of approximately 5.18% (based on the number of Shares on issue at the ASIC Lodgement Date and assuming that resolutions 4 to 8 (inclusive) are approved by the Shareholders, the Director Options the subject of resolutions 4 to 8 (inclusive) are subsequently granted and exercised, no existing options are exercised and no other securities are issued by the Company in the meantime);

- (e) if resolutions 4 to 8 (inclusive) are approved by Shareholders, the Recipient Directors will be entitled to the following securities in the Company:

<b>Recipient Director<sup>1</sup></b>	<b>Number of Shares<sup>2</sup></b>	<b>Number of Director Options</b>
Russell Clark	30,000	4,500,000
Anthony Bohnenn	13,774,338	450,000
Richard Krasnoff	68,000	450,000
Douglas Stewart	Nil	450,000
David Macoboy	65,000	450,000

1. The securities are based on the relevant interests of the Directors as at the ASIC Lodgement Date, assuming resolutions 4 to 8 (inclusive) are approved. Subject to the Corporations Act, the Listing Rules and the Company's Constitution, any of the Recipient Directors may from time to time either dispose of some or all of their security holding in the Company and/or increase their security holding in the Company.
2. Shares include the Shares directly held by Directors and those indirectly held by, and in which, the Directors have a relevant interest.

- (f) the 6,300,000 Director Options will be granted by the Company to Recipient Directors for no consideration and therefore no funds will be raised by the grant of the Director Options to Recipient Directors. Any funds raised from time to time due to the exercise of any Director Options by a Recipient Director will be used as the Board sees fit;
- (g) see section 1.8 of this Explanatory Memorandum regarding an indicative valuation of the Director Options;
- (h) please refer to the following table for details of the Recipient Directors' remuneration for the financial year ending 30 June 2009 based on current terms of engagement or appointment:

<b>Recipient Director</b>	<b>Director Fees</b>	<b>Superannuation Contributions</b>	<b>Other</b>	<b>Total</b>
Russell Clark <sup>1</sup>	\$500,000	\$45,000	nil	\$545,000
Anthony Bohnenn	\$82,569	\$7,431	nil	\$90,000
Richard Krasnoff	\$55,046	\$4,954	nil	\$60,000
Douglas Stewart	\$55,046	\$4,954	nil	\$60,000
David Macoboy	\$60,000	nil	nil	\$60,000

1. Under Russell Clark's Employment Agreement (approved by Shareholders at the general meeting of the Company held on 20 May 2008), he is paid a salary of \$500,000 per annum plus \$45,000 in superannuation contributions and may also become entitled to certain bonuses linked to performance equal to \$2,000,000 in total (less applicable taxes).

- (i) if resolutions 4 to 8 (inclusive) are approved by Shareholders, it is proposed that the Director Options will be granted no later than 1 month after the date of this Meeting and it is anticipated that the allotment will be on one date;
- (j) the proposed grant of the Director Options to Recipient Directors will be made pursuant to the terms and conditions set out in Schedule 2 of this Explanatory Memorandum; and

- (k) other than the information specified in this Explanatory Memorandum, the Directors believe there is no other information that would be reasonably required by the Shareholders in order to decide whether it is in the best interests of the Company to pass resolutions 4 to 8 (inclusive).

## 1.8 Valuation of Director Options

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

Highest: \$2.75 per Share on 18 October 2007

Lowest: \$0.75 per Share on 8 October 2008

Last: \$0.87 per Share on 8 October 2008 (being the last day on which the Company's Shares were traded on ASX before lodgement of the Notice of Annual General Meeting with ASIC).

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

- (a) The indicative valuation has assumed that the grant date of the Director Options is 8 October 2008, and the VWAP used is to 8 October 2008. The valuation is not a representative valuation of the Director Options at the proposed date of issue. In order for this valuation to be provided, a new valuation model would need to be run with updated assumptions at the time of issue (i.e. immediately following the Meeting).
- (b) An exercise price of:
- (i) \$2.05 per Tranche 1 Director Option;
  - (ii) \$3.00 per Tranche 2 Director Option; and
  - (iii) \$3.50 per Tranche 3 Director Option.
- (c) The Company's 5 day VWAP of \$1.01 on 8 October 2008, the date of this indicative valuation.
- (d) An estimated future volatility of the Company's Share price of 75% based on historical recorded volatility in the Company's Share price as well as those of comparable companies.
- (e) Risk-free interest rates for the Director Options as follows:
- (i) Tranche 1 Director Options – 4.7%;
  - (ii) Tranche 2 Director Options – 4.7%; and
  - (iii) Tranche 3 Director Options – 4.7%.
- (f) In calculating the indicative value of the Director Options, it has been assumed that they are exercised on their expiry date which is, for each Director Option, 6 March 2012. Please note that this value is indicative only.

The indicative value for each Director Option is as follows:

- (i) Tranche 1 Director Option - \$0.384;
- (ii) Tranche 2 Director Option - \$0.296; and
- (iii) Tranche 3 Director Option - \$0.263.

- (g) The Director Options to be granted to the Recipient Directors, pursuant to resolutions 4 to 8 (inclusive), will not be quoted on ASX.

The total value of the Director Options to be issued to the Recipient Directors, based on the indicative valuation, is set out in the table below:

Type	Number	Value
<b>Director Options to be issued to Managing Director</b>		
Tranche 1	1,500,000	\$576,733
Tranche 2	1,500,000	\$444,414
Tranche 3	1,500,000	\$394,667
<b>Director Options to be issued to each other Recipient Director</b>		
Tranche 1	150,000	\$57,673
Tranche 2	150,000	\$44,441
Tranche 3	150,000	\$39,467

The Director Options are intended to replace the Cancelled Options other than as set out in this Explanatory Memorandum. The quantum, exercise prices, vesting dates and expiry date of the Director Options are identical to the Cancelled Options they would replace. Because of movements in the Share price the values of the Director Options differ from the values of the Cancelled Options, as set out in the explanatory memorandum for the Shareholders meeting held on 20 May 2008. In particular, Shareholders should note that the Cancelled Options were valued using a 5 day VWAP to 28 March 2008 of \$1.3461. The 5 day VWAP to 8 October 2008 used for the valuation of the Director Options was \$1.01.

## 1.9 Listing Rule 10.11

Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a Related Party, or a person whose relationship with the entity or a Related Party is, in ASX's opinion, such that approval should be obtained unless an exception in Listing Rule 10.12 applies.

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

It is the view of the Directors that the exceptions set out in Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought under Listing Rule 10.11 for the grant of Director Options to the Recipient Directors.

## 1.10 Listing Rule 7.1

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

## 1.11 Listing Rule Requirements

Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting requesting shareholder approval under Listing Rule 10.11. In accordance with Listing Rule 10.13, the following information is provided to Shareholders in relation to resolutions 4 to 8 (inclusive):

- (a) the maximum number of Director Options that may be granted by the Company to:
  - (i) Russell Clark (or his nominee) is 4,500,000;
  - (ii) each of the Recipient Directors (or their respective nominees) other than Russell Clark, is 450,000,

being an aggregate total of 6,300,000 Director Options. If all the Director Options are exercised by the Recipient Directors (or their nominees), then Russell Clark (or his nominee) will be entitled to 4,500,000 Shares as a result of the exercise of those Director Options, and each of the Recipient Directors (or their respective nominees) other than Russell Clark will be entitled to 450,000 Shares as a result of the exercise of those Director Options, being an aggregate total of 6,300,000 Shares;

- (b) the Director Options are granted for no consideration and therefore no funds will be raised by the grant of the Director Options to the Recipient Directors. Any funds raised from time to time due to the exercise of any Director Options by a Recipient Director will be used as the Board sees fit;
- (c) the exercise price for each tranche of Director Options being granted to the Recipient Directors is set out in section 1.6(b) of this Explanatory Memorandum;
- (d) the indicative valuation range for each Director Option is between \$0.263 and \$0.384. Details of the calculation of those indicative values are set out in section 1.8 of this Explanatory Memorandum;
- (e) the proposed grant of the Director Options to the Recipient Directors will be made pursuant to the terms and conditions set out in section 1.6(b) and Schedule 2 of this Explanatory Memorandum; and
- (f) if resolutions 4 to 8 (inclusive) are approved by Shareholders, the Director Options will be granted by the Board no later than 1 month after the date of the Meeting and it is anticipated that the allotment will be on one date.

## 1.12 Recommendations of Directors

### (a) Resolution 4

Russell Clark declines to make a recommendation to Shareholders in relation to resolution 4 due to his material personal interest in the outcome of the resolution. The other Directors, who do not have a material interest in the outcome of resolution 4, recommend that Shareholders vote in favour of resolution 4 on the basis that the Directors consider the grant of Director Options is reasonable in the circumstances, given the cancellation of the Cancelled Options issued to him on 9 July 2008 and the necessity to attract and retain the highest calibre of professionals to, and with, the Company, whilst maintaining the Company's cash reserves. The Board (other than Mr Clark) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the resolution.

### (b) Resolution 5

David Macoboy declines to make a recommendation to Shareholders in relation to resolution 5 due to his material personal interest in the outcome of the resolution. The other Directors, who do not have a material interest in the outcome of resolution 5, recommend that Shareholders vote in favour of resolution 5 on the basis that the Directors consider the grant of Director Options is reasonable in the circumstances, given the cancellation of the Cancelled Options issued to him on 9 July 2008 and the necessity to attract and retain the highest calibre of professionals to, and with, the Company, whilst maintaining the Company's cash reserves. The Board (other than Mr Macoboy) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the resolution.

### (c) Resolution 6

Richard Krasnoff declines to make a recommendation to Shareholders in relation to resolution 6 due to his material personal interest in the outcome of the resolution. The other Directors, who do not have a material interest in the outcome of resolution 6, recommend that Shareholders vote in favour of resolution 6 on the basis that the Directors consider the grant of Director Options is reasonable in the circumstances, given the cancellation of the Cancelled Options issued to him on 9 July 2008 and the necessity to attract and retain the highest calibre of professionals to, and with, the Company, whilst maintaining the Company's cash reserves. The Board (other than Mr Krasnoff) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the resolution.

### (d) Resolution 7

Anthony Bohnenn declines to make a recommendation to Shareholders in relation to resolution 7 due to his material personal interest in the outcome of the resolution. The other Directors, who do not have a material interest in the outcome of resolution 7, recommend that Shareholders vote in favour of resolution 7 on the basis that the Directors consider the grant of Director

Options is reasonable in the circumstances, given the cancellation of the Cancelled Options issued to him on 9 July 2008 and the necessity to attract and retain the highest calibre of professionals to, and with, the Company, whilst maintaining the Company's cash reserves. The Board (other than Mr Bohnenn) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the resolution.

(e) **Resolution 8**

Douglas Stewart declines to make a recommendation to Shareholders in relation to resolution 8 due to his material personal interest in the outcome of the resolution. The other Directors, who do not have a material interest in the outcome of resolution 8, recommend that Shareholders vote in favour of resolution 8 on the basis that the Directors consider the grant of Director Options is reasonable in the circumstances, given the cancellation of the Cancelled Options issued to him on 9 July 2008 and the necessity to attract and retain the highest calibre of professionals to, and with, the Company, whilst maintaining the Company's cash reserves. The Board (other than Mr Stewart) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the resolution.

## **1.13 Voting Exclusion Statements**

(a) **Resolution 4**

In accordance with section 224 of the Corporations Act, and Listing Rules 10.13 and 14.11, the Company will disregard any votes cast on this resolution by Russell Clark (or his nominee) or any of his Associates.

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

(b) **Resolution 5**

In accordance with section 224 of the Corporations Act, and Listing Rules 10.13 and 14.11, the Company will disregard any votes cast on this resolution by David Macoboy (or his nominee) or any of his Associates.

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

(c) **Resolution 6**

In accordance with section 224 of the Corporations Act, and Listing Rules 10.13 and 14.11, the Company will disregard any votes cast on this resolution by Richard Krasnoff (or his nominee) or any of his Associates.

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

(d) **Resolution 7**

In accordance with section 224 of the Corporations Act, and Listing Rules 10.13 and 14.11, the Company will disregard any votes cast on this resolution by Anthony Bohnenn (or his nominee) or any of his Associates.

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

(e) **Resolution 8**

In accordance with section 224 of the Corporations Act, and Listing Rules 10.13 and 14.11, the Company will disregard any votes cast on this resolution by Douglas Stewart (or his nominee) or any of his Associates.

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

**1.14 Resolution 9 - Issue of securities under the Grange Resources Limited Long Term Incentive Plan**

(a) **Background**

Resolution 9 contemplates Shareholder approval authorising the Directors to:

- (i) grant Options and Rights to acquire Shares; and
- (ii) issue Shares pursuant to those Options and Rights,

from time to time, under the Grange Resources Limited Long Term Incentive Plan (**LTIP**).

The objective of the LTIP is to assist in the recruitment, reward, retention and motivation of employees and officers of the Company and any subsidiary.

(b) **Listing Rule 7.1**

Rule 7.1 of the ASX Listing Rules prohibits (subject to specified exceptions) a listed company from issuing or agreeing to issue equity securities equal to more than 15% of its ordinary capital in any 12 month period without the approval of holders of ordinary shares (the **15% Limit**).

Rule 7.2 exception 9 of the ASX Listing Rules permits securities issued under an employee incentive scheme to be excluded from the 15% Limit where the issue of securities under the scheme is approved by Shareholders within 3 years before their date of issue.

The effect of the approval sought by resolution 9 will be that Options and Rights granted (and Shares issued pursuant to those Options and Rights) under the LTIP during the 3 years after the date of the Meeting will not be counted as reducing the number of securities which the Company can issue without Shareholder approval under the 15% Limit.

Shareholders should note that 1,140,000 Options and 117,000 Rights have been granted under the LTIP as at the date of this Explanatory Memorandum. Any grant to Directors of Options or Rights to acquire Shares will require separate Shareholder approval.

A summary of the terms of the rules of the LTIP are set out in Schedule 1 of this Explanatory Memorandum.

The full terms of the LTIP rules may be inspected during normal business hours at the Company's registered office.

(c) **Voting Exclusion Statement**

In accordance with Listing Rules 7.2 exception 9(b) and 14.11, the Company will disregard any votes cast on this resolution by the Directors of the Company (except those who are ineligible to participate in the LTIP) and any of their Associates.

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

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## 2. Glossary

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

<b>\$</b>	means Australian dollars.
<b>ASIC</b>	means the Australian Securities and Investments Commission.
<b>Associate</b>	means an 'associate' as defined in section 9 of the Corporations Act, except that a reference to "Associate" in relation to a Listing Rule has the meaning given to it in Listing Rule 14.11.
<b>ASX</b>	means ASX Limited ACN 008 624 691.
<b>Board</b>	means the Board of Directors from time to time.
<b>Cancelled Options</b>	means the options issued to the Recipient Directors on 9 July 2008 and subsequently cancelled on 5 September 2008.
<b>Change in Control</b>	in respect of the Company means any person, either alone or together with any Associate acquiring a relevant interest (as defined in the Corporations Act) in more than 50% of the issued Shares in the Company.
<b>Company or Grange</b>	means Grange Resources Limited ACN 009 132 405.
<b>Constitution</b>	means the constitution of the Company from time to time.
<b>Corporations Act</b>	means the Corporations Act 2001 (Cth).
<b>Director</b>	means a Director of the Company from time to time.
<b>Director Option</b>	means an option to subscribe for a Share, on the terms set out in Schedule 2 of this Explanatory Memorandum.
<b>Eligible Employee</b>	means a person entitled to participate in the LTIP.
<b>Employment Agreement</b>	means the employment agreement dated 4 February 2008 between the Company and Russell Clark.
<b>Exercise Price</b>	means the exercise price of the Director Options as set out in section 1.6(b) and Schedule 2 of this Explanatory Memorandum.
<b>Expiry Date</b>	means 6 March 2012.
<b>Explanatory Memorandum</b>	means this explanatory memorandum.
<b>Grantee</b>	means the person who is granted a Director Option in accordance with resolutions 4 to 8 (inclusive).

<b>Listing Rules</b>	means the listing rules of the ASX and any other rules of ASX which are applicable while the Company is admitted to the official list, each as amended from time to time, except to the extent of any express written waiver by ASX.
<b>LTIP</b>	means the Grange Resources Limited Long Term Incentive Plan.
<b>Meeting</b>	means the annual general meeting of Shareholders convened by the Notice of Annual General Meeting.
<b>Notice of Annual General Meeting</b>	means the notice of annual general meeting which accompanies this Explanatory Memorandum.
<b>Option</b>	means an option to acquire a Share granted pursuant to the LTIP.
<b>Recipient Directors</b>	means Messrs Russell Clark, David Macoboy, Richard Krasnoff, Anthony Bohnenn and Douglas Stewart and <b>Recipient Director</b> means any one of them.
<b>Related Party</b>	means a related party as defined in section 228 of the Corporations Act.
<b>Right</b>	means a right to acquire a Share granted pursuant to the LTIP.
<b>Share</b>	means a fully paid ordinary share in the capital of Grange.
<b>Shareholder</b>	means a holder of a Share.
<b>Vesting Date</b>	means the vesting date of the Director Options as set out in section 13.5 and Schedule 2 of this Explanatory Memorandum.
<b>WDT</b>	means Australian Western Daylight Time.

## **Schedule 1 - Summary of the terms of the Grange Resources Limited Long Term Incentive Plan**

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### **Grange Resources Limited Long Term Incentive Plan**

- (a) **The Grange Resources Limited Long Term Incentive Plan**  
The Grange Resources Limited Long Term Incentive Plan (**LTIP**) is a mechanism to further align the long term interests of "Eligible Employees" with Shareholders and to facilitate the retention of key employees. This is achieved by linking remuneration with the attainment of key performance hurdles.
- (b) **Structure**  
Under the LTIP, the Board can, at its discretion, offer Rights or Options to Eligible Employees for the satisfactory achievement of individual performance milestones (as determined on a calendar year basis and agreed with each Eligible Employee) and the corporate comparable shareholder return, (measured on the basis of Shareholder returns for a suite of companies determined by the Board on an annual basis).
- (c) **Participants**  
Any "Eligible Employee" may be invited to participate in the LTIP at the Board's discretion. "Eligible Employees" includes executive Directors, or other such person as determined by the Board.
- (d) **The offer**  
Details of specific performance criteria, vesting periods, restrictions on disposal or exercise prices that may be applicable to Rights or Options issued pursuant to the LTIP will be provided in the invitations made by the Board to Eligible Employees. It is anticipated that each Right or Option will be issued for nil consideration and will be exercisable at any time from the date of vesting until the expiry date set by the Board. The Grantee may exercise a portion of the options without affecting the Grantee's right to exercise other options at any later time up to the expiry date. The Options are not transferable and do not carry participating rights of entitlements.
- (e) **Vesting conditions**  
Rights or Options issued to Eligible Employees for the attainment of set performance milestones and Corporate Comparable Shareholder Return will vest over a period of two years from the date of achievement of each milestone. Performance milestone options will vest as follows:  
(i) one third immediately on allocation;  
(ii) one third on the first anniversary of the milestone achievement; and  
(iii) one third on the second anniversary of the milestone achievement.
- (f) **Reporting on and assessing performance**  
Grange management will be responsible for reporting to the Grange Remuneration Committee on achievement of performance milestones on a half-yearly basis. Reports will be lodged within 30 days of the end of each half year. The Grange Remuneration Committee will then be responsible for assessing performance in the areas of individual performance milestones and corporate comparable shareholder returns as reported by management.
- (g) **Right or Option to acquire Shares**  
Under the rules of the LTIP a trust will be created and a trustee appointed to hold all Shares issued under the LTIP to Eligible Employees during the specified disposal restriction period (being the earlier of either 12 months from the date Shares were allocated or termination of the employee's employment), and thereafter as directed by the Eligible Employee. The Board will not issue Shares on the exercise of Options or Rights that exceed 5% of the total number of Shares at that time.
- (h) **Disposal restrictions**  
Once an employee has been issued allocated shares under the LTIP, they may not be disposed of before the earlier of either:  
(i) 12 months from the date of allocation; or  
(ii) termination of the employee's employment.

On termination of the employee's employment, all Rights or Options that have not vested or have not been exercised at the date of termination will be cancelled.

(i) **Forfeiture of the entitlement**

If the Board determines that any participant in the LTIP has committed any act of fraud, defalcation or gross misconduct in relation to the affairs of the Company, the participant will forfeit any right or interest in the Options, Rights, Shares or other entitlements under the LTIP.

(j) **Administration**

The Board will supervise the administration of the LTIP.

(k) **Amendment of the LTIP rules**

Subject to the requirements of the Listing Rules, the Board may at its discretion amend any or all of the LTIP rules.

(l) **Termination, suspension or reinstatement**

Under the LTIP rules, the Board may resolve at any time to terminate, suspend or reinstate the operation of the LTIP. If the LTIP is suspended or terminated, the Board will decide how Share entitlements currently held by participants in the LTIP are to be dealt with.

## **Schedule 2 - Terms and Conditions of Director Options**

Each Director Option entitles the Grantee to subscribe for one Share in the Company on the following terms and conditions.

1. Each Director Option will be issued for nil consideration and will be exercisable at any time during the period beginning on the date of vesting of the Director Option and expiring at 5.00 pm (WDT) on 6<sup>th</sup> March 2012 (**Expiry Date**) by completing an option exercise form and delivering it to the Company's registered Office together with the payment for the number of Shares in respect of which the Director Options are being exercised.
2. The Vesting Dates, Exercise Prices and Expiry Dates for the Director Options are as follows:-

<b>Tranche</b>	<b>Vesting Date</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
1	6 <sup>th</sup> March 2009	\$2.05	6 <sup>th</sup> March 2012
2	6 <sup>th</sup> March 2010	\$3.00	6 <sup>th</sup> March 2012
3	6 <sup>th</sup> March 2011	\$3.50	6 <sup>th</sup> March 2012

3. The Grantee may exercise a portion of the Director Options, and such exercise does not affect the Grantee's right to exercise other Director Options at any later time up to the Expiry Date. The Grantee must exercise the Director Options in multiples of 100 on each occasion.
4. The Director Options are not transferable, except to entities whether personal, corporate, or trust related to or owned and controlled by the holder personally.
5. All ordinary fully paid shares issued on exercise of the Director Options will, from the date they are issued, rank pari passu in all respects with the Company's then issued ordinary fully paid shares. The Company will apply for quotation by ASX of all Shares issued upon exercise of options within the time specified by the Listing Rules.
6. There are no participating rights or entitlements inherent in the Director Options and the Grantee will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Director Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 business days after the issue is announced. This will give the Grantee the opportunity to exercise their Director Options prior to the date for determining entitlements to participate in any such issue.
7. If and whenever the Company makes a rights issue or any other similar issue of rights or entitlements (other than a bonus issue), the exercise price of the Director Options will change in accordance with the formula set out in Listing Rule 6.22.2. No change will be made to the number of underlying Shares over which a Director Option can be exercised.
8. If there is a bonus issue to the holders of Shares, the number of Shares over which a Director Option is exercisable will be increased by the number of Shares which the Grantee would have received if the option had been exercised before the record date for the bonus issue. No change will be made to the Exercise Price.
9. In the event of any reorganisation (including consolidation, sub-division, reduction or return) of the issued capital of the Company, the rights of the Grantee, including the number of Director Options or the Director Option exercise price or both, will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
10. Notwithstanding the Vesting Dates outlined above, Director Options will automatically become vested options, without any change to the Expiry Date of those Director Options, immediately upon:

- (a) any person, either alone or together with any Associate acquiring a relevant interest (as defined in the Corporations Act) in more than 50% of the issued Shares in the Company; or
    - (b) the death of the Grantee in which case the Director Options will vest in the legal personal representative of the Grantee.
  - 11. If for any reason, the Grantee or the Company terminate the Grantee's employment arrangement, all Director Options that have not vested at the date of termination will be cancelled. For the avoidance of doubt, vested Director Options will not be cancelled, and will expire on the Expiry Date unless exercised in accordance with these Terms and Conditions prior to that date.
  - 12. The Grantee will be sent all communications sent to Shareholders, but Director Options do not confer any right to attend or vote at meetings of Shareholders.
  - 13. Notices may be given by the Company to the Grantee in the manner provided by the Company's Constitution for the giving of notices to Shareholders, and the relevant provisions of the Company's Constitution apply with all the necessary modification to notices to the Grantee.
- The grant and the terms of the Director Options are conditional on being approved by the Shareholders of the Company in general meeting, and in accordance with the requirements of the Corporations Act, the Listing Rules and the Company's Constitution.

## **Proxy instructions**

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

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be deposited at or sent by facsimile transmission to the registered office of **Grange Resources Limited at Level 11, QBE House, 200 St George's Terrace, Perth, Western Australia 6000, facsimile number (+618) 9321 1523** and marked for the attention of the Company Secretary, not less than 48 hours before the time for holding the Meeting, or adjourned meeting as the case may be, at which the individual named in the proxy form proposes to vote.

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

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

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

## **Corporate representative**

A corporation may elect to appoint an individual to act as its representative in accordance with section 250D of the Corporations Act, in which case the Company will require a certificate of appointment of the corporate representative executed in accordance with the Corporations Act. The certificate of appointment must be lodged with the Company and / or the Company's share registry, Computershare Investor Services, before the Meeting or at the registration desk on the day of the Meeting. Certificates of appointment of corporate representative are available at [www.computershare.com](http://www.computershare.com) or on request by contacting Computershare Investor Services on telephone number (08) 9323 2000.

## **Voting entitlement**

For the purposes of determining voting entitlements at the Annual General Meeting, Shares will be taken to be held by the persons who are registered as holding the Shares at 11:00 am (WDT) on 26 November 2008. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

## **Questions from Shareholders**

The Chairman of the Annual General Meeting will allow a reasonable opportunity for Shareholders to ask questions or make comments on the management of the Company at the Annual General Meeting. Peter McIver of Ernst & Young, as the lead audit partner responsible for the audit of the financial statements of the Company for the year ended 30 June 2008 (or his representative) will attend the Annual General Meeting. The Chairman will also allow a reasonable opportunity for Shareholders as a whole to ask the auditor questions about:

- the conduct of the audit;
- the preparation and content of the auditor's report;
- the accounting policies adopted by the Company in relation to the preparation of financial statements; and
- the independence of the auditor in relation to the conduct of the audit.

To assist the Board and the auditor of the Company in responding to your questions please submit any questions you may have using the enclosed Questions from Shareholders Form and returning it in person or by mail to **Grange Resources Limited at Level 11, QBE House, 200 St George's Terrace, Perth, Western Australia 6000** or by fax to **(+618) 9321 1523** and marked for the attention of **the Company Secretary** so that it is received by Thursday, 20 November 2008.

As required under section 250PA of the Corporations Act, at the Annual General Meeting, the Company will distribute a list setting out the questions directed to the auditor received in writing

by Thursday, 20 November 2008, being questions which the auditor considers relevant to the content of the auditor's report or the conduct of the audit of the financial report for the year ended 30 June 2008. The Chairman will allow a reasonable opportunity to respond to the questions set out on this list.

This form is provided with the Notice of Annual General Meeting of Grange Resources Limited ABN 80 009 132 405 (Company) to be held at **QV1 Conference Centre, Level 2, QV1 Building, 250 St George's Terrace, PERTH WA 6000** at 11:00 am (WDT) on **Friday, 28 November 2008** to assist Shareholders in asking questions of:

- the Directors of the Company in relation to the management of the Company; and
- Peter McIver of Ernst and Young, as the lead audit partner responsible for the audit of the financial statements of the Company for the year ended 30 June 2008, in relation to the conduct of the audit, the preparation and content of the Auditor's Report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the Auditor in relation to the conduct of the audit.

The Board of Directors and the Auditor will endeavour to respond to the questions received by Shareholders to the extent that the Chairman of the meeting determines is reasonable given the time available at the Annual General Meeting.

**Name of Shareholder/s:**

**Questions (please place an "X" in the box next to the question if your question is directed at the auditor)**

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**Lodging this form**

If you wish to ask questions using this form, you should submit this form by fax or to one of the addresses below by no later than 5.00 pm (WDT) on Thursday, 20 November 2008.

**In person or by mail:** Registered Office - Level 11, QBE House, 200 St George's Terrace, Perth, Western Australia 6000 (marked for the attention of Mr Neil Marston, Company Secretary)

**By facsimile:** (+618) 9321 1523 (marked for the attention of Mr Neil Marston, Company Secretary)

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

**Lodge your vote:**



**By Mail:**


Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

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

**For all enquiries call:**

(within Australia) 1300 850 505  
(outside Australia) +61 3 9415 4000

## Proxy Form

 **For your vote to be effective it must be received by 11.00am (WDT) Wednesday 26 November 2008**

### How to Vote on Items of Business

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

#### Appointment of Proxy

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

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

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

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

### Signing Instructions

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

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

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

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

### Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.computershare.com](http://www.computershare.com).

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

**Turn over to complete the form →**



View the annual report, 24 hours a day, 7 days a week:

**[www.grangeresources.com.au](http://www.grangeresources.com.au)**

**Access the annual report**

**Your secure access information is:**

**SRN/HIN: I9999999999**



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

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

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



I 9999999999

IND

## Proxy Form

Please mark  to indicate your directions

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

XX

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

the Chairman of the Meeting **OR**

**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Grange Resources Limited to be held at the QV1 Conference Centre, Level 2 QV1 Building, 250 St Georges Terrace, Perth WA 6000 on Friday, 28 November 2008 at 11.00am (WDT) and at any adjournment of that meeting.

**Important for Resolutions 3 to 9:** If the Chairman of the Meeting is your proxy and you have not directed him/her how to vote on Resolutions 3 to 9 below, please mark the box in this section. If you do not mark this box and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Resolutions 3 to 9 and your votes will not be counted in computing the required majority if a poll is called on these Resolutions. The Chairman of the Meeting intends to vote undirected proxies in favour of Resolutions 3 to 9.

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

### STEP 2 Items of Business

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

	For	Against	Abstain
Resolution 1 Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Re-election of Director - Mr Richard Krasnoff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Ratification of Issues of Securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 Approval of Issue of Director Options to Managing Director, Mr Russell Clark	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 Approval of Issue of Director Options to Director, Mr David Macoboy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 Approval of Issue of Director Options to Director, Mr Richard Krasnoff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 Approval of Issue of Director Options to Director, Mr Anthony Bohnenn	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8 Approval of Issue of Director Options to Director, Mr Douglas Stewart	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9 Issue of Securities under the Grange Resources Limited Long Term Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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

### SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name \_\_\_\_\_

Contact Daytime Telephone \_\_\_\_\_

Date \_\_\_\_/\_\_\_\_/\_\_\_\_