Grange Resources Limited
ABN 80 009 132 405
and Controlled Entities

Australia's leading magnetite producer

INTERIM FINANCIAL REPORT

For the Six Months Ended **30 June 2012**

Contents

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (the “Group”) consisting of Grange Resources Limited (“Grange” or “the Company”) and the entities it controlled at the end of, or during, the half-year ended 30 June 2012.

Directors

The following persons were directors of the Company during the whole of the half-year and up to the date of this report:

Zhiqiang Xi	Non-Executive Chairman
Neil Chatfield	Deputy Non-Executive Chairman
John Hoon	Non-Executive Director
Honglin Zhao	Executive Director
Clement Ko	Non-Executive Director

Russell Clark was the Managing Director and Chief Executive Officer of the Company from the beginning of the year until his resignation on 6 August 2012.

Richard Mehan was appointed Managing Director and Chief Executive Officer of the Company from 6 August 2012.

Principal activities

During the six months ended 30 June 2012, the principal activities of the Group were as follows:

- mining, processing and sale of iron ore; and
- the ongoing exploration, evaluation and development of mineral resources, principally, the Southdown Magnetite Project near Albany, Western Australia.

Review of operations

Grange Resources (“Grange” or “the Company”) has delivered another substantial half year to shareholders. The Savage River operations continued to provide strong cash generation and the Southdown magnetite project near Albany in Western Australia continued to progress on schedule.

Highlights for the half-year ended 30 June 2012 include:

- Continued excellent safety performance at Savage River with no Lost Time Injuries recorded
- Interim dividend of 1.0 cent per share (unfranked) declared
- Net profit after tax of $55.4 million, on revenues from mining operations of $193.6 million and a gross profit from mining operations of $59.8 million
- Net cash inflow from operating activities of $91.9 million
- Average pellet price of A$157.64 per tonne (US$162.84 per tonne) and C1 cash operating costs of A$102.66 per tonne of pellets produced, supporting continued cash margins
- Cash, term deposits and trade receivables position of $235.0 million as at 30 June 2012. No net debt
- Southdown Project definitive feasibility study completed, showing the project to have robust economics
- Appointment of global specialist, Deutsche Bank, as a corporate advisor to assist in a partial sell down of Grange’s share of Southdown
- Southdown ore reserve restated with improved confidence levels
- Advancement of land purchases to secure the necessary land for the Southdown mine, slurry pipelines and associated infrastructure
- Received the final major environmental permit required for the Southdown Project with the approval of the permit for the desalination plant

Safety Performance

Grange's excellent safety performance was maintained with no Lost Time Injuries (LTI) recorded during the half-year. In the past 24 months the Total Recordable Injury Frequency Rate (TRIFR) has fallen from 22.2 (30 June 2010) to 3.98 (30 June 2012), an 82 per cent reduction.

Review of Results

Grange recorded a consolidated profit after tax of $55.4 million for the half year ended 30 June 2012. The result was achieved on pellet sales of 1.2 million tonnes (2011: 0.7 million tonnes) and revenues from mining operations of $193.6 million (2011: $208.9 million). Prior period revenues included $52.1 million associated with sales made under interim price arrangements during 2010.

The average pellet price received during the half year was US$162.84 per tonne of pellets sold FOB Port Latta (2011: US$221.57 per tonne). The reduction in pellet prices from the preceding 2011 half year were off-set by below budget costs and a weaker AUD:USD exchange rate on sales.

Key operating metrics for the 30 June 2012 half year and preceding 2011 half year were as follows:

	6 months to 30 June 2012	**6 months to 30 June 2011**
Total BCM Mined	7,935,709	8,202,615
Total Ore BCM	965,289	758,767
Concentrate Produced (t)	1,180,554	851,076
Weight Recovery (%)	42.2	34.5
Pellets Produced (t)	1,097,080	840,018
Pellets Shipped (t)	1,162,147	727,202
Concentrate Shipped (t)	23,525	164
Pellet Stockpile (t)	284,613	180,856
Average Pellet Price (US$/tonne Pellet Sold)	162.84	221.57
"C1" Operating Cost (A$/tonne Pellet Produced)[1]	102.66	132.49

Note: "C1" costs are the cash costs associated with producing iron ore pellets without allowance for deferred mining and stockpile movements, and also exclude royalties, depreciation and amortisation costs. "C1" costs provide an insight to current margins.

Phase One of the East Wall remediation work was completed and access to the main ore zone of the North Pit was re-established during Q4 2011. Re-establishing this access has resulted in a C1 unit cost of $102.66 per tonne for pellets produced during the 30 June 2012 half year (a 22.5 per cent improvement from the preceding 2011 half year) due to improved ore grades and consequent concentrate and pellet production

The rock slide on the eastern wall of the North Pit in July 2012 has bought forward part of the Phase Two remediation works for the East Wall. This remediation work was planned to be completed as part of the 2015 operating plan and is now being rescheduled into the 2013 operating plan. This will require ore to be sourced from other deposits on the mine site on several occasions during the remediation work. It is expected that the redesign and rescheduling plans will be finalised during early September. Grange does not anticipate any material adverse impact on our 2012 production target at this stage.

Capital Management

Grange has announced an unfranked interim dividend of 1.0 cent per share as a result of the continued cash generation at its Savage River operations. The reduced dividend amount provides the Company with additional time to assess the business impact of recent reductions in the global price for iron ore, softening demand for iron ore from China and confirm the impact of re-sequencing of the Life of Mine Plan following the rock slide on the eastern wall of the North Pit in July 2012. Grange's equity contribution strategy for the Southdown Project is also undergoing detailed review following the appointment of Deutsche Bank as a corporate advisor to assist in the sell down of at least 30 per cent of the project to a strategic partner.

At 30 June 2012, Grange had $235.0 million in cash, term deposits and trade receivables (31 December 2011: $232.9 million) and $39.6 million in debt (31 December 2011: $44.9 million).

The continued cash generation from Savage River allowed the Company to maintain its cash reserves whilst continuing to fund

- sustaining capital expenditure at Savage River and Port Latta ($15.4 million)
- ongoing investment in the Southdown Project feasibility studies ($8.0 million)
- dividend payments to shareholders of $34.6 million (representing 3 cents per share as announced with the full year 2011 results)

With a strong cash position and no net debt, Grange is well positioned with increased production, operating cash inflows and an advanced development project.

Mineral Resources Rent Tax

The Mineral Resources Rent Tax (MRRT) was enacted in the reporting period ended 30 June 2012 and commenced on 1 July 2012. The MRRT represents an additional tax on profits generated from the mining operations of iron ore and coal miners in Australia.

As at 30 June 2012, there is no impact of the MRRT on the Company's results based on a number of assumptions and estimates including commodity prices, foreign exchange rates, reserves and resources and the future performance of operations.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

This report is made in accordance with a resolution of directors.

Richard Mehan
Managing Director & Chief Executive Officer
Perth, Western Australia
30 August 2012

Auditor's Independence Declaration

As lead auditor for the review of Grange Resources Limited for the half year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Grange Resources Limited and the entities it controlled during the period.

Debbie Smith
Partner
PricewaterhouseCoopers

Melbourne
30 August 2012

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GRANGE RESOURCES LIMITED
ABN 80 009 132 405
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 JUNE 2012

	NOTES	Six months to 30 June 2012 $'000	Six months to 30 June 2011 $'000
Revenues from mining operations	3	193,564	208,950
Cost of sales	4	(133,746)	(116,480)
Gross profit from mining operations		59,818	92,470
Administration expenses		(1,812)	(2,960)
Operating profit before other income / (expenses)		58,006	89,510
Other income / (expenses)			
Revaluation of deferred consideration		10,838	(6,007)
Other income / (expenses)	5	906	3,306
Operating profit before finance costs		69,750	86,809
Finance income	6	7,185	1,453
Finance expenses	6	(4,458)	(4,610)
Profit before tax		72,477	83,652
Income tax expense	7	(17,033)	(25,581)
Profit for the period		55,444	58,071
Total comprehensive income for period		55,444	58,071
Profit for the period attributable to			
- Equity holders of Grange Resources Limited		55,444	58,071
		55,444	58,071
Total comprehensive income for the period attributable to			
- Equity holders of Grange Resources Limited		55,444	58,071
		55,444	58,071
Earnings per share for profit attributable to the ordinary equity holders of Grange Resources Limited			
- Basic earnings per share (cents per share)		4.80	5.04
- Diluted earnings per share (cents per share)		4.80	5.04

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes

GRANGE RESOURCES LIMITED
ABN 80 009 132 405
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	NOTES	30 June 2012 $'000	31 December 2011 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8	101,210	172,269
Term deposits		96,743	10,096
Trade and other receivables	9	33,716	40,913
Inventories	10	84,715	68,178
Total current assets		316,384	291,456
Non-current assets			
Term deposits		11,488	18,318
Receivables	11	2,098	2,398
Property, plant and equipment	12	172,090	169,378
Mine properties and development	13	367,252	378,520
Exploration and evaluation	14	105,499	96,561
Deferred tax assets	15	-	-
Total non-current assets		658,427	665,175
Total assets		974,811	956,631
LIABILITIES			
Current liabilities			
Trade and other payables	16	44,123	49,424
Borrowings	17	30,898	22,047
Deferred consideration	18	7,571	10,387
Current tax liabilities		9,122	4,695
Provisions	19	4,529	5,202
Total current liabilities		96,243	91,755

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

GRANGE RESOURCES LIMITED
ABN 80 009 132 405
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	NOTES	30 June 2012 $'000	31 December 2011 $'000
Non-current liabilities			
Borrowings	20	8,675	22,839
Deferred consideration	21	47,203	54,965
Deferred tax liabilities	22	21,555	8,948
Provisions	23	22,845	20,825
Total non-current liabilities		100,278	107,577
Total liabilities		196,521	199,332
Net assets		778,290	757,299
EQUITY			
Contributed equity	24	330,105	329,577
Reserves	25	2,703	3,041
Retained profits / (losses)		445,482	424,681
Total equity		778,290	757,299

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

GRANGE RESOURCES LIMITED
ABN 80 009 132 405
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 30 JUNE 2012

		Attributable to owners of Grange Resources Limited			
		Contributed equity	**Reserves**	**Retained earnings**	**TOTAL**
	Notes	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 January 2012		329,577	3,041	424,681	757,299
Profit for the period		-	-	55,444	55,444
Total comprehensive income for the period		-	-	55,444	55,444
Transactions with owners in their capacity as owners					
Dividends paid	26	-	-	(34,643)	(34,643)
Employee share options and rights		528	(338)	-	190
		528	(338)	(34,643)	(34,453)
Balance at 30 June 2012		330,105	2,703	445,482	778,290
Balance at 1 January 2011		328,912	2,955	231,192	563,059
Profit for the period		-	-	58,071	58,071
Total comprehensive income for the period		-	-	58,071	58,071
Transactions with owners in their capacity as owners					
Employee share options and rights		425	43	-	468
		425	43	-	468
Balance at 30 June 2011		329,337	2,998	289,263	621,598

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

GRANGE RESOURCES LIMITED
ABN 80 009 132 405
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 30 JUNE 2012

	NOTES	Six months to 30 June 2012 $'000	Six months to 30 June 2011 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		200,014	236,806
Payments to suppliers and employees (inclusive of goods and services tax)		(111,495)	(105,083)
		88,519	131,723
Interest received		3,712	762
Interest paid		(290)	(5)
Income taxes (paid) / received		-	-
Net cash inflow / (outflow) from operating activities		91,941	132,480
Cash flows from investing activities			
Payments for exploration and evaluation		(8,938)	(10,852)
Payments for property, plant and equipment		(15,397)	(21,340)
Payments for mine properties and development		(4,477)	(16,371)
Proceeds from disposal of subsidiaries		-	824
Proceeds from sale of available-for-sale financial assets		-	2,432
Payment of term deposits		(89,268)	732
Net cash inflow / (outflow) from investing activities		(118,080)	(44,575)
Cash flows from financing activities			
Finance lease payments		(6,453)	(4,705)
Repayment of borrowings		(138)	-
Payment of deferred consideration		(2,654)	-
Payment of dividends to shareholders		(34,643)	-
Net cash inflow / (outflow) from financing activities		(43,888)	(4,705)
Net increase / (decrease) in cash and cash equivalents		(70,027)	83,200
Cash and cash equivalents at beginning of the half year		172,269	91,922
Net foreign exchange differences		(1,032)	(5,078)
Cash and cash equivalents at end of the half year	8	101,210	170,044

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation for the half-year financial report

This general purpose financial report for the interim half year reporting period ended 30 June 2012 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the financial period ended 31 December 2011 and any public announcements made by Grange Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim period except for the following:

(i) Mineral Resources Rent Tax

The Mineral Resources Rent Tax (MRRT) was enacted in the reporting period ended 30 June 2012 and commenced on 1 July 2012. The MRRT represents an additional tax on profits generated from the mining operations of iron ore and coal miners in Australia.

The MRRT is considered, for accounting purposes, to be a tax based on income and accordingly current and deferred MRRT expenses will be measured and disclosed on the same basis as income tax expense. Details of the group's accounting policy in relation to income tax are disclosed in Note 1(l) of the group's annual report for the financial period ended 31 December 2011.

(b) Critical accounting estimates and judgements

(i) Mineral Resources Rent Tax

The enactment and subsequent commencement of the MRRT requires management judgement in relation to the application of the Mineral Resources Rent Tax 2012.

In assessing the impact of the MRRT on future results, the Company makes a number of assumptions and estimates, including commodity price, foreign exchange rates, reserves and resources for a mining project interest and an expectation regarding future operating performance which is subject to risk and uncertainity. In addition, the Company has also determined a market value of its mining assets as at 1 May 2010. Changes in circumstances and market conditions may affect any of these assumptions and estimates and the impact of the MRRT on the group's future results. These changes coupled with the impact of the MRRT on the group's future results will be recognised in the period in which the assessment is made.

(ii) Taxation

On 6 January 2011, the Group merged its multiple income tax consolidated groups into a single group with Grange Resources Limited as the head entity. The impact of this merger on the comparative financial statements, including the statement of comprehensive income and the statement of financial position, was not recognised as at 30 June 2011.

The impact of the merger on the tax consolidated group resulted in the re-measurement of the Group's current tax liability, deferred tax balances and income tax expense. These impacts were recognised in the Group's financial statements for the year ended 31 December 2011. The June 2011 comparatives in this interim financial report have not been adjusted to reflect the outcomes of this merger.

NOTE 2. SEGMENT INFORMATION

Management has determined and presented operating segments based on the reports reviewed by the Managing Director, who is the Group's chief operating decision maker in terms of allocating resources and assessing performance.

The Group has one reportable segment, being the exploration, evaluation and development of mineral resources and iron ore mining operations. The Managing Director allocates resources and assesses performance, in terms of revenues earned; expenses incurred and assets employed, on a consolidated basis in a manner consistent with that of the presentation in the financial statements.

Exploration, evaluation and development projects (including our Southdown project) are not deemed reportable operating segments at this time as the financial performance of these operations is not separately included in the reports provided to the Managing Director. These projects may become segments when they commence operations in the future.

Revenues from the sales of iron ore are predominately made to two major customers, one based in China and the other in Australia. The following table presents revenues from sales of iron ore based on the geographical location of customers.

	Six months to 30 June 2012	Six months to 30 June 2011
	$'000	$'000
Revenues from sales of iron ore		
Australia	31,044	100,228
China	162,520	108,722
TOTAL	193,564	208,950

NOTE 3. REVENUES

Revenues from mining operations		
Sales of iron ore	193,564	208,950
	193,564	208,950

NOTE 4. COST OF SALES

Mining costs	66,548	70,816
Production costs	47,694	41,689
Government royalties	8,287	10,266
Depreciation and amortisation expense	20,036	19,737
Mine properties and development costs amortised / (capitalised) (net)	5,858	(9,121)
Changes in inventories	(14,964)	(21,799)
Foreign exchange losses	287	4,892
	133,746	116,480

NOTE 5. OTHER INCOME / (EXPENSES)

Other income / (expenses)		
Net profit on disposal of available for sale financial assets	-	1,474
Net profit on disposal of subsidiaries	-	824
Net profit / (loss) on the disposal of property, plant and equipment	1	(6)
Other income	905	1,014
	906	3,306

NOTE 6. FINANCE INCOME / (EXPENSES)

	Six months to 30 June 2012 $'000	Six months to 30 June 2011 $'000
Finance income		
Interest income received or receivable		
- Other entities	3,848	761
Exchange gains on foreign currency borrowings (net)	3,337	692
	7,185	1,453
Finance expenses		
Interest charges paid or payable		
- Other entities	(292)	(360)
Finance lease interest charges paid or payable	(718)	(1,010)
Provisions: unwinding of discount		
- Deferred consideration	(2,915)	(2,720)
- Decommissioning and restoration	(533)	(520)
	(4,458)	(4,610)

NOTE 7. INCOME TAX EXPENSE

A. Income tax expense

Current tax	4,427	8,585
Deferred tax	12,606	16,996
	17,033	25,581
Deferred income tax expense included in income tax expense comprises:		
(Increase)/decrease in deferred tax assets	9,091	12,302
Increase/(decrease) in deferred tax liabilities	3,515	4,694
	12,606	16,996

B. Numerical reconciliation of income tax expense to prima facie tax payable

Profit from continuing operations before income tax expense	72,477	83,652
Tax at the Australian tax rate of 30% (June 2011: 30%)	21,743	25,096
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
- Revaluation of deferred consideration	(3,251)	(89)
- Unwind of discount on deferred consideration	874	816
- Sundry items	(318)	3
	19,048	25,826
Difference in overseas tax rates	-	(245)
Adjustments to current / deferred tax of prior periods	(2,015)	-
Income tax expense	17,033	25,581

NOTE 8. CASH AND CASH EQUIVALENTS

	30 June 2012 $'000	31 December 2011 $'000
Cash at bank and in hand	34,241	41,556
Term deposits	66,969	130,713
	101,210	172,269

(a) Total cash (current and non-current)

Cash at bank and in hand as per statement of cash flows	101,210	172,269
Add:		
Current term deposits	96,743	10,096
Non-current term deposits	11,488	18,318
	209,441	200,683

NOTE 9. TRADE AND OTHER RECEIVABLES

Trade receivables	25,574	32,235
Other receivables	4,230	5,017
Prepayments	3,912	3,661
	33,716	40,913

NOTE 10. INVENTORIES

Stores and spares	21,265	19,692
Ore stockpiles - at cost	35,725	11,687
Work-in-progress - at cost	2,790	422
Finished goods - at cost	24,935	36,377
	84,715	68,178

NOTE 11. RECEIVABLES

Security deposits	2,098	2,398
	2,098	2,398

NOTE 12. PROPERTY, PLANT AND EQUIPMENT

	30 June 2012 $'000	31 December 2011 $'000
Land and Buildings		
- At cost	54,186	53,729
- Accumulated depreciation	(17,822)	(16,324)
	36,364	37,405
Plant and Equipment		
- At cost	269,221	254,281
- Accumulated depreciation	(133,865)	(122,828)
	135,356	131,453
Office Equipment		
- At cost	2,001	2,001
- Accumulated depreciation	(1,631)	(1,481)
	370	520
	172,090	169,378

(a) Movements in property, plant and equipment

	Land and buildings $'000	Plant and equipment $'000	Office equipment $'000	Total $'000
At 1 January 2012				
At cost	53,729	254,281	2,001	310,011
Accumulated depreciation	(16,324)	(122,828)	(1,481)	(140,633)
Net book value	37,405	131,453	520	169,378
Period ended 30 June 2012				
Opening net book amount	37,405	131,453	520	169,378
Additions	457	15,007	-	15,464
Depreciation charge	(1,498)	(11,037)	(150)	(12,685)
Transfers	-	(67)	-	(67)
Closing net book amount	36,364	135,356	370	172,090
At 30 June 2012				
At cost	54,186	269,221	2,001	325,408
Accumulated depreciation	(17,822)	(133,865)	(1,631)	(153,318)
Net book value	36,364	135,356	370	172,090

NOTE 13. MINE PROPERTIES AND DEVELOPMENT

	30 June 2012 $'000	31 December 2011 $'000
Mine properties and development (at cost)	344,152	338,520
Accumulated depreciation	(97,771)	(90,243)
Net book amount	246,381	248,277
Deferred mining costs (net book amount)	120,871	130,243
Total mine properties and development	367,252	378,520

NOTE 14. EXPLORATION AND EVALUATION

Exploration and evaluation properties (at cost)	105,499	96,561
	105,499	96,561

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. During the period, the Company announced that it had appointed Deutsche Bank as a corporate advisor to assist Grange develop its equity strategy for the Southdown Magnetite Project by looking to sell at least a 30 per cent stake of Grange's 70 per cent interest in the project. As at 30 June 2012, there is not sufficient certainty regarding the outcome of this strategy to recognise a stake of the group's interest in the Southdown project as a non-current asset held for sale.

The Directors have reviewed the carrying values of each area of interest (including Southdown) as at the balance date and concluded that there is no impairment.

NOTE 15. DEFERRED TAX ASSETS

The balance comprises temporary differences attributable to:		
Property, plant and equipment	26,212	31,379
Trade and other payables	420	6,001
Employee benefits	1,807	1,948
Decommissioning and restoration	6,405	5,860
Other	2,709	1,457
Total deferred tax assets	37,553	46,645
Set-off against deferred tax liabilities pursuant to set-off provisions (Note 22)	(37,553)	(46,645)
Net deferred tax assets	-	-

NOTE 16. TRADE AND OTHER PAYABLES

Trade payables and accruals	35,167	42,183
Other payables	8,956	7,241
	44,123	49,424

NOTE 17. BORROWINGS (CURRENT)

	30 June 2012 $'000	31 December 2011 $'000
Secured		
Finance lease liabilities	20,447	11,459
Unsecured		
Bank loan	10,000	10,000
Other	451	588
	30,898	22,047

NOTE 18. DEFERRED CONSIDERATION (CURRENT)

	30 June 2012 $'000	31 December 2011 $'000
Deferred consideration	7,571	10,387
	7,571	10,387

Movements in deferred consideration:

Balance at the beginning of the period	10,387
Payments	(2,654)
Charged / (credited) to profit or loss	
- Change in estimate	(4,923)
Transfers from non-current balance	4,761
Balance at the end of the period	7,571

NOTE 19. PROVISIONS (CURRENT)

	30 June 2012 $'000	31 December 2011 $'000
Employee benefits	4,401	4,967
Decommissioning and restoration	128	235
	4,529	5,202

Movements in each class of provision during the period, other than employee benefits, are set out below:

Balance at the beginning of the period	235
Transfer to non-current provisions	(107)
Balance at the end of the period	128

NOTE 20. BORROWINGS (NON-CURRENT)

	30 June 2012 $'000	31 December 2011 $'000
Secured		
Finance lease liabilities	-	14,161
Unsecured		
Other	8,675	8,678
	8,675	22,839

NOTE 21. DEFERRED CONSIDERATION (NON-CURRENT)

	30 June 2012 $'000	31 December 2011 $'000
Deferred consideration	47,203	54,965
	47,203	54,965
Movements:		
Balance at the beginning of the period	54,965	
Charged / (credited) to profit or loss		
- Changes in estimate	(5,916)	
- Unwinding of discount	2,915	
Transfers to current balance	(4,761)	
Balance at the end of the period	47,203	

The deferred consideration obligation represents a series of payments owing to the previous owners of Grange Resources (Tasmania) Pty Ltd (formerly Australian Bulk Minerals (ABM) and arose from a business combination involving ABM which completed in August 2007. The terms of the obligation entitle the previous owners to 2% of the gross receipts of Grange Resources (Tasmania) Pty Ltd from 2012 to 2023.

NOTE 22. DEFERRED TAX LIABILITIES

	30 June 2012 $'000	31 December 2011 $'000
The balance comprises temporary differences attributable to:		
Inventory	2,488	-
Trade and other receivables	15	277
Receivables	5	11
Mine properties and development	25,510	25,655
Exploration and evaluation	30,523	28,968
Borrowings	567	682
Total deferred tax liabilities	59,108	55,593
Set-off against deferred tax assets pursuant to set-off provisions (Note 15)	(37,553)	(46,645)
Net deferred tax liabilities	21,555	8,948

NOTE 23. PROVISIONS (NON-CURRENT)

	30 June 2012 $'000	31 December 2012 $'000
Employee benefits	1,623	1,527
Decommissioning and restoration	21,222	19,298
	22,845	20,825

Movements in each class of provision during the period, other than employee benefits, are set out below:

Balance at the beginning of the period	19,298
Changes in estimate	1,284
Unwinding of discount	533
Transfer from current provisions	107
Balance at the end of the period	21,222

NOTE 24. CONTRIBUTED EQUITY

(a) Movements in consolidated share capital		**Number of Shares**	**$'000**
1 January 2012 – Opening balance		**1,153,937,134**	**329,577**
5 January 2012 – Issue of shares under long term incentive plan	(i)	422,593	229
27 March 2012 – Issue of shares under long term incentive plan	(ii)	406,865	299
30 June 2012 – Closing balance		**1,154,766,592**	**330,105**

(i) In January 2012, the Company issued 422,593 ordinary shares to eligible employees in accordance with the terms of the Company's Long Term Incentive Plan.

(ii) In March 2012, the Company issued 406,865 ordinary shares to eligible employees in accordance with the terms of the Company's Long Term Incentive Plan.

NOTE 25. RESERVES

	30 June 2012 $'000	31 December 2011 $'000
Share-based payments reserve	2,703	3,041
	2,703	3,041

NOTE 26. DIVIDENDS

The Company has declared an interim dividend for the period ended 30 June 2012 of A$0.01 per share (unfranked). The Record Date for the interim dividend will be 17 September 2012.

An interim dividend for the year ended 31 December 2011 of A$0.02 per share was paid on 13 October 2011.

A final dividend for the year ended 31 December 2011 of A$0.03 per share was paid on 27 April 2012.

NOTE 27. CONTINGENT LIABILITIES

There is no other significant change to the contingent liabilities previously disclosed in the Annual Report for the year ended 31 December 2011.

NOTE 28. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Except as disclosed in Note 26, no other matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect:

- the Group's operations in future financial periods; or
- the results of those operations in future financial periods; or
- the Group's state of affairs in future financial periods.

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 6 to 20 are in accordance with the *Corporations Act 2001*, including:

   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

   (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the half year ended on that date, 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, and

This declaration is made in accordance with a resolution of the directors.

Richard Mehan
Managing Director & Chief Executive Officer
Perth, Western Australia
30 August 2012

Independent auditor's review report to the members of Grange Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Grange Resources Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Grange Resources Limited (the consolidated entity). The consolidated entity comprises both Grange Resources Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Grange Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Grange Resources Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Debbie Smith
Partner

Melbourne
30 August 2012