Grange Resources Limited

ABN 80 009 132 405
and Controlled Entities

GRANGE
RESOURCES

Australia's leading magnetite producer

ANNUAL FINANCIAL REPORT

For the Year Ended **30 June 2010**

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DIRECTORS' REPORT

The 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 year ended 30 June 2010.

Directors

The following persons were Directors of the Company during the whole of the financial year and up to the date of this report:

Xi Zhiqiang
Neil Chatfield
Russell Clark
Clement Ko

Mr John Hoon was appointed on 2 June 2010 and continues in office at the date of this report.

Mr Zhao Hong Lin was appointed on 30 July 2010 and continues in office at the date of this report.

Mr Anthony Bohnenn was a Director from the beginning of the financial year until his resignation on 25 November 2009.

Mr Peter Stephens was a Director from the beginning of the financial year until his resignation on 7 April 2010.

Mr Wei Guo was a Director from the beginning of the financial year until his resignation on 30 July 2010.

Information on Directors

Xi Zhiqiang, Age 54
Non-executive Chairman, Member of the Audit and Remuneration and Nominations Committees

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

Neil Chatfield FCPA, FAICD, Age 56
Deputy Non-executive Chairman, Chairman of Remuneration and Nomination Committee, Member of the Audit Committee

Mr Chatfield is an experienced executive and Non-executive Director and has over 30 years experience in the resources and transport sectors. He has extensive experience in financial management, capital markets, mergers and acquisitions and risk management. Mr Chatfield is currently a Non-executive Director of Seek Limited (since 2005), Non-executive Director of Whitehaven Coal (since 2007), Transurban Group (since 2009) and Non-executive chairman of Virgin Blue Holdings Limited (since June 2007) Mr Chatfield was previously a Director of Toll Holdings Limited from 1998 to September 2008.

Russell St John Clark BSc, ARSM, MIMM, MAusIMM, CE, Age 52
Managing Director and Chief Executive Officer

Mr Clark was appointed as Managing Director of Grange on 6 March 2008. Mr. Clark holds a Mining Engineering degree (BSc Hons) from the Royal School of Mines, London, UK and a Graduate Diploma from the Securities Institute of Australia. In addition he has undertaken a number of Executive Development programs in Australia and the USA. Prior to joining Grange, Mr Clark worked for Renison Goldfields for over 18 years and with Newmont for the past 8½ years. He has over 33 years of mining experience in Africa, Papua New Guinea, USA and throughout Australia, in technical, project management, general management and executive positions.

Zhao Hong Lin, Age 57
Non-executive Director

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

John Hoon, BA (Hons Acc.), MBA, CA, FCPA, FCIS, CFP, Age 50
Non-executive Director, Chairman of Audit Committee, Member of the Remuneration and Nomination Committee

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

Clement Ko LLB, MBA, Age 47
Non-executive Director

Mr Ko is the Chairman and sole shareholder of Pacific Minerals Limited, the sole member of Pacific International Co Pty Ltd (one of the current shareholders of Grange). Prior to founding Pacific Minerals Limited, Mr Ko worked for BHP Billiton (China) Ltd as a senior regional marketing manager. Mr Ko has more than 18 years of experience in the mining sector with extensive experience in marketing and sales.

Company Secretary

The Company Secretary is Ms Pauline Carr BEc, MBA, FCIS, FAICD. She was appointed on 29 January 2010.

Ms Carr is a qualified chartered secretary and experienced executive with over 25 years management and commercial experience in the resources industry with both Australian and international companies. In addition she has over 15 years comprehensive hands on company secretarial, compliance and governance experience with listed company boards. She also provides governance, management support, risk management and business improvement consultancy services to organisations in a range of sectors.

Ms Stacey Apostolou acted as Company Secretary until her resignation on 4 February 2010.

Principal Activities

During the year, the principal continuing activities of the group consisted of:

- the mining, processing and sale of iron ore; and
- the ongoing exploration, evaluation and development of mineral resources particularly, the Southdown Magnetite and Kemaman Pellet Plant Project

In January 2009, the Company completed the merger with the privately held Australian Bulk Minerals (ABM).

Dividends

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

Review of Operations

Grange recorded a consolidated profit after tax of $42.2 million for the year ended 30 June 2010, compared to $86.0 million for the year ended 30 June 2009. The result was achieved on revenues from mining operations of $229.1 million for 30 June 2010, compared to $356.5 million for the year ended 30 June 2009.

Sales volumes for the year ended 30 June 2010 were higher at 2.4 million tonnes of iron ore pellets, compared with 2.2 million tonnes for the year ended 30 June 2009. The reduction in revenues from mining operations arose principally from a 48.3% reduction in the benchmark iron ore pellet price to US$72.32 per tonne (from US$139.89 per tonne) in April 2009 and a contractual commitment to deliver 500,000 tonnes of iron ore pellets into a legacy supply contract at a price of US$43 per tonne (this fixed price contract has now been fully delivered and all future sales will be at index based market prices). These factors reduced the average realised sales price to US$80 per tonne for the year ended 30 June 2010, compared to US$115 per tonne for the year ended 30 June 2009. In addition, the Australian dollar strengthened during the year ended 30 June 2010 with an average exchange rate of A$1:US$0.87, compared with A$1:US$0.75 for the year ended 30 June 2009.

During April 2010, Grange agreed with its customers to price its iron ore pellets at index based market prices. An interim price of US$120 per tonne was agreed with Shagang for the period 1 April 2010 to 30 June 2010 which increased to an interim price of US$150 per tonne for both Shagang and BlueScope from 1 July 2010 to 30 September 2010. Interim pricing arrangements will remain in place with all customers until a pricing mechanism is agreed.

Grange capitalised on the current higher iron ore prices during June 2010 by selling 70,234 tonnes of iron ore pellets on the spot market at a price of US$193 per tonne whilst continuing to meet contracted sales commitments.

The following table summarises movements in the average realised sales price during 2010 and highlights the value that index based market prices are delivering to Grange:

Period	Price received per tonne of Pellets	
	US$	A$
1 July 2009 – 31 March 2010[1]	US$68	A$78
1 April 2010 – 30 June 2010[2]	US$118	A$134
1 July 2010 – 30 September 2010[3,4]	US$150	A$167

1 Includes 472,302 tonnes sold to Shagang under a legacy supply contract at a price of US$43 per tonne

2 Includes 328,228 tonnes sold to Shagang at an interim price of US$120 per tonne.

3 An interim price of US$150 per tonne is in place for sales to both Shagang and BlueScope for the period 1 July 2010 to 30 September 2010

4 The A$ pellet price is determined with reference to an exchange rate of A$1:US$0.90

The Savage River mine and pellet plant have operated for many years and we continue to see new records at the operations being achieved. The mine moved slightly less material that in the prior year ended 30 June 2009 but the concentrator treated 7% more volume than in any previous year of its 40 year history. There has been a consistent improvement in operating costs throughout the year and the safety record at the site has improved significantly.

Restructuring initiatives

Due to the significant changes in the market and the difficult global economic conditions last year, the Board saw the need to strengthen the Company's balance sheet by reducing liabilities and debt. As a result, the Company initiated and successfully completed a $153 million rights issue and share placement. This allowed Grange to reduce debt significantly, pay out liabilities resulting from previous change of ownership transactions and provide working capital which is so necessary for bulk commodity producers.

Exploration and evaluation

Savage River

During the year, a total of 3,400 meters of diamond drilling and 1,600 metres of reverse circulation percussion drilling were completed at Savage River. The diamond drilling comprised 13 holes with the objective of testing newly discovered ore and upgrading areas of inferred resource within North Pit. While the ore tonnage has decreased as a result of mining, the new interpretations result in an approximate increase in grade of 4%.

Southdown

The development of the Southdown Magnetite project has been accelerated in the first half of 2010. This followed a quiet period in 2009 when key environmental permits were still outstanding. Much progress has now been made in this area. The West Australian Minister of the Environment issued the Mine Permit in November 2009. In August 2010 the Minister advised the conditions applicable to the Albany Port expansion, the final step ahead of formal permit approval which will conclude the major environmental permits required for the project.

In the first half of 2010, AMEC Minproc and GRD were engaged to undertake a full review of all project work done to date, to arrive at a scope and costs to complete a +/-20% feasibility study by 31 December 2010, with the joint venture partners also having agreed to target a larger 10 Mtpa operation for the Southdown project. In Malaysia the option period over the port and land at Kemaman, the planned location of the pellet plant, was extended for a further 12 months.

Other assets

As previously reported, Grange had a number of minor non-core projects that it was looking to divest, to allow management to focus attention on Savage River and the Southdown Project. The sale of the Bukit Ibam project and associated tailings dam area for MYR 13.0 million (~A$4.5 million) has been announced.

Grange's shareholding in Murchison Copper Mines together with the associated Horseshoe Lights tenements has also been successfully divested resulting in a further $2 million of cash coming back to Grange as well as a 7.2% shareholding in the newly listed Horseshoe Metals Limited. Grange has retained upside to any future discoveries at these tenements through its shareholding in Horseshoe Metals Limited.

Outlook

The year has been one of substantial change for Grange, which has seen the Company restructured and emerge significantly stronger and more valuable. The Company has a large producing iron ore mine, with steady cash flow and long term customers, in addition to a large development project. Many of our peers in the business have emerging projects but lack the operational expertise and cash flow that an existing, well established operation provides. This is Grange's point of difference.

With no net debt, costs at the operation significantly reduced and with all of the product now being priced at index based market prices Grange is extremely well positioned to leverage off the higher iron ore prices currently being experienced.

Significant Changes in State of Affairs

Grange Resources Limited is listed on the Australian Stock Exchange. Grange completed the legal acquisition of Ever Green Resources Co. Ltd (**Ever Green**) on 2 January 2009. Ever Green was the ultimate holding company of the ABM operations.

Refer to Note 1(a) to the Financial Statements for the implications of the application of AASB 3 on each of the financial statements, and refer to Note 35 for further details of the business combination.

Matters Subsequent to the End of the Financial Year

On 23 July 2010, the Company announced the sale of its 79.3% share of Murchison Copper Mines Pty Ltd to Horseshoe Metals Ltd and also announced that it had entered into a Sale and Purchase agreement for the sale of Grange Minerals Sdn Bhd which holds the Group's 51% share of the Bukit Ibam magnetite mine located in Malaysia.

On 15 September 2010, the Company announced that it was changing its financial year end date from 30 June to 31 December. The change is effective from 1 July 2010 and the Company has received confirmation of the change from the Australian Securities and Investments Commission.

Likely Developments and Expected Results of Operations

Specific details of the likely developments in the operations of the Company, prospects and business strategies and their expected results in future financial years have not been included in this report as inclusion of such information is likely to result in unreasonable prejudice to the Company.

Environmental Regulation

The mining and exploration tenements held by the Group contain environmental requirements and conditions that the entities must comply with in the course of normal operations. These conditions and regulations cover the management of the storage of hazardous materials and rehabilitation of mine sites.

The Group is subject to significant environmental legislation and regulation in respect of its mining and exploration activities as set out below:

Savage River and Port Latta Operations

The Group obtained approvals to operate in 1996 and 1997 under the Land Use Planning and Approvals Act (LUPA) and the Environmental Management and Pollution Control Act (EMPCA) as well as the Goldamere Act and Mineral Resources Development Act. The land use permit conditions for Savage River and Port Latta are contained in Environmental Protection Notices 248/2 and 302/2 respectively. The currently approved Environmental Management Plans were submitted for Port Latta on 20 November 2007 and Savage River on 26 November 2007. The extension of the project's life was approved by the Department of Tourism, Arts and the Environment on 12 March 2007 and together with the Goldamere Act and the Environmental Protection Notices, is the basis for the management of all environmental aspects of the mining leases. The Group has been relieved of any environmental obligation in relation to contamination, pollutants or pollution caused by operations prior to the date of the Goldamere Agreement (December 1996). The development of significant new projects such as a new pit will require additional planning approval and at a minimum an EMP amendment approval followed by an EPN by the EPA.

During the financial year there were no major breaches of licence conditions. Internal loss control audits were conducted during the financial year. An expert peer review of environmental and remediation works was conducted during the year. No adverse findings were noted.

Southdown Joint Venture

The Southdown Joint Venture is seeking approvals through the Western Australian and Commonwealth processes and is well advanced. The Southdown Joint Venture has not been responsible for any activities which would cause a breach of environmental legislation.

National Greenhouse and Energy Reporting Act 2007

The National Greenhouse and Energy reporting Act 2007 requires the Group to report its annual greenhouse gas emissions and energy use by 31 October each year. The Group has implemented systems and processes for the collection and calculation of the data required and will be able to prepare and submit its annual reports to the Greenhouse and Energy data Officer by 31 October each year.

Mount Windsor Joint Venture

The Group is a junior partner (30%) in the Mt Windsor project in North Queensland which is now being rehabilitated for future lease relinquishment. The Transitional Environment Program required by the Queensland Department of Environment and Resource Management has been largely completed with re-seeding works and ground water model calibration outstanding. The Queensland Department of Environment and Resource Management has expressed its satisfaction with the program. A comprehensive plan has been developed and instigated to manage the leases with relinquishment expected in 2016.

Energy Efficiency Opportunities Act 2006

Following consultation with the Department of Resources Energy and Tourism an application to deregister Grange Resources (Tasmania) Pty Ltd from the Energy Efficiency Opportunities program was accepted under section 14 of the Energy Efficiency Opportunities Act 2006 by the Delegate of the Secretary to the Department.

Following a decision by the Delegate of the Secretary to the Department Grange Resources Ltd was officially registered under section 13 of the Energy Efficiency Opportunities Act 2006. Annual investigation and reporting programs under the legislation are being implemented.

Meetings of Directors

The numbers of meetings of the Company's board of Directors and of each board Committee held during the year ended 30 June 2010, and the numbers of meetings attended by each Director were:

Name	Directors' meetings		Meetings of Committees			
			Audit		Remuneration	
	A	B	A	B	A	B
X Zhiqiang	11	12	7	8	4	4
N Chatfield	10	12	7	8	4	4
R S Clark	12	12	-	-	-	-
A Bohnenn(1)	5	7	-	-	-	-
W Guo	5	12	-	-	-	-
C Ko	9	12	-	-	-	-
P Stephens(2)	11	11	8	8	3	3
J Hoon(3)	-	-	-	-	-	-

A = Number of meetings attended

B = Number of meetings held during the time the Director held office or was a member of the committee during the year

(1) - A Bohnenn ceased to be a Director on 25 November 2009

(2) - P Stephens resigned as a Director on 7 April 2010

(3) - J Hoon commenced as a Director on 2 June 2010

Interests in the Shares and Options of the Company

The relevant interest of each Director in the share capital and options of the Company as at the date of this report is:

	Number of Fully Paid Ordinary Shares		Options
Director	Beneficial	Non-Beneficial	
Mr Xi Zhiqiang (1)	-	-	-
Mr N Chatfield	20,000	-	-
Mr R Clark	1,000,000	-	4,500,000
Mr Wei Guo (1)	-	-	-
Mr C Ko (2)	90,385,520	681,081,634	-
Mr J Hoon	-	-	-

(1) Xi Zhiqiang and Wei Guo are full time employees of the Shagang Group, ultimate shareholder of Shagang International Holdings Limited. Shagang International Holdings Limited and its subsidiaries hold 539,982,558 ordinary fully paid shares in the Company as at the date of this report.

(2) Shagang International Holdings Limited and RGL Holdings Co. Ltd are associates of Pacific International Co. Pty Ltd (Mr Ko holds 100% of Pacific International Business Limited which is the holding company of Pacific International Co. Pty Ltd). The non-beneficial holdings represent those shares held by Shagang International and RGL Holdings.

REMUNERATION REPORT

The information provided in this remuneration report has been audited as required by section 308 (3C) of the *Corporations Act 2001*.

Principles Used to Determine the Nature and Amount of Remuneration

(i) Remuneration Philosophy

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality executive team by remunerating Directors and executives fairly and appropriately with reference to relevant market conditions. To assist in achieving this objective, the Board attempts to link the nature and amount of executives' emoluments to the Company's performance. The outcome of the remuneration structure is:

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

(ii) Remuneration Structure

In consultation with external remuneration consultants, the Group has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

The performance of the Company largely depends upon the quality of its Directors and executives. To prosper the Company must be able to attract, motivate and retain highly skilled Directors and executives. To achieve this, the Company adheres to the following principles in formulating its remuneration framework:

- provide competitive rewards to attract high calibre executives;
- link executive rewards to shareholder value; and
- establish appropriate, demanding performance hurdles for variable executive remuneration.

The framework provides a mix of fixed and variable pay, and a blend of short and long term incentives.

Non-executive Directors

Fees and payments to Non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-executive Directors' fees and payments are reviewed annually by the Board. The Board also considers advice of independent remuneration consultants to ensure Non-executive Directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of Non-executive Directors based on comparative roles in the external market.

Directors' Fees

The current remuneration was last reviewed with effect 1 July 2010. The Chairman's remuneration is inclusive of committee fees while other Non-executive Directors who chair a Committee receive additional yearly fees. The Deputy Chairman is also entitled to receive an additional yearly fee.

Non-executive Directors' fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $600,000 per annum and was approved by shareholders at the General Meeting on 12 December 2008 (previously $300,000 per annum as approved at a General Meeting on 30 November 2007).

The following annual fees have applied:

	From 1 July 2010	From 1 July 2009 to 30 June 2010
Board of Directors		
Chairman[1]	$130,000	$90,000
Deputy chairman	$85,000	$75,000
Non-executive Director	$75,000	$60,000
Audit Committee		
Chairman	$15,000	$15,000
Committee member	$15,000	$10,000
Remuneration and Nomination Committee		
Chairman	$15,000	$15,000
Committee member	$5,000	-

[1] – The Chairman is not paid any additional amounts for Committee membership

Options to Directors

In May 2008, shareholders approved the issue of 1.8 million options to Non-executive Directors to act as an incentive for these Directors to align themselves with the Company's strategic plan focusing on optimising performance with the benefits flowing through to enhanced shareholder returns. The Company does not have a specific option plan in relation to the issue of options to Non-executive Directors and is considering this form of remuneration as part of the overall fees paid. The Company will also look at industry practice when determining whether options should form part of the Non-executive Directors remuneration.

Executive Pay

Objective

The Group aims to reward executives with a level and combination of remuneration commensurate with their position and responsibilities within the Group so as to:

- reward executives for Group and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders; and
- ensure total remuneration is competitive by market standards.

Structure

In determining the level and components of executive remuneration, the Remuneration and Nomination Committee considers recommendations from senior executives which are based upon the prevailing labour market conditions. In addition independent advice is sought from external consultants as needed in the form of reports detailing market levels of remuneration for comparable executive roles.

Remuneration consists of the following key elements:

- Fixed remuneration (base salary, superannuation and non-monetary benefits)
- Variable remuneration
  - short term incentive
  - long term incentive

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives) for each executive is set out on page 18.

Fixed Remuneration

Objective

Fixed remuneration is reviewed annually by the Remuneration and Nomination Committee. The process consists of a review of Group and individual performance, relevant comparative remuneration externally and internally and, where appropriate, external advice on policies and practices. As noted above, the Remuneration and Nomination Committee has access to external consultants' advice independent of management.

Structure

Executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits. It is intended that the manner of payment chosen is optimal for the recipient without creating any undue cost for the Group.

Variable Remuneration – Short Term Incentive ("STI")

Objective

The objective of the STI is to link the achievement of the Company's annual operational targets (usually reflected in the approved budgets) and an individual's personal targets with the remuneration received by the staff members responsible for meeting those targets. Payments are made annually as a cash bonus payable after the financial statements have been audited and released to the Australian Securities Exchange ("ASX"). 50% of the STI for an employee relates to company performance goals and 50% relates to personal performance goals.

Variable Remuneration - Long Term Incentive ("LTI") - Rights and Options

Objective

a) *Rights to Grange Shares*

The Board will review regularly and reserves the right to vary from time to time the appropriate hurdles and vesting periods for Rights to Grange shares.

The objective for the issue of Rights under the LTI program is to reward selected senior employees in a manner that aligns this element of their remuneration package with the creation of long term shareholder wealth while at the same time securing the employee's tenure with the Company over the longer term. The LTI grants Rights to the Company's shares to selected senior employees, and these Rights vest in several equal tranches over the timeframe stipulated in the LTI Plan (currently they vest in three equal tranches over 24 months). The Company utilises the LTI program to link remuneration with the attainment of key strategic performance milestones which usually take several years to deliver. 50% of the LTI for an employee relates to company performance goals and 50% relates to personal performance goals. Rights are allocated using a share price that is based on the volume weighted average price of the Company's shares for the first three months (July 1 to September 30), of the financial year (i.e. for the 2009/2010 year, the volume weighted average price of the Company's shares from 1 July 2009 to 30 September 2009 would be used).

b) *Options to Grange Shares*

The objective of issuing Options under the LTI program is to provide a mechanism for the Company to selectively reward senior employees for having gone the "extra mile" in dealing with exceptional or unplanned or unexpected issues or circumstances which have impacted the business. The Board of Directors, based on the Managing Director's recommendation, may discretionally grant the options via the LTI plan processes, and these options vest in over the timeframe stipulated in the LTI Plan from time to time. A maximum number of Options per individual issue has been specified and approved for each job grade in the grade structure matrix. The exercise price of options issued will be equal to a 20% premium on the weighted average price of the Company's shares in the last three months before the financial year begins.

(iii) Remuneration and Nomination Committee

The Board has established a Remuneration and Nomination Committee to assist the Board in establishing policies and practices which enables the Company to attract and retain capable Directors and employees, reward employees fairly and responsibly and meet the Board's oversight responsibilities in relation to corporate governance practices.

The Remuneration and Nomination Committee is composed of Mr Neil Chatfield (Committee Chairman), Mr John Hoon and Mr Xi Zhiqiang, all of whom are Non-executive Directors.

The responsibilities and functions for the Remuneration and Nomination Committee include reviewing and making recommendations on the following:

- Equity based executive and employee incentive plans;
- Recruitment, retention, succession planning, performance measurement and termination policies and procedures for Non-executive Directors, the Managing Director, any other executive Director and the Company Secretary;
- The remuneration of the Managing Director;
- Periodically assessing the skills required by the Board; and
- Recommend processes to annually evaluate the performance of the Board, its Committees and individual Directors.

The Charter and Remuneration strategies are reviewed regularly.

The Managing Director is the conduit between the Board and Grange's staff, and as such leads and manages the implementation of the approved people and performance strategies and ensures the policies and processes are "alive" in business operations. The Managing Director attends meetings of the Remuneration and Nomination Committee by invitation and is required to report on and discuss senior management and staff performance and incentive rewards, the various elements of the administration of the remuneration and performance policies and packages and related people and performance matters.

Details of Remuneration

Details of the remuneration of the Directors, the key management personnel of the Group (as defined in AASB 124 *Related Party Disclosures*) and the five highest paid executives of Grange Resources Limited and the Grange Resources Limited group are set out in the following tables:

The key management personnel of the Group are the Directors of Grange Resources Limited (see pages 2 to 3) and those executives that report directly to the Managing Director being:

Name	Position
Wayne Bould	Chief Operating Officer
David Corr	Financial Controller (from 12 October 2009)
Ross Carpenter	General Manager – Mining & Projects
Stacey Apostolou	General Manager – Finance & Company Secretary (from 3 July 2009 until 4 February 2010)
Brian Burdett	General Manager – Process & Infrastructure (until 30 October 2009)
Nick Longmire	General Manager – Commercial (until 16 October 2009)
Bruce Lorking	General Manager – Finance (until 3 July 2009)
John Galbraith	General Manager – Sales, Shared Services & People (until 3 July 2009)

Changes Since Year End

Since 30 June 2010, the following persons have commenced employment with Grange and will be considered key management personnel of the Group going forward:

Name	Position
Craig Ferrier	Chief Financial Officer
Fernando Moutinho	Project Director - Southdown

As explained in Note 1(a) to the financial statements the comparative consolidated financial information of the Group was prepared and issued under the name of the legal parent (i.e. Grange Resources Limited) but represented a continuation of the financial statements of the legal subsidiary (i.e. Ever Green Resources Co., Ltd).

In respect of the period July 2008 to December 2008 i.e. 6 months of Ever Green, the following persons were deemed key management personnel of Ever Green Resources Co., Ltd and the Ever Green Resources Co., Ltd Group:

Name	Position
David Sandy	Managing Director
Ross Carpenter	General Manager – Mining & Projects
Bruce Lorking	General Manager - Finance
Brian Burdett	General Manager – Process & Infrastructure
John Galbraith	General Manager – Sales, Shared Services & People
Gao Feng	Non-executive Director
Clement Ko	Non-executive Director
Li Xiangyang	Non-executive Director
Shen Bin	Non-executive Director
Shen Wen Ming	Non-executive Director
You Zhenhua	Non-executive Director

REMUNERATION REPORT (CONTINUED)

Amounts of remuneration

Table 1: Remuneration for the year ended 30 June 2010

	Short-term employee benefits				Post employment benefits	Long-term benefits		Long Term Incentive (LTI)		Total
	Salary & Fees	Non-monetary benefits	Short Term Incentive (STI)	Other	Super-annuation	Long Service Leave	Termination benefits	Rights	Options	
Non-executive Directors	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Xi Zhiqiang	90,000	-	-	-	-	-	-	-	-	90,000
N Chatfield	82,487	-	-	-	7,513	-	-	-	-	90,000
C Ko	60,000	-	-	-	-	-	-	-	-	60,000
J Hoon (1)	5,473	-	-	-	516	-	-	-	-	5,989
Z Hong Lin (2)	-	-	-	-	-	-	-	-	-	-
W Guo (3)	60,000	-	-	-	-	-	-	-	-	60,000
P Stephens (4), (5)	56,492	-	-	-	8,383	-	-	-	-	64,875
A Bohnenn (6)	23,660	-	-	-	1,720	-	-	-	-	25,380
Sub-total Non-executive Directors	**378,112**	**-**	**-**	**-**	**18,132**	**-**	**-**	**-**	**-**	**396,244**

Table 1: Remuneration for the year ended 30 June 2010 (Continued)

	Short-term employee benefits				Post employment benefits	Long-term benefits		Long Term Incentive (LTI)		Total
	Salary & Fees	Non-monetary benefits	Short Term Incentive (STI)	Other	Super-annuation	Long Service Leave	Termination benefits	Rights	Options	
Executive Director	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
R Clark [7]	500,000	-	161,865	270,000	45,000	5,189	-	206,828	-	1,188,882
Other Key Management Personnel										
W Bould [8]	261,057	18,093	57,845	100,000	25,299	2,762	-	88,374	-	553,430
D Corr [9]	122,478	8,400	14,024	-	11,023	116	-	8,570	-	164,611
R Carpenter [10]	245,642	-	12,049	-	22,108	9,251	-	10,308	-	299,358
S Apostolou [11]	105,378	-	-	-	7,855	-	-	-	-	113,233
B Burdett [12]	75,932	-	-	-	7,658	2,076	-	-	-	85,666
N Longmire [13]	72,224	-	-	-	6,817	-	-	-	-	79,041
J Galbraith [14]	2,455	-	-	-	221	868	225,707	-	-	229,251
B Lorking [14]	1,845	-	-	--	225	-	230,142	-	-	232,212
Sub-total key management personnel	**1,387,011**	**26,493**	**245,783**	**370,000**	**126,206**	**20,262**	**455,849**	**314,080**	**-**	**2,945,684**
TOTAL	**1,765,123**	**26,493**	**245,783**	**370,000**	**144,338**	**20,262**	**455,849**	**314,080**	**-**	**3,341,928**

(1) J Hoon was appointed as a Director on 2 June 2010
(2) Z Hong Lin was appointed as a Director on 30 July 2010
(3) W Guo resigned as a Director on 30 July 2010
(4) P Stephens resigned as a Director on 7 April 2010
(5) Salary and fees includes an amount of $6,800 paid to P Stephens for consulting services provided to Grange during the year ended 30 June 2010
(6) A Bohnenn ceased to be a Director on 25 November 2009
(7) Other payments to R Clark relate to a bonus payment for his proactive role in integrating the Grange and ABM businesses post merger. The Remuneration and Nomination Committee proposed and the Board approved a bonus of $250,000 to be paid as 1,000,000 shares in Grange. The payment was approved by shareholders at the Annual General Meeting on 25 November 2009 and the shares issued on 7 December 2009. The Grange share price on the date of approval was $0.27 per share.
(8) Other payments to W Bould relate to a performance related payment for 2009 of $100,000 to be paid as 298,507 shares in Grange. These shares were issued on 6 August 2010
(9) D Corr commenced employment with the Company on 12 October 2009
(10) Subsequent to 30 June 2010, R Carpenter received retention payment of $400,000 in accordance with a scheme established by ABM
(11) S Apostolou ceased employment with the Company on 4 February 2010
(12) B Burdett ceased employment with the Company on 30 October 2009
(13) N Longmire ceased employment with the Company on 16 October 2009
(14) J Galbraith and B Lorking ceased employment with the Company on 3 July 2009

REMUNERATION REPORT (AUDITED) (CONTINUED)

Table 2: Remuneration for the year ended 30 June 2009

	Short-term employee benefits				Post employment benefits	Long-term benefits		Long Term Incentive (LTI)		Total
	Salary & Fees	Non-monetary benefits	Short Term Incentive (STI)	Other	Super-annuation	Long Service Leave	Termination benefits	Rights	Options[5]	
Non-executive Directors	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
X Zhiqiang [1]	43,269	-	-	-	-	-	-	-	-	43,269
N Chatfield [1]	39,697	-	-	-	3,573	-	-	-	-	43,270
A Bohnenn	71,632	-	-	-	6,032	-	-	-	150,957	228,621
P Stephens[1]	36,058	-	-	-	-	-	-	-	-	36,058
W Guo [1]	28,846	-	-	-	-	-	-	-	-	28,846
D Sandy [1], [3]	139,769	13,000	-	-	77,681	97,326	-	-	-	327,776
C Ko [1]	28,846	-	-	-	-	-	-	-	-	28,846
R Krasnoff [2]	-	-	-	-	31,154	-	-	-	150,957	182,111
D Stewart [2]	-	-	-	-	31,154	-	-	-	150,957	182,111
D Macoboy [2]	30,000	-	-	-	-	-	-	-	150,957	180,957
A Nutter [4]	95,722	-	-	-	4,676	-	-	-	-	100,398
Sub-total Non-executive Directors	**513,839**	**13,000**	**-**	**-**	**154,270**	**97,326**	**-**	**-**	**603,828**	**1,382,263**

Table 2: Remuneration for the year ended 30 June 2009 (Continued)

	Short-term employee benefits				Post employment benefits	Long-term benefits		Long Term Incentive (LTI)		Total
	Salary & Fees	Non-monetary benefits	Short Term Incentive (STI)	Other	Super-annuation	Long Service Leave	Termination benefits	Rights	Options	
Executive Director	$	$	$	$	$	$	$	$	$	$
R Clark	458,045	11,955	-	-	75,000	8,889	-	-	1,509,569[7]	2,063,458
Other Key Management Personnel										
W Bould	162,724	35,985	-	-	73,021	4,160	-	313,359	184,830	774,079
R Carpenter	233,637	19,000	-	-	34,108	24,623	-	-	-	311,368
B Lorking	131,710	19,000	-	-	100,000	64,246	-	-	-	314,956
B Burdett	194,234	19,000	-	-	83,615	75,288	-	-	-	372,137
J Galbraith	200,413	19,000	-	-	26,797	47,174	-	-	-	293,384
N Longmire	161,615	5,467	-	-	14,545	2,933	-	33,572	5,550	223,682
Gao Feng [6]	-	-	-	-	-	-	-	-	-	-
C Ko [6]	-	-	-	-	-	-	-	-	-	-
Li Xiangyang [6]	-	-	-	-	-	-	-	-	-	-
Shen Bin [6]	-	-	-	-	-	-	-	-	-	-
Shen Wen Ming [6]	-	-	-	-	-	-	-	-	-	-
You Zhenhua [6]	-	-	-	-	-	-	-	-	-	-
Sub-total key management personnel	**1,542,378**	**129,407**	**-**	**-**	**407,086**	**227,313**	**-**	**346,931**	**1,699,949**	**4,353,064**
TOTAL	**2,056,217**	**142,407**	**-**	**-**	**561,356**	**324,639**	**-**	**346,931**	**2,303,777**	**5,735,327**

(1) These Directors were appointed on 2 January 2009.
(2) These Directors resigned on 2 January 2009.
(3) Includes salary received during the period 1 July 2008 to 2 January 2009 when D Sandy was deemed a key management person and prior to his appointment to the Board. D Sandy resigned from his position on the Board on 9 June 2009.
(4) A Nutter resigned as a Director on 28 November 2008.
(5) All of the options issued to Directors vested upon the change of control which occurred on 2 January 2009. Therefore, the share based payment expense is accelerated to reflect the full fair value of the options on issue as at the date of the merger.
(6) These key management personnel were not remunerated for their services prior to the merger.
(7) In accordance with accounting standards, R Clark's options have been valued as though they had been issued on the original grant date of 20 May 2008. The options granted on 20 May 2008 were cancelled and reissued following shareholder approval on 28 November 2008. Had the options been valued at 28 November 2008, then the value per option would have been approximately $0.01 to $0.02 as compared with the average value on 20 May 2008 of $0.365. Had the share based payments expense been calculated by reference to the value at 28 November 2008 it would have been approximately $67,000 as compared with $1,509,569.

Table 3: Relative proportions linked to performance

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed Remuneration		At Risk - STI		At Risk - LTI	
	2010	2009	2010	2009	2010	2009
Executive Director						
R Clark	50%	100%	16%	-	34%	-
Other key management personnel						
W Bould	59%	59%	12%	12%	29%	29%
D Corr	86%	-	7%	-	7%	-
R Carpenter	81%	100%	8%	-	11%	-

Service Agreements

On appointment to the Board, all Non-executive Directors enter into a service agreement with the Company. The agreement summarises the Board policies and terms, including compensation, relevant to the office of Director.

Remuneration and other terms of employment for the Managing Director, Chief Operating Officer and the other key management personnel are formalised in service agreements. Each of the agreements provide for the provision of performance related variable remuneration and other benefits.

In March 2008, the Company and its Managing Director, Mr Russell Clark, entered into an employment agreement. The agreement is for a term of 3 years. Mr Clark may terminate his employment at any time by giving three months notice. The Company may terminate Mr Clark's employment by giving three months notice or by the Company paying Mr Clark an amount equivalent to three months remuneration in lieu of notice.

All contracts with other key management personnel of the consolidated Grange Group are ongoing and provide for termination of employment at any time by giving three months notice or by the Company paying an amount equivalent to three months remuneration in lieu of notice.

Share-based Compensation

Under the Grange Resources Limited Long Term Incentive Plan (the Plan), the Board may, from time to time grant options or rights, or both, to eligible employees. The Plan is designed to provide long term incentives for executives to deliver long term shareholders returns. Under the Plan, participants are granted options or rights which only vest if certain timing or performance conditions are met. Participation in the Plan is at the Board's discretion and no individual has a contractual right to participate in the Plan or to receive any guaranteed benefits.

Options to Grange shares

The terms and conditions of each grant of options affecting Directors and key management personnel as at 30 June 2010 are as follows:

Grant date	Date vested and exercisable	Expiry date	Exercise price [3]	Value per option at grant date	Perform -ance achieved [1]	% Vested
Director options						
28 November 2008 [2]	2 January 2009	6 March 2012	$1.92	$0.48	Time based	100
28 November 2008 [2]	2 January 2009	6 March 2012	$2.87	$0.34	Time based	100
28 November 2008 [2]	2 January 2009	6 March 2012	$3.37	$0.27	Time based	100
Other key management personnel options						
14 July 2008	2 January 2009	1 May 2012	$1.92	$0.54	Time based	100
14 July 2008	2 January 2009	1 May 2012	$2.87	$0.39	Time based	100
14 July 2008	2 January 2009	1 May 2012	$3.37	$0.30	Time based	100

(1) The options that were granted prior to the merger with ABM (2 January 2009) included conditions which caused them to vest upon a change of control event occurring. As a consequence the options vested on 2 January 2009.
(2) These options were initially approved by shareholders on 20 May 2008. In accordance with a direction from the Australian Stock Exchange under ASX Listing Rule 10.13 these options were cancelled on 5 September 2008 and subsequently reapproved by shareholders on 28 November 2008 on the same terms.
(3) The exercise price of each option has been adjusted as a result of the September 2009 rights issue in accordance with ASX Listing Rule 6.22

Options granted under the Plan carry no dividend or voting rights.

Details of options over ordinary shares in the Company provided as remuneration to each Director of Grange Resources Limited and each of the key management personnel of the parent entity and the Group are set out below. When exercisable, each option is convertible into one ordinary share of Grange Resources Limited. Further information on the options is set out in Note 31 to the financial statements.

There were no options issued to Directors or key management personnel of the Grange Resources Limited group during the year ended 30 June 2010.

Name	Number of options granted during the year 2009	Number of options vested during the year 2009
Directors		
R Clark	4,500,000	4,500,000
A Bohnenn [1]	450,000	450,000
R Krasnoff [2]	450,000	450,000
D Macoboy [2]	450,000	450,000
D Stewart [2]	450,000	450,000
Other key management personnel		
W Bould	450,000	450,000
N Longmire [3]	50,000	50,000

(1) A Bohnenn ceased to be a Director on 25 November 2009.
(2) These Directors resigned on 2 January 2009.
(3) N Longmire ceased employment with the Company on 16 October 2009.

The options granted to Directors during the year ended 30 June 2009 replaced options that were granted on 20 May 2008 and subsequently cancelled and re-issued following shareholder approval on 28 November 2008.

All options granted during the year ended 30 June 2009 vested on 2 January 2009 following a change of control event.

The assessed fair value at grant date of options granted to the individuals is generally allocated equally over the period from grant date to vesting date. However, due to the change of control event which occurred, all options on issue that were subject to vesting conditions, vested fully on 2 January 2009 and the amount is included in the remuneration tables above.

Fair values at grant date are independently determined using the binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2009 included:

Director Options

Exercise price	$2.05	$3.00	$3.50
Grant date	20 May 2008	20 May 2008	20 May 2008
Expiry date	6 March 2012	6 March 2012	6 March 2012
Share price at grant date	$1.60	$1.60	$1.60
Volatility	60%	60%	60%
Dividend yield	-	-	-
Risk free interest rate	6.39%	6.39%	6.39%
Valuation per option	$0.4831	$0.3390	$0.2738

Other Key Management Personnel Options

Exercise price	$2.05	$3.00	$3.50
Grant date	14 July 2008	14 July 2008	14 July 2008
Expiry date	1 May 2012	1 May 2012	1 May 2012
Share price at grant date	$1.68	$1.68	$1.68
Volatility	90%	90%	90%
Dividend yield	-	-	-
Risk free interest rate	6.25%	6.25%	6.25%
Valuation per option	$0.5382	$0.3934	$0.3006

There were no shares issued as a result of the exercise of options during the year ended 30 June 2010 (2009: NIL).

Rights to Grange shares

No rights to Grange ordinary shares were issued pursuant to the Long Term Incentive Plan during the year ended 30 June 2010. Subsequent to 30 June 2010, the Remuneration and Nomination Committee approved the issue of 2,334,678 rights to Grange shares to eligible employees. In accordance with the terms of the Long Term Incentive Plan these rights will vest in three equal tranches over 24 months.

There were 354,254 ordinary shares issued pursuant to this plan during the year ended 30 June 2009. These shares were issued following the change of control which occurred on 2 January 2009. The value of these shares is included in the remuneration tables above.

Details of remuneration: variable remuneration

The relative proportions of variable remuneration that was paid/granted and forfeited during the year ended 30 June 2010 is set out below:

Name	At risk - STI		At Risk - LTI	
	Paid	Forfeited	Granted[1]	Forfeited
Executive Director				
R Clark	90%	10%	90%	10%
Other key management personnel				
W Bould	95%	5%	95%	5%
D Corr	95%	5%	95%	5%
R Carpenter	90%	10%	90%	10%

(1) In accordance with the terms of the Long Term Incentive Plan this amount, representing rights to shares in Grange Resources Limited, will vest in three equal tranches over 24 months. No options were issued under the Long Term Incentive Plan during the year ended 30 June 2010

Shares under option

Unissued ordinary shares of the Company under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
14 July 2008	1 May 2012	$1.92	150,000
14 July 2008	1 May 2012	$2.87	150,000
14 July 2008	1 May 2012	$3.37	150,000
14 July 2008	30 June 2012	$1.92	75,000
15 July 2008	30 June 2012	$1.92	100,000
28 November 2008	6 March 2012	$1.92	2,100,000
28 November 2008	6 March 2012	$2.87	2,100,000
28 November 2008	6 March 2012	$3.37	2,100,000
16 June 2009	1 October 2012	$2.37	65,000

The Company also had 9.0 million ordinary shares under option as at 30 June 2010. These options were held by Hamersley Holdings Limited, exercisable at $1.50 and expired on 28 September 2010.

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

Insurance of Officers

During the financial year, the Company has paid premiums in respect of Directors' and Officers' Liability Insurance and Company Reimbursement policies, which cover all Directors and officers of the Group to the extent permitted under the Corporations Act 2001. The policy conditions preclude the Group from any detailed disclosures.

Indemnity of Auditors

The Company has entered into an agreement to indemnify their auditor, PricewaterhouseCoopers, against any claims or liabilities (including legal costs) asserted by third parties arising out of their services as auditor of the Company, where the liabilities arises as a direct result of the Company's breach of its obligations to the Auditors, unless prohibited by the *Corporations Act 2001*.

Non-audit Services

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.* The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code *of Ethics for Professional Accountants*.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms. Following the merger between Grange and Ever Green Resources on 2 January 2009, the audit of the parent entity transferred from Ernst & Young to PricewaterhouseCoopers.

	2010	2009
	$'000	$'000
(a) PricewaterhouseCoopers		
Audit and review of financial reports	375	326
Other assurance services		
Due diligence services	-	300
Taxation services		
Taxation compliance	129	412
Tax consulting and advice	362	1,289
Total remuneration of PricewaterhouseCoopers	**866**	**2,327**
(b) Ernst & Young		
Audit and review of the financial reports	-	71
Other assurance services		
Due diligence services	-	378
Taxation compliance services	-	134
Other services	-	65
Total remuneration of Ernst & Young	-	**648**

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 24.

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. Amounts in the Directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

The report is made in accordance with a resolution of Directors.

Russell Clark
Managing Director
Perth, Western Australia
30 September 2010

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Auditor's Independence Declaration

As lead auditor for the audit of Grange Resources Limited for the year ended 30 June 2010, 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 audit; and
b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Tim Goldsmith
Partner
PricewaterhouseCoopers

Melbourne
30 September 2010

Liability limited by a scheme approved under Professional Standards Legislation

GRANGE RESOURCES LIMITED
ABN 80 009 132 405
ANNUAL FINANCIAL REPORT 2010

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

	NOTES	2010 $'000	2009 $'000
Revenues from mining operations	5	**229,066**	**356,486**
Cost of sales	6	**(240,588)**	**(237,642)**
Gross profit / (loss) from mining operations		**(11,522)**	**118,844**
Administration expenses		**(6,392)**	**(4,088)**
Operating profit / (loss) before other income / (expense)		**(17,914)**	**114,756**
Other income / (expenses)			
Restructure of deferred consideration	22, 25	**84,106**	**-**
Revaluation of deferred consideration	22, 25	**(19,571)**	**144,772**
Net gains / (losses) on derivatives	7	**-**	**(49,092)**
Impairment losses	8	**-**	**(80,379)**
Other income / (expenses)	9	**(10)**	**(1,289)**
Operating profit / (loss) before finance costs		**46,611**	**128,768**
Finance income	10	**10,219**	**1,452**
Finance expenses	10	**(12,575)**	**(73,341)**
Profit / (loss) before tax		**44,255**	**56,879**
Income tax benefit / (expense)	11	**(2,027)**	**29,131**
Profit / (loss) for the year		**42,228**	**86,010**
Other comprehensive income			
Exchange differences on translation of foreign operations		**88**	**(5,094)**
Total comprehensive income for the year		**42,316**	**80,916**
Profit / (loss) attributable to:			
- Equity holders of Grange Resources Limited		**42,645**	**86,045**
- Minority interest		**(417)**	**(35)**
		42,228	**86,010**
Total comprehensive income / (loss) attributable to:			
- Equity holders of Grange Resources Limited		**42,733**	**80,951**
- Minority interest		**(417)**	**(35)**
		42,316	**80,916**
Earnings per share for profit / (loss) attributable to the ordinary equity holders of Grange Resources Limited			
Basic earnings / (loss) per share (cents per share)	40	**3.93**	**19.69**
Diluted earnings / (loss) per share (cents per share)	40	**3.93**	**19.69**

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

GRANGE RESOURCES LIMITED
ABN 80 009 132 405
ANNUAL FINANCIAL REPORT 2010

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

	NOTES	2010	2009 Restated
		$'000	$'000
ASSETS			
Current assets			
Cash and cash equivalents	12	**70,476**	**20,466**
Trade and other receivables	13	**10,268**	**19,861**
Inventories	14	**51,755**	**63,887**
		132,499	**104,214**
Assets classified as held for sale	42	**4,788**	**3,688**
Total current assets		**137,287**	**107,902**
Non-current assets			
Receivables	15	**15,882**	**16,138**
Property, plant and equipment	16	**153,014**	**173,022**
Mine properties and development	17	**326,135**	**335,534**
Exploration and evaluation	18	**47,269**	**45,315**
Deferred tax assets	19	**-**	**-**
Total non-current assets		**542,300**	**570,009**
Total assets		**679,587**	**677,911**
LIABILITIES			
Current liabilities			
Trade and other payables	20	**34,660**	**50,529**
Borrowings	21	**12,249**	**71,442**
Current tax liability		**2,742**	**-**
Deferred consideration	22	**-**	**29,586**
Provisions	23	**3,871**	**4,156**
		53,522	**155,713**
Liabilities classified as held for sale	42	**1,921**	**65**
Total current liabilities		**55,443**	**155,778**

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

	NOTES	2010 $'000	2009 Restated $'000
Non-current liabilities			
Borrowings	24	**44,700**	58,484
Deferred consideration	25	**50,409**	144,933
Deferred tax liabilities	26	**32,238**	32,350
Provisions	27	**19,631**	20,781
Total non-current liabilities		**146,978**	**256,548**
Total liabilities		**202,421**	**412,326**
Net assets		**477,166**	**265,585**
EQUITY			
Contributed equity	28	**328,812**	160,198
Reserves	29	**2,855**	2,116
Retained profits / (losses)	30	**145,951**	103,306
Capital and reserves attributable to equity holders of Grange Resources Limited		**477,618**	265,620
Non-controlling interests		**(452)**	(35)
Total equity		**477,166**	**265,585**

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

GRANGE RESOURCES LIMITED
ABN 80 009 132 405
ANNUAL FINANCIAL REPORT 2010

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

Consolidated	NOTES	Contributed equity Restated $'000	Reserves $'000	Retained earnings Restated $'000	Non-controlling interests Restated $'000	TOTAL $'000
Balance at 1 July 2009		**155,334**	**2,116**	**108,170**	**(35)**	**265,585**
Prior period restatement	1	4,864	-	(4,864)	-	-
Restated balance at 1 July 2009		**160,198**	**2,116**	**103,306**	**(35)**	**265,585**
Profit / (loss) for the year		-	-	42,645	(417)	42,228
Exchange differences on translation of foreign operations		-	88	-	-	88
Total comprehensive income / (loss) for the year		-	88	42,645	(417)	42,316
Transactions with owners in their capacity as owners						
Contributions of equity, net of transaction costs		168,614	-	-	-	168,614
Employee share options and rights		-	651	-	-	651
		168,614	651	-	-	169,265
Balance at 30 June 2010		**328,812**	**2,855**	**145,951**	**(452)**	**477,166**
Balance at 1 July 2008		447	5,410	22,125	2,215	30,197
Profit / (loss) for the year		-	-	86,045	(35)	86,010
Exchange differences on translation of foreign operations		178	(5,272)	-	-	(5,094)
Total comprehensive income / (loss) for the year		178	(5,272)	86,045	(35)	80,916
Transactions with owners in their capacity as owners						
Contributions of equity, net of transaction costs		154,709	-	-	-	154,709
Acquisition of non-controlling interest		-	-	-	(2,215)	(2,215)
Employee share options and rights		-	1,978	-	-	1,978
		154,709	1,978	-	(2,215)	154,472
Balance at 30 June 2009		155,334	2,116	108,170	(35)	265,585

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

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2010

	NOTES	2010 $'000	2009 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**242,259**	**350,867**
Payments to suppliers and employees (inclusive of goods and services tax)		**(200,725)**	**(212,438)**
		41,534	**138,429**
Interest received		**2,571**	**1,412**
Interest paid		**(1,712)**	**(3,097)**
Income taxes (paid)/received		**5,642**	**132**
Net cash inflow / (outflow) from operating activities	39	**48,035**	**136,876**
Cash flows from investing activities			
Payments for exploration and evaluation		**(1,266)**	**(2,221)**
Payments for property, plant and equipment		**(10,450)**	**(17,460)**
Payments for mine properties and development		**(18,954)**	**(70,795)**
Payment for purchase of subsidiary, net of cash acquired		**-**	**12,793**
Payment of security deposits		**-**	**(159)**
Net cash inflow / (outflow) from investing activities		**(30,670)**	**(77,842)**
Cash flows from financing activities			
Proceeds from issues of fully paid shares, net of transaction costs		**150,384**	**(113)**
Proceeds from borrowings		**33,468**	**105,512**
Repayment of borrowings		**(89,406)**	**(118,282)**
Payment of deferred consideration		**(48,572)**	**(55,137)**
Finance lease payments		**(13,489)**	**(16,181)**
Net cash inflow / (outflow) from financing activities		**32,385**	**(84,201)**
Net increase / (decrease) in cash and cash equivalents		**49,750**	**(25,167)**
Cash and cash equivalents at beginning of the year		**20,466**	**45,943**
Net foreign exchange differences		**260**	**(310)**
Cash and cash equivalents at end of the year	12	**70,476**	**20,466**

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the consolidated financial report are set out below. These policies have been consistently applied for all the years presented, unless otherwise stated.

The financial report is for the consolidated entity consisting of Grange Resources Limited (the Company) and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

On 2 January 2009, the Company completed the legal acquisition of Ever Green Resources Co. Limited (Ever Green). Under the terms of AASB 3 *Business Combinations*, Ever Green was deemed to be the accounting acquirer in the business combination. The transaction was therefore accounted for as a reverse acquisition under AASB 3.

Accordingly, the consolidated financial statements of the Grange Resources Limited Group (Grange Resources) for the year ended 30 June 2009 have been prepared as a continuation of the consolidated financial statements of Ever Green. Ever Green, as the deemed acquirer, has accounted for the acquisition of the Grange Resources from 2 January 2009. Refer to Note 35 for further details of the business combination.

The implications of the application of AASB 3 on the attached financial statements are as follows:

Statements of Comprehensive Income

- The 2010 Consolidated Income Statement comprises 12 months of Grange Resources.
- The 2009 Consolidated Income Statement comprises 12 months of Ever Green and 6 months of Grange Resources.

Statements of Financial Position

- The 2010 Consolidated Balance Sheet represents Grange Resources as at 30 June 2010.
- The 2009 Consolidated Balance Sheet represents the combination of Ever Green and Grange Resources as at 30 June 2009.

Statements of Changes in Equity

- The 2010 Consolidated Statement of Changes in Equity comprises 12 months of Grange Resources.
- The 2009 Consolidated Statement of Changes in Equity comprises:
  - The equity balance of Ever Green at the beginning of the year.
  - The profit/(loss) for the year and transactions with equity holders, being 12 months of Ever Green and 6 months of Grange Resources.
  - The equity balance of the combined Ever Green and Grange Resources at the end of the year.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Statements of Cash Flows

- The 2010 Consolidated Statement of Cash Flows comprises 12 months of Grange Resources.
- The 2009 Consolidated Statement of Cash Flows comprises:
  - The cash balance of Ever Green at the beginning of the year.
  - The transactions for the year, being 12 months of Ever Green and 6 months of Grange Resources.
  - The cash balance of the combined Ever Green and Grange Resources at the end of the year.

As the reverse acquisition accounting principles outlined above apply only in the Consolidated financial report, the Parent Entity Financial Information as disclosed in Note 43 continues to represent Grange Resources Limited as an individual entity for the 2010 and 2009 financial years.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Grange Resources comply with International Financial Reporting Standards (IFRS).

Historical cost convention

These financial statements have been prepared under the historical costs convention, except for certain assets which, as noted, are at fair value.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Financial statement presentation

The group has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

Restatement of comparative financial information

On 2 January 2009, Grange Resources Limited completed the legal acquisition of Ever Green Resources Co., Ltd. The amount attributed to non-controlling interests, which was acquired as part of this transaction, at the date of acquisition was understated by $4.9 million. Accordingly, the comparative financial information has been restated to correct this understatement by increasing share capital and reducing bought forward retained profits. There was no impact on the previously reported net profit or net assets of Grange Resources Limited.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Grange Resources as at 30 June 2010 and the results of all subsidiaries for the year then ended. Grange Resources Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Details of subsidiaries are set out in Note 36.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(e)).

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals of minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases of minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of the identifiable net assets of the subsidiary. Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Grange Resources Limited.

(ii) Joint Ventures

Jointly controlled assets

The proportionate interests in the assets, liabilities and expenses of a joint venture activity have been incorporated into the financial statements under the appropriate headings. Details of joint ventures are set out in Note 37.

Where part of a joint venture interest is farmed out in consideration of the farm-in party undertaking to incur further expenditure on behalf of both the farm-in party and the entity in the joint venture area of interest, exploration expenditure incurred and carried forward prior to farm out continues to be carried forward without adjustment. Any cash received in consideration for farming out part of a joint venture interest is treated as a reduction in the carrying value of the related mineral property.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the strategic steering committee.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Segment reporting (continued)

Change in accounting policy

The Group has adopted AASB 8 *Operating Segments* from 1 July 2009. AASB 8 replaces AASB 114 *Segment Reporting.* The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

Refer to Note 4 for further information on segment descriptions.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Grange Resources Limited's functional and presentation currency.

(ii) Transactions and balances

All foreign currency transactions during the financial year are translated into the functional currency using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates on monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the income statement, as part of the gain or loss on sale where applicable. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange, unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. In a reverse acquisition, if the fair value of the equity instruments of the legal subsidiary is not otherwise clearly evident, the total fair value of all the issued equity instruments of the legal parent before the business combination shall be used as the basis for determining the cost of the combination. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Deferred consideration is measured at the present value of management's best estimate of expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects the current assessment of the Group's incremental borrowing rate. The increase in the provision due to the passage of time or 'unwinding' of the discount is recognised as a finance expense. Other movements in deferred consideration, including those from updated short and long-term commodity prices and forward exchange rates are recognised in the income statement to the extent that they do not exceed the discount on acquisition initially recognised.

Refer to Note 35 for further details of the business combination effected during the financial year.

(f) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that the economic benefits will flow to the Group and specific criteria have been met for each of the Group's activities described below.

Revenue is recognised for the major business transactions as follows:

Sales of iron ore

Revenues from the sales of iron ore are recognised when the significant risks and rewards of ownership of the goods have passed to the customer and the amount of revenue can be measured reliably. Risks and rewards are considered passed to the buyer at the time when title passes to the customer.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Revenue recognition (continued)

The majority of the Group's sales arrangements specify that title passes when the product is transferred to the vessel on which the product will be shipped. Revenues are generally recognised on the bill of lading date. Sales arrangements allow for an adjustment to the sales price based on a survey of the goods by the customer (an assay for mineral content). Accordingly, sales revenue is initially recognised on a provisional basis using the most recently determined estimate of the product specifications and subsequently adjusted, if necessary, based on a survey of the goods by the customer.

Since April 2010, the Group has agreed with customers to price its iron ore pellets at index based market prices. Interim pricing arrangements have been agreed with customers and will remain in place until such time as an index based market pricing mechanism is agreed. Accordingly, sales revenues since 1 April 2010 have been initially recognised using interim prices and will be subsequently adjusted, if necessary, when an index based market price is agreed with customers.

Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the arrangements.

Interest revenue

Interest revenue is recognised on a time proportion basis using the effective interest method.

Dividend revenue

Dividends are recognised as revenue when the right to receive payment is established.

(g) Government Grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

(h) Leases

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

Finance leases, which are those leases that transfer substantially all of the risks and rewards incidental to ownership of the leased item to the Group, are capitalised at the present value of the minimum lease payments and disclosed as property, plant and equipment. A lease liability of equal value is also recognised. Each lease payment is allocated between the liability and financing costs. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability over the period. The property, plant and equipment acquired under a finance lease is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Operating leases are those leases that do not transfer a significant portion of the risks and rewards of ownership to the Group as lessee. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to amounts of cash and which are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(j) Trade and other receivables

Trade receivables are recognised and carried at the original invoice amount less provision for impairment. Trade receivables are generally due for settlement within 14 days.

Collectability of trade receivables are reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the amount directly. An allowance accounts (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the impairment loss is recognised in the income statement within other expenses. When a trade receivable for which an impairment allowance had been recognised become uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(k) Inventories

Raw materials and stores, ore stockpiles, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost is determined primarily on the basis of weighted average costs and comprises of cost of direct materials and the costs of production which include:

- labour costs, materials and contractor expenses which are directly attributable to the extraction and processing of ore;
- depreciation of property, plant and equipment used in the extraction and processing of ore; and
- production overheads directly attributable to the extraction and processing of ore.

Stockpiles represent ore that has been extracted and is available for further processing. If there is significant uncertainty as to when the stockpiled ore will be processed it is expensed as incurred. Where the future processing of the ore can be predicted with confidence because it exceeds the mine's cut-off grade, it is valued at the lower of cost and net realisable value. Work in progress inventory includes partly processed material. Quantities are assessed primarily through surveys and assays.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(l) Income tax

Current income tax and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situation in which applicable tax regulation is subject to interpretation. Such positions are considered individually and where appropriate, provisions are established based on the estimates of the amounts expected to be paid to the taxation authorities.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Income tax (continued)

Deferred income tax liabilities are recognised for all assessable temporary differences except:

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

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

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation

Grange Resources Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. Following the legal acquisition of Ever Green the combined Grange Resources Limited group operates two separate tax consolidated groups.

The head entities of the group's two separate tax consolidated groups are Grange Resources Limited and Grange Tasmania Holdings Pty Ltd (formerly Shagang Mining (Australia) Pty Ltd). The head entities in the tax consolidated group's continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone tax payer in its own right.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Income tax (continued)

In addition to its own current and deferred tax amounts, the head entities of the Group's tax consolidated groups also recognise the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in its tax consolidated group.

Assets or liabilities arising under tax funding agreement within the tax consolidated entities are recognised as amounts receivable from, or payable to, other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(m) Goods and Services Tax (GST)

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

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

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

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

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

(n) Property, plant and equipment

Land and buildings and plant and equipment are measured at cost less, where applicable, any accumulated depreciation, amortisation or impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate the cost, net of their residual values, over the estimated useful lives or the life of the mine, whichever is shorter, or, in the cash of leasehold improvements and certain leased plant and equipment, the shorter lease term. Depreciation rates used are as follows:

Buildings	10 years
Plant and equipment	4 to 8 years
Computer equipment	3 to 5 years

The assets residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, at each financial year end.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Property, plant and equipment (continued)

An item of property, plant and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

(o) Exploration and evaluation

Exploration and evaluation expenditure comprises costs which are directly attributable to:

- research and analysing exploration data
- conducting geological studies, exploratory drilling and sampling
- examining and testing extraction and treatment methods
- compiling pre-feasibility and definitive feasibility studies

Exploration and evaluation expenditure also includes the costs incurred in acquiring rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

Capitalisation of exploration expenditure commences on acquisition of a beneficial interest, or option to acquire a beneficial interest, in mineral rights.

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

The future recoverability of capitalised exploration expenditure is dependent on a number of factors, including the level of proved, probable and inferred mineral resources, future technological changes that could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

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

(i) such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or

(ii) exploration and evaluation activities in the area of interest have not, at balance date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

To the extent that capitalised exploration expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

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

In the event a loss arises from the sale of an area of interest for which expenditure has been carried forward, this will be recorded in the income statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Mine properties and development

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

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

Costs on production properties in which the Group has an interest are amortised over the life of the area of interest to which such costs relate on the production output basis. Changes to the life of the area of interest are accounted for prospectively.

The carrying value of each mine property and development are assessed annually for impairment in accordance with Note 1(r).

(q) Deferred mining

Stripping (i.e. overburden and other waste removal) costs incurred in the development of a mine are capitalised as part of the cost of constructing the mine and subsequently amortised over the life of the operation or a discrete section of the ore body.

Waste removal normally continues throughout the life of the mine. The Company defers stripping costs incurred during the production stage of its operations and discloses it within ‘Mine properties and development’.

The amount of stripping cost deferred is based on the ratio obtained by dividing the tonnage of waste mined by the quantity of ore mined. Stripping costs incurred in the period are deferred to the extent that the current period ratio exceeds the life of mine ratio. Such deferred costs are then charged against to the income statement to the extent that, in subsequent periods, the ratio falls short of the life of mine ratio. The life of mine ratio is based on proven and probable reserves of the operation.

Deferred stripping costs form part of the total investment in the relevant cash generating unit, which is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

Changes to the life of mine stripping ratio are accounted for prospectively.

(r) Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset, including capitalised exploration and evaluation and capitalised development expenditure, may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement.

Recoverable amount is the greater of fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group’s of assets (cash generating units).

Where there is no binding sale agreement or active market, fair value less costs to sell is based on the best information available to reflect the amount the Group could receive for the cash generating unit in an arms length transaction. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Impairment of Assets (continued)

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the original carrying amount of the asset in question. Such reversal is recognised in profit or loss.

After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(s) Investments and other financial assets

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit and loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition, and in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading purposes are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the profit and loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Held-to-maturity investments

Bills of exchange and debentures are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Available-for-sale financial assets

Financial assets that are available-for-sale are stated at fair value less impairment. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in profit or loss for the period.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The company designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges) or hedges of highly probable forecast transactions (cash flow hedges), or hedges of net investments in foreign operations.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Financial instruments issued by the company

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

(v) Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. The sale of the asset (or disposal group) is expected to be completed within one year from the date of classification.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group are held for sale are presented separately from other liabilities in the balance sheet.

(w) Ore reserves

The Company estimates its ore reserves and mineral resources based on information compiled by Competent Persons as defined in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves of December 2004 (the JORC code). Reserves, and for certain mines resources, determined in this way are used in the calculation of depreciation, amortisation and impairment charges, the assessment of life of mine stripping ratios and for forecasting the timing of the payment of close down and restoration costs.

In assessing the life of a mine for accounting purposes, mineral resources are only taken into account where there is a high degree of confidence of economic extraction.

(x) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Borrowings

All borrowings are initially recognised at the fair value of the consideration received, less transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(z) Provisions

Provisions are recognised when the Group has a present obligation, it is probable that there will be a future sacrifice of economic benefits and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be recovered from a third party, for example under an insurance contract, the receivable is recognised as a separate asset but only when the reimbursement is virtually certain and it can be measured reliably. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a pre-tax rate that reflects the current market assessment of the time value of money. Where this is the case, its carrying amount is the present value of these estimated future cash flows. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Decommissioning and restoration

Decommissioning and restoration provisions include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. The provision is recognised in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the mine development or during the production phase, based on the net present value of estimated future costs. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments and are subject to formal review at regular intervals.

The amortisation or ‘unwinding’ of the discount applied in establishing the net present value of provisions is charged to the income statement in each accounting period. The amortisation of the discount is shown as a financing cost, rather than as an operating cost. Other movements in the provisions for close down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the lives of operations and revisions to discount rates are capitalised within mine properties and development, to the extent that any amount of deduction does not exceed the carrying amount of the asset. Any deduction in excess of the carrying amount is recognised in the income statement immediately. If an adjustment results in an addition to the cost of the related asset, consideration will be given to whether an indication of impairment exists and the impairment policy will apply. These costs are then depreciated over the life of the area of interest to which they relate.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Provisions (continued)

Onerous contracts

An onerous contract is considered to exist where the Company has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received.

Restructuring

A provision for restructuring is recognised when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by:

- starting to implement the plan; or
- announcing its main features to those affected by it.

(aa) Employee entitlements

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation funds

Contributions to defined contribution funds are recognised as an expense in the income statement as they become payable.

Share-based payment transactions

Share based compensation benefits are provided to Directors and eligible employees under various plans. Information relating to the plans operated by the Company is set out in Note 41.

The fair value of rights and options granted under the plans is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at the grant date and recognised over the period during which the Director or eligible employee become unconditionally entitled to the rights and options.

The fair value of rights is determined with reference to the fair value of rights issued, which includes the volume weighted average price of the Company's shares.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(aa) Employee entitlements (continued)

The fair value of options at grant date is independently determined using either binomial option pricing or Black-Scholes pricing models that take into account the exercise price, the term of the option, the impact of dilution, the share price at the grant date, the expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted, where necessary, to reflect market vesting conditions but excludes the impact of any non-market vesting conditions.

Non-market vesting conditions are included in the assumptions about the number of rights and options that are expected to be exercisable. At each reporting date, the entity revises its estimate of the number of rights and options that are expected to vest or become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

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

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

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

(ab) Contributed equity

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

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

(ac) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

(ad) Earnings per share (EPS)

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares;

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ad) Earnings per share (EPS) (continued)

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(ae) Parent entity financial information

The financial information for the parent entity, Grange Resources Limited, disclosed in Note 43 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Grange Resources Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

(af) Rounding of amounts

The Company is 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 financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(ag) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) **AASB 2009-5** ***Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*** *(effective for annual periods beginning on or after 1 January 2010)*
In May 2009, the AASB issued a number of improvements to existing Australian Accounting Standards. The Group will apply the revised standards from 1 July 2010. The Group does not expect that any adjustments will be necessary as the result of applying the revised rules.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ag) New accounting standards and interpretations (continued)

(ii) ***AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share based Payment Transactions [AASB 2]*** *(effective from 1 January 2010)*
The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a Group shared-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the Group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the Group share-based payment arrangement should be measured, that is, whether it is measured as an equity or a cash-settled transaction. The Group will apply these amendments retrospectively for the financial reporting period commencing on 1 July 2010. There will be no impact on the Group's financial statements.

(iii) ***AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]*** *(effective from 1 February 2010)*
In October 2009 the AASB issued an amendment to *AASB 132 Financial Instruments: Presentation* which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The Group will apply the amended standard from 1 July 2010. As the Group has not made any such rights issues, the amendment will not have any effect on the Group's financial statements.

(iv) ***AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9*** *(effective from 1 January 2013)*
AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess its full impact. The Group has not yet decided when to adopt AASB 9.

(v) ***Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards*** *(effective from 1 January 2011)*
In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party.

The Group will apply the amended standard from 1 July 2011. When the amendments are applied, the Group will need to disclose any transactions between its subsidiaries and its associates.

However, it has yet to put systems into place to capture the necessary information. It is therefore not possible to disclose the financial impact, if any, of the amendment on the related party disclosures.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ag) New accounting standards and interpretations (continued)

(vi) ***AASB Interpretation 19 Extinguishing financial liabilities with equity instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19*** *(effective from 1 July 2010)*
AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The Group will apply the interpretation from 1 July 2010. It is not expected to have any impact on the Group's financial statements since it is only retrospectively applied from the beginning of the earliest period presented (1 July 2009) and the Group has not entered into any debt for equity swaps since that date.

(vii) ***AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement*** *(effective from 1 January 2011)*
In December 2*009*, the AASB made an amendment to *Interpretation 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. The Group does not make any such prepayments. The amendment is therefore not expected to have any impact on the Group's financial statements. The Group intends to apply the amendment from 1 July 2011.

(viii) ***AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*** *(effective 1 July 2013)*
On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Grange Resources Limited is listed on the ASX and is therefore not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. As a consequence, the two standards will have no impact on the financial statements of the Group.

(ix) ***ASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project and AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*** *(effective for annual periods beginning on or after 1 July 2010/1 January 2011)*
In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Group will apply the amendments from 1 July 2010. The Group does not expect that any adjustments will be necessary as the result of applying the revised rules.

NOTE 2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group has previously used derivative financial instruments such as foreign exchange contracts to manage certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risks to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and commodity price risks and aging analysis for credit risk.

Risk management is carried out by a Treasury Committee under a policy approved by the Board of Directors. The Treasury Committee identifies, evaluates and manages financial risks according to parameters outlined in the approved Treasury policy. The Treasury policy provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Group holds the following financial instruments:

	2010	2009
	$'000	$'000
Financial Assets		
Cash and cash equivalents	70,476	20,466
Trade and other receivables	23,989	35,721
	94,465	56,187
Financial Liabilities		
Trade and other payables	34,660	50,529
Borrowings	56,949	129,926
Deferred consideration	50,409	174,519
	142,018	354,974

(a) Market Risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar.

Foreign exchange risk arises from commercial transactions, given that the Group's sales revenues are denominated in US dollars and the majority of its operating costs are denominated in Australian dollars, and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The group closed out all currency hedges in April 2009. Since this time the Group has not managed its foreign exchange risk with currency hedges. The closing out of currency hedges during 2009 resulted in a loss of $49.1 million.

NOTE 2. FINANCIAL RISK MANAGEMENT (continued)

The Group's exposure to US dollar denominated foreign currency risk at the reporting date, expressed in Australian dollars, was as follows:

	2010	2009
	$'000	$'000
Cash and cash equivalents	28,330	8,686
Trade and other receivables	10,571	16,002
Trade and other payables	(107)	(9,525)
Borrowings	(47,667)	(120,922)
Deferred consideration	(50,409)	(174,519)

(i) Group sensitivity

Based on the financial instruments held at 30 June 2010, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's post tax profit for the year would have been $5.1 million lower/$4.2 million higher (2009 - $31.1 million lower/$25.5 million higher), mainly as a result of foreign exchange gains/losses on translation of US dollar denominated borrowings and deferred consideration as detailed in the above table. Profit is less sensitive to movements in the Australian dollar/US dollar exchange rates in 2010 than 2009 because of the decreased amount of US dollar denominated borrowings and deferred consideration balances. The Group's exposure to other foreign exchange movement is not material.

(ii) Price risk

The Group is exposed to commodity price risk. During prior years, contract iron ore pellet prices were set by the global markets annually on 1 April for the forthcoming 12 months.

In April 2010, the Group agreed with its customers to price its iron ore pellets at index based market prices. Interim pricing arrangements from 1 April 2010 have been agreed and will remain in place with all customers until an index based market pricing mechanism is agreed.

Going forward, the Group may consider using financial instruments to manage commodity price risk given exposures to market prices arising from recent changes to pricing mechanisms.

(iii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long term borrowings. Borrowings are issued at variable rates exposing the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk if the borrowings are carried at fair value.

As at the reporting date, the Group has the following variable rate borrowings outstanding:

	2010		2009	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
	%	$'000	%	$'000
Borrowings	2.54	9,282	1.22	59,224

NOTE 2. FINANCIAL RISK MANAGEMENT (continued)

The Group's fixed rate borrowings are carried at amortised cost. As they are fixed rate borrowings, they are not subject to interest rate risk as defined by AASB 7.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. No financial instruments are used to manage interest rate risk.

Group sensitivity

The Group's fixed rate borrowings are carried at amortised cost. As they are fixed rate borrowing, they are not subject to interest rate risk and are excluded from the interest rate sensitivity analysis.

At 30 June 2010, if interest rates had increased by 5 basis points (bps) or decreased by 5 basis points from the year end rates with all other variables held constant, post tax profit for the year would have been $0.3 million higher/$0.3 million lower (2009 changes of 5 bps/5 bps: $0.2 million lower/$0.2 million higher).

(b) Credit Risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

The Group is exposed to a concentration of risk with sales of iron ore being made to a limited number of customers. The maximum exposure to credit risk at the reporting date is limited to the carrying value of trade receivables.

The Group has mitigated its credit risk to the Group's Chinese customer and major shareholder by entering into a Letter of Credit arrangement with a financial institution which allows the Group to recover the carrying value of a trade receivable on the bill of lading date.

The Group has no receivables past due as at 30 June 2010.

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

The Group has fully drawn available borrowing facilities as at the reporting date.

Maturities of financial liabilities

The table below analyses the Groups financial liabilities into relevant maturity groupings based on the remaining period as at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

NOTE 2. FINANCIAL RISK MANAGEMENT (continued)

30 June 2010 – Consolidated	**Less than 6 months**	**6 - 12 months**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total contract-ual cash flows**	**Carrying amount liabilities**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-derivatives							
Non-interest bearing							
Trade and other payables	34,660	-	-	-	-	34,660	34,660
Deferred consideration	-	-	3,691	27,415	56,789	87,895	50,409
Variable rate borrowings	454	448	450	1,330	6,600	9,282	9,282
Fixed rate borrowings	6,952	6,953	13,905	25,485	-	53,295	47,667
Total non- derivatives	42,066	7,401	18,046	54,230	63,389	185,132	142,018

30 June 2009 - Consolidated	**Less than 6 months**	**6 - 12 months**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total contract-ual cash flows**	**Carrying amount liabilities**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-derivatives							
Non-interest bearing							
Trade and other payables and borrowings	60,063	-	-	-	-	60,063	60,063
Deferred consideration	24,404	6,224	41,365	56,348	144,243	272,584	174,519
Variable rate borrowings	30,261	329	21,115	1,341	6,178	59,224	59,224
Fixed rate borrowings	7,303	7,303	14,606	41,376	-	70,588	61,168
Total non- derivatives	122,031	13,856	77,086	99,065	150,421	462,459	354,974

d) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

Derivative contracts classified as held for trading are fair valued by comparing the contracted rate to the current market rate for a contract with the same remaining period to maturity.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives and investments in unlisted subsidiaries) is determined using valuation techniques. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

NOTE 2. FINANCIAL RISK MANAGEMENT (continued)

e) Capital Risk Management

When managing capital, the Group's objective is to safeguard the ability to continue as a going concern so that the Group continues to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Management is constantly reviewing and adjusting, where necessary, the capital structure. This involves the use of corporate forecasting models which enable analysis of the Group's financial position including cash flow forecasts to determine future capital management requirements. To ensure sufficient funding, a range of assumptions are modeled.

NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

Impairment of property, plant and equipment and mine properties and development

The Group performs an impairment assessment when there is an indication of a possible impairment. Impairment assessments are performed using information from internal Board approved budgets as well external sources, including industry analysts and analysis performed by external parties. In assessing the recoverable amount, the consolidated entity makes a number of impairment assumptions, including commodity price expectations, foreign exchange rates, reserves and resources and expectation regarding future operating performance which is subject to risk and uncertainty. Changes in circumstances may affect these estimates and the recoverable amount. If the carrying amount is assessed to be impaired, the impairment charge is recognised in the income statement.

NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Net realisable value of inventories

The Group reviews the carrying value of its inventories at each reporting date to ensure that the cost does not exceed net realisable value. Estimates of net realisable value includes a number of assumptions, including commodity price expectations, foreign exchange rates and costs to complete inventories to a saleable product.

Provision for decommissioning and restoration costs

Decommissioning and restoration costs are a normal consequence of mining, and the majority of this expenditure is incurred at the end of a mine's life. In determining an appropriate level of provision consideration is given to the expected future costs to be incurred, the timing of these expected future costs (largely dependent on the life of the mine), and the estimated future level of inflation.

The ultimate cost of decommissioning and restoration is uncertain and costs can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other mine sites. The expected timing of expenditure can also change, for example in response to changes in reserves or to production rates.

Changes to any of the estimates could result in significant changes to the level of provisioning required, which would in turn impact future financial results. These estimates are reviewed annually and adjusted where necessary to ensure that the most up to date data is used.

Determination of ore reserves and resources

Ore reserves and resources are based on information compiled by a Competent Person as defined in accordance with the Australasian Code of Mineral Resources and Ore Reserves of December 2004 (the JORC code). There are numerous uncertainties inherent in estimating ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated. Such changes in reserves could impact on depreciation and amortisation rates, asset carrying values and provisions for rehabilitation.

Taxation

The Group's accounting policy for taxation requires management judgement in relation to the application of income tax legislation. There are many transactions and calculations undertaken during the ordinary course of business where the ultimate tax determination is uncertain. The Group recognises liabilities for tax, and if appropriate taxation investigation or audit issues, based on whether taxation will be due and payable. Where the taxation outcome of such matters is different from the amount initially recorded, such difference will impact the current and deferred tax positions in the period in which the assessment is made.

In addition, certain deferred tax assets for deductible temporary differences and carried forward taxation loses have been recognised. In recognising these deferred tax assets assumptions have been made regarding the Group's ability to generate future taxable profits. Utilisation of the tax losses also depends on the ability of the tax consolidated entities to satisfy certain tests at the time the losses are recouped. If the entities fail to satisfy the tests, the carried forward losses that are currently recognised as deferred tax assets would have to be written off to income tax expense. There is an inherent risk and uncertainty in applying these judgements and a possibility that changes in legislation will impact upon the carrying amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet.

NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value for options is determined by an external value using a binomial model, using the assumptions detailed in Note 41. The fair value for shares issued is determined by the volume weighted average trading price over a specified number of days.

Revenue recognition

Interim pricing
During April 2010, the Group agreed with its customers to price its iron ore pellets at index based market prices from 1 April 2010. An interim price of US$120 per tonne was agreed with Shagang for the period from 1 April 2010 to 30 June 2010, which increased to US$150 per tonne for both Shagang and BlueScope from 1 July 2010 to 30 September 2010. These interim pricing arrangements will remain in place until such time as an index based market pricing mechanism is agreed with customers.

The Group has recognised interim priced revenues of $44,448,777 from the sale of iron ore pellets to Shagang from 1 April 2010 to 30 June 2010. Negotiations in relation to an index based market pricing mechanism continue with customers. If necessary, adjustments to interim prices will be recognised by the Group during the period in which the index based market pricing mechanism is agreed with customers.

Provisional pricing
The Group has recognised revenue amounting to $3,201,272 for the year ended 30 June 2010 (2009: $2,089,473) from the sale of iron ore pellets which requires quantity and quality verification by the customer. The Group is confident that the quantity and quality of the iron ore pellets is such that it is appropriate to recognise the provisional pricing revenues during the year ended 30 June 2010.

NOTE 4. SEGMENT INFORMATION

(a) Description of segments
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 measurement and 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.

NOTE 4. SEGMENT INFORMATION (continued)

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.

	Segment revenues from sales to external customers	
	2010	2009
	$'000	$'000
Australia	**79,037**	**193,824**
China	**149,942**	**162,435**
Malaysia	**87**	**227**
TOTAL	**229,066**	**356,486**

Segment revenues are allocated based on the country in which the customer is located. Segment assets and capital are allocated based on where the assets are located.

The consolidated assets of the Group were predominately located in Australia as at 30 June 2010 and 30 June 2009. The total cost incurred during the current and comparative years to acquire segment assets were also predominately incurred in Australia.

NOTE 5. REVENUE

	2010	2009
	$'000	$'000
From mining operations		
Sales of iron ore	226,377	356,189
Other revenue	2,689	297
	229,066	356,486

NOTE 6. COST OF SALES

	2010	2009
Mining costs	102,119	119,262
Production costs	84,627	97,056
Government royalties	8,524	8,105
Depreciation and amortisation expense	44,070	57,359
Deferred mining costs capitalised (net)	(9,009)	(60,963)
Changes in inventories	8,786	9,877
Inventory net realisable value adjustment	-	9,921
Foreign exchange (gain) / loss	1,471	(2,975)
	240,588	237,642
Depreciation and amortisation		
Land and buildings	2,751	2,504
Plant and equipment	22,913	30,498
Computer equipment	324	351
Mine properties and development	18,082	24,006
	44,070	57,359

NOTE 7. NET GAINS / (LOSSES) ON DERIVATIVES

	2010	2009
Net gain / (loss) on foreign currency derivatives not qualifying as hedges	-	(49,092)
	-	(49,092)

(a) Risk exposures

Information about the Group's exposure to credit risk, foreign exchange risk and interest rate risk are provided in Note 2.

NOTE 8. IMPAIRMENT LOSSES

	2010	2009
	$'000	$'000
Impairment losses		
- Property, plant and equipment	-	(3,379)
- Mine properties and development	-	(66,600)
- Exploration and evaluation	-	(10,400)
	-	(80,379)

The impairment losses relate to the Group's operations in Tasmania. The Group performs an impairment assessment when there is an indication of a possible impairment. A detailed impairment assessment was performed at 2 January 2009, which was triggered by the merger of Grange and Ever Green coupled with the adverse market conditions, including the renegotiation of contracted iron ore prices.

For the Group, the prior year impairment assessment was performed using a variety of data, including a valuation performed by an external party and assumptions used in Board approved budgets and mine plans. The recoverable amount was determined using a fair value less cost to sell valuation method. In assessing the recoverable amount, the Group makes a number of impairment assumptions, including assumptions regarding commodity prices, foreign exchange rates and risk adjustments to future cash flows. Commodity price expectations, exchange rates, reserves and resources, and expectations regarding future operating performance can change significantly over short periods of time, which can have a significant impact upon the carrying amount of assets. The Group has considered information from industry analysts and analysis performed by external parties in relation to short term and long-term assumptions.

The projected cash flows for the Group's operations were discounted to present values using discount rates specific to the asset. The real post-tax discount rate as determined with the assistance of external parties was 8.77%.

In 2010, no trigger event has occurred. The movement in pricing arrangements to an index based pricing mechanism continues and the outcome of this to Grange is to be clarified.

NOTE 9. OTHER INCOME/(EXPENSES)

	2010	2009
	$'000	$'000
Other expenses		
Net loss on the disposal of property, plant and equipment	(10)	(1,289)
	(10)	(1,289)

NOTE 10. FINANCE INCOME/(EXPENSES)

	2010	2009
	$'000	$'000
Finance income		
Interest income received or receivable		
- Other entities	2,512	1,452
Exchange gains on foreign currency borrowings	7,707	-
	10,219	1,452
Finance expenses		
Interest charges paid or payable		
- Related entities	(269)	(1,056)
- Other entities	(1,222)	(3,007)
Finance lease interest charges paid or payable	(2,767)	(4,159)
Provisions: unwinding of discount		
- Deferred consideration	(6,045)	(21,970)
- Decommissioning and restoration	(1,063)	(995)
Exchange losses of foreign currency borrowings	-	(41,495)
Other	(1,209)	(659)
	(12,575)	(73,341)

NOTE 11. INCOME TAX EXPENSE / (BENEFIT)

		2010	2009
		$'000	$'000
(a)	**Income tax expense**		
	Current tax	-	-
	Deferred tax	(3,024)	(23,452)
	Adjustment to current / deferred tax of prior periods	5,051	(5,679)
		2,027	(29,131)
	Deferred income tax (revenue) expense included in income tax expense comprises:		
	(Increase)/decrease in deferred tax assets	(6,728)	(9,173)
	Increase/(decrease) in deferred tax liabilities	3,704	(14,279)
		(3,024)	(23,452)
(b)	**Numerical reconciliation of income tax expense to prima facie tax payable**		
	Profit/(loss) from continuing operations before income tax expense	44,255	56,879
	Tax at the Australian tax rate of 30% (2009: 30%)	13,277	17,064
	Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
	Revaluation of deferred consideration	6,980	(46,919)
	Restructure of deferred consideration	(25,232)	-
	Unwind of discount on deferred consideration	1,542	3,727
	Share based payments expense	195	594
	Sundry items	214	97
		(3,024)	(25,437)
	Adjustments to current / deferred tax of prior periods	5,051	(5,679)
	Income tax benefits not recognised	-	1,985
	Income tax expense / (benefit)	2,027	(29,131)

The deferred tax assets attributable to tax losses of $20,973,131 (2009: $17,992,485) held by the Grange Resources Limited tax consolidated group, have not been brought to account at 30 June 2010 because the Directors do not believe it is appropriate to regard realisation of the future tax benefit as probable. These benefits will only be obtained if:

(i) the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the loss to be realised;

(ii) the Group continues to comply with the conditions for the deductibility imposed by law; and

(iii) no changes in tax legislation adversely affect the Group in realising the benefit from the deduction for the loss.

NOTE 11. INCOME TAX EXPENSE (continued)

(c) Tax consolidation legislation

Grange Resources Limited and Grange Tasmania Holdings Pty Ltd (formerly Shagang Mining (Australia) Pty Ltd) and each of their wholly owned Australian controlled entities have implemented the tax consolidation legislation. The accounting policy in relation to this legislation is set out in Note 1(l).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group's entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly owned entities in the case of a default by the head entities, Grange Resources Limited and Grange Tasmania Holdings Pty Ltd.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Grange Resources Limited and Grange Tasmania Holdings Pty Ltd for any current tax receivable and deferred tax assets related to unused tax losses or unused tax credits that are transferred to Grange Resources Limited or Grange Tasmania Holdings Pty Ltd under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

The amounts receivable / payable under the tax funding agreement are due upon receipt of the funding advice from the head entities, which is issued as soon as practicable after the end of the financial year. The head entity may also require payment of an interim funding amount to assist with its obligations to pay tax instalments. The funding amounts are recognised as intercompany receivables or payables.

NOTE 12. CASH AND CASH EQUIVALENTS

	2010 $'000	2009 $'000
Cash at bank and in hand	70,476	20,466
	70,476	20,466

(a) Risk exposure

The Group's exposure to interest rate risk is discussed in Note 2. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

NOTE 13. TRADE AND OTHER RECEIVABLES

	2010 $'000	2009 $'000
Trade receivables	**4,933**	10,775
Other receivables	**2,938**	8,572
Prepayments	**2,160**	277
Security deposits	**237**	237
	10,268	19,861

(a) Impaired trade receivables

The Group has no trade receivables past due as at 30 June 2010, nor does it consider there to be any potential impairment loss on these receivables.

(b) Foreign exchange and interest rate risk

Information about the Group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in Note 2.

(c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above. Refer to Note 2 for more information on the credit quality of the Group's trade and other receivables.

NOTE 14. INVENTORIES

	2010 $'000	2009 $'000
Stores and spares	**13,938**	17,286
Ore stockpiles		
- at cost	**18,977**	-
- at net realisable value	**-**	17,828
Work-in-progress (at cost)	**746**	622
Finished goods		
- at cost	**18,094**	-
- at net realisable value	**-**	28,151
	51,755	63,887

(a) Inventory expense

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2010 amounted to NIL (2009:$9,921,000). The expense has been included within cost of goods sold in the statement of comprehensive income.

NOTE 15. RECEIVABLES

	2010	2009
	$'000	$'000
Other receivables		
Security deposits	15,882	16,138
	15,882	16,138

(a) Risk exposure

Information about the Group's exposure to credit risk, foreign exchange and interest rate risk is provided in Note 2. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

NOTE 16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings $'000	*Plant and equipment* $'000	*Computer equipment* $'000	*Total* $'000
At 1 July 2009				
Cost or fair value	**35,177**	**214,692**	**1,316**	**251,185**
Accumulated depreciation	**(2,963)**	**(74,706)**	**(494)**	**(78,163)**
Net book amount	**32,214**	**139,986**	**822**	**173,022**
Year ended 30 June 2010				
Opening net book amount	**32,214**	**139,986**	**822**	**173,022**
Additions	**1,683**	**6,392**	**-**	**8,075**
Disposals	**(555)**	**(1,013)**	**-**	**(1,568)**
Depreciation charge	**(2,765)**	**(23,135)**	**(351)**	**(26,251)**
Transfers				
- Cost or fair value	**9,034**	**(8,875)**	**109**	**268**
- Accumulated depreciation	**(6,228)**	**5,696**	**-**	**(532)**
Closing net book amount	**33,383**	**119,051**	**580**	**153,014**
At 30 June 2010				
Cost or fair value	**45,339**	**211,196**	**1,425**	**257,960**
Accumulated depreciation	**(11,956)**	**(92,145)**	**(845)**	**(104,946)**
Net book amount	**33,383**	**119,051**	**580**	**153,014**

	Land and buildings $'000	*Plant and equipment* $'000	*Computer equipment* $'000	*Total* $'000
At 1 July 2008				
Cost or fair value	**28,732**	**203,533**	**396**	**232,661**
Accumulated depreciation	**(437)**	**(44,070)**	**(120)**	**(44,627)**
Net book amount	**28,295**	**159,463**	**276**	**188,034**
Year ended 30 June 2009				
Opening net book amount	**28,295**	**159,463**	**276**	**188,034**
Additions	**6,597**	**16,288**	**921**	**23,806**
Disposals	**(117)**	**(1,352)**	**(1)**	**(1,470)**
Depreciation charge	**(2,526)**	**(30,636)**	**(374)**	**(33,536)**
Impairment	**-**	**(3,379)**	**-**	**(3,379)**
Transfers	**(35)**	**(398)**	**-**	**(433)**
Closing net book amount	**32,214**	**139,986**	**822**	**173,022**
At 30 June 2009				
Cost or fair value	**35,177**	**214,692**	**1,316**	**251,185**
Accumulated depreciation	**(2,963)**	**(74,706)**	**(494)**	**(78,163)**
Net book amount	**32,214**	**139,986**	**822**	**173,022**

NOTE 16. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Assets under construction

The carrying amounts of the assets disclosed above includes expenditure of $3,030,207 (2009: $5,348,248) recognised in relation to property, plant and equipment which is in the course of construction.

(b) Leased assets

Plant and equipment includes the following amounts where the Group is a lessee under a finance lease. The lessor is secured over the leased assets.

	2010 $'000	2009 $'000
Cost	70,927	71,725
Accumulated depreciation	(37,759)	(24,497)
Net book amount	33,168	47,228

NOTE 17. MINE PROPERTIES AND DEVELOPMENT

	2010	2009
Mine properties and development (at cost)	275,839	276,115
Accumulated depreciation	(66,665)	(48,533)
Net book amount	209,174	227,582
Deferred mining costs (net book amount)	116,961	107,952
Total mine properties and development	326,135	335,534

Movements in mine properties and development are set out below:

	2010	2009
Mine properties and development		
Opening net book amount	227,582	317,234
Additions	-	4,114
Current year expenditure	-	39
Impairment loss	-	(66,600)
Change in estimate	(267)	-
Depreciation charge	(18,141)	(24,006)
Transfers to assets held for sale	-	(2,929)
Exchange differences	-	(270)
Closing net book amount	209,174	227,582
Deferred mining costs		
Opening net book amount	107,952	46,989
Current year expenditure capitalised	18,954	66,435
Amounts transferred to inventories	(9,945)	(5,472)
Closing net book amount	116,961	107,952

NOTE 18. EXPLORATION & EVALUATION

	2010 $'000	2009 $'000
Exploration & evaluation properties (at cost)	47,269	45,315
	47,269	45,315

Movements in exploration and evaluation expenditure are set out below:

	2010	2009
Balance at beginning of year	45,315	12,900
Acquisition additions	-	40,739
Current year expenditure	2,429	2,221
Transfers to assets held for sale	(380)	-
Exchange differences	123	(145)
Impairment loss	(218)	(10,400)
Balance at end of year	47,269	45,315

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.

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

NOTE 19. DEFERRED TAX ASSETS

	2010	2009
The balance comprises temporary differences attributable to:		
Inventories	-	573
Trade and other payables	1,886	120
Employee benefits	1,148	2,238
Deferred consideration	3,835	6,221
Borrowings	1,064	10,756
Decommissioning and restoration	5,848	5,741
Taxation losses	23,952	5,253
Other	2,365	2,321
Total deferred tax assets	40,098	33,223
Set-off against deferred tax liabilities pursuant to set-off provisions (Note 26)	(40,098)	(33,223)
Net deferred tax assets	-	-

NOTE 20. TRADE AND OTHER PAYABLES

	2010	2009
	$'000	$'000
Trade payables and accruals	26,350	44,593
Other payables	8,310	5,936
	34,660	50,529

(a) Other payables

Other payables include accruals for annual leave. The entire obligation is presented as current, since the Group does not have an unconditional right to defer settlement.

(b) Risk exposure

Trade payables are non-interest bearing and are normally settled on repayment terms between 7 and 30 days. Information about the Group's exposure to foreign exchange risk is provided in Note 2.

NOTE 21. BORROWINGS (CURRENT)

	2010	2009
Secured		
Bank loans [1]	-	50,220
Related party loans [1]	-	9,535
Finance lease liabilities [2]	11,354	11,098
Unsecured		
Other	895	589
	12,249	71,442

[1] These loans were secured by a second ranking registered equitable mortgage of shares granted in favour of Jiangsu Shagang International Trade Co., Ltd (Shagang) by Grange Tasmania Holdings Pty Ltd (formerly Shagang Mining (Australia) Pty Ltd) over all shares held by Grange Tasmania Holdings Pty Ltd in the capital of Beviron Pty Ltd in a form agreed by Shagang and Grange Tasmania Holdings Pty Ltd. These loans were repaid during the year and the securities released.

[2] Lease liabilities are secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

NOTE 22. DEFERRED CONSIDERATION (CURRENT)

	2010 $'000	2009 $'000
Deferred consideration	-	29,586
	-	29,586

(a) Movements in deferred consideration

Movements in deferred consideration are set out below:

	2010	2009
Balance at beginning of year	29,586	48,419
Payments	(48,572)	(55,137)
Charged / (credited) to profit or loss:		
- restructure of deferred consideration	(2,363)	-
- changes in estimate	727	5,778
Charged / (credited) to equity through the issue of shares	(1,217)	-
Transfers from non-current balance	21,839	30,526
Balance at end of year	-	29,586

NOTE 23. PROVISIONS (CURRENT)

	2010	2009
Employee benefits	3,461	3,346
Decommissioning and restoration	410	810
	3,871	4,156

(a) Movements in decommissioning and restoration provision

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

	2010	2009
Carrying amount at start of the year	810	-
Amounts used during the year	(380)	-
Transfers to liabilities held for sale	(20)	-
Transfers from non-current provision	-	810
Carrying amount at the end of the year	410	810

NOTE 24. BORROWINGS (NON-CURRENT)

	2010	2009
Secured		
Finance lease liabilities [1]	36,313	50,070
Unsecured		
Other	8,387	8,414
	44,700	58,484

[1] Lease liabilities are secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

NOTE 25. DEFERRED CONSIDERATION (NON-CURRENT)

	2010 $'000	2009 $'000
Deferred consideration	50,409	144,933
	50,409	144,933

(a) Movements in deferred consideration

Movements in deferred consideration are set out below:

	2010 $'000	2009 $'000
Balance at beginning of year	144,933	304,039
Charged / (credited) to profit or loss		
- restructure of deferred consideration	(81,743)	-
- changes in estimate	18,846	(150,550)
- unwinding of discount	6,045	21,970
Charged / (credited) to equity through the issue of shares	(15,833)	-
Transfers to current balance	(21,839)	(30,526)
Balance at end of year	50,409	144,933

The deferred consideration obligation represents a series of payments owing to the previous owners of Australian Bulk Minerals (ABM) and arose from a business combination involving ABM which completed in August 2007. The original terms capped the obligation at 20% of US dollar revenues generated by ABM above a pre-determined price of US$47.50 per tonne of pellets for iron ore years commencing on 1 April 2010 and ending on 31 March 2022. Capital restructuring initiatives completed in September 2009, which involved the issue of 55 million shares in Grange, changed the terms of the obligation to a 2% gross receipts obligation from 2012 to 2023 and reduced the Group's obligation by $97.6 million.

NOTE 26. DEFERRED TAX LIABILITIES (NON-CURRENT)

	2010 $'000	2009 $'000
The balance comprises temporary differences attributable to:		
Inventories	3,431	-
Property, plant and equipment	8,012	8,772
Mine properties and development	44,655	43,274
Exploration and evaluation	13,874	13,113
Borrowings	2,184	-
Other	180	414
Total deferred tax liabilities	72,336	65,573
Set-off of deferred tax assets pursuant to set-off provisions (Note 19)	(40,098)	(33,223)
Net deferred tax liabilities	32,238	32,350

NOTE 27. PROVISIONS (NON-CURRENT)

	2010 $'000	2009 $'000
Employee benefits	546	575
Decommissioning and restoration	19,085	20,206
	19,631	20,781

(a) Movements in decommissioning and restoration provision

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

	2010	2009
Balance at beginning of year	20,206	15,907
Acquisition addition	-	3,194
Changes in estimate	(357)	920
Unwinding of discount	1,063	995
Transfers to liabilities held for sale	(1,827)	-
Transfers to current provision	-	(810)
Balance at end of year	19,085	20,206

NOTE 28. CONTRIBUTED EQUITY

	2010 Shares	2009 Shares	2010 $'000	2009 Restated $'000
Issued and fully paid ordinary shares	1,151,778,896	495,516,250	328,812	160,198
	1,151,778,896	495,516,250	328,812	160,198

NOTE 28. CONTRIBUTED EQUITY (continued)

(a) Movements in consolidated share capital	Notes	Number of Shares	$'000
1 July 2008 – Opening balance		3,000,000	447
Translation difference		-	178
2 January 2009 – Elimination of existing Ever Green shares	(v)	(3,000,000)	-
2 January 2009 – Existing Grange shares on acquisition of Ever Green including acquisition of minority interest	(v)	115,318,099	42,576
2 January 2009 – Issue of Grange shares on acquisition of Ever Green	(v)	380,025,554	112,246
Share issue post 2 January 2009		172,597	-
		495,516,250	155,447
Less: Transaction costs arising from share issue		-	(113)
30 June 2009 – Closing balance		495,516,250	155,334
Prior period restatement (Note 1)		-	4,864
1 July 2009 – Restated balance		495,516,250	160,198
Issue of shares under short term incentive plan		319,743	-
21 September 2009 – Issue of Grange shares from non-renounceable entitlement offer	(i)	497,212,283	124,303
22 September 2009 – Issue of shares from capital restructure	(ii)	55,000,000	17,050
7 December 2009 – Issue of shares to Managing Director	(iii)	1,000,000	270
16 December 2009 – Issue of shares to cornerstone shareholders and advisors	(iv)	100,049,500	29,014
3 February 2010 – Issue of shares to consultants		1,333,060	440
13 April 2010 – Issue of shares to consultants		1,333,060	440
13 April 2010 – Issue of shares for land parcel acquisition		15,000	30
		1,151,778,896	331,745
Less: Transaction costs arising from share issue		-	(2,933)
30 June 2010 – Closing balance		1,151,778,896	328,812

(i) In September 2009, the Company completed a one for one non renounceable entitlement issue to eligible shareholders and issued 495,835,993 ordinary shares at an issue price of $0.25 per share and issued 1,376,290 ordinary shares as part satisfaction for advisory services provided for the entitlement issue.

(ii) In September 2009, the Company issued 55,000,000 ordinary shares pursuant to the restructuring of certain payments arising from a pre-acquisition business combination involving Australian Bulk Minerals.

(iii) In December 2009, the Company issued 1,000,000 ordinary shares to the Managing Director in recognition of his role in the completion of the merger between Grange Resources Limited and Ever Green Resources Co., Ltd.

(iv) In December 2009, the Company completed a placement of 99,800,000 ordinary shares to its cornerstone shareholders at an issue price of $0.29 per share and also issued 249,500 ordinary shares as part satisfaction of advisory services provided for the entitlement issue and restructure.

NOTE 28. CONTRIBUTED EQUITY (continued)

(a) Movements in consolidated share capital (continued)

(v) As explained in Note 1(a), the consolidated financial statements of Grange for the year ended 30 June 2009 were prepared as a continuation of the consolidated financial statements of Ever Green. Ever Green, as the deemed acquirer, has accounted for the acquisition of Grange from 2 January 2009.

(b) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds of winding up of the Company in proportion to the number of and amounts paid on the shares held.

Ordinary shares entitle their holder to one vote per share, either in person or by proxy, at a meeting of the Company.

Ordinary shares have no par value and the Company does not have a limited amount of authorised share capital.

(c) Share options and rights

The Company has share based payment schemes under which options to subscribe and rights for the Company's shares have been granted to certain executives and eligible employees (refer to Note 41).

The Company also had 9.0 million ordinary shares under option as at 30 June 2010. These options were held by Hamersley Holdings Limited, exercisable at $1.50 and expired on 28 September 2010.

NOTE 29. RESERVES

	2010	2009
	$'000	$'000
(a) Reserves		
Foreign currency translation reserve	226	138
Share-based payments reserve	2,629	1,978
	2,855	2,116

	Foreign currency translation reserve	*Share-based payments reserve*
	$'000	$'000
Movements in reserves		
Balance as at 1 July 2008	5,410	-
Share based payments expense	-	1,978
Foreign currency translation differences	(5,272)	-
Balance as at 30 June 2009	138	1,978
Share based payments expense	-	651
Foreign currency translation differences	88	-
Balance as at 30 June 2010	226	2,629

(b) Nature and purpose of reserves

Foreign currency translation reserve

The foreign currency translation reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign subsidiaries. Exchange differences are recognised in other comprehensive income and are accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Share based payments reserve

The share based payments reserve is used to recognise the fair value of equity benefits issued by the Company.

NOTE 30. RETAINED PROFITS / (LOSSES)

	2010	2009
	$'000	$'000
Retained profits / (losses)		
Movements in retained profits / (losses) were as follows:		
Balance 1 July	108,170	22,125
Prior period restatement (refer note 1)	(4,864)	-
Restated balance at 1 July	103,306	22,125
Net profit / (loss) for the year	42,645	86,045
Balance 30 June	145,951	108,170

NOTE 31. KEY MANAGEMENT PERSONNEL

(a) Directors

The remuneration of Directors' disclosures are in relation to the Directors of Grange Resources Limited for both the current and comparative financial years.

(b) Key management personnel

As disclosed in Note 1(a), the consolidated financial statements of Grange have been prepared as a continuation of the consolidated financial statements of Ever Green. Ever Green, as the deemed acquirer, has accounted for the acquisition of Grange from 2 January 2009.

The key management personnel of the Group are the Directors of Grange Resources Limited and those executives that report directly to the Managing Director being:

Name	Position
Wayne Bould	Chief Operating Officer
David Corr	Financial Controller (from 12 October 2009)
Ross Carpenter	General Manager – Mining & Projects
Stacey Apostolou	General Manager – Finance & Company Secretary (from 3 July 2009 until 4 February 2010)
Brian Burdett	General Manager – Process & Infrastructure (until 30 October 2009)
Nick Longmire	General Manager – Commercial (until 16 October 2009)
Bruce Lorking	General Manager – Finance (until 3 July 2009)
John Galbraith	General Manager – Sales, Shared Services & People (until 3 July 2009)

Changes Since Year End

Since 30 June 2010, the following persons have commenced employment with Grange and will be considered key management personnel of the Group going forward:

Name	Position
Craig Ferrier	Chief Financial Officer
Fernando Moutinho	Project Director - Southdown

As explained in Note 1(a) to the financial statements the comparative consolidated financial information of the Group was prepared and issued under the name of the legal parent (i.e. Grange Resources Limited) but represented a continuation of the financial statements of the legal subsidiary (i.e. Ever Green Resources Co., Ltd).

In respect of the period July 2008 to December 2008 i.e. 6 months of Ever Green, the following persons were deemed key management personnel of Ever Green Resources Co., Ltd and the Ever Green Resources Co., Ltd Group:

Name	Position
David Sandy	Managing Director
Ross Carpenter	General Manager – Mining & Projects
Bruce Lorking	General Manager - Finance
Brian Burdett	General Manager – Process & Infrastructure
John Galbraith	General Manager – Sales, Shared Services & People
Gao Feng	Non-executive Director
Clement Ko	Non-executive Director
Li Xiangyang	Non-executive Director
Shen Bin	Non-executive Director
Shen Wen Ming	Non-executive Director
You Zhenhua	Non-executive Director

NOTE 31. KEY MANAGEMENT PERSONNEL (continued)

(c) Key management personnel compensation

Total expenses arising from payments made to key management personnel recognised during the year were as follows:

	2010 $'000	2009 $'000
Short-term employee benefits	2,029	1,664
Post-employment benefits	126	403
Long-term benefits	20	629
Termination benefits	456	-
Share-based payments	314	120
	2,945	2,816

Detailed remuneration disclosures are provided in the remuneration report on pages 9 to 21.

(d) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the remuneration report on pages 9 to 21.

(ii) Option holdings provided

The number of options over ordinary shares in the Company held during the financial year by each Director of Grange Resources Limited and other key management personnel of the Group, including their personally related parties, are set out below:

30 June 2010

	Balance at beginning of period 1 July 2009	Granted as remuner-ation	Options exercised	Other Changes (net)	Balance at end of period 30 June 2010	Vested and exercisa-ble	Unvested
Directors of Grange Resources Limited							
A Bohnenn [1] [3]	450,000	-	-	(450,000)	-	-	-
R Clark	4,500,000	-	-	-	4,500,000	4,500,000	-
Other key management personnel of the Group							
W Bould	450,000	-	-	-	450,000	450,000	-
N Longmire [2] [3]	50,000	-	-	(50,000)	-	-	-

[1] A Bohnenn ceased to be a Director on 25 November 2009.
[2] N Longmire ceased employment with the Company on 16 October 2010.
[3] The options which had vested on the date of ceasing to be a Director/Employee and will expire on the Expiry Date unless exercised in accordance with the terms and conditions prior to that date.

NOTE 31. KEY MANAGEMENT PERSONNEL (continued)

30 June 2009

	Balance at beginning of period 1 July 2008	Granted as remuner-ation	Options exercised	Other Changes (net)	Balance at end of period 30 June 2009	Vested and exercisa -ble	Unvested
Directors of Grange Resources Limited							
A Bohnenn	450,000	-	-	-	450,000	450,000	-
R Clark	4,500,000	-	-	-	4,500,000	4,500,000	-
R Krasnoff [1]	450,000	-	-	(450,000)	-	-	-
D Macoboy [1]	450,000	-	-	(450,000)	-	-	-
D Stewart [1]	450,000	-	-	(450,000)	-	-	-
Other key management personnel of group							
W Bould	-	450,000	-	-	450,000	450,000	-
N Longmire	-	50,000	-	-	50,000	50,000	-

[1] These Directors resigned on 2 January 2009.

(iii) Share holdings

The number of shares in the Company held during the financial year by each Director of Grange Resources Limited and other key management personnel of the Group, including their personally related parties, are set out below:

30 June 2010

	Balance 1 July 2009	Granted as remuneration	On exercise of options	Other changes (net)	Balance 30 June 2010
Directors of Grange Resources Limited					
N Chatfield	-	-	-	20,000[3]	20,000
R Clark	-	1,000,000	-	-	1,000,000
A Bohnenn [1]	13,774,338	-	-	(13,774,338)	-
C Ko	82,085,520	-	-	8,300,000[3]	90,385,520
Other key management personnel of the Group					
W Bould	310,152	-	-	190,152[3]	500,304
D Corr	-	-	-	42,005[3]	42,005
N Longmire [2]	28,776	-	-	(28,776)	-

[1] A Bohnenn ceased to be a Director on 25 November 2009
[2] N Longmire ceased employment with the Company on 16 October 2010
[3] Represents shares acquired by Directors or key management personnel during the year

NOTE 31. KEY MANAGEMENT PERSONNEL (continued)

30 June 2009

	Balance 1 July 2008	Granted as remuneration	On exercise of options	Other changes (net)	Balance 30 June 2009
Directors of Grange Resources Limited					
A Bohnenn	13,774,338	-	-	-	13,774,338
C Ko	-	-	-	82,085,520[(2)]	82,085,520
A Nutter [(1)]	944,999	-	-	(944,999)	-
R Krasnoff [(1)]	68,000	-	-	(68,000)	-
D Macoboy [(1)]	65,000	-	-	(65,000)	-
Other key management personnel of the Group					
W Bould	34,000	238,152	-	38,000[(3)]	310,152
N Longmire	-	28,776	-	-	28,776

(1) These Directors or key management personnel resigned on 2 January 2009.
(2) Represents the shares held by Mr Ko at the time of his appointment as a Director of the Company on 2 January 2009.
(3) Represents shares acquired by Mr Bould during the year.

(e) Loans to key management personnel

There were no loans to key management personnel during the year (2009: Nil).

(f) Other transactions with key management personnel

P Stephens

Fees of $6,800 were paid to Peter Stephens during the year ended 30 June 2010 for consulting services provided to the Group.

D Sandy

Fees of $26,605 were paid to David Sandy during the year ended 30 June 2009 for consulting services provided to the Group following the merger on 2 January 2009.

A Bohnenn

Fees of $30,000 were paid to Hendygwyn Holding & Beheer B.V. during the year ended 30 June 2009, of which Mr A Bohnenn is a Director and shareholder, under a marketing and public relations services agreement.

NOTE 32. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the audit of the parent entity, its related practices and non-related audit firms. Following the merger between Grange and Ever Green on 2 January 2009, the audit of the parent entity transferred from Ernst & Young to PricewaterhouseCoopers.

	2010	2009
	$'000	$'000
(a) PricewaterhouseCoopers		
Audit and review of financial reports	375	326
Other assurance services		
Due diligence services	-	300
Taxation services		
Taxation compliance	129	412
Tax consulting and advice on mergers and acquisitions	362	1,289
Total remuneration of PricewaterhouseCoopers	866	2,327
(b) Ernst & Young		
Audit and review of the financial reports	-	71
Other assurance services		
Due diligence services	-	378
Taxation compliance services	-	134
Other services	-	65
Total remuneration of Ernst & Young	-	648

NOTE 33. COMMITMENTS AND CONTINGENCIES

(a) Lease expenditure commitments

The Group leases various offices under non-cancellable operating leases expiring within 2 years. The leases have varying terms, escalation clauses and renewal rights.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2010 $'000	2009 $'000
Within one year	208	118
After one year but not more than five years	224	252
Minimum lease payments	432	370

(b) Finance lease expenditure commitments

The finance lease commitments comprise of the leasing of the light vehicles and heavy mining equipment. Commitments for minimum lease payments in relation to the Group's finance leases are payable as follows:

Within one year	13,905	15,053
After one year but not more than five years	39,390	60,099
	53,295	75,152
Future finance charges	(5,628)	(13,984)
Recognised as a liability	47,667	61,168

(c) Tenement expenditure commitments

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

Within one year	1,943	1,045
After one year but not more than five years	4,446	2,100
	6,389	3,145

(d) Operating expenditure commitments

In order to maintain and continue mining and pellet processing operations in Tasmania there are a number of commitments and ongoing orders to various contractors or suppliers going forward, these will be approximately;

Within one year	33,209	24,280
After one year but not more than five years	29,142	37,250
	62,351	61,530

NOTE 33. COMMITMENTS AND CONTINGENCIES (continued)

(e) Contingent Liabilities

Bank Guarantees

Bank guarantees have been provided on the Group's behalf to secure, on demand by the Minister for Mines and Energy for the State of Queensland, any sum to a maximum aggregate amount of $1,262,659 (2009: $1,262,258), in relation to the rehabilitation of the Highway Reward project.

Bank guarantees have been provided by Horseshoe Gold Mine Pty Ltd to secure, on demand by the Minister for Mines and Energy for the State of Western Australia, any sum to a maximum aggregate amount of $1,066,500 (2009: $1,066,500), in relation to the rehabilitation of the Horseshoe Lights Mine.

A Bank guarantee has been provided by Grange Resources (Tasmania) Pty Ltd, held by the Tasmanian Government, as required under Environmental Management and Pollution Control Act 1994 (EMPCA) for the amount of $1,998,913 (2009: $1,998,913). This amount is to guarantee the rehabilitation responsibilities under the mining lease at Savage River.

A Bank guarantee has been provided by Grange Resources (Tasmania) Pty Ltd, held by the National Australia Bank, as required under the Goldamere Agreement and applicable Deeds of Variation, for the amount of $2,800,000 (2009: $2,800,000). This amount is a guarantee against the purchase price outstanding with the Tasmanian government as specified in the Goldamere Agreement.

Refer Note 43 for bank guarantees provided by the parent entity.

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

Other Contingent Liabilities

On 2 January 2009, Grange completed the legal acquisition of Ever Green Resources Co., Ltd. The Commissioner of State Revenue in Tasmania is assessing various submissions from Grange regarding the land rich duty implications of the transaction. Based on the status of the assessment process uncertainties remain as to the existence and amount of land rich duty obligations arising from this transaction. The financial exposure to Grange has not been disclosed given the present uncertainties and the fact that the disclosure of such information may prejudice the current assessment process.

During 2006, cracking was detected in the Gregory Development Road adjacent to the Highway Reward open pit of which the Group has a 30% joint venture interest. Remediation measures are being considered. If found liable, the joint venture maybe required to relocate a section of the road away from the open pit.

Refer Note 43 for other contingent liabilities of the parent entity.

(f) Contingent Assets

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

NOTE 34. RELATED PARTY TRANSACTIONS

a) Ultimate parent

Grange Resources Limited is the ultimate Australian holding company of the Group.

b) Transactions with related parties

Sales of iron ore of $149,950,285 (2009: $171,643,572) were made with related parties during the year ended 30 June 2010.

Facilitation fees associated with a Bank of China funding arrangement were paid to Jiangsu Shagang International Trade Co., Ltd of $1,020,926 (2009: Nil).

c) Outstanding balances arising from sales of goods and services

	2010 $'000	2009 $'000
Trade and other receivables (sales of iron ore)		
Related parties	**3,219**	**8,568**
	3,219	**8,568**
Trade and other payables (facilitation fees)		
Related parties	**(130)**	**-**
	(130)	**-**

d) Loans to/from related parties

Borrowings (current)		
Related parties	**-**	**9,535**
	-	**9,535**

NOTE 35. BUSINESS COMBINATIONS

(a) Merger between Grange Resources Limited and Australian Bulk Minerals

(i) Summary of acquisition

On 2 January 2009, Grange completed the legal acquisition of Ever Green (the ultimate holding company of the Australian Bulk Minerals operations).

Under the terms of AASB 3, *Business Combinations*, Ever Green was deemed to be the accounting acquirer in the business combination. This transaction has therefore been accounted for as a reverse acquisition under AASB 3. Accordingly, the consolidated financial statements of the Grange Resources Limited Group have been prepared as a continuation of the consolidated financial statements of Ever Green. Ever Green, as the deemed acquirer, has accounted for the acquisition of Grange from 2 January 2009.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	2009 $'000
Purchase consideration:	
115,318,009 shares (being the number of shares of the legal parent, Grange Resources Limited, before the business combination) multiplied by $0.35 per share	**40,361**
Direct costs relating to the acquisition	**14,599**
Total purchase consideration	**54,960**
Fair value of net identifiable assets acquired (see below)	**54,960**
Goodwill / (Discount on acquisition)	**-**

(ii) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount $'000	Fair value $'000
Cash and cash equivalents	12,793	12,793
Trade and other receivables	5,852	3,633
Other assets	8,018	-
Property, plant and equipment	6,526	6,032
Mine properties and development	1,594	3,194
Exploration and evaluation	68,051	40,739
Trade and other payables	(8,148)	(8,148)
Employee benefits	(89)	(89)
Decommissioning and restoration	(4,243)	(3,194)
Net assets	**90,354**	**54,960**

The acquired business contributed revenues of $0.3 million and a net loss of $20.2 million to the Group for the period from 2 January 2009 to 30 June 2009.

NOTE 36. SUBSIDIARIES

The consolidated financial statement incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1.

	Percentage of equity interest held by the Group	
	2010	**2009**
Name	**%**	**%**
Ever Green Resources Co., Limited	**100**	**100**
Grange Tasmania Holdings Pty Ltd (formerly Shagang Mining (Australia) Pty Ltd)	**100**	**100**
Beviron Pty Ltd	**100**	**100**
Grange Resources (Tasmania) Pty Ltd	**100**	**100**
Grange Capital Pty Ltd	**100**	**100**
Tribune Development Pty Ltd	**100**	**100**
Barrack Mines Pty Ltd	**100**	**100**
Bamine Pty Ltd	**100**	**100**
BML Holdings Pty Ltd	**100**	**100**
Horseshoe Gold Mine Pty Ltd	**100**	**100**
Grange Resources (Southdown) Pty Ltd (formerly Surfboard Securities Pty Ltd)	**100**	**100**
Murchison Copper Mines Pty Ltd (2)	**79.34**	**79.34**
Grange Developments Sdn Bhd (1)	**100**	**100**
Grange Minerals Sdn Bhd (1,3)	**100**	**100**
EG Mineral Resources Sdn Bhd (1,3)	**51**	**51**

(1) Grange Developments Sdn Bhd, Grange Minerals Sdn Bhd and EG Mineral Resources Sdn Bhd are incorporated in Malaysia and Ever Green Resources Co., Ltd is incorporated in Hong Kong. All other subsidiaries are incorporated in Australia. Grange Resources Limited is a company limited by shares and domiciled in Australia.

(2) During July 2010, the Company announced the sale of its 79.34% share of Murchison Copper Mines Pty Ltd to Horseshoe Metals Ltd.

(3) During July 2010, the Company announced that it had entered into a Sale and Purchase agreement for the sale of Grange Minerals Sdn Bhd which holds the group's 51% share of the Bukit Ibam magnetite mine located in Malaysia.

NOTE 37. INTERESTS IN JOINT VENTURES

Name of Joint Venture	% Interest 2010	% Interest 2009
Production Joint Ventures:		
Bukit Ibam (Malaysia) – Iron Ore	**51.00**	**51.00**
Reward - Copper / Gold	**31.15**	**31.15**
Highway – Copper	**30.00**	**30.00**
Development Joint Ventures:		
Reward Deeps / Conviction - Copper	**30.00**	**30.00**
Southdown – Iron Ore	**70.00**	**70.00**
Exploration Joint Ventures:		
Mt Samuel - Exploration Gold	**85.00**	**85.00**
Abercromby Well - Exploration Gold / Nickel	**10.00**	**10.00**
Mt Windsor - Exploration Gold / Base Metals	**30.00**	**30.00**

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

During July 2010, the Company announced that it had entered a Sale and Purchase agreement for the sale of Grange Minerals Sdn Bhd which holds the Group's 51% interest in the Bukit Ibam joint venture.

NOTE 37. INTERESTS IN JOINT VENTURES (continued)

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

	2010 $'000	2009 $'000
ASSETS		
Current assets		
Cash and cash equivalents	4,513	5,148
Trade and other receivables	175	46
Assets classified as held for sale	2,066	-
Total current assets	6,754	5,194
Non-current assets		
Receivables	1,263	1,584
Property, plant and equipment	6,553	5,032
Exploration and evaluation	43,526	42,743
Total non-current assets	51,342	49,359
Total assets	58,096	54,553
LIABILITIES		
Current liabilities		
Trade and other payables	1,571	1,006
Provisions	409	174
Liabilities classified as held for sale	59	-
Total current liabilities	2,039	1,180
Non-current liabilities		
Provisions	499	472
Borrowings	-	-
Total non-current liabilities	499	472
Total liabilities	2,538	1,652
Net assets	55,558	52,901

The net contributions of joint ventures (inclusive of resultant revenues) to the Group's operating profit before income tax was a loss of $38,345 (2009: ($691,570)).

Contingent liabilities in relation to joint ventures are disclosed in Note 33.

NOTE 38. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 23 July 2010, the Company announced the sale of its 79.3% share of Murchison Copper Mines Pty Ltd to Horseshoe Metals Ltd and also announced that it had entered into a Sale and Purchase agreement for the sale of Grange Minerals Sdn Bhd which holds the group's 51% share of the Bukit Ibam magnetite mine located in Malaysia.

On 15 September 2010, the Company announced that it was changing its financial year end date from 30 June to 31 December. The change is effective from 1 July 2010 and the Company has received confirmation of the change from the Australian Securities and Investments Commission.

NOTE 39. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2010 $'000	2009 $'000
Profit / (loss) for the year	42,228	86,010
Revaluation of deferred consideration	19,571	(144,771)
Restructure of deferred consideration	(84,106)	-
Unwinding of discount	7,108	22,965
Depreciation and amortisation	44,069	57,359
Deferred mining	9,945	-
Interest expense on finance leases	2,767	4,159
Impairment of assets	-	90,300
(Profit) / loss on sale of property, plant and equipment	10	1,289
Share based payment expense	285	1,978
Net unrealised (gain) / loss on foreign exchange	(3,441)	20,030
Change in operating assets and liabilities, net of effects from purchase of a controlled entity		
(Increase) / decrease in trade and other receivables	9,593	6,341
(Increase) / decrease in derivative financial instruments	-	5,080
(Increase) / decrease in inventories	12,132	18,289
(Increase) / decrease in other current assets	256	(902)
Increase / (decrease) in trade and other payables	(14,442)	(10,299)
Increase / (decrease) in current tax liabilities	2,742	-
Increase / (decrease) in other provisions	(570)	2,500
Increase / (decrease) in deferred tax liabilities	(112)	(23,452)
Net cash inflow / (outflow) from operating activities	48,035	136,876

NOTE 40. EARNINGS PER SHARE

	2010 Cents	2009 Cents
Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	3.93	19.69
Total basic earnings per share attributable to the ordinary equity holders of the Company	3.93	19.69
Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	3.93	19.69
Total diluted earnings per share attributable to the ordinary equity holders of the Company	3.93	19.69

(a) Reconciliations of earnings used in calculating earnings per share

	2010 $'000	2009 $'000
Basic earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share from continuing operations	42,645	86,045
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share from continuing operations	42,645	86,045

(b) Weighted average number of shares used as the denominator

	2010 Number	2009 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,075,141,315	436,895,226

Options

Options granted to Directors and eligible employees under the Long Term Incentive Plan, are considered to be potential ordinary shares and are included in the determination of diluted earnings per share to the extent to which they are dilutive. As all the options currently on issue are out of the money, they are not considered dilutive and therefore not included in the calculation of diluted earnings per share. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in Note 41.

NOTE 41. SHARE BASED PAYMENTS

(a) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefit expense were as follows:

	2010 $'000	2009 $'000
Options issued to Directors	-	1,143
Options issued to eligible employees under the LTIP	-	173
Shares issued to the Managing Director and Chief Operating Officer	370	-
Rights issued to eligible employees under the LTIP	651	583
Shares issued to eligible employees as STI	-	79
	1,021	1,978

In addition to the above, the Company also issued 2,666,120 shares ($0.9 million) during the year ended 30 June 2010 to an external consultant for the provision of strategic advisory services.

The types of share-based payments are described below.

(b) Types of share-based payments

(i) Options issued to Directors

On 20 May 2008, the shareholders approved the issuing of 4.5 million options to the Managing Director and 450,000 options to each Non-executive Director (or their respective nominees) at that time. The issuing of these options was intended to act as an incentive for the Directors to align themselves with the Company's strategic plan focussing on optimising performance with the benefits flowing through enhanced shareholder returns. The Board considered the grant of the Director options to be 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.

Although the options were issued with shareholder approval, ASX Listing Rule 10.13 requires that options issued to a related party of the Company, including a Director, be issued within one month of the date of the meeting approving the issue. The Company inadvertently issued the options outside this period and in accordance with a direction from the Australian Stock Exchange, the options were cancelled on 5 September 2008.

On 28 November 2008, shareholders approved the issue of the Director options on the same terms as those previously approved.

NOTE 41. SHARE BASED PAYMENTS (continued)

The table below summaries the options issued to the Directors:

Grant Date	Expiry date	Exercise price [2]	Balance at start of the year	Granted during the year	Exercised during the year	Cancelled during the year	Balance at end of the year	Vested and exercisable at end of the year[1]
30 June 2010								
20-May-08	6-Mar-12	$1.92	2,100,000	-	-	-	2,100,000	2,100,000
20-May-08	6-Mar-12	$2.87	2,100,000	-	-	-	2,100,000	2,100,000
20-May-08	6-Mar-12	$3.37	2,100,000	-	-	-	2,100,000	2,100,000
TOTAL			**6,300,000**	**-**	**-**	**-**	**6,300,000**	**6,300,000**
Weighted average exercise price			$2.85	-	-	-	$2.72	$2.72
30 June 2009								
20-May-08	6-Mar-12	$2.05	2,100,000	-	-	(2,100,000)	-	-
20-May-08	6-Mar-12	$3.00	2,100,000	-	-	(2,100,000)	-	-
20-May-08	6-Mar-12	$3.50	2,100,000	-	-	(2,100,000)	-	-
28-Nov-08	6-Mar-12	$2.05	-	2,100,000	-	-	2,100,000	2,100,000
28-Nov-08	6-Mar-12	$3.00	-	2,100,000	-	-	2,100,000	2,100,000
28-Nov-08	6-Mar-12	$3.50	-	2,100,000	-	-	2,100,000	2,100,000
TOTAL			**6,300,000**	**6,300,000**	**-**	**(6,300,000)**	**6,300,000**	**6,300,000**
Weighted average exercise price			-	$2.85	-	$2.85	$2.85	$2.85

[1] Notwithstanding the vesting conditions attaching to these options, the options automatically vested, without any change to the expiry date, as a result of the merger with Ever Green Resources Co., Ltd.
[2] The exercise price has been adjusted as a result of the September 2009 rights issue in accordance with ASX Listing Rule 6.22.

The options granted to Directors carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share.

Fair value of options granted

The fair value at grant date was independently determined using a binomial option pricing model which takes into account the exercise price, the term of the option, the impact of dilution, the share price at the grant date and expected price volatility of the underlying share, the expected dividend yield and the risk fee interest rate for the term of the option.

NOTE 41. SHARE BASED PAYMENTS (continued)

The model inputs for options granted in to Directors were as follows:

Exercise price	$2.05	$3.00	$3.50
Grant date	20 May 2008	20 May 2008	20 May 2008
Expiry date	6 March 2012	6 March 2012	6 March 2012
Share price at grant date	$1.60	$1.60	$1.60
Volatility	60%	60%	60%
Dividend yield	-	-	-
Risk free interest rate	6.39%	6.39%	6.39%
Valuation per option	$0.4831	$0.3390	$0.2738

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for expected changes to the future volatility due to publicly available information.

(ii) Shares issued to the Managing Director and Chief Operating Officer

During the year, the Remuneration and Nomination Committee proposed and the Board approved a bonus for the Managing Director of $250,000 to be paid as 1,000,000 shares in Grange for his proactive role in integrating the Grange and ABM businesses post merger. The payment was approved by shareholders at the Annual General Meeting on 25 November 2009 and the shares issued on 7 December 2009. The Grange share price on the date of approval was $0.27 per share. The Remuneration and Nomination Committee also proposed and the Board approved a performance related payment for 2009 of $100,000 to the Chief Operating Officer to be paid as 298,507 shares. These shares were issued on 6 August 2010.

(iii) Rights to Grange Shares

The Board will review regularly and reserves the right to vary from time to time the appropriate objectives and vesting periods for Rights to Grange shares.

The objective for the issue of Rights under the LTI program is to reward selected senior employees in a manner that aligns this element of their remuneration package with the creation of long term shareholder wealth while at the same time securing the employee’s tenure with the Company over the longer term. The LTI grants Rights to the Company’s shares to selected senior employees, and these Rights vest in several equal tranches over the timeframe stipulated in the LTI Plan (currently they vest in three equal tranches over 24 months). The Company utilises the LTI program to link remuneration with the attainment of key strategic performance milestones which usually take several years to deliver. 50% of the LTI for an employee relates to company performance goals and 50% relates to personal performance goals. Rights are allocated using a share price that is based on the volume weighted average price of the Company’s shares for the first three months (July 1 to September 30), of the financial year (i.e. for the 2009/2010 year, the volume weighted average price of the Company’s shares from 1 July 2009 to 30 September 2009 would be used).

The expense recognised during the year ended 30 June 2010 is for rights to Grange shares expected to be issued under the Long Term Incentive Plan. No rights to Grange ordinary shares were issued pursuant to the Long Term Incentive Plan during the year ended 30 June 2010. Subsequent to 30 June 2010, the Remuneration and Nomination Committee approved the issue of 2,334,678 rights to Grange shares to eligible employees for the year ended 30 June 2010 (2009: 354,254). In accordance with the terms of the Long Term Incentive Plan these rights will vest in three equal tranches over 24 months.

NOTE 41. SHARE BASED PAYMENTS (continued)

(iv) Options to Grange Shares

The objective of issuing Options under the LTI program is to provide a mechanism for the Company to selectively reward senior employees for having gone the "extra mile" in dealing with exceptional or unplanned or unexpected issues or circumstances which have impacted the business. The Board of Directors, based on the Managing Director's recommendation, may discretionally grant the options via the LTI plan processes, and these options vest in over the timeframe stipulated in the LTI Plan from time to time. A maximum number of Options per individual issue has been specified and approved for each job grade in the grade structure matrix. The exercise price of options issued will be equal to a 20% premium on the weighted average price of the Company's shares in the last three months before the financial year begins.

The table below summaries the options issued to eligible employees under the Long Term Incentive Plan:

Grant Date	Expiry date	Exercise price (2)	Balance at start of the year	Granted during the year	Exercised during the year	Cancelled during the year	Balance at end of the year	Vested and exercisable at end of the year (1)
30 June 2010								
14/15 July 2008	1 May 2012	$1.92	325,000	-	-	-	325,000	325,000
14 July 2008	1 May 2012	$2.87	150,000	-	-	-	150,000	150,000
14 July 2008	6 March 2012	$3.37	150,000	-	-	-	150,000	150,000
16 June 2009	1 October 2012	$2.37	65,000	-	-	-	65,000	65,000
TOTAL			**690,000**	**-**	**-**	**-**	**690,000**	**690,000**
Weighted average exercise price			$2.61	-	-	-	$2.48	$2.48
30 June 2009								
11/14/15 July 2008	1 May 2012	$2.05	-	475,000	-	(150,000)	325,000	325,000
11/14 July 2008	1 May 2012	$3.00	-	300,000	-	(150,000)	150,000	150,000
11/14 July 2008	6 March 2012	$3.50	-	300,000	-	(150,000)	150,000	150,000
16 June 2009	1 October 2012	$2.50	-	65,000	-	-	65,000	65,000
TOTAL				**1,140,000**	**-**	**(450,000)**	**690,000**	**690,000**
Weighted average exercise price			-	$2.70	-	$2.85	$2.61	$2.61

(1) Notwithstanding the vesting conditions attaching to these options, the options issued in accordance with the plan automatically vested, without any change to the expiry date, as a result of the merger with Ever Green Resources Co., Ltd.

(2) The exercise price has been adjusted as a result of the September 2009 rights issue in accordance with ASX Listing Rule 6.22.

Each option is convertible into one ordinary share.

Fair value of options granted

The fair value at grant date was independently determined using a Binomial option pricing model which takes into account the exercise price, the term of the option, the impact of dilution, the share price at the grant date and expected price volatility of the underlying share, the expected dividend yield and the risk fee interest rate for the term of the option.

NOTE 41. SHARE BASED PAYMENTS (continued)

Model inputs for options granted

	11/14 July 2008	**11/14 July 2008**	**11/14 July 2008**
Exercise price	$2.05	$3.00	$3.50
Grant date	11/14 July 2008	11/14 July 2008	11/14 July 2008
Expiry date	1 May 2012	1 May 2012	1 May 2012
Share price at grant date	$1.76/$1.68	$1.76/$1.68	$1.76/$1.68
Volatility	90%	90%	90%
Dividend yield	-	-	-
Risk free interest rate	6.23%/6.25%	6.23%/6.25%	6.23%/6.25%
Valuation per option	$0.5753/$0.5382	$0.4212/$0.3934	$0.3205/$0.3006

	14 July 2008	**15 July 2008**	**16 June 2009**
Exercise price	$2.05	$2.05	$2.50
Grant date	14 July 2008	15 July 2008	16 June 2009
Expiry date	30 June 2012	30 June 2012	1 Oct 2012
Share price at grant date	$1.68	$1.775	$0.57
Volatility	90%	90%	75%
Dividend yield	-	-	-
Risk free interest rate	6.25%	6.16%	3.76%
Valuation per option	$0.5296	$0.5772	$0.111

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for expected changes to the future volatility due to publicly available information.

NOTE 42. ASSETS HELD FOR SALE

As previously reported, the Company has a number of non core projects that it is looking to divest, to allow management to focus on Savage River and the Southdown Project. The sale of the Bukit Ibam project and associated tailings dam area for MYR 13.0m (approximately A$4.5m) has been announced and is expected to be completed during 2010/2011. In addition, the Company's 79.3% shareholding in Murchison Copper Mines, together with the associated Horseshoe Lights tenements, was successfully divested on 23 July 2010.

(a) Assets classified as held for sale

	2010 $'000	2009 $'000
Cash and cash equivalents	**655**	13
Trade and other receivables	**476**	299
Receivables	**-**	14
Exploration and evaluation	**380**	-
Property, plant and equipment	**409**	433
Mine properties and development	**2,868**	2,929
	4,788	3,688

(b) Liabilities directly associated with assets classified as held for sale

	2010 $'000	2009 $'000
Trade and other payables	**73**	65
Provisions	**1,848**	-
	1,921	65

NOTE 43. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2010 $'000	2009 $'000
Balance sheet		
Current assets	32,843	6,828
Total assets	348,402	191,647
Current liabilities	1,088	6,081
Total liabilities	36,028	38,880
Shareholders' equity		
Contributed equity	387,559	218,944
Reserves		
Share-based payments	33,820	33,168
Retained profits/(losses)	(109,005)	(99,345)
Total equity	312,374	152,767
Profit / (loss) for the year	(6,922)	(52,165)
Total comprehensive income / (loss) for the year	(6,922)	(52,165)

(b) Contingent liabilities of the parent entity

Bank guarantees

A bank guarantee has been provided by the parent entity, on demand by Road Builder (M) Holdings Bhd for the amount of $1,000,000 (2009: $1,000,000), in accordance with the terms of a Heads of Agreement dated 17 February 2005 to acquire land in the Malaysian port city of Kemaman and to secure port facilities in relation to the Southdown project. The guarantee will be payable should the Company withdraw from the offer to acquire the land.

A bank guarantee has been provided by the parent entity, on demand by the Perth Diocesan Trustees for the amount of $135,072 (2009: $135,072), in accordance with the terms of an office lease agreement dated 20 July 2005 to lease office premises in QBE House.

Other contingent liabilities

Pursuant to the terms of an agreement dated 21 November 2003, under which the Company purchased certain tenements comprising the Southdown project, the Company is required to make a further payment of $1,000,000 to MedAire, Inc upon commencement of commercial mining operations from those tenements.

In accordance with the terms of the Service Agreement entered into with Managing Director, Russell Clark, two one-off payments of $1,000,000 each (less applicable tax) are due upon the Board being satisfied that the Company has, as part of the Southdown Magnetite and Kemaman Pellet Plant Project, achieved commercial production of magnetite concentrate and commercial production of iron ore pellets (both subject to any applicable law or regulatory policy).

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 25 to 95 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 true and fair view of the company's and consolidated entity's financial position as at 30 June 2010 and of their performance for the financial 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

The Directors have been given the declarations of the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001.*

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

Russell Clark
Managing Director
Perth, Western Australia
30 September 2010

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

Report on the financial report

We have audited the accompanying financial report of Grange Resources Limited (the company), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Grange Resources Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Financial Report to determine whether it contains any material inconsistencies with the financial report.

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Independent auditor's report to the members of Grange Resources Limited (continued)

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Grange Resources Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 9 to 21 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Grange Resources Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Tim Goldsmith
Partner

Melbourne
30 September 2010

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