Grange Resources Limited

ABN 80 009 132 405
and Controlled Entities

Australia's most experienced magnetite producer

INTERIM FINANCIAL REPORT

For the Half-Year Ended
30 June 2013

Contents

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (the “Group”) consisting of Grange Resources Limited (“Grange” or “the Company”) and the entities it controlled at the end of, or during, the half-year ended 30 June 2013.

Directors

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

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

Wayne Bould was appointed Managing Director from 4 June 2013.

Richard Mehan was appointed Managing Director and Chief Executive Officer of the Company from 6 August 2012 until his resignation on 4 June 2013.

Principal activities

During the six months ended 30 June 2013, the principal activities of the Group were as follows:

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

Significant changes in the state of affairs

During the period, the Company announced the closure of its Perth office and the relocation of all Perth based functions to the Company’s office in Burnie, Tasmania. With effect from 1 July 2013, the address and contact details for the Company’s registered office is as follows:

34a Alexander Street
Burnie Tasmania 7320
Telephone: +61 3 6430 0222
Facsimile: +61 3 6432 3390

Review of operations

Key Highlights

- Excellent safety performance at Savage River sustained with over 1,100 days Lost Time Injury free now achieved, an exceptional result.
- Interim dividend of 1.0 cent per share (unfranked) declared. The Company has now returned $92.4 million to its shareholders since it commenced paying dividends in 2011.
- Net profit after tax of $2.5 million, on revenues from mining operations of $106.9 million.
- Preserved balance sheet strength with cash and term deposits of $138.9 million and no debt as at 30 June 2013.
- North Pit mine redevelopment continues to run to schedule. As previously advised access to higher grade material in the North Pit is on-track to be re-established early in the fourth quarter of 2013.

- Cost control discipline maintained at Savage River with cash operating costs ~ 6% below budget. We mined 1.17 million more BCM and increased the amount processed through the concentrator by 7% from the previous half year for the same cost.
- Capital spend minimised to fund mine development.
- Planning and approvals work for the South Deposit tailings storage facility is progressing.
- Exploration drilling at Long Plains continues. We expect to release an updated resource statement and aligned life of mine plan during the fourth quarter of 2013.
- Quality premium for iron ore pellets continues to be realised with product prices averaging US$140.57 per tonne (FOB Port Latta) for the half year.
- Successful closure of the Group's Perth office and transfer of the Company's headquarters and all functions to Tasmania.
- Search for an equity partner in the Southdown Project continues.

Safety Performance

Grange's excellent safety performance was maintained with no Lost Time Injuries (LTI) recorded during the half year.

Review of Results

Grange recorded a consolidated profit after tax of $2.5 million for the half-year ended 30 June 2013 (2012 restated: $54.5 million). This result was achieved on iron ore product sales of 0.8 million tonnes (2012: 1.2 million tonnes) and revenues from mining operations of $106.9 million (2012: 193.6 million).

Key revenue metrics for the 30 June 2013 half-year and preceding 2012 half-year were as follows:

	6 months to 30 June 2013	6 months to 30 June 2012
Iron Ore Pellet Sales (dmt)	731,086	1,162,147
Iron Ore Concentrate Sales (dmt)	36	23,525
Iron Ore Chip Sales (dmt)	37,370	47,285
TOTAL Iron Ore Product Sales (dmt)	768,492	1,232,957
Average Realised Product Price (US$/t FOB Port Latta)	$140.57	$162.21
Average Realised Exchange Rate (AUD:USD)	1.0107	1.0333
Average Realised Product Price (A$/t FOB Port Latta)	$139.08	$156.99

The average pellet price received during the half-year was US$140.57 per tonne of product sold FOB Port Latta (2012: US$162.21 per tonne) and continues to demonstrate the quality premium which the Company continues to receive for its iron ore products. Total sales for the half-year ended 30 June 2013 were impacted by minor variations to shipping schedules which resulted in a shipment (totalling approximately $10.3 million) been part loaded as at 30 June 2013, thereby increasing our period end pellet stockpiles.

Benchmark prices and customer demand for iron ore products continues to remain strong and with recent movements in the AUD:USD exchange rate the Company continues to see strong AUD revenues.

Key operating metrics for the 30 June 2013 half-year and preceding 2012 half-year were as follows:

	6 months to 30 June 2013	6 months to 30 June 2012
Total BCM Mined	9,108,261	7,935,709
Total Ore BCM	869,796	965,289
Concentrate Produced (t)	850,485	1,180,554
Weight Recovery (%)	28.5	42.2
Pellets Produced (t)	849,615	1,097,080
Pellet Stockpile (t)	248,320	284,613
"C1" Operating Cost (A$/tonne Product Produced)[1]	$133.36	$102.66

Note: "C1" costs are the cash costs associated with producing iron ore products without allowance for mine development, deferred stripping and stockpile movements, and also exclude royalties, depreciation and amortisation costs.

North Pit mining operations continued to be executed in accordance with the revised mine plan developed after the July 2012 North Pit wall failure which focussed on maintaining ore supply from alternative locations during a period of mine re-development.

The focus on mine re-development is reflected in material movement rates which continue to run to schedule and are 15% higher than the preceding 2012 half-year. We remain on track to re-establish access to higher grade material in the North Pit early in the fourth quarter of 2013. Whilst ore grades were lower than the previous half year the concentrator was able to treat 3.14 million tonnes of ore, a 7% improvement from the previous half year. This increased processing partially off-set the impact of the lower grade ore feed on concentrate and pellet production during the half-year.

We expect weight recovery to improve in the fourth quarter of 2013 once access to higher grade material from the main ore zone of the North Pit is re-established. This higher grade material will improve concentrate yield and pellet production, drive C1 operating costs lower and deliver stronger operating margins in a market where benchmark prices and demand for iron ore products remains strong.

Capital Management

Grange has announced an unfranked interim dividend of 1.0 cent per share, highlighting our commitment to maintaining a regular dividend and demonstrating our confidence in near term operating results following a period of significant mine development. Since 2011, we have returned $92.4 million to shareholders through dividends.

As at 30 June 2013, Grange had $138.9 million in cash and terms deposits and no debt (31 December 2012 net cash: $166.7 million). The Company believes it has preserved the strength of the group's balance sheet whilst:

- Minimising capital expenditure and redeploying funds as a strategic and timely investment in significant mine development at Savage River in order to re-establish access to the main ore zone of the North Pit ($17.0 million) and progress pre-production stripping at South Pit to provide an alternative source of ore in the second half of 2014 ($17.8 million)

- Repaying a mobile equipment lease facility of $5.8 million (net of debt service reserve amounts) in April 2013 and becoming debt free; and

- Returning $11.6 million to shareholders through the payment of a 1.0 cent per share unfranked dividend on 3 April 2013.

With a strong cash position and no debt, Grange is well positioned to increase production, improve unit operating costs and deliver stronger cash inflows.

Rounding of amounts

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

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

Wayne Bould
Managing Director
Burnie, Tasmania
29 August 2013

Auditor's Independence Declaration

As lead auditor for the review of Grange Resources Limited for the half year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been:

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

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

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

John O'Donoghue
Partner
PricewaterhouseCoopers

Melbourne
29 August 2013

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GRANGE RESOURCES LIMITED
ABN 80 009 132 405
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 JUNE 2013

	Notes	Six months to 30 June 2013 $'000	Six months to 30 June 2012 (Restated) $'000
Revenues from mining operations	3	106,884	193,564
Cost of sales	4	(108,742)	(135,103)
Gross profit / (loss) from mining operations		**(1,858)**	**58,461**
Administration expenses		(2,331)	(1,812)
Operating profit / (loss) before other income / (expenses)		**(4,189)**	**56,649**
Other income / (expenses)			
Revaluation of deferred consideration		3,169	10,838
Other income / (expenses)	5	895	906
Operating profit / (loss) before finance income / (expenses)		**(125)**	**68,393**
Finance income	6	5,832	7,185
Finance expenses	6	(3,350)	(4,458)
Profit before tax		**2,357**	**71,120**
Income tax benefit / (expense)	7	136	(16,626)
Profit for the period		**2,493**	**54,494**
Total comprehensive income for the period		**2,493**	**54,494**
Profit for the period attributable to			
- Equity holders of Grange Resources Limited		2,493	54,494
		2,493	54,494
Total comprehensive income for the period attributable to			
- Equity holders of Grange Resources Limited		2,493	54,494
		2,493	54,494
Earnings per share for profit attributable to the ordinary equity holders of Grange Resources Limited			
- Basic earnings per share (cents per share)		0.22	4.72
- Diluted earnings per share (cents per share)		0.22	4.72

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

GRANGE RESOURCES LIMITED
ABN 80 009 132 405
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Notes	30 June 2013 $'000	31 December 2012 (Restated) $'000	1 January 2012 (Restated) $'000
ASSETS				
Current assets				
Cash and cash equivalents	8	128,979	119,918	172,269
Term deposits		10,000	55,000	-
Trade and other receivables	9	16,536	22,397	51,009
Inventories	10	71,565	53,097	68,178
Intangible assets	11	3,530	5,548	-
Total current assets		**230,610**	**255,960**	**291,456**
Non-current assets				
Receivables	12	6,997	6,937	20,716
Property, plant and equipment	13	165,191	171,879	169,378
Mine properties and development	14	365,393	365,281	343,222
Exploration and evaluation	15	113,283	109,734	96,561
Deferred tax assets	16	-	-	1,641
Total non-current assets		**650,864**	**653,831**	**631,518**
Total assets		**881,474**	**909,791**	**922,974**
LIABILITIES				
Current liabilities				
Trade and other payables	17	31,533	34,982	49,424
Borrowings	18	-	13,876	21,459
Deferred consideration	19	7,223	7,559	10,387
Current tax liabilities		-	-	4,695
Provisions	20	6,265	6,806	5,790
Total current liabilities		**45,021**	**63,223**	**91,755**

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

GRANGE RESOURCES LIMITED
ABN 80 009 132 405
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Notes	30 June 2013 $'000	31 December 2012 (Restated) $'000	1 January 2012 (Restated) $'000
Non-current liabilities				
Borrowings		-	-	14,161
Deferred consideration	21	39,183	42,027	54,965
Deferred tax liabilities	22	24,398	24,535	-
Provisions	23	35,510	33,737	29,503
Total non-current liabilities		**99,091**	**100,299**	**98,629**
Total liabilities		**144,112**	**163,522**	**190,384**
Net assets		**737,362**	**746,269**	**732,590**
EQUITY				
Contributed equity	24	330,965	330,334	329,577
Reserves	25	636	1,103	3,041
Retained earnings		405,761	414,832	399,972
Total equity		**737,362**	**746,269**	**732,590**

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

GRANGE RESOURCES LIMITED
ABN 80 009 132 405
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 30 JUNE 2013

	Notes	Contributed equity $'000	Reserves $'000	Retained earnings (Restated) $'000	TOTAL (Restated) $'000
Balance at 1 January 2013		**330,334**	**1,103**	**416,365**	**747,802**
Change in accounting policy	1(b)	-	-	(1,533)	(1,533)
Restated balance at 1 January 2013		**330,334**	**1,103**	**414,832**	**746,269**
Profit for the period		-	-	2,493	2,493
Total comprehensive income for the period		-	-	2,493	2,493
Transactions with owners in their capacity as owners					
Dividends paid	26	-	-	(11,564)	(11,564)
Employee share options and rights		631	(467)	-	164
		631	(467)	(11,564)	(11,400)
Balance at 30 June 2013		**330,965**	**636**	**405,761**	**737,362**
Balance at 1 January 2012		**329,577**	**3,041**	**424,681**	**757,299**
Change in accounting policy	1(b)	-	-	(24,709)	(24,709)
Restated balance at 1 January 2012		**329,577**	**3,041**	**399,972**	**732,590**
Profit for the period		-	-	54,494	54,494
Total comprehensive income for the period		-	-	54,494	54,494
Transactions with owners in their capacity as owners					
Dividends paid	26	-	-	(34,643)	(34,643)
Employee share options and rights		528	(338)	-	190
		528	(338)	(34,643)	(34,453)
Balance at 30 June 2012		**330,105**	**2,703**	**419,823**	**752,631**

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

GRANGE RESOURCES LIMITED
ABN 80 009 132 405
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 30 JUNE 2013

	Notes	Six months to 30 June 2013 $'000	Six months to 30 June 2012 (Restated) $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		107,345	200,014
Payments to suppliers and employees (inclusive of goods and services tax)		(85,570)	(104,471)
		21,775	95,543
Interest received		2,155	3,712
Interest paid		-	(290)
Net cash inflow / (outflow) from operating activities		**23,930**	**98,965**
Cash flows from investing activities			
Payments for exploration and evaluation		(3,549)	(8,938)
Payments for property, plant and equipment		(4,499)	(15,397)
Payments for mine properties and development		(34,799)	(11,501)
Proceeds from / (payments for) term deposits		51,351	(89,268)
Net cash inflow / (outflow) from investing activities		**8,504**	**(125,104)**
Cash flows from financing activities			
Finance lease payments		(14,243)	(6,453)
Repayment of borrowings		-	(138)
Payment of deferred consideration		(2,498)	(2,654)
Payment of dividends to shareholders		(11,564)	(34,643)
Net cash inflow / (outflow) from financing activities		**(28,305)**	**(43,888)**
Net increase / (decrease) in cash and cash equivalents		**4,129**	**(70,027)**
Cash and cash equivalents at beginning of the period		119,918	172,269
Net foreign exchange differences		4,932	(1,032)
Cash and cash equivalents at end of the period	8	**128,979**	**101,210**

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

This general purpose financial report for the interim half-year reporting period ended 30 June 2013 has been prepared in accordance with Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*.

The consolidated interim half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the financial year ended 31 December 2012 and any public announcements made by Grange Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

(b) Accounting Policies

The principal accounting policies adopted in the preparation of the consolidated interim half-year financial report are consistent with those of the previous financial year, except for the following:

(i) AASB Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine (Interpretation 20)

Interpretation 20 provides guidance on the accounting for waste removal (stripping) costs incurred in the production phase of a surface mine. This Interpretation has been adopted retrospectively from 1 January 2012, representing the beginning of the earliest period presented, and has impacted the manner in which the Company accounts for stripping costs in the production phase of a surface mine (formerly referred to as deferred mining costs).

Prior to the issuance of *Interpretation 20*, the Company deferred stripping costs incurred in the production phase of a surface mine based on a ratio obtained by dividing the tonnage of waste mined by the quantity of ore mined. Stripping costs were deferred to the extent that the current period ratio exceeded the life of mine ratio and conversely charged to the income statement in periods when the ratio fell short of the life of mine ratio.

The accounting for deferred stripping costs under *Interpretation 20* differs from the previous accounting policy as the deferral of stripping costs is now based upon a ratio determined with reference to identified components of the ore body rather than a ratio determined with reference to the life of a mine.

In order to reflect the requirements of *Interpretation 20*, the Company has adopted the following accounting policy:

Deferred Stripping Costs

Stripping (i.e. overburden and other waste removal) costs incurred in the production phase of a surface mine are capitalised to the extent that they improve access to an identified component of the ore body and are subsequently amortised on a systematic basis over the expected useful life of the identified component of the ore body. Capitalised stripping costs are disclosed as a component of Mine Properties and Development.

Components of an ore body are determined with reference to life of mine plans and take account of factors such as the geographical separation of mining locations and/or the economic status of mine development decisions.

Capitalised stripping costs are initially measured at cost and represent an accumulation of costs directly incurred in performing the stripping activity that improves access to the identified component of the ore body, plus an allocation of directly attributable overhead costs.

The amount of stripping costs deferred is based on a relevant production measure which uses a ratio obtained by dividing the tonnage of waste mined by the quantity of ore mined for an identified component of the ore body. Stripping costs incurred in the period for an identified component of the ore body are deferred to the extent that the current period ratio exceeds the expected ratio for the life of the identified component of the ore body. Such deferred costs are then charged against the income statement on a systematic units of production basis over the expected useful life of an identified component of the ore body.

Changes to the life of mine plan, identified components of an ore body, stripping ratios, units of production and expected useful life are accounted for prospectively.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(b) Accounting Policies (cont.)

(i) AASB Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine (Interpretation 20) (cont.)

Transition

The transitional provisions of *Interpretation 20* require that it be applied from 1 January 2012, being the beginning of the earliest period presented in the interim financial report. Any previously recognised asset balance that resulted from stripping activity (predecessor stripping asset) shall be reclassified as part of an existing asset to which the stripping asset related, to the extent that there remains an identifiable component of the ore body with which the predecessor stripping asset can be associated. Such balances shall be amortised over the remaining expected useful life of the identified component of the ore body to which each predecessor stripping asset balance relates.

To the extent there is no identifiable component of the ore body to which the predecessor stripping asset relates, the asset has been written off to opening retained earnings at the beginning of the earliest period presented in the interim financial report, being 1 January 2012.

In accordance with these transitional provisions, adjustments have been made to the Statement of Financial Position as at 1 January 2012 to reflect the fact that the operations at Savage River had two identifiable ore components in operation within the North Pit as at this date and $24.7 million (tax effected) of predecessor stripping costs were unable to be associated to an identifiable ore component.

In addition to the above, adjustments have also been made to the interim half-year financial report for the period ended 30 June 2012 to reflect the impact of accounting for stripping costs based on identifiable components of the ore body.

Details in relation to the impact of the transitional provisions of *Interpretation 20* on comparative financial information is disclosed in Note 27.

(ii) AASB 10, Consolidated Financial Statements

AASB 10 is effective for accounting periods beginning on or after 1 January 2013 and replaces the guidance on control and consolidation in *AASB 127*, *Consolidated and Separate Financial Statements*, and Interpretation 112, *Consolidation – Special Purpose Entities.* It introduces a single definition of control of an entity, focusing on the need to have both exposure, or rights, to variable returns and the power to affect those returns, before control is present. The group has reviewed its investments in other entities and concluded that the application of *AASB 10* does not have any impact on the amounts recognised in the consolidated interim financial statements.

(iii) AASB 11, Joint Arrangements

AASB 11 is effective for accounting periods beginning on or after 1 January 2013 and introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how contractual rights and obligations are shared by the parties to the joint arrangements. Based on the assessment of contractual rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionally consolidate is no longer be permitted. Parties to a joint operation conintue to account for their direct right to, and their share of, jointly held revenues, expenses, assets and liabilities of the joint operation. The Group has assessed the nature of its joint arrangements and the application of *AASB 11* does not have any impact on the amounts recognised in the consolidated interim financial statements.

(iv) AASB 12, Disclosure of Interests in Other Entities

AASB 12 is effective for accounting periods beginning on or after 1 January 2013 and sets out the required disclosures for entitles reporting under *AASB 10* and *AASB 11,* replacing the disclose requirements currently found in *AASB 128, Investments in Associates and Joint Ventures*. The application of AASB 12 requires a number of disclosures which are consistent with previous disclosures made by the Company and has no impact on the amounts recognised in the consolidated interim financial statements.

(v) AASB 13, Fair Value Measurement

AASB 13 is effective for accounting periods beginning on or after 1 January 2013 and provides guidance on how to measure fair value and enhance fair value disclosures. The application of *AASB 13* has not changed the Company's measurement techniques for determining fair value however it has resulted in the Company providing additional disclosures in respect of its deferred consideration obligations in Note 28.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(b) Accounting Policies (cont.)

(vi) AASB 2011-9, Amendments to Australian Accounting Standards – Presentation of Items in Other Comprehensive Income

AASB 2011-9 is effective for accounting periods beginning on or after 1 July 2012 and requires entities to separate items presented in other comprehensive income into two groups based on whether they may be recycled to the income statement in the future. The application of *AASB 2011-9* does not have any impact on the amounts recognised or disclosures in the consolidated interim financial statements.

(vii) AASB 2012-5, Amendments to Australian Accounting Standard arising from Annual Improvements 2009-2011 Cycle

AASB 2012-5 is effective for account periods beginning on or after 1 January 2013 and makes amendments to a number of Australian Accounting Standards as a result of the 2009-2011 annual improvements project. The application of these amendments has resulted in the Company providing additional disclosures in the consolidated interim financial statements through the application of *AASB 1, First-time Adoption of Australian Accounting Standards, AASB 101, Presentation of Financial Statements* and *AASB 134, Interim Financial Reporting*.

(c) Reclassification of Comparative Financial Information

The Company has reclassified financial information for the comparative period to improve the relevance and reliability of information presented.This reclassification has reduced borrowings by $9.3 million and increased provisions by the same amount at the beginning of the earliest period presented in the interim financial report, being 1 January 2012. A reclassification has also been made to the statement of financial position as at 31 December 2012. This revised presentation reflects the intention of the Company to discharge the obligation through the completion of environmental restoration works. There has been no changes to the comparative income statement as a result of this reclassification.

Details in relation to the impact of this reclassification on comparative financial information is disclosed in Note 27.

(d) Critical accounting estimates and judgements

The preparation of this interim half-year financial report requires the use of estimates and judgements. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within this interim half-year financial report are consistent with those of the previous financial year, except for the following additional item:

(i) Impairment of property, plant and equipment and mine properties and development

The Group performs an impairment assessment where there is an indication of possible impairment. Impairment assessments are performed using information from internal Board approved budgets as well as 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 expectations regarding future operating performance which is subject to risk and uncertainty.

At the end of the reporting period the key assumptions used by the Directors in determining the recoverable amount were in the following ranges for the group's Savage River operations:

Assumption	2014-2022	Long Term 2023+
Iron Ore Pellets (65.5% fe FOB Port Latta) (US$ per dmt)	US$135/t – US$101/t	US$99/t
AUD:USD Exchange Rate	$0.93 declining to $0.81	$0.80
Post-tax real discount rate	9.34%	9.34%

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(d) Critical accounting estimates and judgements (cont.)

Commodity prices and foreign exchange rates

Commodity prices and foreign exchange rates are estimated with reference to analysis performed by an external party and are updated at at least once every six months, in-line with the Group's reporting dates. The rates applied for the period to 2017 are based upon analysis performed by an external party which then transitions to a long term management assumption over a five year period.

Operating performance (Production, operating costs and capital costs)

Life of mine production, operating cost and capital cost assumptions are based on the Group's most recent life of mine plan and budget. The assumptions include expected improvements reflecting the Group's objective of maximising free cash flow by optimising production and improving productivity. Mineral resources and ore reserves not in the most recent life of mine plan are not included in the determination of recoverable amount.

Discount rate

To determine the recoverable amount, the estimated future cash flows have been discounted to their present value using a post-tax real discount rate that reflects a current market assessment of the time value of money and risks specific to the asset.

Sensitivity considerations

Reasonably possible changes in circumstances may affect these key assumptions and therefore the recoverable amount. In reality, a change in any one of the aforementioned assumptions (including operating performance) would usually be accompanied by a change in another assumption which may have an off-setting impact. Action is usually taken to respond to adverse changes in assumptions to mitigate the impact of any such change.
If the carrying amount is assessed to be impaired, the impairment charge is recognised in the income statement.

(ii) Stripping Costs in the Production Phase of a Surface Mine (Interpretation 20)

The application of *Interpretation 20* requires management judgement in determining whether a surface mine is in the production phase and whether the benefits of production stripping activities will be realised in the form of inventory produced through improved access to ore.

Judgement is also applied in identifying the component of the ore body and the manner in which stripping costs are capitalised and amortised. There are a number of uncertainities inherent in identifying components of the ore body and the inputs to the relevant production methods for capitalising and amortising stripping costs and these assumptions may change significantly when new information becomes available. Such changes could impact on capitalisation and amortisation rates for capitalised stripping costs and deferred stripping asset values. In addition, the Company performed an assessment of the predecessor stripping asset as at 1 January 2012 to determine the extent that there remains an identifiable component of the ore body with which the predecessor stripping can be associated.

NOTE 2. SEGMENT INFORMATION

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

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

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

	Six months to 30 June 2013 $'000	Six months to 30 June 2012 $'000
Segment revenues from sales to external customers		
China	51,414	162,520
Hong Kong	34,169	-
Singapore	10,878	-
Japan	10,542	-
Australia	11	31,044
Switzerland	(130)	-
TOTAL	106,884	193,564

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

The consolidated assets and liabilities of the Group were predominately located in Australia as at 30 June 2013. The total cost incurred during the current period to acquire segment assets were also predominately incurred in Australia.

NOTE 3. REVENUE

From mining operations		
Sales of iron ore	106,884	193,564
	106,884	193,564

NOTE 4. COST OF SALES

	Six months to 30 June 2013 $'000	Six months to 30 June 2012 (Restated) $'000
Mining costs	67,419	66,547
Production costs	45,925	47,627
Government royalties	3,322	8,287
Depreciation and amortisation expense	11,152	12,575
Mine properties and development		
- Amounts capitalised during the period	(17,777)	(3,722)
- Amortisation expense	7,600	7,528
Deferred stripping		
- Amounts capitalised during the period	(17,022)	(22,804)
- Amortisation expense	27,983	25,361
Changes in inventories	(18,400)	(6,583)
Foreign exchange (profit) / loss	(1,460)	287
	108,742	135,103

NOTE 5. OTHER INCOME / (EXPENSES)

Net profit on the disposal of property, plant and equipment	9	1
Other income	886	905
	895	906

NOTE 6. FINANCE INCOME / (EXPENSES)

Finance income		
Interest income received or receivable		
- Other entities	2,229	3,848
Exchange gains on foreign currency deposits / borrowings (net)	3,603	3,337
	5,832	7,185

Finance expenses		
Interest charges paid or payable		
- Other entities	(47)	(292)
Finance lease interest charges paid or payable	(289)	(718)
Provisions: unwinding of discount		
- Deferred consideration	(2,488)	(2,915)
- Decommissioning and restoration	(526)	(533)
	(3,350)	(4,458)

NOTE 7. INCOME TAX EXPENSE

		Six months to 30 June 2013 $'000	Six months to 30 June 2012 (Restated) $'000
(a)	**Income tax expense**		
	Current tax	-	4,427
	Deferred tax	(136)	12,199
		(136)	16,626
	Deferred income tax (revenue) / expense included in income tax expense comprises:		
	(Increase)/decrease in deferred tax assets	(7,488)	9,091
	Increase/(decrease) in deferred tax liabilities	7,352	3,108
		(136)	12,199
(b)	**Numerical reconciliation of income tax expense to prima facie tax payable**		
	Profit from continuing operations before income tax expense	2,357	71,120
	Tax at the Australian tax rate of 30% (June 2012: 30%)	707	21,336
	Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
	Revaluation of deferred consideration	(951)	(3,251)
	Unwind of discount on deferred consideration	746	874
	Sundry items	249	(318)
		751	18,641
	Adjustments to current / deferred tax of prior periods	(887)	(2,015)
	Income tax (benefit) / expense	(136)	16,626

NOTE 8. CASH AND CASH EQUIVALENTS

	30 June 2013 $'000	31 December 2012 (Restated) $'000
Cash at bank and in hand	28,525	16,991
Term deposits	100,454	102,927
	128,979	119,918

(a) Total cash

Cash at bank and in hand as per statement of cash flows	128,979	119,918
Add:		
Current term deposits	10,000	55,000
	138,979	174,918

NOTE 9. TRADE AND OTHER RECEIVABLES

Trade receivables	10,240	7,926
Security deposits	394	6,805
Other receivables	4,155	4,035
Prepayments	1,747	3,631
	16,536	22,397

NOTE 10. INVENTORIES

Stores and spares	21,908	21,840
Ore stockpiles (at cost)	12,594	15,320
Work-in-progress (at cost)	829	1,240
Finished goods (at cost)	36,234	14,697
	71,565	53,097

NOTE 11. INTANGIBLE ASSETS

Carbon units (1)	3,530	5,548
	3,530	5,548

(1) Represents the fair value of free carbon units held by Grange Resources (Tasmania) Pty Ltd pursuant to the Clean Energy Act 2011 and the Clean Energy Regulations 2011 for the 2012-13 vintage year.

NOTE 12. RECEIVABLES

Security deposits	6,997	6,937
	6,997	6,937

NOTE 13. PROPERTY, PLANT AND EQUIPMENT

	30 June 2013 $'000	31 December 2012 $'000
Land and Buildings		
- At cost	37,576	54,067
- Accumulated depreciation	(12,369)	(19,265)
	25,207	34,802
Plant and Equipment		
- At cost	2 93,306	281,164
- Accumulated depreciation	(154,537)	(144,501)
	138,769	136,663
Office Equipment		
- At cost	4,292	2,377
- Accumulated depreciation	(3,077)	(1,963)
	1,215	414
	165,191	171,879

(a) Movements in property, plant and equipment

	Land and buildings $'000	Plant and equipment $'000	Office equipment $'000	Total $'000
At 1 January 2013				
At cost	54,067	281,164	2,377	337,608
Accumulated depreciation	(19,265)	(144,501)	(1,963)	(165,729)
Net book amount	34,802	136,663	414	171,879
Period ended 30 June 2013				
Opening net book amount	34,802	136,663	414	171,879
Additions	-	4,444	63	4,507
Depreciation charge	(765)	(10,106)	(324)	(11,195)
Transfers (at net book value)	(8,830)	7,768	1,062	-
Closing net book amount	25,207	138,769	1,215	165,191
At 30 June 2013				
At cost	37,576	293,306	4,292	335,174
Accumulated depreciation	(12,369)	(154,537)	(3,077)	(169,983)
Net book amount	25,207	138,769	1,215	165,191

NOTE 14. MINE PROPERTIES AND DEVELOPMENT

	30 June 2013 $'000	31 December 2012 (Restated) $'000
Mine properties and development (at cost)	379,639	360,966
Accumulated depreciation	(112,900)	(105,300)
Net book amount	266,739	255,666
Deferred stripping costs (net book amount)	98,654	109,615
Total mine properties and development	365,393	365,281

(a) Movements in mine properties and development:	
Balance at the beginning of the period	255,666
Current period expenditure capitalised	17,777
Change in rehabilitation estimate	896
Amortisation charge	(7,600)
Balance at the end of the period	266,739

(b) Movements in deferred stripping costs:	
Balance at the beginning of the period	109,615
Current period expenditure capitalised	17,022
Amortisation charge	(27,983)
Balance at the end of the period	98,654

NOTE 15. EXPLORATION AND EVALUATION

Exploration and evaluation properties (at cost)	113,283	109,734
	113,283	109,734

The ultimate recoupment of exploration and evaluation expenditure is dependent upon successful development and commercial exploitation or alternatively the sale of the respective areas of interest at an amount at least equal to book value. During the prior period, the Company announced that it is looking to sell at least a 30 per cent stake of the Group's 70 per cent interest in the Southdown Magnetite Project. As at 30 June 2013, there is not sufficient certainty regarding the outcome of this strategy to recognise a stake of the group's interest in the Southdown project as a non-current asset held for sale.

The directors have reviewed the carrying values of each area of interest (including Southdown) as at the balance date and have concluded that they are carried forward in accordance with the exploration and evaluation accounting policy.

NOTE 16. DEFERRED TAX ASSETS

	30 June 2013 $'000	31 December 2012 (Restated) $'000
The balance comprises temporary differences attributable to:		
Receivables	-	27
Property, plant and equipment	22,609	24,109
Trade and other payables	2,245	187
Employee benefits	2,251	2,358
Decommissioning and restoration	7,552	7,089
Taxation losses	7,684	1,438
Other	1,446	1,091
Total deferred tax assets	43,787	36,299
Set-off against deferred tax liabilities pursuant to set-off provisions (Note 22)	(43,787)	(36,299)
Net deferred tax assets	-	-

NOTE 17. TRADE AND OTHER PAYABLES

Trade payables and accruals	20,489	22,674
Other payables	11,044	12,308
	31,533	34,982

NOTE 18. BORROWINGS (CURRENT)

Secured		
Finance lease liabilities	-	13,876
	-	13,876

NOTE 19. DEFERRED CONSIDERATION (CURRENT)

Deferred consideration	7,223	7,559
	7,223	7,559

(a) Movements in deferred consideration:	
Balance at the beginning of the period	7,559
Payments	(2,498)
Change in estimate	(1,247)
Unwind of discount	559
Transfers from non-current balance	2,850
Balance at the end of the period	7,223

NOTE 20. PROVISIONS (CURRENT)

	30 June 2013 $'000	31 December 2012 (Restated) $'000
Employee benefits	5,659	6,139
Decommissioning and restoration	606	667
	6,265	6,806

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

(a) Movements in decommissioning and restoration:

Balance at the beginning of the period	667
Transfer to non-current provisions	(61)
Balance at the end of the period	606

NOTE 21. DEFERRED CONSIDERATION (NON-CURRENT)

Deferred consideration	39,183	42,027
	39,183	42,027

(a) Movements in deferred consideration:

Balance at the beginning of the period	42,027
Changes in estimate	(1,923)
Unwinding of discount	1,929
Transfers to current balance	(2,850)
Balance at the end of the period	39,183

The deferred consideration obligation represents a series of payments owing to the previous owners of Grange Resources (Tasmania) Pty Ltd which arose from a business combination completed in August 2007. The terms of the obligation entitle the previous owners to 2% of the gross receipts of Grange Resources (Tasmania) Pty Ltd from 1 January 2012 to 31 December 2023.

NOTE 22. DEFERRED TAX LIABILITIES

The balance comprises temporary differences attributable to:

Trade and other receivables	13	62
Inventory	3,090	1,100
Mine properties and development	31,847	27,054
Exploration and evaluation	33,235	32,170
Borrowings	-	448
Total deferred tax liabilities	68,185	60,834
Set-off against deferred tax assets pursuant to set-off provisions (Note 16)	(43,787)	(36,299)
Net deferred tax liabilities	24,398	24,535

NOTE 23. PROVISIONS (NON-CURRENT)

	30 June 2013 $'000	31 December 2012 (Restated) $'000
Employee benefits	1,844	1,721
Decommissioning and restoration	33,666	32,016
	35,510	33,737

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

(a) Movements in decommissioning and restoration:

Balance at the beginning of the period	32,016
Changes in estimate	1,063
Unwinding of discount	526
Transfer from current provisions	61
Balance at the end of the period	33,666

NOTE 24. CONTRIBUTED EQUITY

(a) Movements in consolidated share capital	Number of Shares	$'000
1 January 2013 – Opening balance	**1,155,487,102**	**330,334**
8 January 2013 – Issue of shares under long term incentive plan	314,298	170
8 January 2013 – Issue of shares under long term incentive plan	364,842	269
10 January 2013 – Issue of shares under long term incentive plan	15,540	11
7 March 2013 – Issue of shares under long term incentive plan	310,413	181
30 June 2013 – Closing balance	**1,156,492,195**	**330,965**

NOTE 25. RESERVES

	30 June 2013 $'000	31 December 2012 $'000
Share-based payments reserve	636	1,103
	636	1,103

NOTE 26. DIVIDENDS

Unfranked final dividend for the year ended 31 December 2012 - 1 cent per share (2011: 3 cents per share)	(11,564)	(34,643)
Unfranked interim dividend for the year ended 31 December 2012 - 1 cent per share	-	(11,555)
	(11,564)	(46,198)

(a) Dividends not recognised at the end of the reporting period

In addition to the above dividends, since 30 June 2013 the Directors have recommended the payment of an interim unfranked dividend of 1.0 cent per fully paid ordinary share. The aggregate amount of the proposed dividend is $11.6 million and is not recognised as a liability at 30 June 2013. The interim dividend was declared NIL conduit foreign income and is expected to be paid on 2 October 2013.

NOTE 27. IMPACTS ARISING FROM THE RECLASSIFICATION OF COMPARATIVE FINANCIAL INFORMATION AND THE ADOPTION OF AASB INTERPRETATION 20, *STRIPPING COSTS IN THE PRODUCTION PHASE OF A SURFACE MINE*

(a) Statement of Financial Position – 1 January 2012

	31 December 2011	Increase / (Decrease)		1 January 2012 (Restated)
		Reclassification	Interpretation 20	
	$'000	$'000	$'000	$'000
ASSETS				
Current assets				
Cash and cash equivalents	172,269	-	-	172,269
Trade and other receivables	51,009	-	-	51,009
Inventories	68,178	-	-	68,178
Total current assets	**291,456**	**-**	**-**	**291,456**
Non-current assets				
Receivables	20,716	-	-	20,716
Property, plant and equipment	169,378	-	-	169,378
Mine properties and development	378,520	-	(35,298)	343,222
Exploration and evaluation	96,561	-	-	96,561
Deferred tax assets	-	-	1,641	1,641
Total non-current assets	**665,175**	**-**	**(33,657)**	**631,518**
Total assets	**956,631**	**-**	**(33,657)**	**922,974**
LIABILITIES				
Current liabilities				
Trade and other payables	49,424	-	-	49,424
Borrowings	22,047	(588)	-	21,459
Deferred consideration	10,387	-	-	10,387
Current tax liabilities	4,695	-	-	4,695
Provisions	5,202	588	-	5,790
Total current liabilities	**91,755**	**-**	**-**	**91,755**
Non-current liabilities				
Borrowings	22,839	(8,678)	-	14,161
Deferred consideration	54,965	-	-	54,965
Deferred tax liabilities	8,948	-	(8,948)	-
Provisions	20,825	8,678	-	29,503
Total non-current liabilities	**107,577**	**-**	**(8,948)**	**98,629**
Total liabilities	**199,332**	**-**	**(8,948)**	**190,384**
Net assets	**757,299**	**-**	**(24,709)**	**732,590**
EQUITY				
Contributed equity	329,577	-	-	329,577
Reserves	3,041	-	-	3,041
Retained earnings	424,681	-	(24,709)	399,972
Total equity	**757,299**	**-**	**(24,709)**	**732,590**

NOTE 27. IMPACTS ARISING FROM THE RECLASSIFICATION OF COMPARATIVE FINANCIAL INFORMATION AND THE ADOPTION OF AASB INTERPRETATION 20, *STRIPPING COSTS IN THE PRODUCTION PHASE OF A SURFACE MINE (cont.)*

(b) Statement of Comprehensive Income – Six Months to 30 June 2012

	Six months to 30 June 2012 $'000	Profit Increase / (Decrease) $'000	Six months to 30 June 2012 (Restated) $'000
Revenues from mining operations	193,564	-	193,564
Cost of sales	(133,746)	(1,357)	(135,103)
Gross profit from mining operations	**59,818**	**(1,357)**	**58,461**
Administration expenses	1,812	-	1,812
Operating profit before other income / (expenses)	**58,006**	**(1,357)**	**56,649**
Other income / (expenses)			
Revaluation of deferred consideration	10,838	-	10,838
Other income / (expenses)	906	-	906
Operating profit before finance income / (costs)	**69,750**	**(1,357)**	**68,393**
Finance income	7,185	-	7,185
Finance expenses	(4,458)	-	(4,458)
Profit before tax	**72,477**	**(1,357)**	**71,120**
Income tax (expense) / benefit	(17,033)	407	(16,626)
Profit for the period	**55,444**	**(950)**	**54,494**
Total comprehensive income for the period	**55,444**	**(950)**	**54,494**
Earnings per share for profit attributable to the ordinary equity holders of Grange Resources Limited			
Basic earnings per share (cents per share)	4.80	(0.08)	4.72
Diluted earnings per share (cents per share)	4.80	(0.08)	4.72

NOTE 27. IMPACTS ARISING FROM THE RECLASSIFICATION OF COMPARATIVE FINANCIAL INFORMATION AND THE ADOPTION OF AASB INTERPRETATION 20, *STRIPPING COSTS IN THE PRODUCTION PHASE OF A SURFACE MINE (cont.)*

(c) Statement of Cash Flows – Six Months to 30 June 2012

	Six months to 30 June 2012	(Increase) / Decrease	Six months to 30 June 2012 (Restated)
	$'000	$'000	$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)	200,014		200,014
Payments to suppliers and employees (inclusive of goods and services tax)	(111,495)	7,024	(104,471)
	88,519	7,024	95,543
Interest received	3,712	-	3,712
Interest paid	(290)	-	(290)
Net cash inflow / (outflow) from operating activities	**91,941**	**7,024**	**98,965**
Cash flows from investing activities			
Payments for exploration and evaluation	(8,938)	-	(8,938)
Payments for property, plant and equipment	(15,397)	-	(15,397)
Payments for mine properties and development	(4,477)	(7,024)	(11,501)
Proceeds from / (payments for) term deposits	(89,268)	-	(89,268)
Net cash inflow / (outflow) from investing activities	**(118,080)**	**(7,024)**	**(125,104)**
Cash flows from financing activities			
Finance lease payments	(6,453)	-	(6,453)
Repayment of borrowings	(138)	-	(138)
Payment of deferred consideration	(2,654)	-	(2,654)
Payment of dividends to shareholders	(34,643)	-	(34,643)
Net cash inflow / (outflow) from financing activities	**(43,888)**	**-**	**(43,888)**
Net increase / (decrease) in cash and cash equivalents	**(70,027)**	**-**	**(70,027)**
Cash and cash equivalents at beginning of the period	172,269	-	172,269
Net foreign exchange differences	(1,032)	-	(1,032)
Cash and cash equivalents at end of the period	**101,210**	**-**	**101,210**

NOTE 27. IMPACTS ARISING FROM THE RECLASSIFICATION OF COMPARATIVE FINANCIAL INFORMATION AND THE ADOPTION OF AASB INTERPRETATION 20, *STRIPPING COSTS IN THE PRODUCTION PHASE OF A SURFACE MINE (cont.)*

(d) Statement of Financial Position – 31 December 2012

	31 December 2012	Increase / (Decrease)		31 December 2012 (Restated)
		Reclassification	Interpretation 20	
	$'000	$'000	$'000	$'000
ASSETS				
Current assets				
Cash and cash equivalents	119,918	-	-	119,918
Term deposits	55,000	-	-	55,000
Trade and other receivables	22,397	-	-	22,397
Inventories	59,432	-	(6,335)	53,097
Intangible assets	5,548	-	-	5,548
Total current assets	**262,295**	**-**	**(6,335)**	**255,960**
Non-current assets				
Receivables	6,937	-	-	6,937
Property, plant and equipment	171,879	-	-	171,879
Mine properties and development	361,136	-	4,145	365,281
Exploration and evaluation	109,734	-	-	109,734
Total non-current assets	**649,686**	**-**	**4,145**	**653,831**
Total assets	**911,981**	**-**	**(2,190)**	**909,791**
LIABILITIES				
Current liabilities				
Trade and other payables	34,982	-	-	34,982
Borrowings	14,326	(450)	-	13,876
Deferred consideration	7,559	-	-	7,559
Current tax liabilities	-	-	-	-
Provisions	6,356	450	-	6,806
Total current liabilities	**63,223**	**-**	**-**	**63,223**
Non-current liabilities				
Borrowings	8,603	(8,603)	-	-
Deferred consideration	42,027	-	-	42,027
Deferred tax liabilities	25,192	-	(657)	24,535
Provisions	25,134	8,603	-	33,737
Total non-current liabilities	**100,956**	**-**	**(657)**	**100,299**
Total liabilities	**164,179**	**-**	**(657)**	**163,522**
Net assets	**747,802**	**-**	**(1,533)**	**746,269**
EQUITY				
Contributed equity	330,334	-	-	330,334
Reserves	1,103	-	-	1,103
Retained earnings	416,365	-	(1,533)	414,832
Total equity	**747,802**	**-**	**(1,533)**	**746,269**

NOTE 28. FAIR VALUE MEASUREMENT

In accordance with AASB 13, *Fair Value Measurement*, the Company has classified, according to the fair value hierarchy, the Group's deferred consideration obligation as a Level 3 liability. This obligation is measured at fair value on a recurring basis. There are no Level 1 or 2 assets or liabilities.

The Group did not measure any other liabilities at fair value on a non-recurring basis as at 30 June 2013 and did not transfer any fair value amounts between the fair value hierarchy during the period ended 30 June 2013.

Due to their short-term nature, the carrying amounts of current receivables and current payables are assumed to approximate their fair value.

(i) Valuation processes

The valuation of deferred consideration is carried out by the Group's finance department, considered by the Audit Committee and approved by the Board of Directors at least once every six months, in-line with the Group's reporting dates.

In determining the fair value of the deferred consideration obligation, the main Level 3 inputs are derived and evaluated as follows:

Expected annual cash outflows - estimates of expected gross revenues and annual cash outflows are determined based on a number of assumptions including production, commodity prices and foreign exchange rates. These estimates are based on the Group's current life of mine plans and budgets as well as commodity prices and foreign exchange rates as determined by an external party for the period to 2017 and then transitioning to a long term management assumption.

Discount rates - the discount rate is an estimate that reflects current market assessment of the time value of money and risks specific to the liability.

There were no changes to any of the valuation techniques used to determine the fair value of the obligation during the reporting period.

(ii) Valuation inputs and sensitivity analysis

The following table summarises the quantitative information about the significant inputs used in the fair value measurement of deferred consideration

Description	Fair Value $'000	Valuation Technique	Inputs	Range of inputs
Deferred consideration	46,406	Discounted cash flows	Expected annual cash outflows	$6.3 million - $7.0 million
			Risk adjusted discount rate	9.34%

Based on the fair value of deferred consideration at 30 June 2013, had expected annual cash outflows strengthened / weakened by 10% with all other variables held constant, the fair value of the obligation would have been $4.5m lower / $4.5m higher. In addition, an increase / decrease in the discount rate by 100 basis points (bps) from the period end rate with all other variables held constant, would result in the fair value of the obligation being $1.8m lower / $2.0m higher.

NOTE 29. CONTINGENT LIABILITIES

There were no significant changes to the contingent liabilities previously disclosed in the Annual Report for the year ended 31 December 2012.

NOTE 30. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Except as disclosed in Note 26, there has been no other subsequent events that have arisen since 30 June 2013 to the date of this report.

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the interim financial statements and notes set out on pages 7 to 29 are in accordance with the *Corporations Act 2001*, including:

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

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the half-year ended on that date, and

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

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

Wayne Bould
Managing Director
Burnie, Tasmania
29 August 2013

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Grange Resources Limited, which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Grange Resources Limited group (the consolidated entity). The consolidated entity comprises both Grange Resources Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Grange Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the half-year ended on that date; and

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

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John O'Donoghue
Partner

Melbourne
29 August 2013