Grange Resources Limited
ABN 80 009 132 405
and Controlled Entities

Australia's leading magnetite producer

INTERIM FINANCIAL REPORT

For the Six Months Ended
30 June 2011

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 2011. The results for the six month period ended 30 June 2011 reflect the first interim period since the company changed its financial year end to 31 December.

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
Russell Clark	Managing Director & Chief Executive Officer
John Hoon	Non-Executive Director
Honglin Zhao	Executive Director
Clement Ko	Non-executive Director

Principal activities

During the six months ended 30 June 2011, the principal activities of the Group were as follows:

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

Review of operations

Grange has delivered a solid half year to shareholders. Savage River continues to enjoy strong commodity prices with excellent cash generation and development of the Southdown project near Albany in Western Australia is progressing on schedule and under budget. Highlights for the half year include:

- Continued excellent safety performance at Savage River.
- An inaugural unfranked dividend of 2 cents per share, following continued strong cash and profit generation at the Savage River operations.
- Gross profit from mining operations of $92.5 million, a 45% increase on the prior six month period.
- Revenues from mining operations of $209.0 million, an 8% increase on the prior six month period.
- Half year after tax profit of $58.1 million.
- Pellet prices remained very strong during the half year averaging US$211.52 per tonne.
- Operating margin of $95.2 per tonne of iron ore pellets sold.
- Strong cash and trade receivables position of $183.7 million and no net debt as at 30 June 2011.
- Half year production of 840,018 tonnes of iron ore pellets. Full year guidance remains at 2 million tonnes.
- Year to date costs lower than budgeted.
- Southdown project definitive feasibility study funding approved, with completion due first quarter 2012.
- EPA approval granted to increase production at Southdown to 10 million tonnes of magnetite concentrate per annum.

Safety Performance

Safety performance saw continued improvement with no Lost Time Injuries (LTI) recorded during the half year. In the past 12 months the Total Recordable Injury Frequency Rate (TRIFR) has fallen from 22.5 (30 June 2010) to 2.3 (30 June 2011), a 90% improvement.

Review of Results

The results for the half year ended 30 June 2011 continue to reflect a significant turnaround in the financial performance of Grange resulting from better management processes at the Tasmanian operations and improved market conditions. A net profit after tax of $58.1 million was generated on revenues of $209.0 million during the six month period ended 30 June 2011.

An inaugural unfranked interim dividend of 2 cents per share will be paid, following continued strong cash and profit generation at the Savage River operations. The record date for this inaugural dividend will be 27 September 2011.

As previously advised, Grange agreed during the half year an IODEX based index pricing mechanism for pellet sales to its two major customers, Shagang and Bluescope Steel. The agreed pricing mechanism was applied to all shipments priced at interim prices and resulted in $70 million being invoiced to our customers at the end of March 2011.

The Company sustained strong cash flows during the half year with sales of 727,202 tonnes of iron ore pellets at an average IODEX based price of US$211.5 per tonne (FOB Port Latta).

The recent appreciation of the Australian dollar has been mitigated by higher iron ore pellet prices during the half year. Margins from pellets sales remain high (A$95.2 per tonne of pellets sold) and continued cost management has created a platform for the Company to continue its investment in the Savage River mine and processing infrastructure as well as fund its continued investment of the Southdown project.

Grange has continued the remediation cut back of the east wall during the half year. This cut back was always required and is being brought forward from 2012/13 as a result of a rock slide that occurred in June 2010. Whilst undertaking the cut back, ore has been sourced from satellite pits which has resulted in lower grade ores been treated by the concentrator. These lower grades have been offset to some degree by the concentrator treating ore at record rates, made possible by the planned maintenance and upgrade work undertaken in the first quarter of 2011.

Longer ore haulage distances, increased mining volumes, additional equipment and planned truck and shovel rebuilds have contributed to an increase in mining costs during the half year. It is expected that mining will recommence at the bottom or the North Pit in the final quarter of the 2011 calendar year where ore grades are expected to improve significantly and result in increased pellet production. Guidance for the full year remains at 2 million tonnes of pellet production.

Grange, as manager of the Southdown joint venture (Grange share 70%), completed the pre-feasibility study (PFS) for the Southdown magnetite project during the half year. The strong iron ore price outlook, positive NPV and favourable returns forecasted at this stage provided the owners with the confidence to approve the funding for the Definitive Feasibility Study (DFS). The DFS is targeted for completion in the first quarter of 2012 and Grange will fund its 70% share of the study costs from existing cash reserves.

Rounding of amounts

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

Auditor’s independence declaration

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

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

Russell Clark
Managing Director & Chief Executive Officer
Perth, Western Australia
30 August 2011

Auditor's Independence Declaration

As lead auditor for the review of Grange Resources Limited for the half-year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been:

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

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

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

Debbie Smith
Partner
PricewaterhouseCoopers

Melbourne
30 August 2011

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GRANGE RESOURCES LIMITED
ABN 80 009 132 405
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 JUNE 2011

	NOTES	Six months to 30 June 2011 $'000	Six months to 31 December 2010 $'000
Revenues from mining operations	3	**208,950**	193,334
Cost of sales	4	**(116,480)**	(129,823)
Gross profit from mining operations		**92,470**	63,511
Administration expenses		**(2,960)**	(3,054)
Operating profit before other income / (expenses)		**89,510**	60,457
Other income / (expenses)			
Revaluation of deferred consideration		**(6,007)**	(6,678)
Reversal of asset impairment	5	**-**	64,619
Other income / (expenses)	6	**3,306**	3,855
Operating profit before finance costs		**86,809**	122,253
Finance income	7	**1,453**	7,388
Finance expenses	7	**(4,610)**	(4,537)
Profit before tax		**83,652**	125,104
Income tax expense	8	**(25,581)**	(39,863)
Profit for the period		**58,071**	85,241
Other comprehensive income / (loss)			
Exchange differences on translation of foreign operations		**-**	(226)
Total comprehensive income for period		**58,071**	85,015
Profit for the period attributable to			
- Equity holders of Grange Resources Limited		**58,071**	85,241
		58,071	85,241
Total comprehensive income for the period attributable to			
- Equity holders of Grange Resources Limited		**58,071**	85,015
		58,071	85,015
Earnings per share for profit attributable to the ordinary equity holders of Grange Resources Limited			
- Basic earnings per share (cents per share)		**5.04**	7.40
- Diluted earnings per share (cents per share)		**5.04**	7.40

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 2011

	NOTES	30 June 2011 $'000	31 December 2010 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	**170,044**	91,922
Trade and other receivables	10	**20,930**	39,309
Inventories	11	**55,615**	35,921
Available-for-sale financial assets		**26**	984
Total current assets		**246,615**	168,136
Non-current assets			
Receivables	12	**13,506**	13,768
Property, plant and equipment	13	**170,751**	161,694
Mine properties and development	14	**397,115**	395,737
Exploration and evaluation	15	**71,425**	60,573
Deferred tax assets	16	**-**	-
Total non-current assets		**652,797**	631,772
Total assets		**899,412**	799,908
LIABILITIES			
Current liabilities			
Trade and other payables	17	**57,502**	35,602
Borrowings	18	**10,710**	13,134
Deferred consideration	19	**5,060**	-
Provisions	20	**3,980**	3,208
Total current liabilities		**77,252**	51,944

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 2011

	NOTES	30 June 2011 $'000	31 December 2010 $'000
Non-current liabilities			
Borrowings	21	**28,130**	33,860
Deferred consideration	22	**62,936**	59,269
Deferred tax liabilities	23	**89,098**	72,102
Provisions	24	**20,398**	19,674
Total non-current liabilities		**200,562**	184,905
Total liabilities		**277,814**	236,849
Net assets		**621,598**	563,059
EQUITY			
Contributed equity	25	**329,337**	328,912
Reserves	26	**2,998**	2,955
Retained profits / (losses)		**289,263**	231,192
Total equity		**621,598**	563,059

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 2011

	Attributable to owners of Grange Resources Limited				
	Contributed equity	Reserves	Retained earnings	Non-controlling interests	TOTAL
	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2011	**328,912**	**2,955**	**231,192**	**-**	**563,059**
Profit for the period	-	-	58,071	-	58,071
Total comprehensive income for the period	-	-	58,071	-	58,071
Transactions with owners in their capacity as owners					
Employee share options and rights	425	43	-	-	468
	425	43	-	-	468
Balance at 30 June 2011	**329,337**	**2,998**	**289,263**	**-**	**621,598**
Balance at 1 July 2010	**328,812**	**2,855**	**145,951**	**(452)**	**477,166**
Profit for the period	-	-	85,241	-	85,241
Exchange differences on disposal of foreign operations	-	(226)	-	-	(226)
Total comprehensive income for the period	-	(226)	85,241	-	85,015
Transactions with owners in their capacity as owners					
Disposal of non-controlling interest	-	-	-	452	452
Employee share options and rights	100	326	-	-	426
	100	326	-	452	878
Balance at 31 December 2010	**328,912**	**2,955**	**231,192**	**-**	**563,059**

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 2011

	NOTES	Six months to 30 June 2011 $'000	Six months to 31 December 2010 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**236,806**	171,008
Payments to suppliers and employees (inclusive of goods and services tax)		**(105,083)**	(90,267)
		131,723	80,741
Interest received		**762**	994
Interest paid		**(5)**	(226)
Income taxes (paid) / received		**-**	(3,057)
Net cash inflow / (outflow) from operating activities		**132,480**	78,452
Cash flows from investing activities			
Payments for exploration and evaluation		**(10,852)**	(13,370)
Payments for property, plant and equipment		**(21,340)**	(19,557)
Payments for mine properties and development		**(16,371)**	(14,129)
Proceeds from disposal of subsidiaries		**824**	851
Proceeds from sale of available-for-sale financial assets		**2,432**	-
Payment of security deposits		**732**	1,643
Net cash inflow / (outflow) from investing activities		**(44,575)**	(44,562)
Cash flows from financing activities			
Finance lease payments		**(4,705)**	(5,117)
Net cash inflow / (outflow) from financing activities		**(4,705)**	(5,117)
Net increase / (decrease) in cash and cash equivalents		**83,200**	28,773
Cash and cash equivalents at beginning of the half year		**91,922**	70,476
Net foreign exchange differences		**(5,078)**	(7,327)
Cash and cash equivalents at end of the half year	9	**170,044**	91,922

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

This general purpose financial report for the interim half year reporting period ended 30 June 2011 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the financial period ended 31 December 2010 and any public announcements made by Grange Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

(b) Critical accounting estimates and judgements

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

The impact of the merger on the tax consolidated group will result in the re-measurement of the Group's current tax liability, deferred tax balances and income tax expense. These impacts are expected to be recognised in the Group's financial statements for the year ended 31 December 2011.

As at 30 June 2011, given there is not sufficient certainty to recognise the taxation impacts arising from the merger, the Group has calculated its taxation expense as a single tax consolidated group using taxation balances which existed prior to the merger.

NOTE 2. SEGMENT INFORMATION

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

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

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

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

	Revenues from sales of iron ore	
	Six months to 30 June 2011	**Six months to 31 December 2010**
	$'000	**$'000**
Australia	**100,228**	69,161
China	**108,722**	124,173
TOTAL	**208,950**	193,334

NOTE 3. REVENUES

	Six months to 30 June 2011 $'000	Six months to 31 December 2010 $'000
Revenues from mining operations		
Sales of iron ore	**208,950**	193,334
	208,950	193,334

NOTE 4. COST OF SALES

Mining costs	**70,816**	49,025
Production costs	**41,689**	40,776
Government royalties	**10,266**	6,855
Depreciation and amortisation expense	**19,737**	19,229
Deferred mining costs capitalised (net)	**(9,121)**	(13,918)
Changes in inventories	**(21,799)**	18,866
Foreign exchange (gains) / losses	**4,892**	8,990
	116,480	129,823

NOTE 5. REVERSAL OF ASSET IMPAIRMENT

Reversal of asset impairment		
- Mine properties and development	**-**	64,619
	-	64,619

NOTE 6. OTHER INCOME / (EXPENSES)

Other income / (expenses)		
Net profit on disposal of available for sale financial assets	**1,474**	-
Net profit on disposal of subsidiaries	**824**	3,377
Net profit / (loss) on the disposal of property, plant and equipment	**(6)**	293
Other income	**1,014**	185
	3,306	3,855

NOTE 7. FINANCE INCOME / (EXPENSES)

Finance income		
Interest income received or receivable		
- Other entities	**761**	999
Exchange gains on foreign currency borrowings (net)	**692**	6,389
	1,453	7,388

NOTE 7. FINANCE INCOME / (EXPENSES) (CONTINUED)

	Six months to 30 June 2011 $'000	Six months to 31 December 2010 $'000
Finance expenses		
Interest charges paid or payable		
- Other entities	**(360)**	(602)
Finance lease interest charges paid or payable	**(1,010)**	(1,210)
Provisions: unwinding of discount		
- Deferred consideration	**(2,720)**	(2,182)
- Decommissioning and restoration	**(520)**	(543)
	(4,610)	(4,537)

NOTE 8. INCOME TAX EXPENSE

	Six months to 30 June 2011 $'000	Six months to 31 December 2010 $'000
A. Income tax expense		
Current tax	**8,585**	-
Deferred tax	**16,996**	41,893
Adjustment to current / deferred tax of prior periods	**-**	(2,030)
	25,581	39,863
Deferred income tax expense included in income tax expense comprises:		
(Increase)/decrease in deferred tax assets	**12,302**	13,221
Increase/(decrease) in deferred tax liabilities	**4,694**	26,642
	16,996	39,863
B. Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	**83,652**	125,104
Tax at the Australian tax rate of 30% (Dec 2010: 30%)	**25,096**	37,531
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
- Revaluation of deferred consideration	**(89)**	5,495
- Unwind of discount on deferred consideration	**816**	655
- Share based payments expense	**140**	128
- Disposal of subsidiary undertakings	**-**	(889)
- Research and development	**-**	(513)
- Sundry items	**(137)**	(163)
	25,826	42,244
Difference in overseas tax rates	**(245)**	(637)
Adjustments to current / deferred tax of prior periods	**-**	(2,030)
Income tax benefits not recognised	**-**	286
Income tax expense	**25,581**	39,863

NOTE 9. CASH AND CASH EQUIVALENTS

	30 June 2011 $'000	31 December 2010 $'000
Cash at bank and in hand	**170,044**	91,922
	170,044	91,922

NOTE 10. TRADE AND OTHER RECEIVABLES

Trade receivables	**13,640**	30,708
Other receivables	**4,726**	4,388
Prepayments	**2,008**	3,505
Security deposits	**556**	708
	20,930	39,309

NOTE 11. INVENTORIES

Stores and spares	**14,866**	16,970
Ore stockpiles - at cost	**12,854**	8,337
Work-in-progress - at cost	**1,604**	1,081
Finished goods - at cost	**26,291**	9,533
	55,615	35,921

NOTE 12. RECEIVABLES

Security deposits	**13,506**	13,768
	13,506	13,768

NOTE 13. PROPERTY, PLANT AND EQUIPMENT

	30 June 2011 $'000	31 December 2010 $'000
Land and Buildings		
- At cost	**53,581**	48,535
- Accumulated depreciation	**(14,761)**	(13,325)
	38,820	35,210
Plant and Equipment		
- At cost	**243,486**	227,401
- Accumulated depreciation	**(112,198)**	(101,713)
	131,288	125,688
Office Equipment		
- At cost	**1,940**	1,886
- Accumulated depreciation	**(1,297)**	(1,090)
	643	796
	170,751	161,694

(a) Movements in property, plant and equipment

	Land and buildings $'000	Plant and equipment $'000	Office equipment $'000	Total $'000
At 1 January 2011				
At cost	48,535	227,401	1,886	277,822
Accumulated depreciation	(13,325)	(101,713)	(1,090)	(116,128)
	35,210	**125,688**	**796**	**161,694**
Period ended 30 June 2011				
Opening net book amount	35,210	125,688	796	161,694
Additions	5,046	16,109	54	21,209
Disposals	-	(24)	-	(24)
Depreciation charge	(1,436)	(10,485)	(207)	(12,128)
Closing net book amount	38,820	131,288	643	170,751
At 30 June 2011				
At cost	53,581	243,486	1,940	299,007
Accumulated depreciation	(14,761)	(112,198)	(1,297)	(128,256)
Net Book Value	**38,820**	**131,288**	**643**	**170,751**

NOTE 14. MINE PROPERTIES AND DEVELOPMENT

	30 June 2011 $'000	31 December 2010 $'000
Mine properties and development (at cost)	**339,616**	339,616
Accumulated depreciation	**(82,501)**	(74,758)
Net book amount	**257,115**	264,858
Deferred mining costs (net book amount)	**140,000**	130,879
Total mine properties and development	**397,115**	395,737

(a) Movements in mine, properties and development

Opening net book amount	**264,858**	209,174
Reversal of asset impairment	**-**	64,619
Change in estimate	**-**	(842)
Depreciation charge	**(7,743)**	(8,093)
Closing net book amount	**257,115**	264,858

(b) Movements in deferred mining costs

Opening net book amount	**130,879**	116,961
Current period expenditure capitalised	**16,371**	14,128
Amounts transferred to inventories	**(7,250)**	(210)
Closing net book amount	**140,000**	130,879

NOTE 15. EXPLORATION AND EVALUATION

Exploration and evaluation properties (at cost)	**71,425**	60,573
	71,425	60,573

Movements in exploration and evaluation expenditure

Opening net book amount	**60,573**	47,269
Current period expenditure	**10,852**	13,304
Closing net book amount	**71,425**	60,573

NOTE 16. DEFERRED TAX ASSETS

	30 June 2011 $'000	31 December 2010 $'000
The balance comprises temporary differences attributable to:		
Trade and other payables	**2,607**	2,610
Employee benefits	**1,418**	1,023
Deferred consideration	**2,235**	344
Decommissioning and restoration	**5,967**	5,769
Taxation losses	**-**	14,946
Other	**2,347**	2,184
Total deferred tax assets	**14,574**	26,876
Set-off against deferred tax liabilities pursuant to set-off provisions (Note 23)	**(14,574)**	(26,876)
Net deferred tax assets	**-**	-

NOTE 17. TRADE AND OTHER PAYABLES

	30 June 2011 $'000	31 December 2010 $'000
Trade payables and accruals	**42,721**	29,240
Current tax liability	**8,585**	-
Other payables	**6,196**	6,362
	57,502	35,602

NOTE 18. BORROWINGS (CURRENT)

	30 June 2011 $'000	31 December 2010 $'000
Secured		
Finance lease liabilities	**9,435**	9,766
Unsecured		
Other	**1,275**	3,368
	10,710	13,134

NOTE 19. DEFERRED CONSIDERATION (CURRENT)

	30 June 2011 $'000	31 December 2010 $'000
Deferred consideration	**5,060**	-
	5,060	-
Movements in deferred consideration:		
Balance at the beginning of the period	**-**	-
Transfers from non-current balance	**5,060**	-
Balance at the end of the period	**5,060**	-

NOTE 20. PROVISONS (CURRENT)

Employee benefits	**3,670**	2,980
Decommissioning and restoration	**310**	228
	3,980	3,208

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

Balance at the beginning of the period	**228**	410
Change in estimate	**82**	(182)
Balance at the end of the period	**310**	228

NOTE 21. BORROWINGS (NON-CURRENT)

	30 June 2011 $'000	31 December 2010 $'000
Secured		
Finance lease liabilities	**19,467**	25,573
Unsecured		
Other	**8,663**	8,287
	28,130	33,860

NOTE 22. DEFERRED CONSIDERATION (NON-CURRENT)

Deferred consideration	**62,936**	59,269
	62,936	59,269
Movements:		
Balance at the beginning of the period	**59,269**	50,409
Charged / (credited) to profit or loss		
- Changes in estimate	**6,007**	6,678
- Unwinding of discount	**2,720**	2,182
Transfers to current balance	**(5,060)**	-
Balance at the end of the period	**62,936**	59,269

The deferred consideration obligation represents a series of payments owing to the previous owners of Grange Resources (Tasmania) Pty Ltd (formerly Australian Bulk Minerals (ABM) and arose from a business combination involving ABM which completed in August 2007. The terms of the obligation were revised in September 2009 and entitle the previous owners to 2% of gross receipts from 2012 to 2023.

NOTE 23. DEFERRED TAX LIABILITIES

The balance comprises temporary differences attributable to:		
Inventory	**3,708**	4,340
Property, plant and equipment	**7,708**	8,120
Mine properties and development	**69,920**	67,554
Exploration and evaluation	**21,051**	17,795
Borrowings	**1,285**	1,018
Other	**-**	151
Total deferred tax liabilities	**103,672**	98,978
Set-off against deferred tax assets pursuant to set-off provisions (Note 16)	**(14,574)**	(26,876)
Net deferred tax liabilities	**89,098**	72,102

NOTE 24. PROVISONS (NON-CURRENT)

	30 June 2011 $'000	31 December 2010 $'000
Employee benefits	**953**	673
Decommissioning and restoration	**19,445**	19,001
	20,398	19,674

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

Balance at the beginning of the period	**19,001**	19,085
Changes in estimate	**(76)**	(627)
Unwinding of discount	**520**	543
Balance at the end of the period	**19,445**	19,001

NOTE 25. CONTRIBUTED EQUITY

(a) Movements in consolidated share capital		**Number of Shares**	**$'000**
1 January 2011 – Opening balance		**1,152,077,403**	**328,912**
3rd March 2011 – Issue of shares under long term incentive plan	(i)	**769,321**	**244**
5th May 2011 – Issue of shares under long term incentive plan	(ii)	**334,763**	**181**
30 June 2011 – Closing balance		**1,153,181,487**	**329,337**

(i) In March 2011, the Company issued 769,321 ordinary shares to eligible in accordance with the terms of the Company's Long Term Incentive Plan.

(ii) In May 2011, the Company issued 334,763 ordinary shares to eligible employees in accordance with the terms of the Company 's Long Term Incentive Plan.

NOTE 26. RESERVES

Share-based payments reserve	**2,998**	2,955
	2,998	2,955

NOTE 27. DIVIDENDS

The Company has declared an inaugural interim dividend of 2 cents per share (unfranked). The Record Date for the interim dividend will be 27 September 2011.

NOTE 28. CONTINGENT LIABILITIES

On 2 January 2009, Grange completed the legal acquisition of Ever Green Resources Co., Ltd. The Company previously disclosed in the Annual Report for the period ended 31 December 2010 that the Commissioner of State Revenue in Tasmania was assessing the land rich duty implications of this transactions. The Commissioner informed the Company during the half year ended 30 June 2011 that no land rich duty obligations arose from this transaction.

There is no other significant change to the contingent liabilities previously disclosed in the Annual Report for the period ended 31 December 2010.

DIRECTORS' DECLARATION

In the directors' opinion:

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

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

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of it's performance for the half year ended on that date, and

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

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

Russell Clark
Managing Director & Chief Executive Officer
Perth, Western Australia
30 August 2011

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 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Grange Resources Limited (the consolidated entity). The consolidated entity comprises both Grange Resources Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such 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 an Interim 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 2011 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. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. 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.

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

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Independence

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

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 2011 and of its performance for the half-year ended on that date; and

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

PricewaterhouseCoopers

PricewaterhouseCoopers

D.G. Smith

Debbie Smith
Partner

Melbourne
30 August 2011