



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 2014

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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 2014.

Directors

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

Michelle Li	Chairman and Interim Executive Director
John Hoon	Non-Executive Director
Honglin Zhao	Executive Director
Clement Ko	Non-Executive Director

As announced on 18 August 2014, the Board has established an Executive Committee comprising Dr Michelle Li, Mr Honglin Zhao and Mr Daniel Tenardi to manage the Company on an interim basis following Wayne Bould leaving the Company. Until a replacement has been appointed, Grange management will continue with operational responsibilities and will report to the Executive Committee. The Company has commenced a search for a replacement for Mr Bould.

Michelle Li has been operating as Interim Executive Chairman of the Company from 18 August 2014 as a result of her role on the Executive Committee.

Daniel Tenardi was appointed a non-executive Director of the Company from 31 March 2014 and has been operating as an Interim Executive Director from 18 August 2014 as a result of his role on the Executive Committee.

Wayne Bould was Managing Director of the Company until 18 August 2014. He ceased being a Director of the Company on 22 August 2014.

Neil Chatfield was non-executive Director and Deputy Chairman of the Company until 15 April 2014.

Yan Jia was appointed a non-executive Director of the Company from 1 June 2014.

Principal activities

During the six months ended 30 June 2014, 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.

Review of operations

Key Highlights

- Outstanding safety performance continues with no Lost Time Injuries recorded during the half year. Over 1,435 days Lost Time Injury free, an exceptional result
- Statutory loss after tax of \$162.2 million which included significant non-cash losses of \$186.5 million arising from an impairment of the carrying value of Savage River assets (\$207.3 million after tax) partially offset by a profit from the successful negotiation and settlement of a pre-merger deferred consideration obligation (\$20.8 million after tax).
- Underlying profit after tax of \$24.4 million, on revenues from mining operations of \$129.7 million
- Downward pressures on iron ore prices due to increased supply in the market, pressures in the Chinese market and the discounting of lower quality iron ore products

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- Grange's high quality, low impurity iron ore products continue to attract a premium with average product prices of US\$121.13 (A\$132.16) per tonne (FOB Port Latta) (2013: US\$140.57 per tonne (A\$139.08 per tonne))
- Focussed on selling cargoes to long term customers rather than opportunistic bidders
- Maintained good access to higher grade ore in the North pit and improved production results
 - Maintained focus on mine redevelopment in North Pit and continued pre-production stripping in South Deposit targeting ore supply in Q4 2014
 - Average weight recovery of approximately 50% for the period, a significant improvement from the preceding 2013 half year which was impacted by lower grade ore feeds
 - Sustained production at annualised rates of approximately 2.5 million tonnes per annum
 - Pellet production of 1.1 million tonnes an increase of approximately 32% from the preceding 2013 half-year
 - Improved production and continued cost control disciplines have reduced C1 cash operating costs to \$93.38 per tonne, a decrease of approximately 30% from the preceding 2013 half year
- Gained approval for the construction of the South Deposit Tailings Storage Facility

Review of Results

Statement of Comprehensive Income

Grange recorded a statutory loss after tax of \$162.2 million for the half-year ended 30 June 2014 (2013 restated: \$9k profit after tax). This result included the following significant non cash after tax losses which totalled \$186.5 million:

- A non-cash profit of \$20.8 million after tax arising from the successful negotiation and settlement of a pre-merger deferred consideration obligation; and
- A non-cash impairment of the carrying value of Savage River assets of \$296.1 million (\$207.3 million after tax) primarily as a result of lower than forecast iron ore prices arising from recent changes in the supply and demand dynamics of the market.

Underlying profit after tax for the half year period, after excluding these significant non-cash items, was \$24.4 million (2013 restated: \$9k profit after tax). A reconciliation of underlying profit to the statutory loss for the half-year ended 30 June 2014 is set out below

	6 months to 30 June 2014 \$'000
Underlying profit after tax	24,382
Significant items (net of tax)	
Settlement of deferred consideration	20,757
Impairment of assets	(207,292)
Statutory loss after tax	(162,153)

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Key revenue metrics for the 30 June 2014 half-year and preceding 2013 half-year were as follows:

	6 months to 30 June 2014	6 months to 30 June 2013
Iron Ore Pellet Sales (dmt)	945,185	731,086
Iron Ore Concentrate Sales (dmt)	79	36
Iron Ore Chip Sales (dmt)	35,910	37,370
TOTAL Iron Ore Product Sales (dmt)	981,174	768,492
Average Realised Product Price (US\$/t FOB Port Latta)	\$121.13	\$140.57
Average Realised Exchange Rate (AUD:USD)	\$0.9165	\$1.0107
Average Realised Product Price (A\$/t FOB Port Latta)	\$132.16	\$139.08

Total sales for the half-year ended 30 June 2014 totalled 981,174 tonnes of high quality, low impurity iron ore products (2013: 768,492 tonnes) and reflects stronger production from maintaining good access to high grade ore.

The average pellet price received during the half-year was US\$121.13 per tonne of product sold (FOB Port Latta) (2013: US\$140.57 per tonne). The downward movement is consistent with the reduction in benchmark 62% Fe iron ore prices (CFR China) which was driven by the introduction of additional volume from major iron ore producers, ongoing pressures in the Chinese market (from higher port stockpiles and tightening of domestic credit availability) and discounting of lower quality iron ore products. The market did however continue to recognise the quality value in use premium for high quality, low impurity iron ore products sold by Grange.

During the half-year the Company has seen a growing interest from alternative markets such as Japan, Malaysia and the Middle East. We have commenced negotiating sales into these markets which is consistent with our risk diversification strategy of marketing and selling to customers across a number of geographic locations.

With soft market conditions the Company has made a strategic decision not to place a number of cargoes into a market driven by opportunistic bidders. It is expected that the higher product stockpiles will be placed with long term buyers during the third quarter.

Key operating metrics for the 30 June 2014 half-year and preceding 2013 half-year were as follows:

	6 months to 30 June 2014	6 months to 30 June 2013
Total BCM Mined	8,823,122	9,108,261
Total Ore BCM	726,717	869,796
Concentrate Produced (t)	1,228,783	850,485
Weight Recovery (%)	49.6	28.5
Pellets Produced (t)	1,118,415	849,615
Pellet Stockpile (t)	405,633	248,320
“C1” Operating Cost (A\$/tonne Product Produced)¹	\$93.38	\$133.36

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.

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Mining operations continue to be focussed on the North Pit main ore zone as well as pre-production stripping at South Deposit. It is planned that South Deposit will commence delivering ore during Q4 2014 thereby mitigating reliance on North Pit as a single source of high quality ore.

Overall material movements continue as planned and good access to high grade ore (delivering weight recoveries of approximately 50%) has been sustained. This higher grade material has improved concentrate and pellet production and driven C1 unit operating costs approximately 30% lower to \$93.38 per tonne during a period of soft market conditions. A rock-fall occurred in the North Pit during July 2014 following a period of inclement weather. This event was closely monitored and safely controlled. Remediation efforts are now well underway and the Company does not foresee any impact on forecast production of approximately 2.3 million tonnes of iron ore products in 2014.

The construction of the South Deposit Tailings Storage Facility (SDTSF) is now a key priority with all State and Federal approvals obtained. This is a significant project in terms of the ongoing viability of the Savage River operations as it will provide sufficient tailings storage capacity for the remaining life of the mine. This facility will also facilitate the treatment of the legacy environmental issues arising from previous operations at Savage River.

Expenditure on exploration and evaluation activities during the period was \$0.8 million and has been charged to the income statement following a voluntary change in the Group's accounting policy. Under the new policy, exploration and evaluation expenditure is charged to the profit and loss as it is incurred. This change reflects the Group's primary activity which is mining operations and provides a higher degree of confidence as to the probability that future economic benefits will flow to the Group prior to the capitalisation of such costs.

Statement of Financial Position

Grange's net assets decreased during the half-year period to \$483.2 million (31 December 2013 restated: \$668.4 million) principally as a result of the following:

- Increased inventory stockpiles of \$14.5 million arising from improved concentrate and pellet production and a strategic decision to defer the placement of a number of cargoes;
- Ongoing mine development in both North Pit and South Deposit which has increased capitalised mine development by \$31.7 million;
- A non-cash impairment of the carrying value of Savage River assets of \$207.3 million (net of tax) primarily as a result of lower than forecast iron ore prices arising from recent changes in the supply and demand dynamics of the market;
- The settlement of the pre-merger deferred consideration obligation which reduced liabilities by \$43.9 million; and
- A reduction in cash and cash equivalents of \$45.4 million principally from the payment of the final dividend for the year ended 31 December 2013 (\$23.1 million) and the settlement of the pre-merger deferred consideration obligation (\$24.4 million).

Statement of Cash Flows

Net cash flows from operating activities

Net cash inflows from operating activities for the period were \$64.9 million (2013 restated inflow: \$20.4 million) and reflects higher iron ore product sales and improved access to high grade ore which has allowed for increased mine development and reduced operating cash outflows when compared with the prior period.

Interest received of \$1.4 million (2013: \$2.2 million) was lower than the corresponding period due to lower average cash balances and a reduction in AUD interest rates.

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Net cash flows from investing activities

Net cash outflows from investing activities for the period were \$58.4 million (2013 restated inflow: \$12.1 million) and principally related to ongoing mine development in North Pit (\$16.0 million) and pre-production stripping in South Deposit (\$41.0 million).

Net cash flows from financing activities

Net cash outflows from financing activities for the period were \$49.9 million (2013 outflow: \$28.3 million) and principally related to the payment of the final dividend for the year ended 31 December 2013 (\$23.1 million) and the settlement of the pre-merger deferred consideration obligation (\$24.4 million).

The Directors have resolved to defer any decision on the payment of dividends for the year ended 31 December 2014 until February 2015. The decision will provide the Directors with additional time to assess the impact of the current iron ore market on the Company.

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 7.

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



Michelle Li
Chairman and Interim Executive Director
Burnie, Tasmania
29 August 2014



Auditor's Independence Declaration

As lead auditor for the review of Grange Resources Limited for the half year ended 30 June 2014, 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.

A handwritten signature in black ink, appearing to read 'John O'Donoghue', is written over a light blue horizontal line.

John O'Donoghue
Partner
PricewaterhouseCoopers

Melbourne
29 August 2014

GRANGE RESOURCES LIMITED
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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 JUNE 2014

	Notes	Six months to 30 June 2014 \$'000	Six months to 30 June 2013 (Restated) \$'000
Revenues from mining operations	3	129,668	106,884
Cost of sales	4	(87,665)	(108,742)
Gross profit / (loss) from mining operations		42,003	(1,858)
Administration expenses		(2,188)	(2,331)
Operating profit / (loss) before other income / (expenses)		39,815	(4,189)
Other income / (expenses)			
Revaluation of deferred consideration	18	(134)	3,169
Settlement of deferred consideration	18	20,757	-
Exploration and evaluation expenditure		(761)	(3,549)
Impairment of assets	27	(296,132)	-
Other income / (expenses)	5	58	895
Operating (loss) before finance income / (expenses)		(236,397)	(3,674)
Finance income	6	1,408	5,832
Finance expenses	6	(5,894)	(3,350)
Profit / (loss) before tax		(240,883)	(1,192)
Income tax benefit	7	78,730	1,201
Profit / (loss) for the period		(162,153)	9
Total comprehensive income for the period		(162,153)	9
<i>Profit for the period attributable to</i>			
- Equity holders of Grange Resources Limited		(162,153)	9
		(162,153)	9
<i>Total comprehensive income for the period attributable to</i>			
- Equity holders of Grange Resources Limited		(162,153)	9
		(162,153)	9
Earnings per share for profit attributable to the ordinary equity holders of Grange Resources Limited			
- Basic earnings per share (cents per share)		(14.01)	0.00
- Diluted earnings per share (cents per share)		(14.00)	0.00

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

GRANGE RESOURCES LIMITED
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Notes	30 June 2014 \$'000	31 December 2013 (Restated) \$'000	1 January 2013 (Restated) \$'000
ASSETS				
Current assets				
Cash and cash equivalents	8	109,463	154,881	119,918
Term deposits		-	5,000	55,000
Trade and other receivables	9	20,914	29,269	22,397
Inventories	10	74,473	59,981	53,097
Intangible assets	11	1,406	3,063	5,548
Total current assets		206,256	252,194	255,960
Non-current assets				
Receivables	12	7,797	7,747	6,937
Property, plant and equipment	13	77,678	163,747	171,879
Mine properties and development	14	186,979	369,775	365,281
Deferred tax assets	15	78,727	664	8,385
Total non-current assets		351,181	541,933	552,482
Total assets		557,437	794,127	808,442
LIABILITIES				
Current liabilities				
Trade and other payables	16	22,676	28,171	28,697
Borrowings	17	686	2,852	13,876
Deferred consideration	18	-	8,332	7,559
Current tax liabilities		-	667	-
Provisions	19	11,419	15,366	13,091
Total current liabilities		34,781	55,388	63,223

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Notes	30 June 2014 \$'000	31 December 2013 (Restated) \$'000	1 January 2013 (Restated) \$'000
Non-current liabilities				
Borrowings	20	489	680	-
Deferred consideration	21	-	35,536	42,027
Deferred tax liabilities	22	-	-	-
Provisions	23	38,951	34,048	33,737
Total non-current liabilities		39,440	70,264	75,764
Total liabilities		74,221	125,652	138,987
Net assets		483,216	668,475	669,455
EQUITY				
Contributed equity	24	331,373	331,373	330,334
Reserves	25	419	383	1,103
Retained earnings		151,424	336,719	338,018
Total equity		483,216	668,475	669,455

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 30 JUNE 2014

	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings (Restated) \$'000	TOTAL (Restated) \$'000
Balance at 1 January 2014		331,373	383	417,320	749,076
Change in accounting policy	1(b)	-	-	(80,601)	(80,601)
Restated balance at 1 January 2014		331,373	383	336,719	668,475
Loss for the period		-	-	(162,153)	(162,153)
Total comprehensive income for the period		-	-	(162,153)	(162,153)
Transactions with owners in their capacity as owners					
Dividends paid	26	-	-	(23,142)	(23,142)
Employee share rights		-	36	-	36
		-	36	(23,142)	(23,106)
Balance at 30 June 2014		331,373	419	151,424	483,216
Balance at 1 January 2013					
Balance at 1 January 2013		330,334	1,103	414,832	746,269
Change in accounting policy	1(b)	-	-	(76,814)	(76,814)
Restated balance at 1 January 2013		330,334	1,103	338,018	669,455
Profit for the period		-	-	9	9
Total comprehensive income for the period		-	-	9	9
Transactions with owners in their capacity as owners					
Dividends paid	26	-	-	(11,564)	(11,564)
Employee share rights		631	(467)	-	164
		631	(467)	(11,564)	(11,400)
Balance at 30 June 2013		330,965	636	326,463	658,064

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

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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 30 JUNE 2014

	Notes	Six months to 30 June 2014 \$'000	Six months to 30 June 2013 (Restated) \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		137,056	107,345
Payments to suppliers and employees (inclusive of goods and services tax)		(73,473)	(89,119)
		63,583	18,226
Interest received		1,389	2,155
Interest paid		(70)	-
Income taxes paid		-	-
Net cash inflow / (outflow) from operating activities		64,902	20,381
Cash flows from investing activities			
Payments for property, plant and equipment		(6,400)	(4,499)
Payments for mine properties and development		(56,974)	(34,799)
Proceeds from / (payments for) term deposits		4,942	51,351
Net cash inflow / (outflow) from investing activities		(58,432)	12,053
Cash flows from financing activities			
Finance lease payments		(209)	(14,243)
Repayment of borrowings		(2,170)	-
Payment of deferred consideration		(24,412)	(2,498)
Payment of dividends to shareholders		(23,142)	(11,564)
Net cash inflow / (outflow) from financing activities		(49,933)	(28,305)
Net increase / (decrease) in cash and cash equivalents		(43,463)	4,129
Cash and cash equivalents at beginning of the period		154,881	119,918
Net foreign exchange differences		(1,955)	4,932
Cash and cash equivalents at end of the period	8	109,463	128,979

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2014 has been prepared in accordance with Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*.

The consolidated 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 year ended 31 December 2013 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 financial report are consistent with those of the previous financial year and corresponding interim period, except for the following:

(i) Change in accounting policy

The Group has made a voluntary change to its accounting policy relating to exploration and evaluation expenditure. The new accounting policy was adopted for the year ended 31 December 2014 with effect from 1 January 2014 and has been applied retrospectively.

The new exploration and evaluation expenditure accounting policy is to charge exploration and evaluation expenditure against profit and loss as incurred; except for expenditure incurred after a decision to proceed to development is made, in which case the expenditure is capitalised as an asset.

The previous accounting policy was to capitalise and carry forward exploration and evaluation expenditure as an asset when rights to tenure of the area of interest were current and costs were expected to be recouped through successful development and exploitation of the area of interest or alternatively by its sale.

Management judges that the change in policy will result in the financial report providing more relevant and no less reliable information because the Group's primary business is mining operations and it provides a higher degree of confidence as to the probability that future economic benefits will flow to the Group prior to the capitalisation of such costs.

AASB 6 Exploration for and Evaluation of Mineral Resources allows both the previous and new accounting policies of the Group.

Details in relation to the impact of this change in accounting policy on comparative financial information are disclosed in Note 28.

(ii) Reclassification of comparative financial information

The Group has reclassified financial information for the comparative period to improve the relevance and reliability of information presented. This reclassification within current liabilities has reduced trade and other payables by \$6.3 million and increased current provisions by the same amount at the beginning of the earliest period presented in the interim financial report, being 1 January 2013. A reclassification has also been made to the statement of financial position as at 31 December 2013. This revised presentation reflects the annual leave obligation as an employee benefits provision. There have been no changes to the comparative income statement, statement of changes in equity or statement of cash flows as a result of this reclassification.

Details in relation to the impact of this reclassification on comparative financial information is disclosed in Note 28.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) New accounting standards and interpretations

A number of new or amended standards became applicable for the current reporting period, however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. There will be some changes to the disclosures in the 31 December 2014 annual report as a consequence of these amendments.

(c) Critical Accounting Estimates and Judgements

The preparation of this interim 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 financial report are consistent with those of the previous financial year, except for the following:

(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. Where there is an indication of a possible impairment, a formal estimate of the recoverable amount of each Cash Generating Unit (CGU) is made, which is deemed to be the higher of a cash generating unit's fair value less costs of disposal and its value in use.

Details in relation to the Group's impairment assessment as at 30 June 2014 are disclosed in Note 27 of this interim financial report.

NOTE 2. SEGMENT INFORMATION

Management has determined and presented operating segments based on the reports reviewed by the Executive Committee, 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 Executive Committee 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 the 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 Executive Committee. These projects may become segments in the future.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SEGMENT INFORMATION (continued)

The following table presents revenues from sales of iron ore based on the geographical location of the port of discharge.

	Six months to 30 June 2014 \$'000	Six months to 30 June 2013 \$'000
Segment revenues from sales to external customers		
Australia	6,568	11
China	103,075	95,666
India	-	665
Japan	20,025	7,723
Philippines	-	2,819
TOTAL	129,668	106,884

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 2013 and 30 June 2014. The total costs incurred during the current and comparative periods to acquire segment assets were also predominately incurred in Australia.

NOTE 3. REVENUE

From mining operations

Sales of iron ore	129,668	106,884
	129,668	106,884

NOTE 4. COST OF SALES

Mining costs	67,769	67,419
Production costs	46,848	45,925
Government royalties	5,154	3,322
Depreciation and amortisation expense	10,803	11,152
Mine properties and development		
- Amounts capitalised during the period	(40,496)	(17,777)
- Amortisation expense	6,846	7,600
Deferred stripping		
- Amounts capitalised during the period	(15,988)	(17,022)
- Amortisation expense	21,081	27,983
Changes in inventories	(14,677)	(18,400)
Foreign exchange (gain) / loss	325	(1,460)
	87,665	108,742

NOTE 5. OTHER INCOME / (EXPENSES)

Net profit on the disposal of property, plant and equipment	-	9
Other income	58	886
	58	895

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6. FINANCE INCOME / (EXPENSES)

	Six months to 30 June 2014 \$'000	Six months to 30 June 2013 (Restated) \$'000
Finance income		
Interest income received or receivable		
- Other entities	1,408	2,229
Exchange gains on foreign currency deposits / borrowings (net)	-	3,603
	1,408	5,832
Finance expenses		
Interest charges paid or payable		
- Other entities	(159)	(47)
Finance lease interest charges paid or payable	(52)	(289)
Exchange loss on foreign currency deposits / borrowings (net)	(3,984)	-
Provisions: unwinding of discount		
- Deferred consideration	(1,167)	(2,488)
- Decommissioning and restoration	(532)	(526)
	(5,894)	(3,350)

NOTE 7. INCOME TAX BENEFIT

(a) Income tax benefit

Current tax	(667)	-
Deferred tax	(78,063)	(1,201)
	(78,730)	(1,201)

Deferred income tax (revenue) / expense included in income tax benefit comprises:

(Increase)/decrease in deferred tax assets	(46,827)	(7,488)
Increase/(decrease) in deferred tax liabilities	(31,236)	6,287
	(78,063)	(1,201)

(b) Numerical reconciliation of income tax expense to prima facie tax payable

Profit / (loss) from continuing operations before income tax expense	(240,883)	(1,192)
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Tax at the Australian tax rate of 30% (June 2013: 30%)	(72,265)	(358)
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Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:

Revaluation of deferred consideration	40	(951)
Settlement of deferred consideration	(6,227)	-
Unwind of discount on deferred consideration	350	746
Sundry items	22	249
	(78,080)	(314)
Adjustments to current / deferred tax of prior periods	(650)	(887)
Income tax (benefit)	(78,730)	(1,201)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8. CASH AND CASH EQUIVALENTS

	30 June 2014 \$'000	31 December 2013 \$'000
Cash at bank and in hand	22,661	31,223
Term deposits	86,802	123,658
	<u>109,463</u>	<u>154,881</u>

(a) Total cash

Cash at bank and in hand as per statement of cash flows	109,463	154,881
<i>Add:</i>		
Current term deposits	-	5,000
	<u>109,463</u>	<u>159,881</u>

NOTE 9. TRADE AND OTHER RECEIVABLES

Trade receivables	14,028	21,696
Security deposits	402	394
Other receivables	4,984	3,842
Prepayments	1,500	3,337
	<u>20,914</u>	<u>29,269</u>

NOTE 10. INVENTORIES

Stores and spares	20,658	20,843
Ore stockpiles (at cost)	22,344	20,487
Work-in-progress (at cost)	3,528	439
Finished goods (at cost)	27,943	18,212
	<u>74,473</u>	<u>59,981</u>

NOTE 11. INTANGIBLE ASSETS

Carbon units ⁽¹⁾	1,406	3,063
	<u>1,406</u>	<u>3,063</u>

⁽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 2013-14 vintage year.

NOTE 12. RECEIVABLES

Security deposits	7,797	7,747
	<u>7,797</u>	<u>7,747</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings \$'000	Plant and equipment \$'000	Computer equipment \$'000	Total \$'000
At 1 January 2014				
At cost	38,485	300,448	6,883	345,816
Accumulated depreciation	(13,136)	(165,907)	(3,026)	(182,069)
Net book amount	25,349	134,541	3,857	163,747
Period ended 30 June 2014				
Opening net book amount	25,349	134,541	3,857	163,747
Additions	3,295	3,025	80	6,400
Disposals	-	-	(1)	(1)
Depreciation charge	(790)	(9,346)	(695)	(10,831)
Impairment losses (refer Note 27)	(13,045)	(66,917)	(1,675)	(81,637)
Closing net book amount	14,809	61,303	1,566	77,678
At 30 June 2014				
At cost	41,780	303,469	6,938	352,187
Accumulated depreciation and impairment	(26,971)	(242,166)	(5,372)	(274,509)
Net book amount	14,809	61,303	1,566	77,678

NOTE 14. MINE PROPERTIES AND DEVELOPMENT

	30 June 2014 \$'000	31 December 2013 \$'000
Mine properties and development (at cost)	455,069	411,431
Accumulated amortisation and impairment	(342,293)	(120,952)
Net book amount	112,776	290,479
Deferred stripping costs (net book amount)	74,203	79,296
Total mine properties and development	186,979	369,775
<i>(a) Movements in mine properties and development:</i>		
Opening net book amount	290,479	
Current period expenditure capitalised	40,986	
Change in rehabilitation estimate	2,652	
Amortisation expense	(6,846)	
Impairment losses (refer Note 27)	(214,495)	
Closing net book amount	112,776	
<i>(b) Movements in deferred stripping costs:</i>		
Opening net book amount	79,296	
Current period expenditure capitalised	15,988	
Amortisation expense	(21,081)	
Closing net book amount	74,203	

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15. DEFERRED TAX ASSETS

	30 June	31 December
	2014	2013
		(Restated)
	\$'000	\$'000
<i>The balance comprises temporary differences attributable to:</i>		
Property, plant and equipment	44,260	21,263
Mine properties and development	22,940	-
Trade and other payables	39	112
Employee benefits	4,148	4,753
Decommissioning and restoration	8,190	7,369
Taxation losses / off-sets	709	-
Other	887	849
Total deferred tax assets	81,173	34,346
Set-off against deferred tax liabilities pursuant to set-off provisions (Note 22)	(2,446)	(33,682)
Net deferred tax assets	78,727	664

NOTE 16. TRADE AND OTHER PAYABLES

Trade payables and accruals	19,057	24,157
Other payables	3,619	4,014
	22,676	28,171

NOTE 17. BORROWINGS (CURRENT)

Secured

Finance lease liabilities ⁽¹⁾	324	319
Other borrowings	362	2,533
	686	2,852

(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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18. DEFERRED CONSIDERATION (CURRENT)

	30 June 2014	31 December 2013 (Restated)
	\$'000	\$'000
Deferred consideration	-	8,332
	<u>-</u>	<u>8,332</u>

(a) Movements in deferred consideration:

Balance at the beginning of the period	8,332
Payments	(24,412)
Change in estimate	134
Unwind of discount	165
Gain on settlement	(20,757)
Transfers from non-current balance	<u>36,538</u>
Balance at the end of the period	<u>-</u>

The deferred consideration obligation represented 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 entitled the previous owners to 2% of the gross receipts of Grange Resources (Tasmania) Pty Ltd from 1 January 2012 to 31 December 2023. The Company successfully negotiated a settlement of the deferred consideration obligation for an immediate cash payment of US\$21 million (A\$22.4 million) in April 2014.

NOTE 19. PROVISIONS (CURRENT)

Employee benefits	10,652	14,629
Decommissioning and restoration	560	535
Other	<u>207</u>	<u>202</u>
	<u>11,419</u>	<u>15,366</u>

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

	Decommissioning and restoration	Other
Balance at the beginning of the period	535	202
Payments	(272)	(117)
Transfers from non-current provisions	<u>297</u>	<u>122</u>
Balance at the end of the period	<u>560</u>	<u>207</u>

NOTE 20. BORROWINGS (NON-CURRENT)

Secured

Finance lease liabilities ⁽¹⁾	<u>489</u>	<u>680</u>
	<u>489</u>	<u>680</u>

(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.

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NOTE 21. DEFERRED CONSIDERATION (NON-CURRENT)

	30 June	31 December
	2014	2013
		(Restated)
	\$'000	\$'000
Deferred consideration	-	35,536
	<u>-</u>	<u>35,536</u>

(a) Movements in deferred consideration:

Balance at the beginning of the period	35,536	
Unwinding of discount	1,002	
Transfers to current balance	<u>(36,538)</u>	
Balance at the end of the period	<u>-</u>	

NOTE 22. DEFERRED TAX LIABILITIES

The balance comprises temporary differences attributable to:

Trade and other receivables	10	39
Inventory	2,436	2,651
Mine properties and development	-	30,992
Total deferred tax liabilities	<u>2,446</u>	<u>33,682</u>
Set-off against deferred tax assets pursuant to set-off provisions (Note 15)	<u>(2,446)</u>	<u>(33,682)</u>
Net deferred tax liabilities	<u>-</u>	<u>-</u>

NOTE 23. PROVISIONS (NON-CURRENT)

Employee benefits	3,175	1,225
Decommissioning and restoration	35,670	32,595
Other	<u>106</u>	<u>228</u>
	<u>38,951</u>	<u>34,048</u>

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

	Decommissioning and restoration	Other
Balance at the beginning of the period	32,595	228
Changes in estimate	2,840	-
Unwinding of discount	532	-
Transfers to current provisions	<u>(297)</u>	<u>(122)</u>
Balance at the end of the period	<u>35,670</u>	<u>106</u>

GRANGE RESOURCES LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 24. CONTRIBUTED EQUITY

	30 June	31 December
	2014	2013
	\$'000	\$'000
Contributed equity (1,157,097,869 ordinary shares)	331,373	331,373
	<u>331,373</u>	<u>331,373</u>

NOTE 25. RESERVES

Share-based payments reserve	419	383
	<u>419</u>	<u>383</u>

NOTE 26. DIVIDENDS

Unfranked final dividend for the year ended 31 December 2013 – ordinary final dividend of 1 cent per share (2012: 1 cent per share) and an additional special dividend of 1 cent per share (2012: nil)	(23,142)	(11,564)
Unfranked interim dividend for the year ended 31 December 2013 - 1 cent per share	-	(11,565)
	<u>(23,142)</u>	<u>(23,129)</u>

The Directors have resolved to defer any decision on the payment of dividends for the year ended 31 December 2014 until February 2015. The decision will provide the Directors with additional time to assess the impact of the current iron ore market on the Company.

NOTE 27. IMPAIRMENT OF NON-CURRENT ASSETS

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. The Company considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 30 June 2014, the market capitalisation of the Company was below the book value of its net assets, indicating a potential trigger for impairment of assets.

(a) Impairment Testing

(i) Methodology

An impairment loss is recognised for a Cash Generating Unit (CGU) when the recoverable amount is less than the carrying amount. The recoverable amount of each CGU has been estimated using a fair value less costs of disposal basis. The costs of disposal have been estimated by management based on prevailing market conditions.

Fair value is estimated based on the net present value of estimated future cash flows for a CGU. Future cash flows are based on a number of assumptions, including commodity price expectations, foreign exchange rates, reserves and resources and expectations regarding future operating performance and capital requirements which are subject to risk and uncertainty. An adverse change in one or more of the assumptions used to estimate fair value could result in a reduction of the CGU's fair value.

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NOTE 27. IMPAIRMENT OF NON-CURRENT ASSETS (continued)

(ii) Key assumptions

At the end of the reporting period the key assumptions used by the Directors in determining the recoverable amount for the Group's Savage River CGU were in the following ranges and for comparison purposes also provides the equivalent assumptions used as at 31 December 2013:

Assumptions	30 June 2014		31 December 2013	
	2014 – 2022	Long Term 2023+	2014 – 2022	Long Term 2023+
Iron ore pellets (FOB Port Latta) (US\$ per DMT)	US\$114/t – US\$92/t	US\$91/t	US\$140/t – US\$105/t	US\$105/t
AUD:USD exchange rate	\$0.92 declining to \$0.80	\$0.80	\$0.90 declining to \$0.81	\$0.81
Post-tax real discount rate	10%		10%	

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 least once every six months, in-line with the Group's reporting dates. The rates applied for the period to 2018 are based upon analysis performed by an external party which then transition to a long term market based assumption over a five year period from 2018.

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.

(iii) Impacts

As at the reporting date, the Group has conducted a carrying value analysis and recognised non-current asset impairments of the carrying value of Savage River assets of \$207.3 million after tax, as summarised in the table below:

	Total \$'000
Impairments	
Property plant and equipment	81,637
Mine properties and development	214,495
Total asset impairments	296,132
Tax effect	(88,840)
Total asset impairments after tax	207,292

The key driver of the impairment is lower than forecast iron ore prices arising from recent changes in the supply and demand dynamics of the market.

GRANGE RESOURCES LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 27. IMPAIRMENT OF NON-CURRENT ASSETS (continued)

(iv) Sensitivity analysis

After recognising the asset impairments in respect of Savage River, the fair value of this asset is assessed as being equal to its carrying amount as at 30 June 2014.

Any variation in the key assumptions used to determine fair value will result in a change of the estimated fair value. If the variation in assumption has a negative impact on fair value it could indicate a requirement for an additional impairment to non-current assets.

It is estimated that changes in the following key assumptions would have the following approximate impact on the fair value of the Savage River CGU that has been subject to impairment as at 30 June 2014:

Decrease in fair value resulting from:

US\$1 per dmt decrease in iron ore pellet prices (FOB Port Latta)	\$18.0 million
\$0.01 increase in the AUD:USD exchange rate	\$22.1 million
1% increase in estimated operating costs	\$11.0 million
25 bps increase in the discount rate	\$9.5 million

Reasonably possible changes in circumstances may affect these key assumptions and therefore the fair value. 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 statement of comprehensive income.

GRANGE RESOURCES LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 28. IMPACTS ARISING FROM A CHANGE IN ACCOUNTING POLICY AND THE RECLASSIFICATION OF COMPARATIVE FINANCIAL INFORMATION

(a) Statement of Financial Position – 1 January 2013

	31 December 2012	Increase / (Decrease)		1 January 2013 (Restated)
	\$'000	Accounting Policy \$'000	Reclassification \$'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	53,097	-	-	53,097
Intangible assets	5,548	-	-	5,548
Total current assets	255,960	-	-	255,960
Non-current assets				
Receivables	6,937	-	-	6,937
Property, plant and equipment	171,879	-	-	171,879
Mine properties and development	365,281	-	-	365,281
Exploration and evaluation	109,734	(109,734)	-	-
Deferred tax assets	-	8,385	-	8,385
Total non-current assets	653,831	(101,349)	-	552,482
Total assets	909,791	(101,349)	-	808,442
LIABILITIES				
Current liabilities				
Trade and other payables	34,982	-	(6,285)	28,697
Borrowings	13,876	-	-	13,876
Deferred consideration	7,559	-	-	7,559
Current tax liabilities	-	-	-	-
Provisions	6,806	-	6,285	13,091
Total current liabilities	63,223	-	-	63,223
Non-current liabilities				
Borrowings	-	-	-	-
Deferred consideration	42,027	-	-	42,027
Deferred tax liabilities	24,535	(24,535)	-	-
Provisions	33,737	-	-	33,737
Total non-current liabilities	100,299	(24,535)	-	75,764
Total liabilities	163,522	(24,535)	-	138,987
Net assets	746,269	(76,814)	-	669,455
EQUITY				
Contributed equity	330,334	-	-	330,334
Reserves	1,103	-	-	1,103
Retained earnings	414,832	(76,814)	-	338,018
Total equity	746,269	(76,814)	-	669,455

GRANGE RESOURCES LIMITED
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 28. IMPACTS ARISING FROM A CHANGE IN ACCOUNTING POLICY AND THE RECLASSIFICATION OF COMPARATIVE FINANCIAL *(continued)*

(b) Statement of Comprehensive Income – Six Months to 30 June 2013

	Six months to 30 June 2013	Profit Increase / (Decrease)	Six months to 30 June 2013 (Restated)
	\$'000	\$'000	\$'000
Revenues from mining operations	106,884	-	106,884
Cost of sales	(108,742)	-	(108,742)
Gross profit from mining operations	(1,858)	-	(1,858)
Administration expenses	(2,331)	-	(2,331)
Operating profit before other income / (expenses)	(4,189)	-	(4,189)
Other income / (expenses)			
Revaluation of deferred consideration	3,169	-	3,169
Exploration and evaluation expenditure	-	(3,549)	(3,549)
Other income / (expenses)	895	-	895
Operating profit before finance income / (costs)	(125)	(3,549)	(3,674)
Finance income	5,832	-	5,832
Finance expenses	(3,350)	-	(3,350)
Loss before tax	2,357	(3,549)	(1,192)
Income tax benefit	136	1,065	1,201
Profit for the period	2,493	(2,484)	9
Total comprehensive income for the period	2,493	(2,484)	9
Earnings per share for profit attributable to the ordinary equity holders of Grange Resources Limited			
Basic earnings per share (cents per share)	0.22	(0.22)	0.00
Diluted earnings per share (cents per share)	0.22	(0.22)	0.00

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 28. IMPACTS ARISING FROM A CHANGE IN ACCOUNTING POLICY AND THE RECLASSIFICATION OF COMPARATIVE FINANCIAL (continued)

(c) Statement of Cash Flows – Six Months to 30 June 2013

	Six months to 30 June 2013	(Increase) / Decrease	Six months to 30 June 2013 (Restated)
	\$'000	\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)	107,345		107,345
Payments to suppliers and employees (inclusive of goods and services tax)	(85,570)	(3,549)	(89,119)
	21,775	(3,549)	18,226
Interest received	2,155	-	2,155
Net cash inflow / (outflow) from operating activities	23,930	(3,549)	20,381
Cash flows from investing activities			
Payments for exploration and evaluation	(3,549)	3,549	-
Payments for property, plant and equipment	(4,499)	-	(4,499)
Payments for mine properties and development	(34,799)	-	(34,799)
Proceeds from / (payments for) term deposits	51,351	-	51,351
Net cash inflow / (outflow) from investing activities	8,504	3,549	12,053
Cash flows from financing activities			
Finance lease payments	(14,243)	-	(14,243)
Payment of deferred consideration	(2,498)	-	(2,498)
Payment of dividends to shareholders	(11,564)	-	(11,564)
Net cash inflow / (outflow) from financing activities	(28,305)	-	(28,305)
Net increase / (decrease) in cash and cash equivalents	4,129	-	4,129
Cash and cash equivalents at beginning of the period	119,918	-	119,918
Net foreign exchange differences	4,932	-	4,932
Cash and cash equivalents at end of the period	128,979	-	128,979

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 28. IMPACTS ARISING FROM A CHANGE IN ACCOUNTING POLICY AND THE RECLASSIFICATION OF COMPARATIVE FINANCIAL INFORMATION (continued)

(d) Statement of Financial Position – 31 December 2013

	31 December 2013	Increase / (Decrease)		31 December 2013 (Restated)
	\$'000	Accounting Policy	Reclassification	\$'000
		\$'000	\$'000	
ASSETS				
Current assets				
Cash and cash equivalents	154,881	-	-	154,881
Term deposits	5,000	-	-	5,000
Trade and other receivables	29,269	-	-	29,269
Inventories	59,981	-	-	59,981
Intangible assets	3,063	-	-	3,063
Total current assets	252,194	-	-	252,194
Non-current assets				
Receivables	7,747	-	-	7,747
Property, plant and equipment	163,747	-	-	163,747
Mine properties and development	369,775	-	-	369,775
Exploration and evaluation	115,145	(115,145)	-	-
Deferred tax assets	-	664	-	664
Total non-current assets	656,414	(114,481)	-	541,933
Total assets	908,608	(114,481)	-	794,127
LIABILITIES				
Current liabilities				
Trade and other payables	35,443	-	(7,272)	28,171
Borrowings	2,852	-	-	2,852
Deferred consideration	8,332	-	-	8,332
Current tax liabilities	667	-	-	667
Provisions	8,094	-	7,272	15,366
Total current liabilities	55,388	-	-	55,388
Non-current liabilities				
Borrowings	680	-	-	680
Deferred consideration	35,536	-	-	35,536
Deferred tax liabilities	33,880	(33,880)	-	-
Provisions	34,048	-	-	34,048
Total non-current liabilities	104,144	(33,880)	-	70,264
Total liabilities	159,532	(33,880)	-	125,652
Net assets	749,076	(80,601)	-	668,475
EQUITY				
Contributed equity	331,373	-	-	331,373
Reserves	383	-	-	383
Retained earnings	417,320	(80,601)	-	336,719
Total equity	749,076	(80,601)	-	668,475

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 29. FAIR VALUE MEASUREMENT

In accordance with AASB 13, *Fair Value Measurement*, the Group did not measure any liabilities at fair value on a non-recurring basis as at 30 June 2014 and did not transfer any fair value amounts between the fair value hierarchy during the period ended 30 June 2014.

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

NOTE 30. CONTINGENT LIABILITIES

There were no significant changes to the contingent liabilities previously disclosed in the Annual Report for the year ended 31 December 2013.

NOTE 31. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There has been no subsequent events that have arisen since 30 June 2014 to the date of this report.

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the interim financial statements and notes set out on pages 8 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 2014 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.



Michelle Li
Chairman and Interim Executive Director
Burnie, Tasmania
29 August 2014



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 (the Company), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 Group). The Group comprises 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 Australian 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 Group's financial position as at 30 June 2014 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*.

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331 MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

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Conclusion

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

- (a) giving a true and fair view of the Group's financial position as at 30 June 2014 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*.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script, likely belonging to John O'Donoghue.

John O'Donoghue
Partner

Melbourne
29 August 2014