



GRANGE
RESOURCES

Australia's leading magnetite producer



Capability, Cash Flow
& Delivering Growth

December **2010**
Annual **REPORT**

BOARD OF DIRECTORS

Zhiqiang Xi
 Non-executive Chairman

Neil Chatfield
 Non-executive Deputy Chairman

Russell Clark
 Managing Director

Clement Ko
 Non-executive Director

John Hoon
 Non-executive Director

Honglin Zhao
 Executive Director

COMPANY SECRETARY

Pauline Carr

REGISTERED OFFICE

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 200 St Georges Terrace
 PERTH WA 6000
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SHARE REGISTRY

Computershare Investor
 Services Pty Limited
 Level 2, 45 St Georges Terrace
 PERTH WA 6000

AUDITORS

PricewaterhouseCoopers
 Freshwater Place
 2 Southbank Boulevard
 SOUTHBANK VIC 3006

SOLICITORS

Clayton Utz
 QV1 Building
 250 St Georges Terrace
 PERTH WA 6000

STOCK EXCHANGE

Grange Resources Limited is listed on the ASX Limited (ASX Code: GRR) and the "OTC" Markets in Berlin, Munich, Stuttgart and Frankfurt in Germany (Code: WKN. 917447)

WEBSITE

www.grangeresources.com.au

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Front cover:

Left: Belinda Clear - truck driver at Savage River

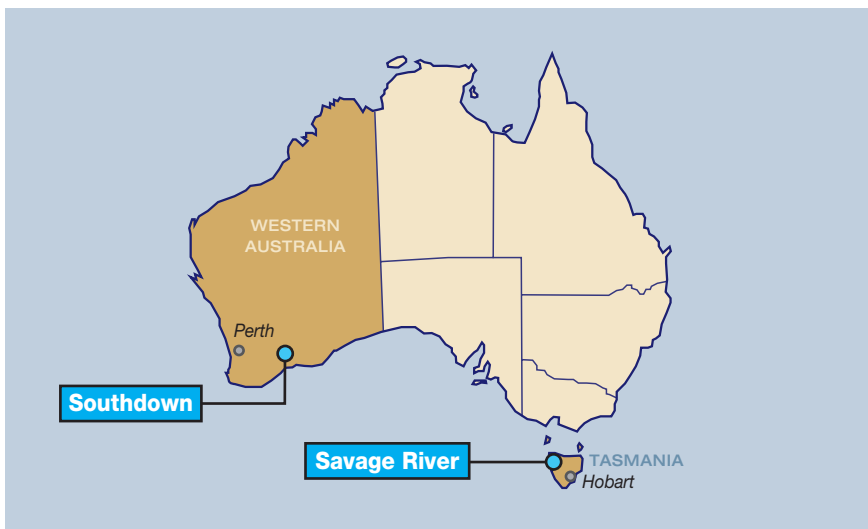
Right: David Bould - Trainee Safety Training Coordinator - operating the Immersive Training Truck Simulator at Savage River

Inside front cover:

RC Drill Rigs working on the floor of North Pit at Savage River



About Grange



OUR BUSINESS

Grange Resources Limited (Grange), ASX Code: GRR, is Australia's largest magnetite producer with a market capitalisation of approximately A\$853 million as of 28 February 2011.

Grange's operations consist principally of owning and operating the Savage River integrated iron ore mining and pellet production business located in the north-west region of Tasmania. The Savage River magnetite iron ore mine is a long life mining asset set to continue operation to 2027, with current reserves estimated to further extend the mine life. At Port Latta, on the northwest coast of Tasmania, Grange owns a pellet plant and port facility producing approximately 2.3 million tonnes of premium quality iron

ore pellets annually, with plans to increase annual production to 2.7 million tonnes. Long term supply contracts are in place to deliver these pellets to major steel producers in Australia and China.

In addition, Grange is a majority joint venture partner investing in a major magnetite development project at Southdown, near Albany in Western Australia. The Southdown development project is forecast to supply over four times the amount of iron ore from Savage River, at an annual production of 10 million tonnes of premium magnetite concentrate. The current joint venture project model includes plans to ship this concentrate to a dedicated pelletising facility to be built in Malaysia.

OUR VISION

We will produce high quality steel making raw materials economically and effectively. Our operations will be efficient, flexible, and stakeholder focused.

OUR VALUES

At Grange we ALL will ...

- ◆ Work safely
- ◆ Lead and act with fairness, integrity, trust and respect
- ◆ Be responsible and accountable for our actions
- ◆ Utilise our resources efficiently and effectively
- ◆ Engage with stakeholders and proactively manage our impact on their environment
- ◆ Work together openly and transparently
- ◆ Promote an environment in which our people can develop and prosper

Above:
David Bould - Trainee Safety Training Coordinator (left) and Matthew Anderson - Mining Manager, checking operations in North Pit at Savage River.



Cash Flow

Operational & Financial Highlights

OPERATIONAL HIGHLIGHTS

- ◆ Continued excellent safety performance at Savage River with an impressive 59.6% reduction in the Total Recordable Injury Frequency Rate
- ◆ Developed and commenced a new mine plan to remediate the June 2010 rock slide and gain long term access to the main ore zone for the balance of the mine life
- ◆ Increased mining rates with the commissioning of four additional Caterpillar 789 trucks
- ◆ Southdown project pre-feasibility study progressing well with the joint venture spending \$20.5 million since the commencement of the pre-feasibility in May 2010
- ◆ Albany port expansion permit approved for the Southdown project in November 2010, concluding the major permitting requirements for the project

FINANCIAL HIGHLIGHTS

- ◆ A net profit after tax of \$85.2 million for the six month period ended 31 December 2010
- ◆ Revenues from mining operations of \$193.3 million from the sale of 1.2 million tonnes of iron ore pellets
- ◆ Gross profit from mining operations of \$63.5 million for the six month period ended 31 December 2010 as compared to a loss from mining operations of \$11.5 million for the 12 month period ended 30 June 2010
- ◆ Net cash inflow from operating activities of \$78.5 million
- ◆ Cash and trade receivables of \$122.6 million and no net debt as at 31 December 2010
- ◆ Asset impairment reversal of \$45.2 million after tax (\$64.6 million pre-tax) recognised as at 31 December 2010
- ◆ Grange admitted to the S&P ASX 300 index

*Above:
Mike Matthews - Control Room Operator (left) and
Adam Starr - Relief Supervisor, in the Control Room
at the Concentrator in Savage River.*

Grange has changed its financial year end date from 30 June to 31 December. As a result of this change the current reporting period is a transitional once covering a six month period from 1 July 2010 to 31 December 2010.

Delivering Growth

Magnetite Facts

Magnetite: The Underestimated Iron Ore

Magnetite is one of the most common oxide minerals and also one of the most common iron minerals. It is an important ore of iron and is found in igneous, metamorphic and sedimentary rocks. It can also be abundant in sediments.

The name magnetite is thought to be derived from the ancient locality Magnesia near Macedonia. According to Pliny, the name was derived from that of a shepherd named Magnes who first discovered magnetite on Mount Ida while pasturing his flock, when pieces of magnetite (lodestone) clung to the metal nails in his shoes.

Magnetite has been used for thousands of years as amulets and talismans. It was said to give protection from enchantments and evil spirits, and to provide invulnerability to soldiers. It was also said to attract power, favour and love, and to guard against unfaithfulness.

The astrological signs of magnetite are Aries, Capricorn, Aquarius and Virgo.

Most of the magnetite mined now is used as an ore of iron. Iron liberated from magnetite ore is usually used to make concentrate or pellets which are used to make steel.

Magnetite: The Key Statistics

- ◆ Magnetite ore – Fe_3O_4
- ◆ Magnetite is easy to identify
 - It is a black, opaque, submetallic to metallic mineral with a hardness rating of between 5.5 and 6.5 on the Mohs scale
 - It is often found in the form of isometric crystals
 - Its magnetic properties are distinctive. It is one of just a few minerals that are attracted to a magnet. It is the most magnetic mineral found in nature
- ◆ Pure magnetite is 72.4% iron
- ◆ Generally occurs as low-grade 25-40% iron ore
- ◆ Requires downstream value add processing to separate the magnetite
- ◆ Magnetic properties allow high grade concentrates to be produced
- ◆ Fine powder concentrates need agglomeration for Blast Furnace and Direct Reduction plants
- ◆ Pelletisation is common – originally developed in North America
 - Oxidation of the magnetite can provide 60% of the thermal energy needed for pelletisation
 - Reduces energy costs and CO_2 emissions
 - Magnetite concentrate production is prevalent in North America, China, and the C.I.S and Europe
- ◆ Can also be added to sinter feed blends – common in China
- ◆ Direct Reduction plants require high-grade feed – upwards of 66% iron
- ◆ New markets are opening up for high-purity concentrates as premium feedstock for making both Blast Furnace and Direct Reduction Pellets
 - greater generation of pellet feed fines (particularly in Brazil)
 - more investment in new high quality pellet plants at the front end of steel mills
- ◆ In 2008, world raw iron ore production was 2.2 billion tonnes
 - Of this, 360 million tonnes was converted into iron ore pellets.
 - Australia produced 4.3 million tonnes of export pellets

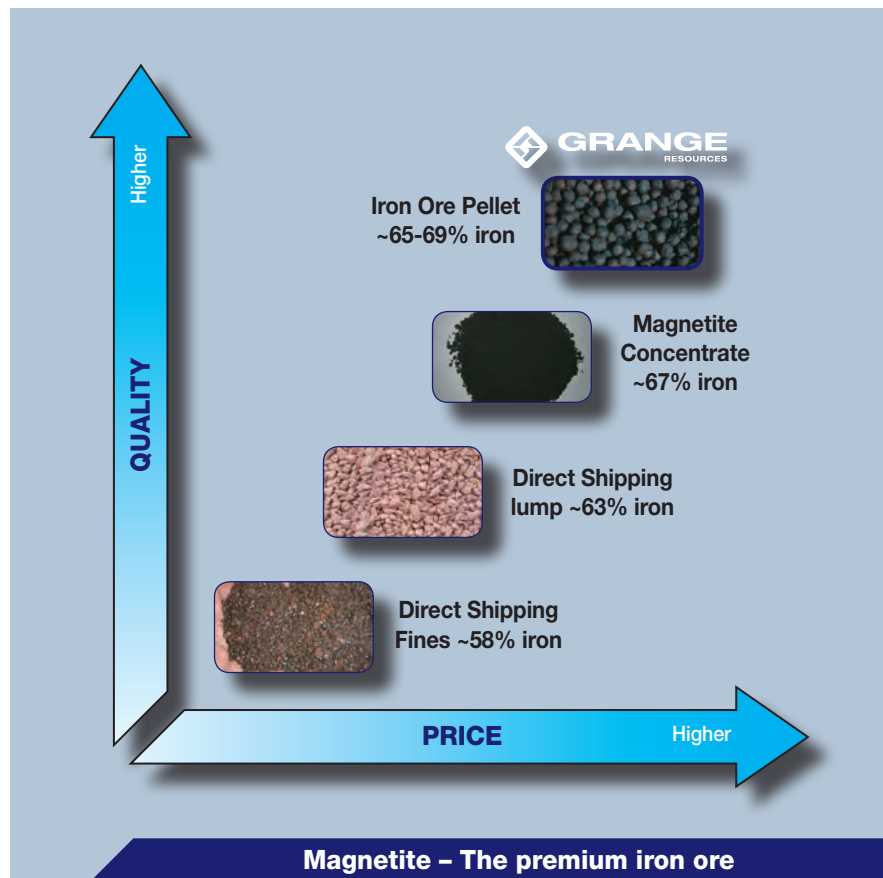
Magnetite Facts (cont.)

Mining magnetite ore is a high volume business. It is capital intensive and requires downstream processing infrastructure including a beneficiation plant, a pellet plant and port facilities.

As can be seen from the following graphic, magnetite products command a value premium above hematite ore products such as fines and lump. This premium is derived on two fronts, through additional iron content, and a quality premium.

China is currently the largest consumer of iron ore, with growing demand being driven by the urbanisation of China's immense population.

In recent years there has been considerable interest from Chinese steel manufacturers in taking strategic positions in Australian iron ore mining companies. In particular there has been interest in existing and potential magnetite producers such as Grange in order to acquire iron ore feed for their operations.



The growth in Chinese demand, and its understanding of the use of magnetite-based iron ore products has seen a significant change in the value accrued to both magnetite concentrate and pellets, and the methodology used for determining that value.

Until April 2010, iron ore prices were traditionally decided in closed-door negotiations between the small handful of "key" miners and steelmakers which dominated both spot and contract markets. Traditionally, the first agreement on price reached between these two groups set a benchmark price that was followed by the rest of the industry for a 12 month period.

This benchmark system broke down in 2010 with pricing moving to short term index-based mechanisms. Given that most other commodities already have a mature market-based pricing system, it was natural for iron ore to follow suit. This has seen magnetite product pricing change so that it is now based on the transparent 62% Fe Iron Ore Index, with premiums being paid for increased iron ore content and pellet manufacture.

Chairman's Report

Grange has just completed a "shortened year" as a result of moving its financial reporting year to a calendar basis, commencing 1 January 2011. As a result this Annual Report covers the six month period from 1 July 2010 to 31 December 2010.

Financial Results

Grange recorded a consolidated profit after tax of \$85.2 million for the six month period ended 31 December 2010, compared to \$42.2 million for the twelve month period ended 30 June 2010. The result was achieved on revenues from mining operations of \$193.3 million during the six month period ended 31 December 2010, compared to \$229.1 million for the 12 month period ended 30 June 2010.

The past six months have seen the continuing consolidation of Grange, with the Company increasing its cash reserves and further strengthening its balance sheet. The price received for our premium blast furnace pellets has significantly improved during the six month period, resulting in higher revenues.

The market has continued to recognise the improvements that have occurred within Grange and our share price significantly outperformed the market. The share price moved from \$0.50 per share at the beginning of July to \$0.75 cents at the end of December, a 50% increase, with a corresponding \$294 million increase in market capitalisation. We were very pleased to join the ASX 300 index in September 2010.

Operational Highlights

During the last six months the safety performance at Grange's operations has continued to significantly improve. No LTI's occurred during the period, compared to the 16 that occurred in the 12 months prior to Grange taking over the Savage River Operations in 2009. This change of culture within the operations at Savage River is measurable, but underlying the statistics is the improvement in planning and process management that has been instilled across the organisation, and which have resulted in better operational metrics across the business.

In June last year we reported the failure of the east wall of the Savage River open pit, which occurred without injury as a result of the excellent monitoring and response processes in place. This wall failure has hampered production efforts during the past six months, but we now have a plan to accelerate the layback of the east wall while we access ore from other areas of the lease. This plan has been endorsed by Worksafe Tasmania and the Grange Board and we are confident that once we have worked through the layback during 2011, our production levels will significantly improve, with lower unit costs resulting.

We have also seen the pre-feasibility study for the Southdown Magnetite project advance significantly. The Joint Venture spent \$20.5 million since the commencement of the pre-feasibility study in May 2010, with an initial report completed in December 2010. This will be considered by the Joint Venture partners during the first quarter of 2011, and assuming we continue the development of the project, the project team will move into the definitive feasibility stage – a very exciting prospect for the company.



Zhiqiang Xi, *Chairman*

MRRT

Throughout 2010 Grange was heavily engaged with the Federal Government as proposals for the implementation of a Mineral Resources Rent Tax ("MRRT") evolved. In November 2010 Grange presented to the PTG (Policy Transition Group) co-chaired by Mr Don Argus and Minister Martin Ferguson and argued strongly that magnetite iron ore mining and processing is quite different to hematite iron ore mining and should be exempt from the tax, as are other minerals which require significant processing, such as gold, nickel, copper and other base metals. At the very least, Grange argued, the taxing point for the tax should be similar to the hematite industry, namely as near to the primary crusher as possible.

The PTG has delivered its report to the Government and has maintained that all iron ore and coal mining will be subject to the MRRT. It has, however, recommended that the taxing point should be at the point the resource leaves the Run of Mine ore stockpile, effectively protecting the "value add" downstream processing of magnetite from the effects of the tax. In addition, all State royalties paid will be a credit to the MRRT.

Chairman's Report *(cont.)*

As a result, and recognising that the MRRT has yet to become legislation (and that the Government is not compelled to accept the recommendations of the PTG), Grange anticipates the effect of the tax on the Company will be minimal.

Board Changes

In July 2010, we announced that Mr Honglin Zhao had joined the Board as a non executive Director, replacing Mr Wei Guo, who resigned from the Grange Board, as a representative of major shareholder, Shagang International Holdings Limited.

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

In December 2010, Mr Honglin Zhao joined the Southdown project team as the Managing Director of the wholly owned subsidiary company managing the project, and as a result became an Executive Director of Grange Resources. We are very pleased to have Mr Zhao on the project team.



Allison Kay, haul truck operator at the Savage River mine.

Outlook

During 2011 the primary focus at Savage River is to establish the mine, concentrator and pellet plant so that they can safely and reliably produce product cost effectively for at least the next 16 years.

Iron ore prices are forecast to remain strong during 2011 and as a result we expect to see the Savage River operations continuing to provide the necessary cashflow to advance the Southdown project through the definitive feasibility study. Over the longer term, the Grange Board remains confident that the fundamentals of the iron ore markets are sound with prices to remain high for a number of years, compared to historical levels.

The Southdown Project pre-feasibility study review will be completed in the first quarter of 2011 and following acceptance by the Joint Venture partners that the project is viable and will add value, the definitive feasibility study will be undertaken for the remainder of 2011. Cash reserves will be used to fund Grange's share of the study throughout 2011.

Thank you

On behalf of Grange's Board of Directors, I would like to thank all of Grange's shareholders for their continuing support. I would also like to thank our Managing Director and CEO, Mr Russell Clark, the management team and all of our employees for their commitment to making the company stronger day by day, and in particular for achieving the levels of safety that have never previously been seen at Savage River.

Zhiqiang Xi
Chairman

Managing Director's Review

Grange has continued to strengthen its balance sheet over the past six months. In addition it has established a recovery plan for the east wall slip that occurred at Savage River in June 2010 and has significantly progressed the Southdown pre-feasibility study. 2011 will see a period of consolidation at Savage River and we look forward to progressing Southdown further through the definitive feasibility study.

The Grange team is capable and with 43 years experience in the magnetite business has both the in house expertise and systems to significantly reduce execution risk that comes with the delivery of large projects.

Operational Performance - Savage River

As the Chairman has noted, the safety performance at Grange's operations over the past six months has improved significantly and the continuing focus is on safe, cost effective delivery of product to fulfil our long term contracts.

During the past six months considerable effort has been put into the recovery plan for the east wall, whilst at the same time maintaining contracted production. A mine plan has been developed with the approval of Worksafe Tasmania that will accelerate the cut-back of the east wall, allowing us to regain access to ore in the northern end of the pit in the third quarter of the year. This work on the east wall had always been planned and we are merely bringing it forward in time. Whilst the cut-back is being undertaken ore will be mined from other areas of the lease, though this will incur greater haulage distances and as a result, additional cost.

With the extra mining activity being undertaken it was necessary to purchase four additional 789 trucks. These were sourced, second hand, from Chile and are now in service and operating well. We will also re-build the five 785 trucks that were stood down last year, to assist in mining the extra volumes required. At a time when global mining activity is booming we are not in the position of having to source scarce equipment, a result of good planning and foresight.

We are confident that risks of further wall failure will be significantly reduced by the laying back of the east wall and that, as a result, ongoing production will be very predictable.

The concentrator at Savage River has continued to perform well, treating all the available ore provided to it. It is an old plant, however, and in February we will undertake the annual common equipment shutdown that will see the concentrator shut for two weeks. This is a regular, scheduled shutdown and again, work will be undertaken to ensure predictable production in the future, with increased capacity. One of the ball mills is being replaced and one of the AG mills is having hairline cracks repaired. We are placing an order for a new replacement AG mill shell that will provide an insurance spare in the event that either of the 40 year old mills have further issues in the future.

The pellet plant has performed well, with all our contracted shipments being made. As a result of the wall slip, we do have force majeure notices in place with our customers and with our major suppliers, primarily as a precaution.



Russell Clark, *Managing Director*

Costs

Operation costs are under continual scrutiny and we have been able to secure a number of long term supply contracts on favourable terms. Total expenditure from the operations has remained at well managed levels. Reduced production over the past six months, as a result of the rescheduling required by the east wall slip, has seen unit costs of pellet production increase proportionately.

During the next 12 months the expenditure at Savage River will increase as a result of the increased mining volume and a rebuild program that will commence on the fleet of 789 trucks purchased in 2008. In spite of this, with iron ore prices at all time highs, these costs will be absorbed and cash flows are forecast to remain positive at the operation.

Again, our strategy is to establish an operation that will predictably produce for the remainder of its life. High iron ore prices are providing the necessary cash to make the investments necessary. As and when the prices fluctuate, the Savage River operations are positioned to remain profitable and a net producer of cash.

Managing Director's Review (cont.)

Revenue

As has previously been reported the benchmark system of pricing ceased in 2010. For the past six months (July-December) Grange has received an interim price of US\$150 per tonne of blast furnace pellets from both of our major customers, BlueScope Steel and Shagang. A total of 1.175 million tonnes of pellets were sold at the interim price during the last six months of 2010.

With the change to an IODEX index based pricing system it has taken time for us to establish a suitable formula with our customers that can be used long term to determine individual shipment prices. We expect to reach agreement on the formula during the first quarter of 2011, and adjustments will then be made retrospectively to all the product sold at the interim price. We expect the formula to result in a higher price than \$US150/t and have advised the market that from the beginning of 2011 we forecast a price in excess of US\$180 per tonne.

Once the pricing formula is agreed, each shipment will be priced accordingly.

Southdown Project

Grange and its joint venture partner, Sojitz, have advanced the Southdown project significantly over the past six months, culminating in the production of a pre-feasibility study report in December, which will undergo review during the first quarter of 2011.

Highlights of the work undertaken include:

- ◆ The State and Federal Governments provided environmental approval for the works required to expand the Albany port facility to accommodate Cape Sized vessels. This was the culmination of a five year process

- ◆ A large core-drilling program provided metallurgical samples for determination of the most appropriate process route. The resulting process route is significantly simpler and more operationally cost effective than the process route previously being considered
- ◆ Increasing the project's output from 6.8mtpa of concentrate to 10mtpa of concentrate. This will assist the economics of the project considerably as the higher tonnage will use the same infrastructure (power, pipelines and port) as the lower tonnage previously envisaged
- ◆ The need for additional water capacity has been recognised, as a result of the increased output. A desalination plant is planned to supply the water from the sea approximately 30km away from the mine site
- ◆ Design work with Western Power for the power line route and infrastructure is well advanced and "on time"
- ◆ Re-designing the mine, using in-house geotechnical experience, to reduce the overall stripping ratio (and hence waste removal)

Following the pre-feasibility study review, it is expected that the Project team will move into the next stage of the project – the definitive feasibility study. This will include a drilling program to enhance the classification of the mineral resources in the project and add additional resource tonnage.

The operations at Savage River provide Grange with a distinct advantage over its magnetite peers in that we have the cashflow, systems and expertise in place to design and bring the Southdown project into production quickly, significantly reducing the execution risk that comes with large projects.

Grange's share of the costs of a definitive feasibility study will be funded from cashflow.

Investor Relations

The market has continued to increase its interest in Grange Resources, recognising that it is Australia's leading magnetite producer. The share price has outperformed the broader ASX indices and the market capitalisation was approaching \$853 million at the end of the year. We have also seen greater institutional investment in the stock.

Market research on the company has also grown with Macquarie, Merrill Lynch, Southern Cross and Citibank all initiating company research in the past six months, in addition to Petra Capital and Patersons who were previously covering the stock. RBS commenced coverage at the beginning of 2011.

We continue to engage with analysts and investors and have had site visits to both the Shagang steel mill in China and to Savage River during the second half of 2010. These types of visits will continue in 2011.

Thank you

I would like to extend my thanks to all of Grange's employees for their commitment to improving the safety performance at the operations, and for putting in place the plans that will ensure sustainable, predictable production in the future, both at Savage River and at Southdown.

To Grange's customers, thank you for your ongoing support. The success of your business is fundamental to us continuing to deliver a premium product to you.

To our Chairman and Board of Directors, your guidance, support and availability is greatly appreciated.

And finally, I would like to thank Grange's shareholders for your support during the year.

Russell Clark
Managing Director

Capability x Cash Flow

Review of Operations

SAVAGE RIVER AND PORT LATTA OPERATIONS

OVERVIEW

The Savage River iron ore mine in north west Tasmania has been in operation for almost 43 years. The mine is an open cut operation which produces an iron ore concentrate by means of magnetic separation. The concentrate is pumped through an 83 km pipeline to Port Latta on the north west coast where the majority of it is pelletised and exported to customers in Asia and sold to customers in other parts of Australia. A relatively small quantity of magnetite concentrate is sold for use in the Australian coal washing industry.

MINING OPERATIONS

In June 2010, a rock slide occurred on the Eastern Wall of the North Pit at the Savage River mine site. An estimated 140,000 bank cubic metres of material fell onto the pit floor, temporarily sterilising the ore beneath it. As a result of the geotechnical controls and standard operating procedures in place, the area had been cleared of personnel and no injuries were sustained.

During the six month period ending 31 December 2010, Grange developed mine plans to remediate the rock slide in order to gain long term access to the main ore zone for the balance of the life of mine. A remediation cut-back, which was always required but is being brought forward from 2012/2013, has commenced and once completed, the strip ratio, quality, and sales volumes will be very predictable. The plan has been approved by Worksafe Tasmania and the Grange Board.

Annualised ore and waste production were lower than prior periods as a result of production equipment being applied to the development of less central ore sources on the mining lease as the east wall cut-back is undertaken. Mining rates increased towards the end of the period as four additional Caterpillar 789 trucks were introduced to the fleet. Five older 785 trucks are scheduled to be refurbished in the first quarter of 2011, bringing the fleet to capacity in order to complete the east wall cut-back and, at the same time, mine ore from alternate sources in accordance with the remediation plan.

Providing operational capabilities and cash flow

Above:
Bruce Hutchison
- Principal Engineer
at Savage River.

Review of Operations (cont.)

The alternate ore supplies will be used to produce pellets for contracted sales until the east wall cut-back is completed and full access to the main ore zone is re-established.

PELLET PRODUCTION AND SALES

Pellet production for the six month period ending 31 December 2010 was one million tonnes with the lower annualised production rate arising as a result of the June 2010 rock slide at Savage River which has temporarily affected ore supply.

During the period the average interim price received for iron ore pellets was US\$150 per tonne, an 87.5% increase from US\$80 per tonne for the year ended 30 June 2010. The Group has sold 1.6 million tonnes of iron ore pellets to its customers at interim prices to 31 December 2010. Negotiations on an iron ore index (IODEX) based market pricing mechanism with customers will continue and are expected to be finalised during the first quarter of 2011.

Grange forecasts production of approximately 2.2 million tonnes of concentrate in 2011, rising to approximately 2.5 million tonnes in 2012 and 2013. Grange will be able to maintain pellet production to meet all contracted sales requirements during this period.

Unit costs have risen during the six month period ended 31 December 2010 primarily as a result of a reduction in the quantity of pellets produced. This in turn has been brought about by the need to access alternative ore supplies as a result of the east wall slip. These alternate sources of lower grade ore have incurred greater haul distances to the crusher.

	6 months to 31 December 2010	12 months to 30 June 2010	12 months to 30 June 2009
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PRODUCTION STATISTICS

Mine - Volumes ('000)

Waste Mined (BCM)	7,448	17,272	16,748
Ore Mined (BCM)	579	1,613	996
Total Mined (BCM)	8,027	18,885	17,744
Strip Ratio (Ore To Waste)	13:1	11:1	17:1

Concentrator - Volumes ('000)

Ore Crushed (t)	2,909	6,069	5,716
Ore Milled (t) (wet)	2,791	5,951	5,451
Weight Recovery (Dry) (% DTR)	39.9%	42.9%	44.2%
Concentrate Produced (t)	1,058	2,425	2,290

Pellet Plant - Volumes ('000)

Pellets Produced (t)	1,000	2,360	2,174
Concentrate Stockpile (t)	11	9	4
Pellet Stockpile (t)	69	244	280

Sales - Volumes ('000)

Pellets (t)	1,175	2,388	2,175
Concentrate (t)	18	0	60
Chips (t)	37	99	104
Total Sales Volume (t)	1,230	2,487	2,339

SALES REVENUE, DIRECT OPERATING COSTS AND OPERATING MARGIN

SALES REVENUE

Sales of Iron Ore (A\$'000/t)	\$193,334	\$226,377	\$356,189
Average Price Received (US\$/t)	\$148.47	\$80.29	\$113.87
Average Price Received (A\$/t)	\$157.14	\$91.02	\$152.29

DIRECT OPERATING COSTS

Direct Operating Cost per tonne of pellets produced (A\$/t)	\$84.36	\$65.81	\$76.67
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OPERATING MARGIN

Operating Margin per tonne of pellet sold (A\$/t)	\$72.78	\$25.21	\$75.62
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Unit costs per tonne of pellets produced will increase in 2011 as a result of lower unit production, longer haul distances to the alternate ore supplies as well as the need to start rebuilding the fleet of Caterpillar 789 trucks purchased during 2008. With iron ore prices at all time highs, these costs will be absorbed and cash flows are forecasted to remain positive at the operation.

HEALTH AND SAFETY

OVERVIEW

Grange operations utilise an Integrated Management System (IMS) which integrates its people management systems for Human Resources and Occupations Health and Safety. The Integrated Management System's safety elements are aligned to International Standards, ISO 14001 Environmental and OHSAS 18001 Management Safety Standards. The Integrated Management System is documented in a company-wide operating manual titled the "Grange Cares Integrated Management System". The Grange IMS is being developed to a three year Strategic Business Plan using a continuous improvement loss control model.

MISSION STATEMENT

To drive a continuous improvement culture involving all managers, supervisors, employees and contractors eliminating serious injury and disease through effective management systems, integrated risk management practices, risk aware culture and safety leadership.

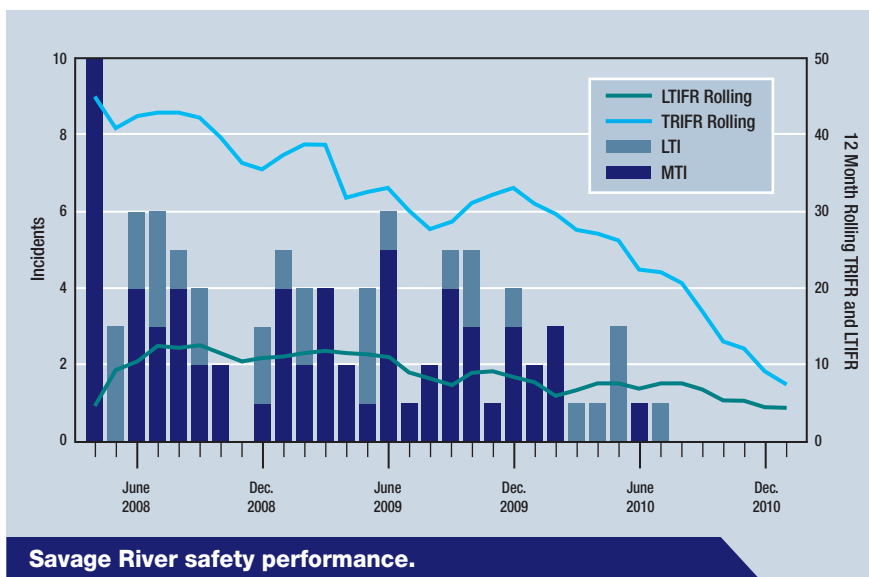
SAFETY PRINCIPLES

To achieve superior health and safety performance we believe

- ◆ All serious injuries and diseases are preventable
- ◆ All hazards can be identified and their risks managed
- ◆ No task is so important that it cannot be done safely
- ◆ Working safely is a condition of employment
- ◆ Every person is accountable for their own and the safety of those around them
- ◆ Every employee must have and maintain the necessary skills to work safely
- ◆ Acceptance of substandard practice will not be tolerated
- ◆ Safety and health performance can always be improved

SAFETY PERFORMANCE

Safety performance at Grange's operations over the past six months has improved significantly. The Total Recordable Injury Frequency Rate (TRIFR) fell from 22.5 at 30 June 2010 to 9.1 by 31 December 2010, an impressive reduction of 59.6%. This improving trend continues to reflect the strong and increased emphasis on safety management at the operations. We know that a safe mine is a productive one.



Review of Operations *(cont.)*

ENVIRONMENTAL

LEGISLATIVE APPROVAL

Grange obtained environmental and planning approval in 1997 and 1998 allowing it to operate under the Tasmanian Land Use Planning and Approvals Act 1993 (LUPA), the Tasmanian Environmental Management and Pollution Control Act 1994 (EMPCA), the Tasmanian Goldamere Pty Ltd (Agreement) Act 1996 (Goldamere Act) and the Tasmanian Mineral Resources Development Act 1995. This approval covers an expected 15 to 20 year mine and processing life using open-cut mining at Savage River, gangue removal at Savage River and pelletising beneficiation at Port Latta.

GOLDAMERE ACT

The Goldamere Act overrides all other Tasmanian legislation with respect to Grange's operations. The Goldamere Act limits Grange's liability for remediation of contamination, under Tasmanian law, to damage caused by Grange's operations, and indemnifies Grange for certain environmental liabilities arising from past operations. Where pollution is caused or might be caused by previous operations and that pollution may be impacting on Grange's operations or discharges, Grange is indemnified against that pollution. Grange is required to operate to Best Practice Environmental Management (BPEM).

PLANNING APPROVALS

Grange obtained planning approval subject to a series of environmental permit conditions on 29 January 1997. Planning approval was issued by the Waratah Wynyard Council for Savage River and by the Circular Head Council for Port Latta. The approvals were conditional on the provision of an Environmental Management Plan (EMP) incorporating a Rehabilitation Plan (ERP) prior to the commencement of operations. Various other studies were also required.

ENVIRONMENTAL MANAGEMENT PLANS

The EMP incorporating the ERP and study results were approved by the (then) Department of Environment Parks, Heritage and the Arts and operations commenced in October 1997. The latest revision of the approval documents occurred on 6 October 2000 when Environmental Protection Notices (EPN) 248/2 and 302/2 were issued to replace the environmental permit conditions for Savage River and Port Latta respectively.

Approvals are required from the Department of Primary Industries, Parks, Water and the Environment (DPIPWE) and relevant Councils for major infrastructure developments and operational expansions and changes. These approvals are in the form of approved EMP amendments and reflect changing operational circumstances, an increasing knowledge base and include approvals designed to extend operations, amend management plans and provide for dumping and treatment facilities.

An amendment to the EMP was approved for an extension of mine and pelletising operations in early 2007 to approve the Mine Life Extension Plan.

EMPs and ERPs must be resubmitted every three years from 2001, the latest was submitted in December 2010 and the next revision is expected in December 2013. The revised EMP will reflect the BPEM and current mine planning and focus on closure requirements and rehabilitation. EPN amendments are being negotiated to update permit conditions in mid 2010.

The development of significant new projects such as a new pit will require additional planning approval and at a minimum an EMP amendment approval followed by issuance of an EPN from the EPA.

GOLDAMERE AGREEMENT

The Goldamere Agreement (which forms part of the Goldamere Act) provides a framework for Grange to repay the Tasmanian Government for the purchase of the mine through remediation works. Significant variations to the Goldamere Agreement were signed on 4 October 2000 and 10 September 2002 following extensive negotiations. The amended Goldamere Agreement provides a framework for Grange to co-manage the Savage River Rehabilitation Project (SRRP) and carry out contracted works in lieu of paying the purchase price of the operation to the Government. The agreement also allows Grange to integrate its rehabilitation obligations with those of the State under the SRRP. Interest under the agreement was capped at \$1,555,431 in October 2000. The 2002 variation capitalised this interest while retaining the balance of the purchase price loan. This variation allowed the interest as well as the purchase price loan to be paid off through remedial works whereas the previous variation had insisted on the interest being paid to the Tasmanian government through separate cash payments.

SAVAGE RIVER REHABILITATION PROJECT

Grange representatives meet with representatives from DPIPWE on a monthly basis to develop and implement remediation works at Savage River. Grange has contracted with the SRRP for works including construction, treatment and management and development of waste rock dump covers, acid pipelines and other remediation projects. The SRRP objective is to capture and treat 65% of the site's copper load to remove the possibility of an acutely toxic aquatic environment. The scope of works to meet this objective has been completed and costed to feasibility level.

A strategic plan outlining the works required to achieve the objective and repay Grange's purchase price debt has been approved by the Tasmanian Environment Protection Authority and is being implemented by the SRRP committee. This plan is being updated in 2010 to reflect the long term risks and Granges latest mining plan. Recent (2008) biological surveys have shown improvement in aquatic biota within and downstream of the mining lease.

PRINCIPAL ENVIRONMENTAL ISSUES

Actions taken by Grange to ensure BPEM (as defined by approved EMPs and EPNs and subsequent amendments) include:

- ◆ Upgrading air emissions from furnaces at Port Latta with emphasis on reducing Ground Level Concentrations of sulphur dioxide (SO₂) and fugitive dust from site, and also preventing acid burns. Since 2002, operation of an acid burn forecasting system has successfully managed this issue. Longer-term operation necessitates construction of a 70 metre stack to disperse furnace emissions. Air emissions models have been reworked to ensure success prior to detailed engineering and construction of a stack to disperse furnace emissions.
- ◆ Water, tailings and waste rock management at Savage River, including: development of waste rock dumps which exclude oxygen to minimise the formation of acid mine drainage and utilisation of these dumps to form seals on old waste rock dumps; subaqueous tailings deposition and maintenance of

saturated tailings; providing a centralised water treatment system using a disused pit to reduce turbidity from mine runoff. Grange is in compliance with requirements and appropriate management and monitoring systems are in place.

Additionally, internal (non-legislative) water quality objectives for emissions to Savage River and air quality objectives for Port Latta have been implemented.

REHABILITATION PLANS

Grange has a \$2.2 million financial assurance lodged with of Department of Environment, Parks, Heritage and the Arts. The original ERP and ERPs from 2001 onwards require forecasting of potential environmental harm should the operation cease during the period of the ERP (notionally three years). The financial assurance was based on the cost estimates to mitigate the potential environmental harm based on the submitted and approved 2007 EMP review.

Liability for rehabilitation is not limited to the financial assurance. Grange is required to plan for closure and departure on completion of the mining plan. Principal issues in respect of the closure include maintenance, the deposit of tailings, future use of infrastructure and a five year monitoring and maintenance plan.



Port Latta Operations

Air emissions from furnaces at Port Latta have been upgraded to reduce Ground Level Concentrations of sulphur dioxide (SO₂) and fugitive dust from site.

Delivering Growth

Review of Operations *(cont.)*

SOUTHDOWN MAGNETITE AND KEMAMAN PELLET PLANT PROJECT

(Grange Resources Limited 70%; Sojitz Resources & Technology ("Sojitz") 30%)



The Southdown magnetite deposit will be mined using standard open pit mining methods with the magnetite mineralisation being crushed, ground, screened and then magnetically separated to produce a magnetite concentrate. The concentrate will be pumped approximately 100km as slurry through a buried pipeline to a concentrate storage facility at the Port of Albany. It will then be loaded on to cape size vessels and shipped to an iron ore pellet plant, currently planned to be located in Kemaman, Malaysia. Filtered water recovered from the slurry transport will be pumped back to the mine site for re-use in the concentrator via a return water pipeline buried beside the slurry pipeline.

A Pathway to Growth

OVERVIEW

Located approximately 90 kilometres northeast of the Port of Albany on the south east coast of Western Australia, the Southdown magnetite deposit is approximately 12 km in length and represents one of the best premium quality magnetite deposits currently under development in Australia. With a location within 100km of existing port facilities, an ore body close to the surface and a nearby major regional population centre, the deposit is favourably placed for development.

At the Port of Albany, the construction of a new berth will be required and the Albany Port Authority will provide up to nine hectares of land to accommodate a concentrate storage facility and ship loading infrastructure. Widening of the existing shipping channel into the Princess Royal Harbour and extending the channel into King George Sound is also proposed, to facilitate the cape size vessels.

PROJECT UPDATE

Engineering

Engineering work on the pre-feasibility study (+/- 20% accuracy) has progressed to schedule with a preliminary report provided to the owners at the end of December. The owners will consider the report and the opportunities that it presents during the second quarter of 2011.

A number of trade-off studies have been conducted to optimise the project with the aim of enhancing the capital investment and improving operating conditions and a number of opportunities remain, which will be explored in greater detail during the first quarter of 2011 and during the Definitive Feasibility Study.

Metallurgical test work has been undertaken during the six month period to further optimise the Concentrator process route. In particular, it has been established that the ore is suitable for autogenous grinding mills, which will have significant operating cost benefits.

The engineering work has been developed for 10 million tonnes per year of concentrate production and 7 million tonnes per year of pellets, over four times the production of Savage River.

Mine Planning Update

The mine design for Southdown has been reviewed and optimised for the planned concentrate production of 10 million tonnes per annum. The optimised design has reduced the overall waste volume removed (and hence the stripping ratio). The improved mine design came as a direct result of applying in-house knowledge and experience from Savage River to the Southdown ore body for the first time.

Metallurgical Test Work Update

Metallurgical test work required for the feasibility study is almost complete. Additional metallurgical drilling was undertaken and information gained from the test work has been used to further optimise the flow sheet. Further work on the number of autogenous mills required and the suitability of IsaMills™ versus ball mills for fine grinding will be undertaken during the first quarter of 2011.

Environmental Approvals

The Public Environmental Review ("PER") for the Southdown mine and slurry pipeline has been completed and environmental approval of the project was received from the West Australian Minister for the Environment in November 2009. Grange is negotiating land offsets for the Carnaby cockatoos with the Commonwealth Department of Sustainability, Environment, Water, Population and Communities under the Environment Protection Biodiversity Conservation Act, 1999 and expects to progress these in the first quarter of 2011 as conservation reports on the proposed offset land becomes available.

Grange has submitted to the Environmental Protection Authority ("EPA") a request to alter the existing mine permit to allow a production rate increase to 10 million tonnes per annum (previously 6.8 million tonnes per annum). Approval on the alteration is expected in Q2 2011.

The Albany Port Authority has made application to both the Commonwealth and the Western Australian State Government for the expansion of the Albany Port and the channel access to the Port.

In June 2010, the Albany Port Authority received Commonwealth approval for the port expansion project.

In November 2010, the West Australian Minister for the Environment approved the environmental permit allowing the expansion of the Albany Port, encompassing the building of a new berth suitable for cape sized vessels and the widening and deepening of the channel into the Port to allow passage of these larger ships.

The planned increase in production to 10 million tonnes per annum of concentrate will require additional water. Water will be provided from a desalination plant located near Cape Riche. An environmental permit application is being finalised for submission to the EPA in the first quarter of 2011. The expectation is that this permit will be approved by the end of 2011.

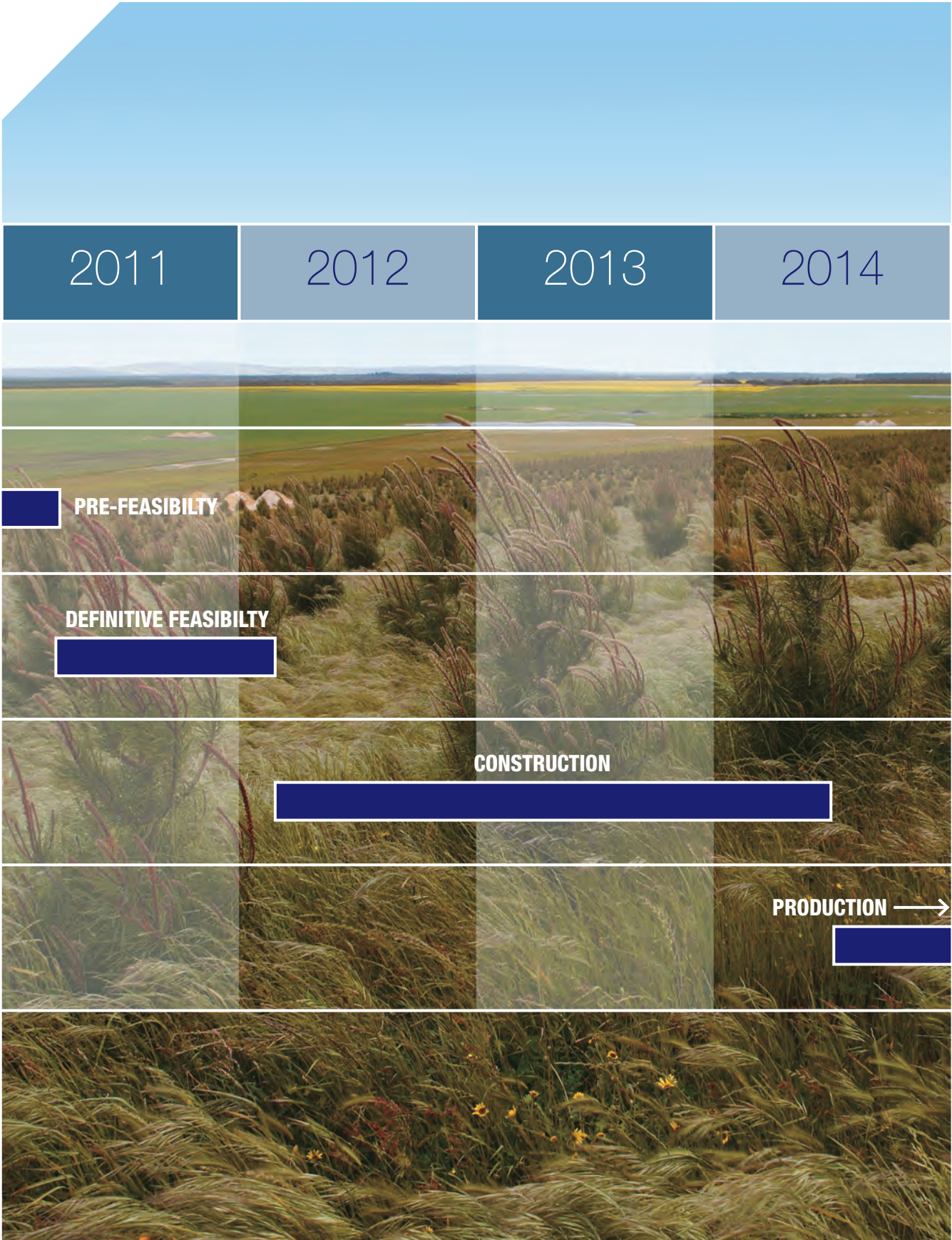
Power Supply

Western Power continues to make good progress on the HV Transmission Line from Collie to the mine site with work being concentrated on social, environmental, technical and economic issues. Preliminary discussions were held jointly with Western Power and the Economic Regulation Authority of Western Australia ("ERA") to obtain guidance on the ERA approach to the principles of the proposed agreement between Western Power and the Southdown Joint Venture with regards to the building of the transmission line, final ownership and potential use by third parties.

A number of electricity providers were approached and requested to submit non-binding proposals to supply energy for the project. Preliminary reviews were concluded and have been incorporated into the pre-feasibility study.

Review of Operations (cont.)

SOUTHDOWN PROJECT DEVELOPMENT TIMETABLE



MINERAL RESOURCES AND ORE RESERVES

SAVAGE RIVER OPERATIONS

The following tables show the Mineral Resources and Ore Reserves for the Savage River operations as at 31 May 2010. These include the addition of new ore lenses in the North Pit and the depletion as a result of mining that occurred during the year. Mineral Resources and Ore Reserves are categorised in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC Code, 2004). Estimated Measured and Indicated Mineral Resources include those Mineral Resources modified to produce the estimated Ore Reserves. Mineral Resources which are not included in the Ore Reserves did not meet the required economic viability hurdle at the time of last review.

Mineral Resources

A summary of the total Mineral Resources for Savage River as at 31 May 2010 is as follows:

Mineral Resources	2010		2009	
	Tonnes (million)	Grade (%DTR)	Tonnes (million)	Grade (%DTR)
Measured	86.4	54	88.0	53
Indicated	131.9	53	136.0	52
Inferred	87.8	49	92.2	47
Total	306.1	52	316.2	51

Ore Reserve

A summary of the ore reserve for Savage River as at 31 May 2010 is as follows:

Ore Reserves	2010		2009	
	Tonnes (million)	Grade (%DTR)	Tonnes (million)	Grade (%DTR)
Proved	50.6	51	52.4	50
Probable	67.9	51	72.0	49
Total	118.5	51	124.4	49

The information in this release that relates to Exploration Results or Mineral Resources in relation to the Savage River Project is based on information compiled by Mr Ben Maynard, who is a Member of the Australasian Institute of Mining and Metallurgy and is a full time employee of Grange Resources Limited. Mr Maynard has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Maynard consents to the inclusion in the release of the matters based on his information in the form and context in which it appears.

The classification of Mineral Resources was considered appropriate on the basis of drill hole spacing, sample interval, geological interpretation and representativeness of assay data and was based on a number of factors:

- ◆ A lower cut-off grade of 15% DTR was used in the calculation of both the Mineral Resources and Ore Reserves
- ◆ The estimation was constrained within the interpreted geological domain
- ◆ The Ordinary Kriging and Inverse Distance interpolation methods were carried out on drilling data composited to 2 metres
- ◆ Oxidised material was not included in this statement of Mineral Resources
- ◆ Tonnages were estimated on a dry basis
- ◆ Bulk density for samples taken from diamond drill core has been physically determined by the weight-in-air/weight-in-water method. Samples are unsealed during this process as most material is competent and/or of low porosity
- ◆ The Ore Reserve was calculated using a 1.087 dilution factor and a mining recovery factor of 0.939. These factors are based on periodic reconciliation specific to mining areas
- ◆ The survey surface used for reporting North Pit was the end-of-month May 2010 surface.

Review of Operations *(cont.)*

MINERAL RESOURCES AND ORE RESERVES *(cont.)*

SOUTHDOWN MAGNETITE AND ASSOCIATED KEMAMAN PELLET PLANT PROJECT

Mineral Resources Estimate

The mineral resource estimate for the Southdown Project is as follows:

Classification	Measured Resources	Indicated Resources	Inferred Resources	Total Resources
Tonnes (million)	219.7	210.3	224.4	654.4
DTC wt%	37.4	38.9	33.4	36.5
DTC Fe%	69.2	69.3	69.1	69.2
DTC SiO ₂ %	1.72	1.94	2.07	1.91
DTC Al ₂ O ₃ %	1.43	1.27	1.29	1.33
DTC S%	0.46	0.40	0.54	0.46
DTC LOI%	-3.04	-3.06	-2.96	-3.02

The mineral resource has been defined using geological boundaries and cut-off grade of 10% wt% DTC (Davis Tube Concentrate) and includes minor internal dilution. All reported concentrate grades were weighted by DTC.

The information in this report which relates to the Mineral Resources is based on information compiled by Mr James Farrell who is a full-time employee of Golder Associates Pty Ltd and a Member of the Australasian Institute of Mining and Metallurgy. James Farrell has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity for which he is undertaking to qualify as a Competent Person as defined by the JORC Code (2004). James Farrell consents to the inclusion of this information in this statement of Minerals Resources in the form and context in which it appears.

Full details of assumptions and methodology for the Mineral Resources were contained in the Company's announcement to the ASX dated 3 July 2009.

FINANCIAL SUMMARY

Grange has changed its financial year end date from 30 June to 31 December. As a result of this change the current reporting period is a transitional one covering a six month period from 1 July 2010 to 31 December 2010.

Grange reported a net profit after tax of \$85.2 million for the six month period ended 31 December 2010, reflecting a significant turnaround in financial performance as a result of improved market conditions. Key financial highlights for the six month period included the following:

- ◆ An interim price of US\$150 per tonne for iron ore pellets for the six month period ended 31 December 2010 in comparison to US\$80 per tonne for the 12 month period ended 30 June 2010, an increase of 87.5%. Interim price arrangements increased revenues from mining operations to \$193.3 million for the six month period ended 31 December 2010
- ◆ Total expenditure from the operations has remained at well managed levels due to disciplined operational cost control measures. Reduced production over the past six months, as a result of the rescheduling required by the east wall slip, has seen unit costs of pellet production increase proportionately
- ◆ Positive gross margin from mining operations of \$63.5 million for the six month period ended 31 December 2010 in comparison to a loss of \$11.5 million for the 12 month period ended 30 June 2010
- ◆ Positive cash inflow from operating activities of \$78.4 million during the six month period ended 31 December 2010
- ◆ Continued investment in the Southdown project pre-feasibility studies
- ◆ Increase in cash reserves to \$91.9 million, no net debt and a conservative gearing ratio (debt / debt + equity) of 7.7% as at 31 December 2010.

Corporate Governance Statement

Grange is committed to creating and building sustainable value for shareholders and protecting stakeholder interests. The Company recognises that high standards of corporate governance are essential to achieving that objective.

The Board has the responsibility for ensuring Grange is properly managed so as to protect and enhance shareholders' interests in a manner that is consistent with the Company's responsibility to meet its obligations to all stakeholders. For this reason, the Board is committed to applying appropriate standards of corporate governance across the organisation.

As part of its commitment to enhancing its corporate governance, and as a listed company, the Board has adopted relevant practices which are consistent with the Australian Securities Exchange ("ASX") Corporate Governance Principles.

Details of the Company's corporate governance practices are included below and also on the Company's website www.grangeresources.com.au. This facilitates transparency about Grange's corporate governance practices and assists shareholders and other stakeholders make informed judgments.

Grange considers that its governance practices comply with the majority of the ASX Best Practice Recommendations.

ROLE OF THE BOARD

The Company's Constitution vests management and control of the business and the Company's affairs in the Board.

The Board's primary role is to enhance shareholder value. It is responsible for providing a leadership role and for providing overall stewardship of the organisation. The Board oversees Grange's strategic direction and the conduct of business activities by the management team for the benefit of Grange shareholders.

Board Functions

Specific accountabilities and responsibilities of the Board include:

- a) Developing long-term objectives and strategy in conjunction with management;
- b) Reviewing and approving plans, new investments, major capital and operating expenditures and major funding activities proposed by management;
- c) Reviewing and approving policies, goals, targets and budgets;
- d) Defining and setting performance expectations for the Company and monitoring actual performance;
- e) Appointing and reviewing the performance of the Managing Director and senior management;
- f) Assuring itself that there are effective health, safety, environmental and operational procedures in place;
- g) Ensuring that there is effective budgeting and financial supervision and that appropriate audit arrangements are in place;
- h) Satisfying itself there are effective reporting systems that will assure the Board that proper financial, operational, compliance, risk management and internal control processes are in place and functioning appropriately;

- i) Satisfying itself that the annual financial statements of the Company fairly and accurately set out the financial position at year end, and the financial performance during the year;
- j) Assuring itself that the Company has adopted a Code of Corporate Ethics and that Company practice is consistent with that Code;
- k) Reporting to and advising shareholders;
- l) Practicing and exhibiting the company's values; and
- m) Having an awareness of the statutory obligations imposed on Board members and ensuring there are appropriate standards of corporate governance.

The Board has a charter, a copy of which is located on the Company's website.

Management Functions

The Company has established the functions that are reserved for management. Management is responsible, on a shared basis with and subject to the approval of the Board, for developing strategy, and is directly responsible for implementing the strategies into the Company's business activities. Management is also responsible for safeguarding the Company's assets, maximizing the utilization of available resources and for creating wealth for Grange's shareholders.

Corporate Governance (cont.)

COMPOSITION OF BOARD

The Board aims to have a mix of relevant skills, industry and geographic knowledge together with expertise to carry out its duties and meet its objectives including high levels of:

- Finance / accounting expertise;
- Operational and technical expertise;
- Large project management and implementation expertise;
- Australian resources industry expertise; and
- Iron ore marketing and trading expertise.

The Remuneration and Nomination Committee periodically considers the skill and experience mix of the Board and undertakes a gap analysis. Directors are elected for a three year period and retire by rotation in accordance with the Company's Constitution. Professional intermediaries are used to identify and assess suitable candidates for independent vacancies. New directors are provided with an extensive induction program which includes a range of relevant Company and Board information including company values and culture, meetings with senior management and site visits to familiarise them with the operations of the Company.

The Board has a non-executive Chairman and the roles of the Chief Executive Officer are undertaken by different individuals. The Board is comprised of six Directors - two executive Directors and four non-executive Directors. Of the four non-executive Directors, two Directors are not considered to be independent. The Board therefore has equal numbers of independent and non independent Directors.

The non independent Directors, as defined under Recommendation 2 of the ASX Best Practice Recommendations (Principles), include Zhiqiang Xi (representative of major shareholder Shagang International Holdings Limited) and Clement Ko (representative of substantial shareholder Pacific International Holdings Co. Pty Ltd). Zhiqiang Xi also acts as Chairman.

The Board is mindful of the Principles and the preference for Boards to have a majority of independent Directors. The Board will continue to monitor and review its composition, but at this stage does not believe substantive changes will deliver greater shareholder value than the existing Board structure. The Board reviews the independence status of each director throughout the year.

Director	Independent	Non-Executive	Term in Office
Zhiqiang Xi	No – employed by major shareholder	Yes	2 years
Neil Chatfield	Yes	Yes	2 years
Russell Clark	No – Managing Director	No	2 years & 9 months
John Hoon	Yes	Yes	9 months
Honglin Zhao	No – Executive Director	No	6 months
Clement Ko	No – substantial shareholder	Yes	2 years

EVALUATION OF THE BOARD, COMMITTEES AND SENIOR MANAGEMENT

The performance of the Board and its Committees is conducted on a periodic basis. Senior management are reviewed and evaluated annually. In particular, the assessment of senior management is conducted by reference to short term and long term key performance indicators which are agreed at the start of each financial year. The evaluation of the Board is overseen by the Remuneration and Nomination Committee and Board members are required to complete questionnaires providing feedback on the Board's performance. The review process for the Committees is undertaken by way of regular feedback from the Board during the year. A formal assessment of the Board was conducted during the first half of 2010.

The CEO's performance is evaluated annually by the Remuneration and Nomination Committee against a range of key performance indicators and targets. The Committee makes a recommendation to the Board on the CEO's remuneration which is based on both performance and external market data. The CEO has a current position description and a letter of appointment which describes his term of office, duties, rights and responsibilities and entitlements on termination.

BOARD COMMITTEES

Audit Committee

The Company has a formally established Audit Committee with a written charter, a copy of which is available on the Company's website.

The Audit Committee consists of Mr John Hoon (Committee Chairman), Mr Neil Chatfield and Zhiqiang Xi, all of whom are non-executive Directors. A majority of the Committee (including the Committee Chairman) is independent.

The Audit Committee assists the Board to meet its oversight responsibilities in relation to Grange's financial reporting, legal and regulatory requirements, internal control and risk management systems and internal and external audit functions.

It is responsible for ensuring that the integrity of the Company's financial records is maintained and that the Company is exposed to minimum financial risk. It reviews:

- a) Grange's financial reporting principles and policies, controls and procedures;
- b) the effectiveness of Grange's internal control systems;
- c) the integrity of Grange's financial statements and the independent audit thereof, and Grange's compliance with legal and regulatory requirements in relation thereto.

It undertakes a broad review, monitors compliance, and makes recommendations to the Board in respect of the Company's accounting, compliance and risk affairs. It also reviews the appointment and performance of the external auditors.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee's overall role is to ensure that Grange's remuneration policies and practices are consistent with the Company's goals and objectives.

The Committee is responsible for making recommendations to the Board on all aspects of appointment, remuneration and termination pertaining to the CEO/ Managing Director and to review the appointment, remuneration or termination of other senior employees as requested by the Board, Chairman or CEO. It is also responsible for making recommendations on non-executive director remuneration and addressing relevant remuneration issues generally.

In addition to its remuneration responsibilities the Committee also undertakes Board nomination and appointment functions. It assesses the skills required by the Board, prepares and reviews the Board's succession plan and implements processes to identify and recruit suitable candidates for appointment as non executive directors.

Current members of the Remuneration and Nomination Committee are: Mr Neil Chatfield (Committee Chairman), Mr John Hoon and Mr Zhiqiang Xi, all of whom are non-executive Directors. A majority of the Committee (including the Committee Chairman) is independent.

There are no executive Directors on the Committee. The Committee seeks input from the Managing Director and senior executives on selected Company remuneration matters. No senior executive is involved in deciding their own remuneration. Executive remuneration is a mix of fixed and performance based remuneration. Further details are contained in the Remuneration Report section of the Annual Report.

The Committee has a written charter a copy of which is available on the Company's website.

INDEPENDENT PROFESSIONAL ADVICE AND ACCESS TO COMPANY INFORMATION

All Directors have the right of access to all relevant Company information, to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice concerning any aspect of the Company's operations or undertakings at the Company's expense.

CODE OF CONDUCT

The Board acknowledges its responsibility to set the ethical tone and standards of the Company. Accordingly it has clarified the standards of ethical and professional behaviour required of Directors, employees and contractors through the establishment of a Code of Conduct.

The Code of Conduct requires all Directors, employees and contractors to conduct business with the highest ethical standards, including compliance with the law, and to report or avoid conflict of interest situations. Compliance with the Code of Conduct is mandatory with breaches taken seriously. A copy of the Code of Conduct is located on the Company's website.

DIVERSITY

The Company takes a broad view of diversity covering ethnicity, age, cultural background and gender. During the next 12 months the Company will develop and communicate its diversity policy.

Corporate Governance (cont.)

TRADING IN COMPANY SECURITIES BY DIRECTORS AND SENIOR EXECUTIVES

To safeguard against insider trading, the Company's Securities Dealing Policy prohibits employees and Directors from trading in any securities of the Company at any time when they are in possession of unpublished, price-sensitive information in relation to those securities.

The Policy describes what constitutes insider trading, the penalties for undertaking such activities and makes recommendations on when employees should not trade in the Company's securities. The policy also notes designated "black out" periods during which Directors and employees are not allowed to trade. The Company Secretary advises employees and Directors of the commencement and conclusion of black out periods. Before commencing any trade, a Director must first obtain approval of the Chairman and senior management must advise the Company Secretary.

As required by the ASX Listing Rules, the Company notifies the ASX of any transaction conducted by Directors in the securities of the Company.

CONTINUOUS DISCLOSURE

The Company is committed to providing relevant up-to-date information to its shareholders and the broader investment community in accordance with its continuous disclosure obligations under the ASX Listing Rules and the Corporations Act 2001.

The Board has implemented a Continuous Disclosure and Market Communication Policy to ensure that information considered material by the Company is immediately reported to the ASX. Other information such as Company presentations are also disclosed to the ASX and are on the Company's website.

Grange applies the following guiding principles for market communications:

- ◆ Grange will not disclose price sensitive information to an external party except where that information has previously been disclosed to the market generally.
- ◆ Timely and accurate information must be provided equally to all shareholders and market participants.
- ◆ Information must be disseminated by channels prescribed by laws and other channels which Grange considers to be fair, timely and cost-efficient.

The Company's website provides access to all current and historical information, including ASX announcements, financial reports and other releases.

SHAREHOLDER COMMUNICATION

In adopting a Continuous Disclosure and Market Communication Policy, the Board ensures that shareholders are provided with up-to-date information.

Communication to shareholders is facilitated by the production of the annual report, quarterly and half yearly reports, public announcements and the posting of all ASX announcements and other information (including copies of all presentations) on the Company's website. The website contains six years of historical ASX announcements to facilitate research by investors and shareholders.

Shareholders are encouraged to attend and participate in the Annual General Meeting (AGM) of the Company. Shareholders may raise questions at the AGM and the external auditor is in attendance at such meetings to address any questions in relation to the conduct of the audit.

RISK MANAGEMENT

The Board acknowledges that risk management is a core component of Director and executive duties and an essential element of good governance. The Board determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. A summary of the Company's Risk Management Policy is available on the Company's website.

The Board oversees an annual assessment of the effectiveness of risk management and internal compliance and control. The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required by the Board to assess risk management and associated internal compliance and control procedures and report back on the efficiency and effectiveness of risk management by benchmarking the Company's performance to the Australia/New Zealand Standard on Risk Management.

The Chief Executive Officer and Chief Financial Officer have provided a written statement to the Board that:

- ◆ their view provided on the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board; and
- ◆ that the Company's risk management and internal compliance and control system is operating effectively in all material respects.

REMUNERATE FAIRLY AND RESPONSIBLY

The Company's Remuneration and Nomination Committee meets the enhanced requirements of the ASX's Corporate Governance Principles and Recommendations released in June 2010.

The CEO's and senior executives' remuneration packages are in accordance with the ASX's Corporate Governance Principles and Recommendations containing a balance of fixed and incentive pay reflecting both short term and long term incentives which reflect the Company's core performance requirements. Further details are contained within the Remuneration Report.

Non-executive Directors are remunerated by way of fixed cash fees which are inclusive of the superannuation guarantee. They do not receive bonus payments nor are they provided with retirement benefits other than superannuation. Further details are contained within the Remuneration Report.

ASX BEST PRACTICE RECOMMENDATIONS

The adjacent table lists each of the ASX Best Practice Recommendations applicable to the Company as at the date of its financial year end, being 31 December 2010, and whether the Company was in compliance with the recommendations at that date. Where the Company considers that it is divergent from these recommendations, or that it is not practical to comply, there is an explanation of the Company's reasons set out following the table.

	Principle / Recommendation	Complied	Note
1	Lay Solid Foundations for Management and Oversight		
1.1	Establish and disclose the functions reserved to the Board and those delegated to management.	✓	
1.2	Disclose the process for evaluating the performance of senior executives.	✓	
2	Structure the Board to Add Value		
2.1	A majority of the Board should be independent directors.	✗	1
2.2	The chair should be an independent director.	✗	1
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	✓	
2.4	The Board should establish a nomination committee.	✓	
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	✓	
3	Promote Ethical and Responsible Decision Making		
3.1	Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to: <ul style="list-style-type: none"> the practices necessary to maintain confidence in the Company's integrity; the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	✓	
3.2	Disclose the policy concerning trading in Company securities by directors, officers and employees.	✓	
4	Safeguard Integrity in Financial Reporting		
4.1	The Board should establish an Audit Committee.	✓	
4.2	The Audit Committee should be structured so that it: <ul style="list-style-type: none"> consists of only non-executive directors; consists of a majority of independent directors; is chaired by an independent chair, who is not chair of the Board; has at least three members. 	✓	
4.3	The Audit Committee should have a formal charter.	✓	
5	Make Timely and Balanced Disclosure		
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	✓	
6	Respect the Rights of Shareholders		
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	✓	

Corporate Governance (cont.)

Various corporate governance practices are discussed within this statement and the Company's Annual Report. For further information on the Company's corporate governance practices and policies, please refer to our website: www.grangeresources.com.au

	Principle / Recommendation	Complied	Note
7	Recognise and Manage Risk		
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	✓	
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	✓	
7.3	The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	✓	
8	Remunerate Fairly and Responsibly		
8.1	The Board should establish a remuneration committee.	✓	
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	✓	

Note 1: Principle 2 - Structure the Board to Add Value

The Company is not in compliance with recommendations 2.1 and 2.2 of the ASX Best Practice Recommendations. A majority of the Board are not considered to be independent when considered in accordance with the criteria set out in recommendation 2.1 (it presently has equal numbers of independent and non independent directors), nor is the Chair an independent Director in accordance with these criteria.

Following the merger with privately held Australian Bulk Minerals (ABM) on 2 January 2009, the shareholders of ABM had the right to appoint four Directors to the Board of which one would be appointed Chair. Prior to the merger, the Company was not in compliance with recommendations 2.1 and 2.2 as the majority of the Board were not considered to be independent, nor was the Chair considered an independent Director.

Despite the Company not being in compliance with these Best Practice Recommendations, the Board believe that the individuals on the Board can and do make quality and independent judgements in the best interests of the Company and other stakeholders.



GRANGE
RESOURCES

Australia's leading magnetite producer

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December **2010**
Financial **REPORT**

For the Six Month Period Ended 31 December 2010

DIRECTORS' REPORT

The Directors present their report on the consolidated entity (the "Group") consisting of Grange Resources Limited ("Grange" or "the Company") and the entities it controlled at the end of, or during, the six month period ended 31 December 2010.

During the current reporting period the Company received confirmation from the Australian Securities and Investments Commission ("ASIC") of a change in its financial year end date from 30 June to 31 December. This change means that the current reporting period is a transitional one from 1 July 2010 to 31 December 2010 (i.e. six months). Reporting periods thereafter will be prepared for a 12 month period from 1 January to 31 December.

DIRECTORS

The following persons were Directors of the Company during the whole of the six month period ended 31 December 2010 and up to the date of this report:

Zhiqiang Xi	Clement Ko
Neil Chatfield	John Hoon
Russell Clark	

Mr Honglin Zhao was appointed a non-executive Director on 30 July 2010 and an executive Director on 1 December 2010 and continues in office at the date of this report.

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

Information on Directors

Zhiqiang Xi, Age 55

Non-executive Chairman, Member of the Audit and Remuneration and Nomination Committees

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

Neil Chatfield FCPA, FAICD, Age 56

Deputy non-executive Chairman, Chairman of Remuneration and Nomination Committee, Member of the Audit Committee

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

Russell St John Clark BSc, ARSM, MIMM, MAusIMM, CE, Age 53

Managing Director and Chief Executive Officer

Mr Clark was appointed as Managing Director of Grange on 6 March 2008. Mr. Clark holds a Mining Engineering degree (BSc Hons) from the Royal School of Mines, London, UK and a Graduate Diploma from the Securities Institute of Australia. In addition he has undertaken a number of Executive Development programs in Australia and the USA. Prior to joining Grange, Mr Clark worked for Renison Goldfields for over 18 years and with Newmont for 8½ years. He has over 34 years of mining experience in Africa, Papua New Guinea, USA and throughout Australia, in technical, project management, general management and executive positions.

Honglin Zhao, Age 57

Executive Director

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

John Hoon BA (Hons Acc.), MBA, CA, FCPA, ACIS, CFP, Age 51

Non-executive Director, Chairman of Audit Committee, Member of the Remuneration and Nomination Committee

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

Clement Ko LLB, MBA, Age 47

Non-executive Director

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



Grange Resource Board of Directors

Left to right: John Hoon, Honglin Zhao, Zhiqiang Xi, Russell Clark, Neil Chatfield, Pauline Carr (Company Secretary) and Clement Ko.

Company Secretary

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

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

PRINCIPAL ACTIVITIES

During the period, the principal continuing activities of the Group consisted of:

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

DIVIDENDS

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

REVIEW OF OPERATIONS

Key Highlights

- ◆ A net profit after tax of \$85.2 million for the six month period ended 31 December 2010
- ◆ Revenues from mining operations of \$193.3 million from the sale of 1.2 million tonnes of iron ore pellets

- ◆ Gross profit from mining operations of \$63.5 million for the six month period ended 31 December 2010 as compared to a loss from mining operations of \$11.5 million for the 12 month period ended 30 June 2010
- ◆ Net cash inflow from operating activities of \$78.5 million
- ◆ Cash and trade receivables of \$122.6 million and no net debt as at 31 December 2010
- ◆ Asset impairment reversal of \$45.2 million after tax (\$64.6 million pre-tax) recognised as at 31 December 2010
- ◆ Southdown project pre-feasibility study progressing well with the joint venture spending \$20.5 million since the commencement of the pre-feasibility in May 2010

Safety performance

The safety performance at Grange's operations over the past six months has improved significantly and the continuing focus is on safe, cost effective delivery of product to fulfil our long term contracts. The Total Recordable Injury Frequency Rate ("TRIFR") has reduced from 22.5 to 9.1 per million hours worked, an impressive reduction of 59.6%. In addition, the Group had no Lost Time Injuries during the six month period ended 31 December 2010.

Review of results

The results for the six month period to 31 December 2010 reflect a significant turnaround in the financial performance of Grange resulting from improved market conditions. A net profit after tax of \$85.2 million was generated on revenues of \$193.3 million during the six month period compared to a profit of \$42.2 million on revenues of \$229.1 million for the 12 month period ended 30 June 2010.

DIRECTORS' REPORT *(cont.)*

Sales of iron ore pellets were at an interim price of US\$150 per tonne for the six month period ended 31 December 2010 in comparison to US\$80 per tonne for the 12 month period ended 30 June 2010, an increase of 87.5%. The Group has sold 1.6 million tonnes of iron ore pellets to its customers at interim prices to date. Negotiations on an iron ore index (IODEX) based market pricing mechanism with customers will continue during March.

The recent appreciation of the Australian dollar has eroded some of the benefit of the higher iron ore pellet prices. However the improved margins from higher prices and continued cost management have 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 also recognised a reversal of an asset impairment of \$45.2 million after tax (pre-tax \$64.6 million) in relation to an impairment loss previously recognised during the year ended 30 June 2009 on assets associated with the Group's Tasmanian operations.

Grange, as manager of the Southdown joint venture (Grange share 70%), made substantial progress towards the completion of the pre-feasibility study (PFS) for the Southdown magnetite project during the six month period ended 31 December 2010. It is anticipated that the PFS and owners review will be completed by the end of March 2011.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group that occurred during the six month period ended 31 December 2010. Commentary on the overall state of affairs of the Group is set out in the Review of Operations.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

On 6 January 2011, the Group merged its multiple tax consolidated group's such that the previous tax consolidated group consisting of Grange Tasmania Holdings Pty Ltd and its wholly-owned Australian subsidiaries are now part of the Grange Resources Limited tax consolidated group.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

ENVIRONMENTAL REGULATION

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

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

Savage River and Port Latta Operations

The Group obtained approvals to operate in 1996 and 1997 under the Land Use Planning and Approvals Act (LUPA) and the Environmental Management and Pollution Control Act (EMPCA) as well as the Goldamere Act and Mineral Resources Development Act. The land use permit conditions for Savage River and Port Latta are contained in Environmental Protection Notices 248/2 and 302/2 respectively. The currently approved Environmental Management Plans were submitted for Savage River and Port Latta on 21 December 2010. The extension of the project's life was approved by the Department of Tourism, Arts and the Environment on 12 March 2007 and together with the Goldamere Act and the Environmental Protection Notices, is the basis for the management of all environmental aspects of the mining leases. The Group has been relieved of any environmental obligation in relation to contamination, pollutants or pollution caused by operations prior to the date of the Goldamere Agreement (December 1996).

During the financial period there were no major breaches of licence conditions.

Southdown Joint Venture

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

National Greenhouse and Energy Reporting Act 2007

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

Mount Windsor Joint Venture

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

Energy Efficiency Opportunities Act 2006

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

Following a decision by the Delegate of the Secretary to the Department, Grange Resources Limited was officially registered under section 13 of the Energy Efficiency Opportunities Act 2006. Annual investigation and reporting programs under the legislation are being implemented. Grange submitted an Assessment and Reporting Schedule prior to 31 December 2010.

MEETINGS OF DIRECTORS

The numbers of meetings of the Company's Board of Directors and of each Board Committee held during the six month period ended 31 December 2010, and the numbers of meetings attended by each Director were:

Name	Directors' meetings		Meetings of Committees			
	A	B	Audit		Remuneration	
			A	B	A	B
Z Xi	6	6	6	6	1	1
N Chatfield	6	6	6	6	1	1
R Clark	6	6	-	-	-	-
C Ko	6	6	-	-	-	-
J Hoon	6	6	6	6	1	1
H Zhao ⁽¹⁾	5	5	-	-	-	-
W Guo ⁽²⁾	1	1	-	-	-	-

A = Number of meetings attended

B = Number of meetings held during the time the Director held office or was a member of the committee during the six month period ended 31 December 2010

⁽¹⁾ H Zhao commenced as a Director on 30 July 2010

⁽²⁾ W Guo resigned as a Director on 30 July 2010

Interests in the Shares, Rights and Options of the Company

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

Director	Number of Fully Paid Ordinary Shares		Rights	Options
	Beneficial	Non-Beneficial		
Z Xi ⁽¹⁾	-	-	-	-
N Chatfield	20,000	-	-	-
R S Clark	1,000,000	-	1,067,650	4,500,000
C Ko ⁽²⁾	90,385,520	672,594,573	-	-
J Hoon	-	-	-	-
H Zhao ⁽¹⁾	-	-	-	-

⁽¹⁾ Z Xi is a full time employee of the Shagang Group and H Zhao was a Director on the Board of the Shagang Group, ultimate shareholder of Shagang International Holdings Limited. Shagang International Holdings Limited and its subsidiaries hold 539,982,558 ordinary fully paid shares in the Company as at the date of this report.

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

DIRECTORS' REPORT *(cont.)*

REMUNERATION REPORT

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

Principles Used to Determine the Nature and Amount of Remuneration

(i) Remuneration Philosophy

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

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

(ii) Remuneration Structure

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

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

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

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

Non-executive Directors

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

Directors' Fees

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

Non-executive Directors' fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$800,000 per annum and was approved by shareholders at the Annual General Meeting on 26 November 2010.

The following annual fees (inclusive of superannuation) have applied:

	From 1 July 2010
Board of Directors	
Chairman ⁽¹⁾	\$130,000
Deputy chairman	\$85,000
Non-executive Director	\$75,000
Audit Committee	
Chairman	\$15,000
Committee member	\$10,000
Remuneration and Nomination Committee	
Chairman	\$15,000
Committee member	\$5,000

⁽¹⁾ The Chairman is not paid any additional amounts for Committee membership

Options to Non-Executive Directors

In May 2008, shareholders approved the issue of 1.8 million options to non-executive Directors to act as an incentive for these Directors to align themselves with the Company's strategic plan focusing on optimising performance with the benefits flowing through to enhanced shareholder returns. None of the current Non-executive Directors have been awarded options in the Company and the Company does not have a specific option plan in relation to the issue of options to non-executive Directors. From time to time the Company will also look at industry practice when determining whether options should form part of the non-executive Directors' remuneration.

Executive Pay

Objective

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

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

Structure

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

Remuneration consists of the following key elements:

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

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives) for each executive is set out on page 35.

Fixed Remuneration

Objective

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

Structure

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

Variable Remuneration – Short Term Incentive (“STI”)

Objective

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

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

Objective

a) Rights to Grange Shares

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

The objective for the issue of Rights under the LTI program is to reward selected senior employees in a manner that aligns this element of their remuneration package with the creation of long term shareholder wealth while at the same time securing the employee's tenure with the Company over the longer term. The LTI grants Rights to the Company's shares to selected senior employees, and these Rights vest in several equal tranches over the timeframe stipulated in the LTI Plan (currently they vest in three equal tranches over 24 months). 50% of the LTI for an employee relates to company performance goals and 50% relates to personal performance goals. Rights are allocated using a share price that is based on the volume weighted average price of the Company's shares. For the six month period ended 31 December 2010 the share price is based on the volume weighted average price of the Company's shares for the first two months of the performance period (i.e. the volume weighted average price of the Company's shares from 1 July 2010 to 31 August 2010 will be used).

DIRECTORS' REPORT *(cont.)*

b) Options to Grange Shares

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

(iii) Remuneration and Nomination Committee

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

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

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

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

The Charter and Remuneration strategies are reviewed regularly.

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

Details of Remuneration

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

The key management personnel of the Group are the Directors of Grange Resources Limited (see page 26) and the following executives:

Name	Position
Wayne Bould	Chief Operating Officer
Craig Ferrier	Chief Financial Officer
Fernando Moutinho	Project Director – Southdown
David Corr	Financial Controller
Ross Carpenter	General Manager – Mining and Projects

Amounts of remuneration**Table 1: Remuneration for the six month period ended 31 December 2010**

	Short-term employee benefits				Post employment	Long term	Long-term incentive (LTI)			Total
	Salary & fees	Non-monetary benefits	Short-term incentive (STI) ⁽⁶⁾	Other	benefits	benefits	Long service leave	Termination benefits	Rights ⁽⁵⁾⁽⁶⁾	
	\$	\$	\$	\$	Super-annuation	\$	\$	\$	\$	\$
Non-executive Directors										
Z Xi	65,000	-	-	-	-	-	-	-	-	65,000
N Chatfield	54,381	-	-	-	619	-	-	-	-	55,000
C Ko	37,500	-	-	-	-	-	-	-	-	37,500
J Hoon	43,578	-	-	-	3,922	-	-	-	-	47,500
W Guo ⁽¹⁾	5,000	-	-	-	-	-	-	-	-	5,000
Sub-total non-executive Directors	205,459	-	-	-	4,541	-	-	-	-	210,000
Executive Directors										
R Clark	275,230	-	-	-	24,770	2,435	-	47,006	-	349,441
H Zhao ⁽²⁾	59,404	9,952	-	-	3,096	33	-	-	-	72,485
Other Key Management Personnel										
W Bould	167,551	9,015	-	-	15,934	2,086	-	20,085	-	214,671
C Ferrier ⁽³⁾	108,167	-	-	-	4,894	98	-	-	-	113,159
F Moutinho ⁽⁴⁾	151,795	-	-	-	13,636	144	-	-	-	165,575
D Corr	89,832	-	-	-	8,096	557	-	1,948	-	100,433
R Carpenter	122,821	-	-	400,000 ⁽⁷⁾	11,054	7,990	-	2,343	-	544,208
Sub-total Key Management Personnel	974,800	18,967	-	400,000	81,480	13,343	-	71,382	-	1,559,972
TOTAL	1,180,259	18,967	-	400,000	86,021	13,343	-	71,382	-	1,769,972

⁽¹⁾ W Guo resigned as a Director on 30 July 2010

⁽²⁾ H Zhao was appointed an non-executive Director on 30 July 2010 and as an executive Director on 1 December 2010. Remuneration disclosures include amounts received since his appointment as a non-executive Director on 30 July 2010.

⁽³⁾ C Ferrier commenced employment with the Company on 6 September 2010

⁽⁴⁾ F Moutinho commenced employment with the Company on 16 August 2010

⁽⁵⁾ As at the date of this report, the Remuneration and Nomination Committee is still reviewing variable remuneration entitlements for the six month period ended 31 December 2010. Variable remuneration amounts awarded to key management personnel for the six month period ended 31 December 2010 will be disclosed during the period in which the Remuneration and Nomination Committee approves the variable remuneration entitlement.

⁽⁶⁾ Represents amounts expensed through the Company's income statement for rights issued under the Company's Long Term Incentive Scheme for the year ended 30 June 2010 which were approved for issue by the Remuneration and Nomination Committee in September 2010. These amounts are recognised in the Company's income statement over the vesting period in accordance with AASB 2, Share Based Payments.

⁽⁷⁾ Other payments to R Carpenter relate to a retention payment of \$400,000 paid in accordance with a scheme established by Australian Bulk Minerals.

DIRECTORS' REPORT *(cont.)*

Table 2: Remuneration for the year ended 30 June 2010

	Short-term employee benefits			Post employment benefits	Long term benefits	Long-term incentive (LTI)			Total	
	Salary & fees	Non-monetary benefits	Short-term incentive (STI) ⁽⁶⁾	Other	Super-annuation	Long service leave	Termination benefits	Rights ⁽⁵⁾⁽⁶⁾		Options
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Non-executive Directors										
Z Xi	90,000	-	-	-	-	-	-	-	-	90,000
N Chatfield	82,487	-	-	-	7,513	-	-	-	-	90,000
C Ko	60,000	-	-	-	-	-	-	-	-	60,000
J Hoon ⁽¹⁾	5,473	-	-	-	516	-	-	-	-	5,989
H Zhao ⁽²⁾	-	-	-	-	-	-	-	-	-	-
W Guo ⁽³⁾	60,000	-	-	-	-	-	-	-	-	60,000
P Stephens ^{(4), (5)}	56,492	-	-	-	8,383	-	-	-	-	64,875
A Bohnenn ⁽⁶⁾	23,660	-	-	-	1,720	-	-	-	-	25,380
Sub-total non-executive Directors	378,112	-	-	-	18,132	-	-	-	-	396,244
Executive Director										
R Clark ⁽⁷⁾	500,000	-	161,865	270,000	45,000	5,189	-	206,828	-	1,188,882
Other Key Management Personnel										
W Bould ⁽⁸⁾	261,057	18,093	57,845	100,000	25,299	2,762	-	88,374	-	553,430
D Corr ⁽⁹⁾	122,478	8,400	14,024	-	11,023	116	-	8,570	-	164,611
R Carpenter ⁽¹⁰⁾	245,642	-	12,049	-	22,108	9,251	-	10,308	-	299,358
S Apostolou ⁽¹¹⁾	105,378	-	-	-	7,855	-	-	-	-	113,233
B Burdett ⁽¹²⁾	75,932	-	-	-	7,658	2,076	-	-	-	85,666
N Longmire ⁽¹³⁾	72,224	-	-	-	6,817	-	-	-	-	79,041
J Galbraith ⁽¹⁴⁾	2,455	-	-	-	221	868	225,707	-	-	229,251
B Lorking ⁽¹⁴⁾	1,845	-	-	-	225	-	230,142	-	-	232,212
Sub-total Key Management Personnel	1,387,011	26,493	245,783	370,000	126,206	20,262	455,849	314,080	-	2,945,684
TOTAL	1,765,123	26,493	245,783	370,000	144,338	20,262	455,849	314,080	-	3,341,928

⁽¹⁾ J Hoon was appointed as a Director on 2 June 2010

⁽²⁾ H Zhao was appointed as a Director on 30 July 2010

⁽³⁾ W Guo resigned as a Director on 30 July 2010

⁽⁴⁾ P Stephens resigned as a Director on 7 April 2010

⁽⁵⁾ Salary and fees includes an amount of \$6,800 paid to P Stephens for consulting services provided to Grange during the year ended 30 June 2010

⁽⁶⁾ A Bohnenn ceased to be a Director on 25 November 2009

⁽⁷⁾ Other payments to R Clark relate to a bonus payment for his proactive role in integrating the Grange and ABM businesses post merger. The Remuneration and Nomination Committee proposed and the Board approved a bonus of \$250,000 to be paid as 1,000,000 shares in Grange. The payment was approved by shareholders at the Annual General Meeting on 25 November 2009 and the shares issued on 7 December 2009. The Grange share price on the date of approval was \$0.27 per share.

⁽⁸⁾ Other payments to W Bould relate to a performance related payment for 2009 of \$100,000 to be paid as 298,507 shares in Grange. These shares were issued on 6 August 2010

⁽⁹⁾ D Corr commenced employment with the Company on 12 October 2009

⁽¹⁰⁾ Subsequent to 30 June 2010, R Carpenter received retention payment of \$400,000 in accordance with a scheme established by ABM

⁽¹¹⁾ S Apostolou ceased employment with the Company on 4 February 2010

⁽¹²⁾ B Burdett ceased employment with the Company on 30 October 2009

⁽¹³⁾ N Longmire ceased employment with the Company on 16 October 2009

⁽¹⁴⁾ J Galbraith and B Lorking ceased employment with the Company on 3 July 2009

Table 3: Relative proportions linked to performance

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

Name	Fixed Remuneration		At Risk - STI		At Risk - LTI	
	Dec-10	Jun-10	Dec-10	Jun-10	Dec-10	Jun-10
Executive Director						
R Clark	50%	50%	16%	16%	34%	34%
H Zhao ⁽¹⁾	100%	-	-	-	-	-
Other Key Management Personnel						
W Bould	59%	59%	12%	12%	29%	29%
C Ferrier	77%	-	8%	-	15%	-
F Moutinho	100%	-	-	-	-	-
D Corr	81%	86%	8%	7%	11%	7%
R Carpenter	81%	81%	8%	8%	11%	11%

⁽¹⁾ H Zhao was appointed an executive Director of the Company on 1 December 2010 and was not eligible to participate in the Group's variable remuneration schemes for the six month period ended 31 December 2010

Service Agreements

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

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

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

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

Share-based Compensation

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

Rights to Grange shares

The number of rights in shares in the Company offered to each Director of Grange Resources Limited and other key management personnel of the Group including their personally related parties, are set out below,

31 December 2010

	Balance 1 July 2010	Granted as remuneration	Other Changes (net)	Balance 31 December 2010	Vested	Unvested
Directors of Grange Resources Limited						
R Clark	-	1,067,650	-	1,067,650	355,883	711,767
Other Key Management Personnel of Group						
W Bould	-	456,192	-	456,192	152,064	304,128
D Corr	-	44,239	-	44,239	14,746	29,493
R Carpenter	-	53,212	-	53,212	17,737	35,475

DIRECTORS' REPORT (cont.)

There were no rights on issue during the year ended 30 June 2010.

As at the date of this report, the Remuneration and Nomination Committee is still reviewing variable remuneration entitlements for the six month period ended 31 December 2010. Rights awarded to key management personnel for the six month period ended 31 December 2010 will be disclosed during the period in which the Remuneration and Nomination Committee approves the variable remuneration entitlement.

Options to Grange shares

The key terms and conditions of each grant of options affecting Directors and key management personnel as at 31 December 2010 are as follows:

Name	Grant Date	Options	Exercise Price ⁽¹⁾	Fair Value per Option at Grant Date	Vesting Date	Expiry Date
Director options						
R Clark	28-Nov-08	1,500,000	\$1.92	\$0.48	2-Jan-09	6-Mar-12
		1,500,000	\$2.87	\$0.34	2-Jan-09	6-Mar-12
		1,500,000	\$3.37	\$0.27	2-Jan-09	6-Mar-12
Other Key Management Personnel options						
W Bould	14-Jul-08	150,000	\$1.92	\$0.54	2-Jan-09	1-May-12
		150,000	\$2.87	\$0.39	2-Jan-09	1-May-12
		150,000	\$3.37	\$0.30	2-Jan-09	1-May-12

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

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

There were no options issued to Directors or key management personnel of the Group during the six month period ended 31 December 2010. Furthermore, there were no shares issued to Directors or key management personnel of the Group during the six month period ended 31 December 2010.

Shares Under Option

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

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

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

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

Insurance of Officers

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

Indemnity of Auditors

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

Non-audit Services

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

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

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

During the period the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms.

	6 months to 31 December 2010 \$'000	12 months to 30 June 2010 \$'000
(a) PricewaterhouseCoopers		
Audit and review of financial reports	235	375
Taxation services		
Taxation compliance	81	129
Taxation consulting and advice	432	362
Other services	98	-
Total remuneration of PricewaterhouseCoopers	846	866

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 38.

ROUNDING OF AMOUNTS

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

AUDITOR

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

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



Russell Clark
Managing Director
Perth, Western Australia

27 February 2011

Auditor's Independence Declaration



PricewaterhouseCoopers
ABN 52 780 433 757

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2 Southbank Boulevard
SOUTHBANK VIC 3006
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Auditor's Independence Declaration

As lead auditor for the audit of Grange Resources Limited for the period ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink, appearing to read 'D.G. Smith'.

Debbie Smith
Partner
PricewaterhouseCoopers

Melbourne
27 February 2011

Liability limited by a scheme approved under Professional Standards Legislation

Statement of Comprehensive Income

For the Six Month Period Ended 31 December 2010

	Notes	6 months to 31 December 2010 \$'000	12 months to 30 June 2010 \$'000
Revenues from mining operations	5	193,334	229,066
Cost of sales	6	(129,823)	(240,588)
Gross profit / (loss) from mining operations		63,511	(11,522)
Administration expenses		(3,054)	(6,392)
Operating profit / (loss) before other income / (expense)		60,457	(17,914)
Other income / (expenses)			
Restructure of deferred consideration	22, 25	-	84,106
Revaluation of deferred consideration	22, 25	(6,678)	(19,571)
Reversal of asset impairment	7	64,619	-
Other income / (expenses)	8	3,855	(10)
Operating profit before finance costs		122,253	46,611
Finance income	9	7,388	10,219
Finance expenses	9	(4,537)	(12,575)
Profit before tax		125,104	44,255
Income tax benefit / (expense)	10	(39,863)	(2,027)
Profit / (loss) for the period		85,241	42,228
Other comprehensive income			
Exchange differences on translation of foreign operations		(226)	88
Total comprehensive income for the period		85,015	42,316
Profit / (loss) attributable to:			
- Equity holders of Grange Resources Limited		85,241	42,645
- Minority interest		-	(417)
		85,241	42,228
Total comprehensive income / (loss) attributable to:			
- Equity holders of Grange Resources Limited		85,015	42,733
- Minority interest		-	(417)
		85,015	42,316
Earnings per share for profit / (loss) attributable to the ordinary equity holders of Grange Resources Limited			
	Note	6 months to 31 December 2010	12 months to 30 June 2010
Basic earnings / (loss) per share (cents per share)	39	7.40	3.93
Diluted earnings / (loss) per share (cents per share)	39	7.40	3.93

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

Statement of Financial Position

As at 31 December 2010

	Notes	31 December 2010 \$'000	30 June 2010 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	11	91,922	70,476
Trade and other receivables	12	39,309	10,268
Inventories	13	35,921	51,755
Available-for-sale financial assets	14	984	-
		168,136	132,499
Assets classified as held for sale	41	-	4,788
Total current assets		168,136	137,287
Non-current assets			
Receivables	15	13,768	15,882
Property, plant and equipment	16	161,694	153,014
Mine properties and development	17	395,737	326,135
Exploration and evaluation	18	60,573	47,269
Deferred tax assets	19	-	-
Total non-current assets		631,772	542,300
Total assets		799,908	679,587
LIABILITIES			
Current liabilities			
Trade and other payables	20	35,602	34,660
Borrowings	21	13,134	12,249
Current tax liability		-	2,742
Provisions	23	3,208	3,871
		51,944	53,522
Liabilities classified as held for sale	41	-	1,921
Total current liabilities		51,944	55,443
Non-current liabilities			
Borrowings	24	33,860	44,700
Deferred consideration	25	59,269	50,409
Deferred tax liabilities	26	72,102	32,238
Provisions	27	19,674	19,631
Total non-current liabilities		184,905	146,978
Total liabilities		236,849	202,421
Net assets		563,059	477,166
EQUITY			
Contributed equity	28	328,912	328,812
Reserves	29	2,955	2,855
Retained profits / (losses)	30	231,192	145,951
Capital and reserves attributable to equity holders of Grange Resources Limited		563,059	477,618
Non-controlling interests		-	(452)
Total equity		563,059	477,166

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

Statement of Changes in Equity

For the Six Month Period Ended 31 December 2010

Consolidated	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Non-controlling interests \$'000	TOTAL \$'000
Balance at 1 July 2010	328,812	2,855	145,951	(452)	477,166
Profit / (loss) for the period	-	-	85,241	-	85,241
Exchange differences on disposal of foreign operations	-	(226)	-	-	(226)
Total comprehensive income / (loss) 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
Balance at 1 July 2009					
	160,198	2,116	103,306	(35)	265,585
Profit / (loss) for the year	-	-	42,645	(417)	42,228
Exchange differences on translation of foreign operations	-	88	-	-	88
Total comprehensive income / (loss) for the year	-	88	42,645	(417)	42,316
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	168,614	-	-	-	168,614
Employee share options and rights	-	651	-	-	651
	168,614	651	-	-	169,265
Balance at 30 June 2010	328,812	2,855	145,951	(452)	477,166

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

Statement of Cash Flows

For the Six Month Period Ended 31 December 2010

	Notes	6 months to 31 December 2010 \$'000	12 months to 30 June 2010 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		171,008	242,259
Payments to suppliers and employees (inclusive of goods and services tax)		(90,267)	(200,725)
		80,741	41,534
Interest received		994	2,571
Interest paid		(226)	(1,712)
Income taxes (paid)/received		(3,057)	5,642
Net cash inflow / (outflow) from operating activities	38	78,452	48,035
Cash flows from investing activities			
Payments for exploration and evaluation		(13,370)	(1,266)
Payments for property, plant and equipment		(19,557)	(10,450)
Payments for mine properties and development		(14,129)	(18,954)
Proceeds from disposal of subsidiaries		851	-
Payment of security deposits		1,643	-
Net cash inflow / (outflow) from investing activities		(44,562)	(30,670)
Cash flows from financing activities			
Proceeds from issues of fully paid shares, net of transaction costs		-	150,384
Proceeds from borrowings		-	33,468
Repayment of borrowings		-	(89,406)
Payment of deferred consideration		-	(48,572)
Finance lease payments		(5,117)	(13,489)
Net cash inflow / (outflow) from financing activities		(5,117)	32,385
Net increase / (decrease) in cash and cash equivalents		28,773	49,750
Cash and cash equivalents at beginning of the period		70,476	20,466
Net foreign exchange differences		(7,327)	260
Cash and cash equivalents at end of the period	11	91,922	70,476

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

Notes to the Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

(a) Basis of preparation

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

Compliance with IFRS

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

Historical cost convention

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

Critical accounting estimates

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

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Grange Resources as at 31 December 2010 and the results of all subsidiaries for the six month period then ended. Grange Resources Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Details of subsidiaries are set out in Note 35.

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

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

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

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

(ii) Joint Ventures

Jointly controlled assets

The proportionate interests in the assets, liabilities and expenses of a joint venture activity have been incorporated into the financial statements under the appropriate headings. Details of joint ventures are set out in Note 36.

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

Notes to the Financial Statements *(cont.)*

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

(c) Segment reporting

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

Refer to Note 4 for further information on segment descriptions.

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(iii) Group companies

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

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

- ◆ all resulting exchange differences are recognised as a separate component of equity.

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

(e) Business combinations

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

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

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

(e) Business combinations (cont.)

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

(f) Revenue recognition

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

Revenue is recognised for the major business transactions as follows:

Sales of iron ore

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

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

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

Royalties

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

Interest revenue

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

Dividend revenue

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

(g) Government Grants

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

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

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

(h) Leases

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

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

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

Notes to the Financial Statements *(cont.)*

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

(i) Cash and cash equivalents

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

(j) Trade and other receivables

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

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

(k) Inventories

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

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

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

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

(l) Income tax

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

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

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

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

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

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

(l) Income tax (cont.)

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

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

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

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

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

Tax consolidation legislation

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

In addition to its own current and deferred tax amounts, the head entities of the Group's tax consolidated groups also recognise the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in its tax consolidated group. Assets or liabilities arising under tax funding agreement within the tax consolidated entities are recognised as amounts receivable from, or payable to, other entities in the Group.

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

On 6 January 2011, the group merged its two separate tax consolidated group's. The impact of this merger upon the carrying amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet will be assessed during 2011.

(m) Goods and Services Tax (GST)

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

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

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

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

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

(n) Property, plant and equipment

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

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

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

Notes to the Financial Statements *(cont.)*

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

(n) Property, plant and equipment *(cont.)*

Depreciation rates used are as follows:

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

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

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

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

(o) Exploration and evaluation

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

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

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

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

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

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

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

- (i) such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or
- (ii) exploration and evaluation activities in the area of interest have not, at balance date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

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

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

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

(p) Mine properties and development

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

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

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

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

(q) Deferred mining

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

(q) Deferred mining (cont.)

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

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

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

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

(r) Impairment of assets

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

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

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

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the pre-impairment value, adjusted for any depreciation that would have been recognised on the asset had the initial impairment loss not occurred. Such reversal is recognised in profit or loss.

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

(s) Investments and other financial assets**Classification**

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Held-to-maturity investments

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

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

Notes to the Financial Statements *(cont.)*

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

Available-for-sale financial assets

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

(t) Derivative financial instruments

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

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

Fair value hedge

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

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

Cash flow hedge

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

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

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

Derivatives that do not qualify for hedge accounting

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

Embedded derivatives

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

(u) Financial instruments issued by the company

Transaction costs on the issue of equity instruments

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

Interest and dividends

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

(v) Non-current assets held for sale

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

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

(v) Non-current assets held for sale (cont.)

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

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

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

(w) Ore reserves

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

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

(x) Trade and other payables

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

(y) Borrowings

All borrowings are initially recognised at the fair value of the consideration received, less transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case the fee is deferred until the draw down occurs.

To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

Borrowing costs

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

(z) Provisions

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

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

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

Decommissioning and restoration

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

Notes to the Financial Statements *(cont.)*

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

(z) Provisions *(cont.)*

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

Onerous contracts

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

Restructuring

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

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

(aa) Employee entitlements

Wages and salaries, annual leave and sick leave

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

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the

projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation funds

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

Share-based payment transactions

Share based compensation benefits are provided to Directors and eligible employees under various plans. Information relating to the plans operated by the Company is set out in Note 40.

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

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

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

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

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

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

(aa) Employee entitlements (cont.)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

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

(ab) Contributed equity

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

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

(ac) Dividends

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

(ad) Earnings per share (EPS)**(i) Basic earnings per share**

Basic earnings per share is calculated by dividing:

- ◆ the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares;
- ◆ by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the period and excluding treasury shares.

(ii) Diluted earnings per share

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

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

(ae) Parent entity financial information

The financial information for the parent entity, Grange Resources Limited, disclosed in Note 42 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries, associates and joint venture entities

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

Financial guarantees

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

(af) Rounding of amounts

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

(ag) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2010 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)

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

The Group will apply the amended standard from 1 January 2011.

Notes to the Financial Statements (cont.)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**(ii) AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement** (effective from 1 January 2011)

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

(iii) AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets (effective from 1 July 2011)

In November 2010, the AASB made amendments to AASB 7 Financial Instruments: Disclosures which introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. They are not expected to have any significant impact on the Company's disclosures.

(iv) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. The Company intends to apply the standard from 1 January 2013.

(v) 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012)

In December 2010, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. The Company will apply the amendment from 1 January 2012.

(vi) AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013)

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

(vii) AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective from 1 January 2011)

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Group will apply the amendments from 1 January 2011. The Group does not expect that any adjustments will be necessary as the result of applying the revised rules.

NOTE 2. FINANCIAL RISK MANAGEMENT

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

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

The Group holds the following financial instruments:

	31 December 2010 \$'000	30 June 2010 \$'000
Financial Assets		
Cash and cash equivalents	91,922	70,476
Trade and other receivables	49,572	23,989
	141,494	94,465
Financial Liabilities		
Trade and other payables	35,602	34,660
Borrowings	46,994	56,949
Deferred consideration	59,269	50,409
	141,865	142,018

(a) Market Risk

(i) Foreign exchange risk

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

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

The Group closed out all currency hedges in April 2009. Since this time the Group has not managed its foreign exchange risk with currency hedges.

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

	31 December 2010 \$'000	30 June 2010 \$'000
Cash and cash equivalents	60,149	28,330
Trade and other receivables	35,996	10,571
Trade and other payables	(770)	(107)
Borrowings	(35,339)	(47,667)
Deferred consideration	(59,269)	(50,409)

(i) Group sensitivity

Based on the financial instruments held at 31 December 2010, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's post tax profit for the financial period would have been \$0.1 million higher / \$0.1 million lower (June 2010 \$5.1 million lower / \$4.2 million higher), mainly as a result of foreign exchange gains/losses on translation of US dollar denominated borrowings and deferred consideration off-set by US dollar denominated cash and cash equivalents as detailed in the above table.

(ii) Price risk

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

The Group agreed with its customers to price its iron ore pellets at index based market prices. Interim pricing arrangements have been agreed and will remain in place with all customers until an index based market pricing mechanism is agreed.

Notes to the Financial Statements (cont.)

NOTE 2. FINANCIAL RISK MANAGEMENT (cont.)

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

(iii) Cash flow and fair value interest rate risk

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

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

	December 2010		June 2010	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Borrowings	2.47	9,177	2.54	9,282

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

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

Group sensitivity

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

At 31 December 2010, if interest rates had increased by 5 basis points (bps) or decreased by 5 basis points from the period end rates with all other variables held constant, post tax profit for the period would have been \$0.4 million higher / \$0.4 million lower (June 2010 changes of 5 bps / 5 bps: \$0.3 million higher / \$0.3 million lower).

(b) Credit Risk

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

The Group is exposed to a concentration of risk with sales of iron ore being made to a limited number of customers. The maximum exposure to credit risk at the reporting date is limited to the carrying value of trade receivables, cash and cash equivalents and deposits with banks and financial institutions.

The Group has no receivables past due as at 31 December 2010.

(c) Liquidity Risk

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

Financing arrangements

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

Maturities of financial liabilities

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

31 December 2010 – Consolidated

	less than 6 months \$'000	6 - 12 months \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total contractual flows \$'000	Carrying amount liabilities \$'000
Non derivatives							
Non-interest bearing							
Trade and other payables	35,602	-	-	-	-	35,602	35,602
Deferred consideration	-	-	10,929	28,562	64,774	104,265	59,269
Variable rate borrowings	453	225	450	1,341	6,713	9,182	9,182
Fixed rate borrowings	7,479	6,655	12,710	14,293	-	41,137	37,812
Total non derivatives	43,534	6,880	24,089	44,196	71,487	190,186	141,865

30 June 2010 - Consolidated

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

d) Fair Value Estimation

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

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

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

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

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

e) Capital Risk Management

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

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

Notes to the Financial Statements *(cont.)*

NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Critical accounting estimates and assumptions

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

Impairment of capitalised exploration and evaluation expenditure

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

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

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

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

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

The Group performs an impairment assessment when there is an indication of a possible impairment. Impairment assessments are performed using information from internal Board approved budgets as well external sources, including industry analysts and analysis performed by external parties. In assessing the recoverable amount, the consolidated entity makes a number of impairment assumptions, including commodity price expectations, foreign exchange rates, reserves and resources and expectation regarding future operating performance which is subject to risk and uncertainty. Changes in circumstances may affect these estimates and the recoverable amount. If the carrying amount is assessed to be impaired, the impairment charge is recognised in the income statement. Conversely, where a prior period asset impairment has reversed the carrying amount of the asset is increased to the lower of its recoverable amount and pre-impairment value, adjusted for any depreciation that would have been recognised on the asset had the initial impairment not occurred.

Net realisable value of inventories

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

Provision for decommissioning and restoration costs

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

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

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

Determination of ore reserves and resources

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

Taxation

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

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

Furthermore, the Group merged its multiple tax consolidated group's on 6 January 2011 and the impact of this merger upon the carrying amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet will be assessed during 2011.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value for options is determined by an external value using a binomial model, using the assumptions detailed in Note 40. The fair value for shares issued is determined by the volume weighted average trading price over a specified number of days.

Revenue recognition

Interim pricing

The Group has agreed with its customers to price its iron ore pellets at index based market prices from 1 April 2010. An interim price of US\$150 per tonne was agreed with customers for the six month period ended 31 December 2010. These interim pricing arrangements will remain in place until such time as an index based market pricing mechanism is agreed with customers.

The Group has recognised interim priced revenues of \$190.5 million from the sale of iron ore pellets during the six month period ended 31 December 2010 (12 months to 30 June 2010: \$44.4 million). Negotiations in relation to an index based market pricing mechanism continue with customers. If necessary, adjustments to interim prices will be recognised by the Group during the period in which the index based market pricing mechanism is agreed with customers.

Provisional pricing

The Group has recognised revenues amounting to \$5.9 million for the six month period ended 31 December 2010 (12 months to 30 June 2010: \$3.2m) from the sale of iron ore pellets which requires quantity and quality verification by the customer. The Group is confident that the quantity and quality of the iron ore pellets is such that it is appropriate to recognise the provisional pricing revenues during the six month period ended 31 December 2010.

Notes to the Financial Statements (cont.)

NOTE 4. SEGMENT INFORMATION**(a) Description of segments**

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

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

Exploration, evaluation and development projects (including 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 Managing Director. These projects may become segments 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.

Segment revenues from sales to external customers

	6 months to 31 December 2010 \$'000	12 months to 30 June 2010 \$'000
Australia	69,161	79,037
China	124,173	149,942
Malaysia	-	87
TOTAL	193,334	229,066

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

The consolidated assets of the Group were predominately located in Australia as at 31 December 2010 and 30 June 2010. The total cost incurred during the current and comparative periods to acquire segment assets were also predominately incurred in Australia.

NOTE 5. REVENUE

	6 months to 31 December 2010 \$'000	12 months to 30 June 2010 \$'000
From mining operations		
Sales of iron ore	193,334	226,377
Other revenue	-	2,689
	193,334	229,066

NOTE 6. COST OF SALES

	6 months to 31 December 2010 \$'000	12 months to 30 June 2010 \$'000
Mining costs	49,025	102,119
Production costs	40,776	84,627
Government royalties	6,855	8,524
Depreciation and amortisation expense	19,229	44,070
Deferred mining costs capitalised (net)	(13,918)	(9,009)
Changes in inventories	18,866	8,786
Foreign exchange (gain) / loss	8,990	1,471
	129,823	240,588

Depreciation and amortisation

Land and buildings	1,362	2,751
Plant and equipment	9,484	22,913
Computer equipment	195	324
Mine properties and development	8,188	18,082
	19,229	44,070

NOTE 7. REVERSAL OF ASSET IMPAIRMENT

	6 months to 31 December 2010 \$'000	12 months to 30 June 2010 \$'000
Reversal of asset impairment		
- Mine properties and development	64,619	-

Australian Accounting Standard AASB 136, Impairment of Assets, requires prior period asset impairment losses to be reversed if there have been a positive change in the estimates used to determine the assets recoverable amount since the impairment loss was recognised. Where a positive change has occurred the carrying amount of the asset is increased to the lower of its recoverable amount and pre-impairment value, adjusted for any depreciation that would have been recognised on the asset had the initial impairment loss not occurred.

The consolidated entity previously recognised an impairment loss of \$66.6 million during the year ended 30 June 2009 in relation to mine, properties and development assets associated with its Tasmanian operations. During the six month period ended 31 December 2010 the consolidated entity has reversed \$64.6 million of this prior period impairment loss, which represents the pre-impairment value adjusted for depreciation that would have been recognised had the impairment loss not occurred.

The impairment assessment at 31 December 2010 was performed using an internal valuation using a real post tax discount rate of 9.33% and a fair value less costs to sell valuation method. In assessing the recoverable amount, the consolidated entity makes a number of impairment assumptions, including assumptions relating to commodity prices, foreign exchange rates and risk adjustments to future cash flows. Commodity price expectations, exchange rates, reserves and resources, and expectations regarding the future operating performance can change significantly over short periods of time, which can have a significant impact upon the carrying value of assets. The consolidated entity has considered information from industry analysts and analysis performed by external parties in relation to short-term and long-term assumptions.

NOTE 8. OTHER INCOME / (EXPENSES)

	6 months to 31 December 2010 \$'000	12 months to 30 June 2010 \$'000
Other income / (expenses)		
Net profit on disposal of subsidiaries	3,377	-
Net profit on the disposal of property, plant and equipment	293	(10)
Other income	185	-
	3,855	(10)

NOTE 9. FINANCE INCOME/(EXPENSES)

	6 months to 31 December 2010 \$'000	12 months to 30 June 2010 \$'000
Finance income		
Interest income received or receivable		
- Other entities	999	2,512
Exchange gains on foreign currency borrowings	6,389	7,707
	7,388	10,219
Finance expenses		
Interest charges paid or payable		
- Related entities	-	(269)
- Other entities	(602)	(1,222)
Finance lease interest charges paid or payable	(1,210)	(2,767)
Provisions: unwinding of discount		
- Deferred consideration	(2,182)	(6,045)
- Decommissioning and restoration	(543)	(1,063)
Other	-	(1,209)
	(4,537)	(12,575)

Notes to the Financial Statements (cont.)

NOTE 10. INCOME TAX EXPENSE / (BENEFIT)

	6 months to 31 December 2010 \$'000	12 months to 30 June 2010 \$'000
(a) Income tax expense		
Current tax	-	-
Deferred tax	41,893	(3,024)
Adjustment to current / deferred tax of prior periods	(2,030)	5,051
	39,863	2,027

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

(Increase)/decrease in deferred tax assets	13,221	(6,728)
Increase/(decrease) in deferred tax liabilities	26,642	3,704
	39,863	(3,024)

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

Profit/(loss) from continuing operations before income tax expense	125,104	44,255
Tax at the Australian tax rate of 30% (June 2010: 30%)	37,531	13,277

Tax effect of amounts which are not deductible (taxable) in calculating taxable income:

Revaluation of deferred consideration	5,495	6,980
Restructure of deferred consideration	-	(25,232)
Unwind of discount on deferred consideration	655	1,542
Share based payments expense	128	195
Disposal of subsidiary undertakings	(889)	-
Research and development tax concession	(513)	-
Sundry items	(163)	214
	42,244	(3,024)

Difference in overseas tax rates	(637)	-
Adjustments to current / deferred tax of prior periods	(2,030)	5,051
Income tax benefits not recognised	286	-
Income tax expense / (benefit)	39,863	2,027

Deferred tax assets attributable to tax losses of \$16.2 million held by the Grange Resources Limited tax consolidated group, have not been brought to account at 31 December 2010 because the Directors do not believe it is appropriate to regard realisation of the future tax benefit as probable. These benefits will only be obtained if:

- (i) the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the loss to be realised;
- (ii) the Group continues to comply with the conditions for the deductibility imposed by law; and
- (iii) no changes in tax legislation adversely affect the Group in realising the benefit from the deduction for the loss.

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

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

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

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

NOTE 11. CASH AND CASH EQUIVALENTS

	31 December 2010 \$'000	30 June 2010 \$'000
Cash at bank and in hand	91,922	70,476
	91,922	70,476

(a) Risk exposure

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

NOTE 12. TRADE AND OTHER RECEIVABLES

	31 December 2010 \$'000	30 June 2010 \$'000
Trade receivables	30,708	4,933
Other receivables	4,388	2,938
Prepayments	3,505	2,160
Security deposits	708	237
	39,309	10,268

(a) Impaired trade receivables

The Group has no trade receivables past due as at 31 December 2010, nor does it consider there to be any potential impairment loss on these receivables.

(b) Foreign exchange and interest rate risk

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

(c) Fair value and credit risk

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

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

NOTE 13. INVENTORIES

	31 December 2010 \$'000	30 June 2010 \$'000
Stores and spares	16,970	13,938
Ore stockpiles (at cost)	8,337	18,977
Work-in-progress (at cost)	1,081	746
Finished goods (at cost)	9,533	18,094
	35,921	51,755

NOTE 14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2010 \$'000	30 June 2010 \$'000
Listed securities		
Listed Australian equities	984	-
(a) Movements in available-for-sale financial assets		
Balance at the beginning of the period	-	-
Additions	886	-
Revaluation gain recognised in the income statement	98	-
Balance at the end of the period	984	-

NOTE 15. RECEIVABLES

	31 December 2010 \$'000	30 June 2010 \$'000
Other receivables		
Security deposits	13,768	15,882
	13,768	15,882

(a) Risk exposure

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

Notes to the Financial Statements (cont.)

NOTE 16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings \$'000	Plant and equipment \$'000	Computer equipment \$'000	Total \$'000
At 1 July 2010				
Cost or fair value	45,339	211,196	1,425	257,960
Accumulated depreciation	(11,956)	(92,145)	(845)	(104,946)
Net book amount	33,383	119,051	580	153,014
Six month period ended 31 December 2010				
Opening net book amount	33,383	119,051	580	153,014
Additions	3,681	16,232	460	20,373
Disposals	(485)	(27)	-	(512)
Depreciation charge	(1,369)	(9,568)	(244)	(11,181)
Closing net book amount	35,210	125,688	796	161,694
At 31 December 2010				
Cost or fair value	48,535	227,401	1,886	277,822
Accumulated depreciation	(13,325)	(101,713)	(1,090)	(116,128)
Net book amount	35,210	125,688	796	161,694
At 1 July 2009				
Cost or fair value	35,177	214,692	1,316	251,185
Accumulated depreciation	(2,963)	(74,706)	(494)	(78,163)
Net book amount	32,214	139,986	822	173,022
Year ended 30 June 2010				
Opening net book amount	32,214	139,986	822	173,022
Additions	1,683	6,392	-	8,075
Disposals	(555)	(1,013)	-	(1,568)
Depreciation charge	(2,765)	(23,135)	(351)	(26,251)
Transfers				
- Cost or fair value	9,034	(8,875)	109	268
- Accumulated depreciation	(6,228)	5,696	-	(532)
Closing net book amount	33,383	119,051	580	153,014
At 30 June 2010				
Cost or fair value	45,339	211,196	1,425	257,960
Accumulated depreciation	(11,956)	(92,145)	(845)	(104,946)
Net book amount	33,383	119,051	580	153,014

(a) Assets under construction

The carrying amounts of the assets disclosed above includes expenditure of \$3.4 million (30 June 2010: \$3.0 million) recognised in relation to property, plant and equipment which is in the course of construction.

(b) Leased assets

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

	31 December 2010 \$'000	30 June 2010 \$'000
Cost	70,927	70,927
Accumulated depreciation	(42,907)	(37,759)
Net book amount	28,020	33,168

NOTE 17. MINE PROPERTIES AND DEVELOPMENT

	31 December 2010 \$'000	30 June 2010 \$'000
Mine properties and development (at cost)	339,616	275,839
Accumulated depreciation	(74,758)	(66,665)
Net book amount	264,858	209,174
Deferred mining costs (net book amount)	130,879	116,961
Total mine properties and development	395,737	326,135

(a) Movements in mine properties and development**Mine properties and development**

Opening net book amount	209,174	227,582
Reversal of asset impairment	64,619	-
Change in estimate	(842)	(267)
Depreciation charge	(8,093)	(18,141)
Closing net book amount	264,858	209,174

Deferred mining costs

Opening net book amount	116,961	107,952
Current period expenditure capitalised	14,128	18,954
Amounts transferred to inventories	(210)	(9,945)
Closing net book amount	130,879	116,961

NOTE 18. EXPLORATION AND EVALUATION

	31 December 2010 \$'000	30 June 2010 \$'000
Exploration and evaluation properties (at cost)	60,573	47,269
	60,573	47,269

(a) Movements in exploration and evaluation expenditure

Balance at beginning of period	47,269	45,315
Current period expenditure	13,304	2,429
Transfers to assets held for sale	-	(380)
Exchange differences	-	123
Impairment loss	-	(218)
Balance at end of period	60,573	47,269

The ultimate recoupment of exploration and evaluation expenditure is dependent upon successful development and commercial exploitation or alternatively the sale of the respective areas of interest at an amount at least equal to book value.

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

NOTE 19. DEFERRED TAX ASSETS

	31 December 2010 \$'000	30 June 2010 \$'000
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The balance comprises temporary differences attributable to:

Trade and other payables	2,610	1,886
Employee benefits	1,023	1,148
Deferred consideration	344	3,835
Borrowings	-	1,064
Decommissioning and restoration	5,769	5,848
Taxation losses	14,946	23,952
Other	2,184	2,365
Total deferred tax assets	26,876	40,098

Set-off against deferred tax liabilities pursuant to set-off provisions (Note 26)	(26,876)	(40,098)
Net deferred tax assets	-	-

Notes to the Financial Statements (cont.)

NOTE 20. TRADE AND OTHER PAYABLES

	31 December 2010 \$'000	30 June 2010 \$'000
Trade payables and accruals	29,240	26,350
Other payables	6,362	8,310
	35,602	34,660

(a) Other payables

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

(b) Risk exposure

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

NOTE 21. BORROWINGS (CURRENT)

	31 December 2010 \$'000	30 June 2010 \$'000
Secured		
Finance lease liabilities ⁽¹⁾	9,766	11,354
Unsecured		
Other	3,368	895
	13,134	12,249

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

NOTE 22. DEFERRED CONSIDERATION (CURRENT)

	31 December 2010 \$'000	30 June 2010 \$'000
Deferred consideration	-	-

(a) Movements in deferred consideration

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

NOTE 23. PROVISIONS (CURRENT)

	31 December 2010 \$'000	30 June 2010 \$'000
Employee benefits	2,980	3,461
Decommissioning and restoration	228	410
	3,208	3,871

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

(a) Movements in decommissioning and restoration provision

Balance at beginning of the period	410	810
Amounts used during the period	-	(380)
Transfers to liabilities held for sale	-	(20)
Change in estimate	(182)	-
Balance at end of the period	228	410

NOTE 24. BORROWINGS (NON-CURRENT)

	31 December 2010 \$'000	30 June 2010 \$'000
Secured		
Finance lease liabilities ⁽¹⁾	25,573	36,313
Unsecured		
Other	8,287	8,387
	33,860	44,700

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

NOTE 25. DEFERRED CONSIDERATION (NON-CURRENT)

	31 December 2010 \$'000	30 June 2010 \$'000
Deferred consideration	59,269	50,409
	59,269	50,409

(a) Movements in deferred consideration

Balance at beginning of the period	50,409	144,933
Charged / (credited) to profit or loss		
- restructure of deferred consideration	-	(81,743)
- changes in estimate	6,678	18,846
- unwinding of discount	2,182	6,045
Charged / (credited) to equity through		
the issue of shares	-	(15,833)
Transfers to current balance	-	(21,839)
Balance at end of the period	59,269	50,409

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 original terms capped the obligation at 20% of US dollar revenues generated by ABM above a pre-determined price of US\$47.50 per tonne of pellets for iron ore years commencing on 1 April 2010 and ending on 31 March 2022. Capital restructuring initiatives completed in September 2009, which involved the issue of 55 million shares in Grange, changed the terms of the obligation to a 2% gross receipts obligation from 2012 to 2023 and reduced the Group's obligation by \$97.6 million.

NOTE 26. DEFERRED TAX LIABILITIES (NON-CURRENT)

	31 December 2010 \$'000	30 June 2010 \$'000
The balance comprises temporary differences attributable to:		
Inventories	4,340	3,431
Property, plant and equipment	8,120	8,012
Mine properties and development	67,554	44,655
Exploration and evaluation	17,795	13,874
Borrowings	1,018	2,184
Other	151	180
Total deferred tax liabilities	98,978	72,336

Set-off of deferred tax assets pursuant to set-off provisions (Note 19)	(26,876)	(40,098)
Net deferred tax liabilities	72,102	32,238

NOTE 27. PROVISIONS (NON-CURRENT)

	31 December 2010 \$'000	30 June 2010 \$'000
Employee benefits	673	546
Decommissioning and restoration	19,001	19,085
	19,674	19,631

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

(a) Movements in decommissioning and restoration provision

Balance at beginning of the period	19,085	20,206
Changes in estimate	(627)	(357)
Unwinding of discount	543	1,063
Transfers to liabilities held for sale	-	(1,827)
Balance at end of the period	19,001	19,085

Notes to the Financial Statements (cont.)

NOTE 28. CONTRIBUTED EQUITY

	31 December 2010 Shares	30 June 2010 Shares	31 December 2010 \$'000	30 June 2010 \$'000
Issued and fully paid ordinary shares	1,152,077,403	1,151,778,896	328,912	328,812

(a) Movements in consolidated share capital

	Notes	Number of Shares	\$'000
1 July 2009 – Opening balance		495,516,250	160,198
Issue of shares under short term incentive plan		319,743	-
21 September 2009 – Issue of Grange shares from non-renounceable entitlement offer	(i)	497,212,283	124,303
22 September 2009 – Issue of shares from capital restructure	(ii)	55,000,000	17,050
7 December 2009 – Issue of shares to Managing Director	(iii)	1,000,000	270
16 December 2009 – Issue of shares to cornerstone shareholders and advisors	(iv)	100,049,500	29,014
3 February 2010 – Issue of shares to consultants		1,333,060	440
13 April 2010 – Issue of shares to consultants		1,333,060	440
13 April 2010 – Issue of shares for land parcel acquisition		15,000	30
		1,151,778,896	331,745
Less: Transaction costs arising from share issues		-	(2,933)
30 June 2010 – Closing balance		1,151,778,896	328,812
6 August 2010 – Issue of shares to Chief Operating Officer	(v)	298,507	100
31 December 2010 – Closing balance		1,152,077,403	328,912

- (i) In September 2009, the Company completed a one for one non renounceable entitlement issue to eligible shareholders and issued 495,835,993 ordinary shares at an issue price of \$0.25 per share and issued 1,376,290 ordinary shares as part satisfaction for advisory services provided for the entitlement issue.
- (ii) In September 2009, the Company issued 55,000,000 ordinary shares pursuant to the restructuring of certain payments arising from a pre-acquisition business combination involving Australian Bulk Minerals.
- (iii) In December 2009, the Company issued 1,000,000 ordinary shares to the Managing Director in recognition of his role in the completion of the merger between Grange Resources Limited and Ever Green Resources Co., Ltd.
- (iv) In December 2009, the Company completed a placement of 99,800,000 ordinary shares to its cornerstone shareholders at an issue price of \$0.29 per share and also issued 249,500 ordinary shares as part satisfaction of advisory services provided for the entitlement issue and restructure.
- (v) In August 2010, the Company issued 298,507 ordinary shares to the Chief Operating Officer in relation to a performance related payment for 2009.

(b) Ordinary shares

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

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

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

(c) Share options and rights

The Company has share based payment schemes under which options to subscribe and rights for the Company's shares have been granted to certain executives and eligible employees (refer to Note 40).

NOTE 29. RESERVES

	31 December 2010 \$'000	30 June 2010 \$'000
(a) Reserves		
Foreign currency translation reserve	-	226
Share-based payments reserve	2,955	2,629
	2,955	2,855

	Foreign currency translation reserve \$'000	Share-based payment reserve \$'000
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Movements in reserves

Balance as at 1 July 2009	138	1,978
Share based payments expense	-	651
Foreign currency translation differences	88	-
Balance as at 30 June 2010	226	2,629
Share based payments expense	-	426
Issue of shares to Chief Operating Officer	-	(100)
Foreign currency translation differences	(226)	-
Balance as at 31 December 2010	-	2,955

(b) Nature and purpose of reserves**Foreign currency translation reserve**

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

Share based payments reserve

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

NOTE 30. RETAINED PROFITS / (LOSSES)

	31 December 2010 \$'000	30 June 2010 \$'000
Retained profits / (losses)		
Movements in retained profits / (losses) were as follows:		
Balance at the beginning of the period	145,951	103,306
Net profit / (loss) for the period	85,241	42,645
Balance at the end of the period	231,192	145,951

NOTE 31. KEY MANAGEMENT PERSONNEL**(a) Directors**

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

(b) Key management personnel

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

Name	Position
Wayne Bould	Chief Operating Officer
Craig Ferrier	Chief Financial Officer (from 6 September 2010)
Fernando Moutinho	Project Director – Southdown (from 16 August 2010)
David Corr	Financial Controller (from 12 October 2009)
Ross Carpenter	General Manager – Mining & Projects

(c) Key management personnel compensation

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

	6 months to 31 December 2010 \$'000	12 months to 30 June 2010 \$'000
Short-term employee benefits	1,394	2,029
Post-employment benefits	81	126
Long-term benefits	13	20
Termination benefits	-	456
Share-based payments	71	314
	1,559	2,945

Detailed remuneration disclosures are provided in the remuneration report on pages 30 to 36.

(d) Equity instrument disclosures relating to key management personnel**(i) Options provided as remuneration and shares issued on exercise of such options**

No options were provided as remuneration or shares issued on exercise of options during the period.

Notes to the Financial Statements (cont.)

NOTE 31. KEY MANAGEMENT PERSONNEL (cont.)**(ii) Option holdings**

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

31 December 2010

	Balance 1 July 2010	Granted as remuneration	Options exercised	Other changes (net)	Balance 31 December 2010	Vested and exercisable	Unvested
Directors of Grange Resources Limited							
R Clark	4,500,000	-	-	-	4,500,000	4,500,000	-
Other Key Management Personnel of the Group							
W Bould	450,000	-	-	-	450,000	450,000	-

30 June 2010

	Balance 1 July 2009	Granted as remuneration	Options exercised	Other changes (net)	Balance 30 June 2010	Vested and exercisable	Unvested
Directors of Grange Resources Limited							
A Bohnenn ^{(1) (3)}	450,000	-	-	(450,000)	-	-	-
R Clark	4,500,000	-	-	-	4,500,000	4,500,000	-
Other Key Management Personnel of Group							
W Bould	450,000	-	-	-	450,000	450,000	-
N Longmire ^{(2) (3)}	50,000	-	-	(50,000)	-	-	-

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

⁽²⁾ N Longmire ceased employment with the Company on 16 October 2010.

⁽³⁾ The options which had vested on the date of ceasing to be a Director/Employee and will expire on the Expiry Date unless exercised in accordance with the terms and conditions prior to that date.

(iii) Rights to Grange Shares

The number of rights in shares in the Company offered to each Director of Grange Resources Limited and other key management personnel of the Group including their personally related parties, are set out below:

31 December 2010

	Balance 1 July 2010	Granted as remuneration	Other changes (net)	Balance 31 December 2010	Vested	Unvested
Directors of Grange Resources Limited						
R Clark	-	1,067,650	-	1,067,650	355,883	711,767
Other Key Management Personnel of Group						
W Bould	-	456,192	-	456,192	152,064	304,128
D Corr	-	44,239	-	44,239	14,746	29,493
R Carpenter	-	53,212	-	53,212	17,737	35,475

30 June 2010

There were no rights issued during the year ended 30 June 2010.

(iv) Share holdings

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

31 December 2010

	Balance 1 July 2010	Granted as remuneration	On exercise of options	Other changes (net)	Balance 31 December 2010
Directors of Grange Resources Limited					
N Chatfield	20,000	-	-	-	20,000
R Clark	1,000,000	-	-	-	1,000,000
C Ko	90,385,520	-	-	-	90,385,520
Other Key Management Personnel of the Group					
W Bould	500,304	298,507	-	-	798,811
D Corr	42,005	-	-	-	42,005

30 June 2010

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

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

⁽²⁾ N Longmire ceased employment with the Company on 16 October 2010

⁽³⁾ Represents shares acquired by Directors or key management personnel during the year

(e) Loans to Key Management Personnel

There were no loans to key management personnel during the period (June 2010: Nil).

(f) Other transactions with key management personnel**P Stephens**

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

Notes to the Financial Statements (cont.)

NOTE 32. REMUNERATION OF AUDITORS

During the period the following fees were paid or payable for services provided by the audit of the parent entity, its related practices and non-related audit firms.

	6 months to 31 December 2010 \$'000	12 months to 30 June 2010 \$'000
(a) PricewaterhouseCoopers		
Audit and review of financial reports	235	375
Taxation services		
Taxation compliance	81	129
Taxation consulting and advice	432	362
Other services	98	-
Total remuneration of		
PricewaterhouseCoopers	846	866

NOTE 33. COMMITMENTS AND CONTINGENCIES**(a) Lease expenditure commitments**

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

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

	31 December 2010 \$'000	30 June 2010 \$'000
Within one year	222	208
After one year but not more than five years	654	224
Minimum lease payments	876	432

(b) Finance lease expenditure commitments

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

	31 December 2010 \$'000	30 June 2010 \$'000
Within one year	11,661	13,905
After one year but not more than five years	27,003	39,390
	38,664	53,295
Future finance charges	(3,325)	(5,628)
Recognised as a liability	35,339	47,667

(c) Tenement expenditure commitments

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

	31 December 2010 \$'000	30 June 2010 \$'000
Within one year	635	1,943
After one year but not more than five years	1,809	4,446
	2,444	6,389

(d) Operating and capital expenditure commitments

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

	31 December 2010 \$'000	30 June 2010 \$'000
Within one year	41,512	33,209
After one year but not more than five years	33,828	29,142
	75,340	62,351

(e) Contingent Liabilities**Bank Guarantees**

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

A Bank guarantee has been provided by Grange Resources (Tasmania) Pty Ltd, held by the Tasmanian Government, as required under Environmental Management and Pollution Control Act 1994 (EMPCA) for the amount of \$1,998,913 (June 2010: \$1,998,913). This amount is to guarantee the rehabilitation responsibilities under the mining lease at Savage River.

A Bank guarantee has been provided by Grange Resources (Tasmania) Pty Ltd, held by the National Australia Bank, as required under the Goldamere Agreement and applicable Deeds of Variation, for the amount of \$2,800,000 (June 2010: \$2,800,000). This amount is a guarantee against the purchase price outstanding with the Tasmanian government as specified in the Goldamere Agreement.

Refer Note 42 for bank guarantees provided by the parent entity.

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

Other Contingent Liabilities

On 2 January 2009, Grange completed the legal acquisition of Ever Green Resources Co., Ltd. The Commissioner of State Revenue in Tasmania is assessing various submissions from Grange regarding the land rich duty implications of the transaction. At this time no assessment has been issued. Based on the status of the assessment process uncertainties remain as to the existence and amount of land rich duty obligations arising from this transaction. The financial exposure to Grange has not been disclosed given the present uncertainties and the fact that the disclosure of such information may prejudice the current assessment process.

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

Refer Note 42 for other contingent liabilities of the parent entity.

(f) Contingent Assets

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

NOTE 34. RELATED PARTY TRANSACTIONS

a) Ultimate parent

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

b) Transactions with related parties

Sales of iron ore of \$124.2 million were made with related parties during the six month period ended 31 December 2010 (12 month period ended 30 June 2010: \$150.0 million)

During the year ended 30 June 2010, facilitation fees associated with a Bank of China funding arrangement were paid to Jiangsu Shagang International Trade Co., Ltd of \$1.0 million.

c) Outstanding balances arising from sales of goods and services

	31 December 2010 \$'000	30 June 2010 \$'000
Trade and other receivables (sales of iron ore)		
Related parties	30,166	3,219
	30,166	3,219
Trade and other payables (facilitation fees)		
Related parties	-	(130)
	-	(130)

NOTE 35. SUBSIDIARIES

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

Percentage of equity interest held by the Group

Name	31 December 2010 %	30 June 2010 %
Ever Green Resources Co., Limited ⁽¹⁾	100	100
Grange Tasmania Holdings Pty Ltd (formerly Shagang Mining (Australia) Pty Ltd)	100	100
Bevion Pty Ltd	100	100
Grange Resources (Tasmania) Pty Ltd	100	100
Grange Capital Pty Ltd	100	100
Tribune Development Pty Ltd	100	100
Barrack Mines Pty Ltd	100	100
Bamine Pty Ltd	100	100
BML Holdings Pty Ltd	100	100
Horseshoe Gold Mine Pty Ltd	100	100
Grange Resources (Southdown) Pty Ltd (formerly Surfboard Securities Pty Ltd)	100	100
Southdown Project Management Company Pty Ltd	100	-
Murchison Copper Mines Pty Ltd ⁽²⁾	-	79.34
Grange Developments Sdn Bhd ⁽³⁾	100	100
Grange Minerals Sdn Bhd ⁽⁴⁾	-	100
EG Mineral Resources Sdn Bhd ⁽⁴⁾	-	51

⁽¹⁾ Ever Green Resources Co., Limited is incorporated in Hong Kong. The Company received confirmation from the Australian Securities and Investments Commission of its registration as a foreign company under the Corporations Act 2001 on 28 January 2011.

⁽²⁾ The Group completed the sale of its 79.34% interest in Murchison Copper Mines Pty Ltd to Horseshoe Metals Limited in July 2010

⁽³⁾ Grange Developments Sdn Bhd is incorporated in Malaysia

⁽⁴⁾ During July 2010, the Group announced that it had entered into a Sale and Purchase Agreement for the sale of Grange Minerals Sdn Bhd which holds the group's 51% share of the Bukit Ibam magnetite mine located in Malaysia. During the period, the Group accounted for the disposal of its interest in the subsidiary due to an effective loss of control arising from the ongoing satisfaction of conditions precedent to the completion of the sale.

Notes to the Financial Statements (cont.)

NOTE 36. INTERESTS IN JOINT VENTURES

Name of Joint Venture	31 December	30 June
	2010	2010
	% interest	% interest
Production Joint Ventures:		
Bukit Ibam (Malaysia) – Iron Ore ⁽¹⁾	-	51.00
Reward - Copper / Gold	31.15	31.15
Highway – Copper	30.00	30.00
Development Joint Ventures:		
Reward Deeps / Conviction - Copper	30.00	30.00
Southdown – Iron Ore	70.00	70.00
Exploration Joint Ventures:		
Mt Samuel - Exploration Gold	85.00	85.00
Abercromby Well		
- Exploration Gold / Nickel	10.00	10.00
Mt Windsor - Exploration		
Gold / Base Metals	30.00	30.00

⁽¹⁾ During July 2010, the Group announced that it had entered into a Sale and Purchase Agreement for the sale of Grange Minerals Sdn Bhd which holds the group's 51% share of the Bukit Ibam joint venture. During the period, the Group accounted for the disposal of its interest in the joint venture due to an effective loss of control arising from the ongoing satisfaction of conditions precedent to the completion of the sale.

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

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

	31 December	30 June
	2010	2010
	\$'000	\$'000
ASSETS		
Current assets		
Cash and cash equivalents	6,842	4,513
Trade and other receivables	474	175
Assets classified as held for sale	-	2,066
Total current assets	7,316	6,754
Non-current assets		
Property, plant and equipment	6,125	6,553
Exploration and evaluation	56,790	43,526
Total non-current assets	62,915	50,079
Total assets	70,231	56,833
LIABILITIES		
Current liabilities		
Trade and other payables	6,042	1,571
Provisions	-	409
Liabilities classified as held for sale	-	59
Total current liabilities	6,042	2,039
Non-current liabilities		
Provisions	273	499
Total non-current liabilities	273	499
Total liabilities	6,315	2,538
Net assets	63,916	54,295

The net contributions of joint ventures (inclusive of resultant revenues) to the Group's operating profit before income tax was a loss of \$753,995 (30 June 2010: loss \$38,345).

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

NOTE 37. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 6 January 2011, the Group merged its multiple tax consolidated group's such that the previous tax consolidated group consisting of Grange Tasmania Holdings Pty Ltd and its wholly-owned Australian subsidiaries is now part of the Grange Resources Limited tax consolidated group. The impact of this merger upon the carrying amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet will be assessed during 2011.

NOTE 38. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	6 months to 31 December 2010 \$'000	12 months to 30 June 2010 \$'000
Profit / (loss) for the period	85,241	42,228
Revaluation of deferred consideration	6,678	19,571
Restructure of deferred consideration	-	(84,106)
Unwinding of discount	2,725	7,108
Depreciation and amortisation	19,291	44,069
Deferred mining	210	9,945
Interest expense on finance leases	1,210	2,767
Reversal of asset impairment	(64,619)	-
(Profit) / loss on sale of property, plant and equipment	(293)	10
(Profit) / loss on disposal of subsidiaries	(3,377)	-
Share based payment expense	426	285
Net unrealised foreign exchange (gain) / loss	1,168	(3,441)
Change in operating assets and liabilities		
(Increase) / decrease in trade and other receivables	(26,742)	9,593
(Increase) / decrease in inventories	15,835	12,132
(Increase) / decrease in other current assets	-	256
Increase / (decrease) in trade and other payables	673	(14,442)
Increase / (decrease) in current tax liabilities	-	2,742
Increase / (decrease) in other provisions	163	(570)
Increase / (decrease) in deferred tax liabilities	39,863	(112)
Net cash inflow / (outflow) from operating activities	78,452	48,035

NOTE 39. EARNINGS PER SHARE

	6 months to 31 December 2010 Cents	12 months to 30 June 2010 Cents
Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	7.40	3.93
Total basic earnings per share attributable to the ordinary equity holders of the Company	7.40	3.93
Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	7.40	3.93
Total diluted earnings per share attributable to the ordinary equity holders of the Company	7.40	3.93

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

	6 months to 31 December 2010 \$'000	12 months to 30 June 2010 \$'000
Basic earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share from continuing operations	85,241	42,645
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share from continuing operations	85,241	42,645

Notes to the Financial Statements (cont.)

NOTE 39. EARNINGS PER SHARE (cont.)**(b) Weighted average number of shares used as the denominator**

	31 December 2010 Number	30 June 2010 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,152,018,999	1,075,141,315

Options

Options granted to Directors and eligible employees under the Long Term Incentive Plan, are considered to be potential ordinary shares and are included in the determination of diluted earnings per share to the extent to which they are dilutive. As all the options currently on issue are out of the money, they are not considered dilutive and therefore not included in the calculation of diluted earnings per share. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in Note 40.

NOTE 40. SHARE BASED PAYMENTS**(a) Expenses arising from share-based payment transactions**

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

	6 months to 31 December 2010 \$'000	12 months to 30 June 2010 \$'000
Shares issued to the Managing Director and Chief Operating Officer	-	370
Rights issued to eligible employees under the LTIP	426	651
	426	1,021

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

The types of share-based payments are described below.

(b) Types of share-based payments**(i) Options issued to Directors**

In May 2008, the shareholders approved the issuing of 4.5 million options to the Managing Director and 450,000 options to each Non-executive Director (or their respective nominees) at that time. The issuing of these options was intended to act as an incentive for the Directors to align themselves with the Company's strategic plan focussing on optimising performance with the benefits flowing through enhanced shareholder returns. The Board considered the grant of the Director options to be reasonable in the circumstances, given the necessity to attract the highest calibre of professionals to the Company and retain them, whilst maintaining the Company's cash reserves.

The Company does not have a specific option plan in relation to the issue of option to Non-executive Directors and is considering this form of remuneration as part of the overall fees paid. The Company will also look at industry practice when determining whether options should form part of the non-executive Directors remuneration.

The table below summaries the current balance of options granted under the plan:

Grant date	Expiry Date	Exercise price ⁽¹⁾	Balance at start of the period	Granted during the period	Exercised during the period	Cancelled during the period	Balance at end of the period	Vested and exercisable at end of the period
31 December 2010								
28-Nov-08	6-Mar-12	\$1.92	2,100,000	-	-	-	2,100,000	2,100,000
28-Nov-08	6-Mar-12	\$2.87	2,100,000	-	-	-	2,100,000	2,100,000
28-Nov-08	6-Mar-12	\$3.37	2,100,000	-	-	-	2,100,000	2,100,000
TOTAL			6,300,000	-	-	-	6,300,000	6,300,000
Weighted average exercise price			\$2.85	-	-	-	\$2.72	\$2.72
30 June 2010								
28-Nov-08	6-Mar-12	\$1.92	2,100,000	-	-	-	2,100,000	2,100,000
28-Nov-08	6-Mar-12	\$2.87	2,100,000	-	-	-	2,100,000	2,100,000
28-Nov-08	6-Mar-12	\$3.37	2,100,000	-	-	-	2,100,000	2,100,000
TOTAL			6,300,000	-	-	-	6,300,000	6,300,000
Weighted average exercise price			\$2.85	-	-	-	\$2.72	\$2.72

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

The options granted to Directors carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share.

Fair value of options granted

No options were granted during the reporting period.

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

During the year ended 30 June 2010, the Remuneration and Nomination Committee proposed and the Board approved a bonus for the Managing Director of \$250,000 to be paid as 1,000,000 shares in Grange for his proactive role in integrating the Grange and ABM businesses post merger. The payment was approved by shareholders at the Annual General Meeting on 25 November 2009 and the shares issued on 7 December 2009. The Grange share price on the date of approval was \$0.27 per share. The Remuneration and Nomination Committee also proposed and the Board approved a performance related payment for 2009 of \$100,000 to the Chief Operating Officer to be paid as 298,507 shares. These shares were issued on 6 August 2010.

(iii) Rights to Grange Shares

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

The objective for the issue of Rights under the LTI program is to reward selected senior employees in a manner that aligns this element of their remuneration package with the creation of long term shareholder wealth while at the same time securing the employee's tenure with the Company over the longer term. The LTI grants Rights to the Company's shares to selected senior employees, and these Rights vest in several equal tranches over the timeframe stipulated in the LTI Plan (currently they vest in three equal tranches over 24 months). 50% of the LTI for an employee relates to company performance goals and 50% relates to personal performance goals.

Rights are allocated using a share price that is based on the volume weighted average price of the Company's shares. For the six month period ended 31 December 2010 the share price is based on the volume weighted average price of the Company's shares for the first two months of the performance period (i.e. the volume weighted average price of the Company's shares from 1 July 2010 to 31 August 2010 will be used).

The expense recognised during the six month period ended 31 December 2010 is for rights to Grange shares issued to eligible employees for the year ended 30 June 2010. These amounts are recognised in the Company's income statement over the vesting period.

Notes to the Financial Statements (cont.)

NOTE 40. SHARE BASED PAYMENTS (cont.)

The table below summaries rights issued to eligible employees:

Performance Period	Balance 1 July 2010	Granted as remuneration	Other changes (net)	Balance 31 December 2010	Vested	Unvested
30 June 2010	-	2,307,963	-	2,307,963	769,321	1,538,642

As at the date of this report, the Remuneration and Nomination Committee is still reviewing variable remuneration entitlements for the six month period ended 31 December 2010. Rights awarded to eligible employees for the six month period ended 31 December 2010 will be disclosed during the period in which the Remuneration and Nomination Committee approves the variable remuneration entitlement.

(iv) Options to Grange Shares

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

The table below summaries the options issued to eligible employees:

Grant date	Expiry Date	Exercise price ⁽¹⁾	Balance at start of the period	Granted during the period	Exercised during the period	Cancelled during the period	Balance at end of the period	Vested and exercisable at end of the period
31 December 2010								
14/15-Jul-08	1-May-12	\$1.92	325,000	-	-	-	325,000	325,000
14-Jul-08	1-May-12	\$2.87	150,000	-	-	-	150,000	150,000
14-Jul-08	6-Mar-12	\$3.37	150,000	-	-	-	150,000	150,000
16-Jun-09	1-Oct-12	\$2.37	65,000	-	-	-	65,000	65,000
TOTAL			690,000	-	-	-	690,000	690,000
Weighted average exercise price			\$2.61	-	-	-	\$2.48	\$2.48
30 June 2010								
14/15-Jul-08	1-May-12	\$1.92	325,000	-	-	-	325,000	325,000
14-Jul-08	1-May-12	\$2.87	150,000	-	-	-	150,000	150,000
14-Jul-08	6-Mar-12	\$3.37	150,000	-	-	-	150,000	150,000
16-Jun-09	1-Oct-12	\$2.37	65,000	-	-	-	65,000	65,000
TOTAL			690,000	-	-	-	690,000	690,000
Weighted average exercise price			\$2.61	-	-	-	\$2.48	\$2.48

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

Each option is convertible into one ordinary share.

Fair value of options granted

No options were granted during the reporting period.

NOTE 41. ASSETS HELD FOR SALE

During the reporting period Grange recognised a pre-tax profit of \$3.4 million from the sale of its minor projects following the completion of the sale of Murchison Copper Mines Pty Ltd to Horseshoe Metals Limited and the ongoing progression of conditions precedent of the sale of Grange Minerals Sdn Bhd (which holds the group's 51% share of the Bukit Ibam magnetite mine located in Malaysia) resulting in a loss of control during the period.

(a) Assets classified as held for sale

	31 December 2010 \$'000	30 June 2010 \$'000
Cash and cash equivalents	-	655
Trade and other receivables	-	476
Exploration and evaluation	-	380
Property, plant and equipment	-	409
Mine properties and development	-	2,868
	-	4,788

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

	31 December 2010 \$'000	30 June 2010 \$'000
Trade and other payables	-	73
Provisions	-	1,848
	-	1,921

(c) Details of the sale of subsidiaries

	6 months to 31 December 2010 \$'000
Consideration received	
Cash	3,562
Listed Australian equities	886
Total disposal consideration	4,448
Carrying amount of net assets sold	(1,071)
Gain on sale before income tax expense	3,377
Income tax expense	(124)
Gain on sale after income tax expense	3,253

NOTE 42. PARENT ENTITY FINANCIAL INFORMATION**(a) Summary financial information**

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

	31 December 2010 \$'000	30 June 2010 \$'000
Balance sheet		
Current assets	28,738	32,843
Total assets	348,961	348,402
Current liabilities	8,742	1,088
Total liabilities	40,820	36,028
Shareholders' equity		
Contributed equity	389,874	387,559
Reserves		
Share-based payments	34,146	33,820
Retained profits/(losses)	(115,879)	(110,227)
Total equity	308,141	311,152
Profit / (loss) for the period	(5,652)	(6,922)
Total comprehensive income / (loss) for the period	(5,652)	(6,922)

(b) Contingent liabilities of the parent entity**Bank guarantees**

A bank guarantee has been provided by the parent entity, on demand by Road Builder (M) Holdings Bhd for the amount of \$1,000,000 (June 2010: \$1,000,000), in accordance with the terms of a Heads of Agreement dated 17 February 2005 to acquire land in the Malaysian port city of Kemaman and to secure port facilities in relation to the Southdown project. The guarantee will be payable should the Company withdraw from the offer to acquire the land.

A bank guarantee has been provided by the parent entity, on demand by the Perth Diocesan Trustees for the amount of \$135,072 (June 2010: \$135,072), in accordance with the terms of an office lease agreement dated 20 July 2005 to lease office premises in QBE House.

Notes to the Financial Statements *(cont.)*

NOTE 42. PARENT ENTITY FINANCIAL INFORMATION *(cont.)*

Other contingent liabilities

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

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

Directors' Declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 39 to 80 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - (ii) giving true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the financial period ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

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

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



Russell Clark
Managing Director

Perth, Western Australia
27 February 2011

Independent Auditor's Report

to the members of Grange Resources Limited



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

Report on the financial report

We have audited the accompanying financial report of Grange Resources Limited (the company), which comprises the statement of financial position as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Grange Resources Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the period end or from time to time during the financial period.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

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

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

Liability limited by a scheme approved under Professional Standards Legislation



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

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

Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of Grange Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the period ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 30 to 36 of the directors' report for the period ended 31 December 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Grange Resources Limited for the period ended 31 December 2010, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Debbie Smith
Partner

Melbourne
27 February 2011

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Tenement Schedule

as at 28 February 2011

PROSPECT	TENEMENT	INTEREST
WESTERN AUSTRALIA		
Horseshoe Lights	E52/2042	0% ⁽¹⁾
	P52/1203-1206	0% ⁽¹⁾
Kumarina	E52/1998	0% ⁽¹⁾
Wembley	M52/801	100% ^{(3) (5)}
	P52/1189-1193	100% ⁽⁵⁾
Abercromby Well	M53/336	10% ⁽⁶⁾
Red Hill	M27/57	0% ⁽⁷⁾
Freshwater	M52/277-281	0% ⁽⁸⁾
	M52/285	0% ⁽⁸⁾
	M52/295-296	0% ⁽⁸⁾
	M52/299-301	0% ⁽⁸⁾
	M52/305-306	0% ⁽⁸⁾
	M52/368-370	0% ⁽⁸⁾
Southdown	M70/433	70% ^{(9) (17)}
	M70/718	70% ^{(9) (17)}
	M70/719	70% ^{(9) (17)}
	G70/217	70% ⁽¹⁷⁾
	G70/234-236	70% ⁽¹⁷⁾
	E70/2512	70% ⁽¹⁷⁾
	E70/3073	100%
	E70/3896	100% ⁽²⁾
	L70/122	100% ⁽²⁾
Pilbara	E47/1846	0% ⁽⁴⁾
	E47/1855	0% ⁽⁴⁾
	E47/2241	0% ⁽⁴⁾
MALAYSIA		
Bukit Ibam	MC 01/2005	51% ⁽¹⁶⁾
	ML 03/2000	51% ⁽¹⁶⁾
QUEENSLAND		
Mt Windsor JV	ML 1571	30% ⁽¹⁰⁾
	ML 1734	30% ⁽¹⁰⁾
	ML 1739	30% ⁽¹⁰⁾
	ML 10028	30% ⁽¹⁰⁾
	ML 1758	30% ⁽¹⁰⁾

PROSPECT	TENEMENT	INTEREST
NORTHERN TERRITORY		
Mt Samuel	MLC 49	50% ⁽¹¹⁾ ⁽¹⁵⁾
	MLC 527	100% ⁽¹⁵⁾
	MLC 599	85% ⁽¹²⁾ ⁽¹⁵⁾
	MLC 617	85% ⁽¹³⁾ ⁽¹⁵⁾
	MCC 174	100% ⁽¹³⁾
	MCC 212	85% ⁽¹²⁾ ⁽¹³⁾ ⁽¹⁵⁾
	MCC 287-288	100% ⁽¹³⁾
	MCC 308	85% ⁽¹²⁾
	MCC 344	100% ⁽¹⁵⁾
True Blue	MCC 342	100% ⁽¹⁵⁾
	MLC 619	85% ⁽¹²⁾ ⁽¹⁵⁾
Aga Khan	MLC 522	100% ⁽¹⁵⁾
Black Cat	MCC 338-339	100% ⁽¹⁵⁾
	MCC316-317	100% ⁽¹⁵⁾
	MCC 340-341	100% ⁽¹⁵⁾
TASMANIA		
Savage River	2M/2001	100% ⁽¹⁸⁾
	14M/2007	100% ⁽¹⁸⁾
	11M/2008	100% ⁽¹⁸⁾
	EL30/2003	100% ⁽¹⁸⁾
	EL19/2005	0% ⁽¹⁹⁾
	EL46/2007	0% ⁽¹⁹⁾

⁽¹⁾ Beneficial holder Horseshoe Gold Mines Ltd, subject to sale agreement with Horseshoe Metals Ltd.

⁽²⁾ Under application.

⁽³⁾ Subject to option agreement with Montezuma Mining Company Ltd.

⁽⁴⁾ Royalty interest with Fortescue Metals Group Ltd.

⁽⁵⁾ Subject to 1% Net Smelter Return royalty with Lac Minerals (Australia) NL.

⁽⁶⁾ Subject to joint venture agreement with MPI Nickel Pty Ltd.

⁽⁷⁾ Royalty interest with Barrick (PD) Australia Limited.

⁽⁸⁾ Royalty interest with Barrick Gold of Australia Limited.

⁽⁹⁾ Subject to conditional purchase agreement with Medaire Inc.

⁽¹⁰⁾ Subject to joint venture agreement with Thalanga Copper Mines Pty Limited.

⁽¹¹⁾ Subject to joint venture agreement with Santexco Pty Ltd.

⁽¹²⁾ Subject to joint venture agreement with W& LDC Appel.

⁽¹³⁾ Subject to joint venture agreement with L D C Appel & E Johnson.

⁽¹⁴⁾ Subject to option agreement with J L Love & G P Hamilton.

⁽¹⁵⁾ Subject to 2% Net Profit Royalty with Lytton Nominees Pty Ltd and Barossa Vintage Pty Ltd (formerly Moubion Pty Ltd).

⁽¹⁶⁾ Subject to joint venture agreement with Esperance Mining Sdn Bhd, subject to a sale agreement.

⁽¹⁷⁾ Subject to Joint Venture Implementation Agreement with Sojitz Resources and Technology Pty Ltd.

⁽¹⁸⁾ Held by Grange Resources (Tasmania) Pty Ltd.

⁽¹⁹⁾ EL19/2005 and EL47/2007 consolidated into EL30/2003 during 2010

ASX & Shareholder Information

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The shareholder information set out below was applicable as at 11 March 2011:

ORDINARY SHARES

Twenty Largest Shareholders

The twenty largest holders of ordinary fully paid shares are listed below:

Name	Number	%
Shagang International (Australia) Pty Ltd	305,375,639	26.49
Shagang International Holdings Limited	232,575,639	20.17
RGL Holdings Co. Ltd	132,612,015	11.50
Pacific International Co. Pty Ltd	90,385,520	7.84
Hammersley Holdings Limited	18,000,000	1.56
Merrill Lynch Pierce Fenner & Smith Inc	16,939,868	1.47
ABN AMRO Bank – de breda	14,364,870	1.25
KBL European Private Bankers	13,494,604	1.17
Rabobank Ltd	11,733,922	1.02
Anthony Bohnenn	10,568,727	0.92
Unisuper Limited	8,838,032	0.77
DFA Australia	8,529,770	0.74
UBS AG – Various Client Holdings	8,525,911	0.74
Axa Rosenberg	8,450,046	0.73
Australian Unity	8,313,216	0.72
Retail Employees Superannuation Trust	8,062,623	0.70
Acorn Capital	7,765,223	0.67
SNS Global Custody BV	7,358,419	0.64
Paradice Investment Management	7,055,027	0.61
Australian Microcap Investments	6,979,414	0.61
	925,928,485	80.32

Distribution of Equity Securities

(a) Analysis of number of shareholders by size and holding:

	Ordinary Shares	Director Options	Employee Options	Other Options
1 - 1,000	466	-	-	-
1,001 - 10,000	2,222	-	-	-
10,001 - 100,000	1,301	-	-	5
100,001 - 1,000,000	125	4	1	-
1,000,001 - and over	22	1	-	-
Total	4,136	5	1	6

The number of shareholders holding less than a marketable parcel of Ordinary Shares at 28 February 2011 was 242.

Voting Rights

All shares carry one vote per share without restriction.

Substantial Shareholders

An extract of the Company's Register of Substantial Shareholders is set out below:

Name	Number of fully paid shares	Voting power
Shagang International (Australia) Pty Ltd	762,980,093	66.18
Shagang International Holdings Limited,		
Ever Lucky Developments Limited		
RGL Holdings Co. Ltd		
Pacific International Co. Pty Ltd		

Securities Subject to Voluntary Escrow

The following securities are subject to voluntary escrow:

Class of Security	Number of Securities	Escrow period ends
Fully Paid Ordinary Shares	Nil	Not applicable

List of Significant ASX Announcements

From 1 July 2010 to 10 March 2011

DATE	ANNOUNCEMENT
10/03/2011	Grange Sells Stake in Horseshoe Metals Limited
08/03/2011	ASX Mid Caps Conference Presentation - London
28/02/2011	Financial Report for the 6 month period ending 31 Dec 2010
28/02/2011	Results and Appendix 4E - 6 months ended 31 Dec 2010
10/02/2011	Change in Substantial Holding in Horseshoe Metals Limited
25/01/2011	Company Presentation - 24 January 2011
18/01/2011	Quarterly Report for the 3 Months Ended 31 December 2010
30/11/2010	Southdown Project - Key Appointment
29/11/2010	Australia Day Seminar Presentation – London
26/11/2010	2010 AGM Presentation
23/11/2010	Albany Port Expansion Project Approvals
18/11/2010	UBS Iron Ore & Coal Seminar Presentation
26/10/2010	Citi Australian Investment Conference Presentation
21/10/2010	ASX Small & Mid Caps Conference Presentation - Hong Kong
19/10/2010	Quarterly Report for the 3 Months Ended 30 September 2010
19/10/2010	2010 Annual Report
30/09/2010	Full Year Statutory Accounts
22/09/2010	Corporate and Southdown Project Team Key Appointments
21/09/2010	Excellence in Mining and Exploration Conference Presentation
15/09/2010	Change of Financial Year End Date to 31 December
31/08/2010	Preliminary Final Report for Year Ended 30 June 2010
16/08/2010	Major Step Forward for Southdown Project
2/08/2010	Diggers and Dealers Conference Presentation - Kalgoorlie
30/07/2010	Appointment of Director
29/07/2010	Quarterly Report for 3 months ended 30 June 2010
23/07/2010	Disposal of Majority Share of Murchison Copper Mine Pty Ltd
23/07/2010	Sale of Interest in Malaysian Bukit Ibam Project
12/07/2010	Interim Pricing Agreed with BlueScope Steel

Our Vision & Values



Our Vision

We will produce high quality steel making raw materials economically and effectively.

Our operations will be efficient, flexible, and stakeholder focused.

Our Values

At Grange we ALL will...

- ◆ Work safely
- ◆ Lead & act with fairness, integrity, trust and respect
- ◆ Be responsible & accountable for our actions
- ◆ Utilise our resources efficiently and effectively
- ◆ Engage with stakeholders and proactively manage our impact on their environment
- ◆ Work together openly and transparently
- ◆ Promote an environment in which our people can develop and prosper

Vision & Values



*David Bould - Trainee
Safety and Training Officer,
with the fleet of Cat 789C
trucks at Savage River.*



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