Grange Resources Limited

ABN 80 009 132 405
and Controlled Entities

Australia's most experienced magnetite producer

FINANCIAL REPORT

For the Year Ended
31 December 2014

Contents

DIRECTORS' REPORT

The Directors present their report on the consolidated entity (the "Group") consisting of Grange Resources Limited ("Grange" or "the Company") and the entities it controlled at the end of, or during, the year ended 31 December 2014.

Directors

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

Michelle Li	Chairperson
Honglin Zhao	Executive Director
Clement Ko	Non-Executive Director

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

Daniel Tenardi was appointed a non-executive Director of the Company from 31 March 2014.

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

John Hoon was non-executive Director of the Company until his resignation on 31 December 2014.

Neil Chatfield was non-executive Director and Deputy Chairperson of the Company until his resignation on 15 April 2014.

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

Liming Huang was appointed an independent non-executive Director of the Company from 24 September 2014.

Information on Directors

Michelle Li, PhD, GAICD, *Age 50*

Chairperson, Member of the Audit and Risk Committee, Member of the Remuneration and Nomination Committee

Ms Li was appointed as non-executive Chairperson on 29 October 2013. Ms Li is a mineral processing engineer and metallurgist with over 20 years' experience in the Australian mining sector. Ms Li's experience includes senior roles at CITIC Pacific, Rio Tinto and Iluka Resources, as well as a senior project role on the Grange Resources Southdown project.

Ms Li has a PhD from the University of Queensland and is currently Non-executive Director of Orion Metals Limited and was previously a non-executive Director of Sherwin Iron Limited from 2012 until 2013.

Honglin Zhao, *Age 61*

Executive Director

Mr Zhao is a former Director of Shagang International (Australia) Pty Ltd, former Director and General Manager of Shagang (Australia) Pty Ltd, and former Director of Jiangsu Shagang Group, ultimate shareholder of Shagang International Holdings Limited and China's largest private steel company.

Mr Zhao has over 39 years' experience in the industry and was previously the Commander of Project Development Headquarters with Shagang. Mr Zhao has extensive project management and implementation experience and expertise.

Clement Ko, LLB, MBA, *Age 51*

Non-executive Director

Mr Ko is the Chairperson 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 20 years of experience in the mining sector with extensive experience in marketing and sales.

Daniel Tenardi, *Age 69*

Non-executive Director and Chairperson of the Remuneration and Nomination Committee

Mr Tenardi is an experienced mining executive with over 40 years' experience in the resources industry across a range of commodities including iron ore, gold, bauxite, and copper. He has a wealth of knowledge in managing bulk ore operations and has extensive international networks.

Mr Tenardi was the former CEO of Ngarda Civil & Mining and has also held senior executive and operational roles at CITIC Pacific, Alcoa, Roche Mining and Rio Tinto. He was the Managing Director of Bauxite Resources, and is a non-executive Director of Australia Minerals & Mining Group Ltd.

Yan Jia, JM, GAICD, *Age 32*

Deputy Non-executive Chairperson and Member of the Remuneration and Nomination Committee

Ms Jia is currently the Director of the Administration Department with the Jiangsu Shagang International Trade Co Ltd, a subsidiary of Jiangsu Shagang Group, China's largest private steel company. Ms Jia has over seven years' experience of managerial, human resources, intellectual property and commercial experience in the steel industry and bulk raw material transaction sector. Ms Jia also has a Masters of Law from Tsinghua University in China.

Liming Huang, JD, LLM, EMBA, *Age 52*

Non-executive Director and Chairperson of the Audit and Risk Committee

Mr Huang is a corporate and commercial lawyer with 10 years legal experience. He is currently special counsel with Corrs Chambers Westgarth Lawyers. Mr Huang has been extensively involved in a number of iron ore, gold and other resource corporate transactions between Australia and China and provides legal advice to local and international investors and businesses on mergers and acquisitions, joint venture, equity capital market and corporate governance. In addition, Mr Huang is an associate member of CPA Australia.

Mr Huang is a committee member of Australia China Business Council Victoria Branch.

Company Secretary

Mr Piers Lewis, BComm, CA, AGIA

Mr Lewis has more than 17 years' global corporate experience and is currently the Company Secretary and CFO for ASX listed companies Voyager Global Group Limited, Ardiden Limited and Ultima United Limited. Mr Lewis also serves on the board of Ardiden Limited.

Mr Lewis was instrumental in the successful listing of Talga Resources on the ASX. In 2001 Mr Lewis qualified as a Chartered Accountant with Deloitte (Perth), he has extensive and diverse financial and corporate experience from previous senior management roles with Credit Suisse (London), Mizuho International and NAB Capital. Mr Lewis is also a Chartered Company Secretary.

Ms Pauline Carr resigned 8 October 2014.

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 associated Pellet Plant Projects.

Dividends

Dividends paid to members during the financial year were as follows:

	2014	**2013**
	$'000	$'000
Unfranked interim dividend for the year ended 31 December 2013 –1.0 cent per share	-	11,565
Unfranked final dividend for the year ended 31 December 2013 – 1.0 cent per share (2012: 1.0 cent per share) and an additional special dividend of 1.0 cent per share (2012:nil)	23,142	11,564
Total dividends provided for or paid	23,142	23,129

These dividends were declared NIL conduit foreign income.

In addition to the above dividends which were paid during 2014, the directors have recommended the payment of an unfranked dividend of $11.6 million. This represents an ordinary final unfranked dividend of 1.0 cent per share for the year ended 31 December 2014. This final dividend was declared NIL conduit foreign income and will be paid on 2 April 2015.

Operating and Financial Review

Key Highlights

- Outstanding safety performance at both our Savage River and Port Latta operations continues with no Lost Time Injuries recorded since July 2010
- Statutory loss after tax of $110.2 million which included significant items of $186.5 million arising from an impairment of the carrying value of Savage River assets ($207.3 million after tax) partially offset by a profit from the successful negotiation and settlement of a pre-merger deferred consideration obligation ($20.8 million after tax)
- Delivered underlying profit after tax of $76.4 million (2013: $21.8 million), on revenues from mining operations of $297.2 million (2013: $281.1 million)

- Grange's high quality, low impurity iron ore products continue to attract a premium with average product prices of $118.77 per tonne (2013: $147.99) (FOB Port Latta)
    - Strong premiums sustained during downward pressures on iron ore prices due to increased supply, a softening of the Chinese market and the discounting of lower quality iron ore products
    - Total iron ore product sales of 2.5 million tonnes (2013: 1.9 million)
    - Lower realised AUD:USD exchange rates have delivered stronger AUD revenues
    - Continued focus on selling cargoes to targeted customers and balancing opportunities in the spot market

- Maintained good access to high grade ore and improved production results
    - North Pit development continues to yield high grade ore from the main ore zone. South Deposit is now in full production, providing an additional ore source for blending
    - Average weight recovery of approximately 49% was achieved for the year, a significant improvement from the preceding 2013 year (33.4%) which was impacted by lower grade ore feeds
    - Achieved all time record production for concentrate exceeding 2.6 million tonnes
    - Pellet production of 2.34 million tonnes, an increase of approximately 18% from the preceding 2013 year
    - Improved production and continued cost control disciplines have reduced C1 cash operating costs to $86.51 per tonne (2013: $119.94), a decrease of approximately 28% from the preceding 2013 year

- Sustained strong cash position at $153.6 million (2013: $159.9 million), made significant cash payments and invested capital expenditure in key projects including:
    - Developing the South Deposit Tailings Storage Facility
    - Rebuilding of the 789 Truck fleet
    - Prepared for the autogenous mill shell change out
    - Continued deferred stripping investment in mine development
    - Paid $23.1 million of dividends to shareholders during 2014 with a further $11.6 million to be paid in April 2015
    - Successfully negotiated a settlement of the pre-merger deferred consideration obligation of $24.4 million

- Gained all approvals for construction of the South Deposit Tailings Storage Facility which commenced in mid 2014

Safety performance

The exceptional safety performance at Savage River and Port Latta operations continued with no Lost Time Injuries (LTI) recorded since July 2010. This result reflects the robust and effective safety culture and the strong focus by all staff in maintaining a safe and productive workplace. Unfortunately, the Total Recordable Injury Frequency Rate (TRIFR) increased from 3.87 per million hours worked at 31 December 2013 to 4.61 per million hours worked at 31 December 2014 due to a number of medical treatment injuries. The medical treatment injuries have been well managed and provided us a firm focus for further improving the safety of our workplace. We continue with the ongoing development of an open and collaborative approach to our safety culture.

Full year result

Grange recorded a statutory loss after tax of $110.2 million for the year ended 31 December 2014 (2013 restated: $21.8 million profit after tax). This result included the following significant non-cash after tax items which totalled $186.5 million:

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

Underlying profit after tax for the period, after excluding these significant non-cash items, was $76.4 million (2013 restated: $21.8 million profit after tax). A reconciliation of underlying profit to the statutory loss for the year ended 31 Dec 2014 is set out below:

	31 Dec 2014 $'000
Underlying profit after tax	**76,371**
Significant items (net of tax)	
Settlement of deferred consideration	20,757
Impairment of assets	(207,292)
Statutory loss after tax	**(110,164)**

Key revenue metrics for the year ended 31 December 2014 and the preceding 2013 year were as follows:

	2014	**2013**
Iron Ore Pellet Sales (dmt)	2,422,093	1,814,786
Iron Ore Concentrate Sales (dmt)	171	136
Iron Ore Chip Sales (dmt)	79,702	84,364
Total Iron Ore Product Sales (dmt)	2,501,966	1,899,286
Average Realised Product Price (US$/t FOB Port Latta)	$107.34	$141.43
Average Realised Exchange Rate (AUD:USD)	0.9038	0.9557
Average Realised Product Price (A$/t FOB Port Latta)	$118.77	$147.99

Total sales for the year ended 31 December 2014 was 2.5 million tonnes of high quality, low impurity iron ore products (2013: 1.9 million tonnes) and reflects stronger production from maintaining access to high grade ore.

The average pellet price received during the year was $119.70 per tonne of product sold (FOB Port Latta) (2013: $149.57 per tonne). The downward movement is consistent with the reduction in benchmark 62% Fe iron ore prices (CFR China) which was driven by the introduction of additional volume from major iron ore producers, ongoing softening in the Chinese market (from lower economic growth rate, higher port stockpiles and tightening of domestic credit availability) and discounting of lower quality iron ore products. The market did however continue to recognise the quality value in use premium for high quality, low impurity iron ore products sold by Grange.

During the year the Company has seen a growing interest from alternative markets such as Japan, Malaysia and Korea. With soft market conditions the Company has made a strategic decision not to place a number of cargoes into a market driven by opportunistic bidders and will continue to supply targeted customers. Our iron ore products continue to enjoy a strong market demand despite current challenging market conditions. Please refer to Note 4 of the Financial Report for segment information for sales to different geographical markets. The sales from long term off take agreements with Jiangsu Shagang International Trade Co. Ltd (Shanghai) represents 43.6% of total sales for 2014 (2013: 50.5%).

Key operating metrics for the year ended 31 December 2014 and the preceding 2013 year were as follows:

	2014	**2013**
Total BCM Mined	17,050,888	17,667,735
Total Ore BCM	1,480,126	1,978,790
Concentrate Produced (t)	2,626,096	1,955,499
Weight Recovery (%)	48.8	33.4
Pellets Produced (t)	2,341,121	1,915,966
Pellet Stockpile (t)	151,431	232,402
"C1" Operating Cost (A$/t Product Produced)(1)	$86.51	$119.94

(1) *Note: "C1" costs are the cash costs associated with producing iron ore products without allowance for mine development, deferred stripping and stockpile movements, and also excludes royalties, sustaining capital, depreciation and amortisation costs.*

Mining operations continue to be focussed on the North Pit main ore zone as well as production at South Deposit. South Deposit pre-stripping was completed ahead of plan and ore production commenced during Q4 2014.

Overall material movements continue as planned and good access to high grade ore (delivering head grade of approximately 50% DTR) has been sustained. This higher grade material has improved concentrate and pellet production and driven C1 unit operating costs approximately 28% lower to $86.51 per tonne during a period of soft market conditions. A rock-fall occurred in the North Pit during July 2014 following a period of inclement weather. This event was closely monitored and safely controlled. Remediation efforts were completed in Q4 2014 and the Company does not foresee any impact on forecast production of over 2.3 million tonnes of iron ore products in 2015.

The construction of the South Deposit Tailings Storage Facility (SDTSF) is progressing to plan with all State and Federal approvals obtained in the middle of 2014. This is a significant project in terms of the ongoing viability of the Savage River operations as it will provide sufficient tailings storage capacity for the remaining life of the mine. This facility will also provide the ability for treatment of the legacy environmental issues arising from previous operations at Savage River.

Expenditure on exploration and evaluation activities during the year was $1.9 million (2013: $5.4 million) and has been charged to the income statement following a voluntary change in the Group's accounting policy. Under the new policy, exploration and evaluation expenditure is charged to the profit and loss as it is incurred. This change reflects the Group's primary activity which is mining operations and provides a higher degree of confidence as to the probability that future economic benefits will flow to the Group prior to the capitalisation of such costs.

Southdown Magnetite Project

The Southdown Magnetite Project, situated 90km from the city of Albany in Western Australia, is a joint venture between Grange (70%) and SRT Australia Pty Ltd (SRTA) (30%). SRTA is jointly owned by Sojitz Corporation, a Japanese global trading company, and Kobe Steel, the fourth largest Japanese steel maker. This advanced project has 1.2 billion tonnes of high quality resource, which outcrops at the western end of its 12km strike length and has access to established infrastructure.

During 2014, market conditions for securing project investment funding did not improve. The joint venture partners continue to monitor all ongoing project requirements to ensure that the current status of the feasibility studies is such that the project can be fully recommenced as soon as an appropriate opportunity arises. The on-going strategy is to maintain the currency and good standing of all tenements, permits and project assets.

A number of key milestones were achieved through our strategic project development during 2014. These included:

- Extension of the term of the mining tenure
- Completed mining study which integrated the Far East Zone into the mine schedule and extended the mine life
- We received confirmation of transfer for port approvals to the new port authority
- Securing various environmental approvals meeting our compliance requirements
- Continued to liaise and maintain relationship with key government departments

This approach will continue into 2015, as we formulate a valid alternate development model and seek to secure equity partners for a strategic share of the Company's interest in the project.

Financial Position

Grange's net assets decreased during the year to $535.2 million (31 December 2013 restated: $668.5 million) principally as a result of the following:

- A non-cash impairment of the carrying value of Savage River assets of $207.3 million (net of tax) primarily as a result of lower than forecast iron ore prices arising from recent changes in the supply and demand dynamics of the market;
- Completed pre-production stripping in South Deposit of $43.2 million;
- Amortisation of Mine Property and Development assets of $42 million;
- Increased assets under construction of $30.6 million due to the construction of the South Deposit Tailings Storage Facility (SDTSF) and the 789 Truck Rebuild project;
- The settlement of the pre-merger deferred consideration obligation which reduced liabilities by $43.9 million.

The Group's market capitalisation as at 26 February 2015 is $113.4 million. As at the reporting date, the Group has conducted a carrying value analysis and assessed the fair value as being greater than its carrying amount as at 31 December 2014. After recognising the asset impairments in respect of Savage River as at 30 June 2014, and based on the impairment tests performed at the end of the year, no further impairment is required for the 2014 financial year. Please refer to Note 30 of the Financial Report for details.

Statement of Cash Flows

Net cash flows from operating activities

Net cash inflows from operating activities for the year were $177.1 million (2013: $110.4 million) and reflect higher iron ore product sales and a reduction in unit operating costs principally as a result of improved access to high grade ore.

Interest received of $2.8 million (2013: $4.2 million) was lower than the corresponding period due to lower average cash balances and a reduction in AUD interest rates.

Net cash flows from investing activities

Net cash outflows from investing activities for the period were $145.2 million (2013: $39.2 million) and principally related to the construction of the SDTSF ($20.8 million), 789 Truck Rebuild project ($10.7 million), completed pre-production stripping in South Deposit ($43.2 million), and ongoing mine development in North Pit ($34.5 million) and South Deposit ($15.3 million).

Net cash flows from financing activities

Net cash outflows from financing activities for the period were $50.5 million (2013 outflow: $39.0 million) and principally related to the payment of the final dividend for the year ended 31 December 2013 ($23.1 million) and the settlement of the pre-merger deferred consideration obligation ($24.4 million).

Significant Changes in State of Affairs

Other than the impairment of the Savage River assets at 30 June 2014 (Refer Note 1(t) & 30 of the Financial Report) and the impact of a voluntary change in accounting policy (Refer Note 1(a) & 31 of the Financial Report), there was no significant change in the state of affairs of the Group that occurred during the year ended 31 December 2014. Commentary on the overall state of affairs of the Group is set out in the Operating and Financial Review.

Matters Subsequent to the End of the Financial Year

Except as discussed above, no other matter or circumstance has arisen since 31 December 2014 that has significantly affected, or may significantly affect:

- the Group's operations in future financial years; or
- the results of those operations in future financial years; or
- the Group's state of affairs in future financial years.

Likely Developments and Expected Results of Operations

Grange's strategic focus is to generate shareholder value by safely producing high quality iron ore products from its Savage River and Port Latta operations in Tasmania and continuing to assess the feasibility of a major iron ore development project at Southdown, near Albany in Western Australia. The Group's current strategic priorities include:

Savage River and Port Latta Operations

- Securing majority of sales through off take agreements in soft market conditions
- Broadening our customer base for the longer term to take advantage of market opportunities and to diversify geographic customer risk
- Maintaining access to high grade ore by continuing to invest in mine development
- Continuing to invest in process infrastructure
- Optimising the Life of Mine Plan together with cost reduction strategies and projects

Southdown Project

- Ensuring that all tenements, permits and project assets remain in good standing
- Maintaining the currency of all the elements of definitive feasibility study
- Continuing review and identifying the potential for alternative development models
- Continuing the search for new equity partners to take a strategic share of the Company's interest in the Project

Risk Management

The group continues to assess and manage various business risks that could impact the Group's operating and financial performance and its ability to successfully deliver strategic priorities including:

- Fluctuations in iron ore prices and movements in foreign exchange rates
- Potential opportunity cost for increased profit from spot sales when a majority of sales are locked through off take agreements
- Geotechnical risks including wall stability
- Production risks and costs associated with aging infrastructure
- Project evaluation and development
- Health, safety and environment

Risk mitigation strategies include the following:

- Close monitoring of the fluctuations in iron ore prices and demands from different markets
- Flexible strategy to determine the volume to be secured through off-take agreements
- Intense program of geotechnical wall monitoring, modelling and redesign work to mitigate potential stability issues
- Continue disciplined and rigorous review process regarding budget development and cost control to ensure investment directed to highest priority areas while reducing overall operating costs
- A well developed tool kit to ensure projects are adequately planned and peer reviewed prior to commitment and execution

- Outstanding safety record is supported by comprehensive safety system that enables management to develop a resilient safety culture and ensure our stewardship over the environment

Environmental Regulation

The mining and exploration tenements held by the Group contain environmental requirements and conditions that the Group 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 year there were no breaches of licence conditions.

Southdown Joint Venture

The Southdown Joint Venture has not been responsible for any activities which would cause a breach of environmental legislation.

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. A Transitional Environment Program required by the Queensland Department of Environment and Resource Management has been completed. The Queensland Department of Environment and Heritage Protection has approved the completion of the program. A second Transitional Environment Program has been entered into voluntarily to identify and remediate various sources of pollution on site. A comprehensive plan has been developed and instigated to manage the leases with relinquishment expected in 2025.

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.

Clean Energy Act 2011

The Group has complied with its obligations under the Clean Energy Act and related legislation for the 2013-14 year and received assistance through the Jobs and Competitiveness Program for the emissions-intensive trade-exposed activities of *Production of Iron Ore Pellets* and *Production of Magnetite Concentrate* in the moderately emissions-intensive category.

Meetings of Directors

The numbers of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 31 December 2014, and the numbers of meetings attended by each Director were:

Name	Directors' meetings		Meetings of Committees							
			Audit		Remuneration		Health, Safety & Environment(7)		Independent Directors(8)	
	A	B	A	B	A	B	A	B	A	B
M Li	10	10	6	7	6	6	2	2	-	-
Y Jia(1)	5	5	-	-	3	3	-	-	-	-
C Ko	8	10	-	-	-	-	-	-	-	-
D Tenardi(2)	7	7	5	6	5	5	2	2	5	6
L Huang(3)	1	1	1	1	-	-	-	-	1	1
H Zhao	10	10	-	-	-	-	-	-	-	-
N Chatfield(4)	3	3	2	2	1	1	-	-	1	1
W Bould(5)	8	8	-	-	-	-	1	1	3	3
J Hoon(6)	9	10	7	8	4	4	2	2	6	7

A = Number of meetings attended

B = Number of meetings held during the time the Director held office or was a member of the committee during the year ended 31 December 2014

(1) Y Jia was appointed as a Non-executive Director of the Company from 1 June 2014.

(2) D Tenardi was appointed as a Non-executive Director of the Company from 31 March 2014.

(3) L Huang was appointed as a Non-executive Director of the Company from 24 September 2014.

(4) N Chatfield resigned as a Non-executive Director and Deputy Chairperson of the Company from 1 June 2014.

(5) W Bould resigned as a Managing Director of the Company from 22 August 2014.

(6) J Hoon resigned as a Non-executive Director of the Company from 31 December 2014.

(7) On the 30 October 2014, the Board resolved to discontinue the Health, Safety and Environment Committee. The Board is now accountable and responsible for Health, Safety and Environmental matters.

(8) On the 30 October 2014, the Board resolved to discontinue the Committee of Independent Directors. The Company's Independent Directors will still be responsible for overseeing transactions which may give rise to potential conflict of interest for a particular Director, consistent with the approach that the Committee of Independent Directors has taken to date in relation to these matters, with a view to protecting the interests of both the Company and its shareholders.

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		
M Li	13,507	-	-	-
Y Jia(1)	-	-	-	-
C Ko(2)	98,154,884	582,717,958	-	-
D Tenardi	-	-	-	-
L Huang	-	-	-	-
H Zhao(3)	-	-	-	-

(1) Y Jia is an employee of Jiangsu Shagang International Trade Co. Ltd which is a subsidiary of the Jiangsu Shagang Group, ultimate shareholder of Shagang International Holdings Limited. Shagang International Holdings Limited and its subsidiaries hold 542,287,267 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 owns 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.

(3) H Zhao is a former Director on the Board of the Jiangsu Shagang Group, ultimate shareholder of Shagang International Holdings Limited. Shagang International Holdings Limited and its subsidiaries hold 542,287,267 ordinary fully paid shares in the Company as at the date of this report.

Remuneration Report

This remuneration report sets out remuneration information for Non-executive Directors, Executive Directors and other key management personnel of the Group and the Company.

(i) Key management personnel disclosed in this report

Non-executive directors

Michelle Li	Liming Huang
Yan Jia	Neil Chatfield
Clement Ko	John Hoon
Daniel Tenardi	

Executive directors	**Position**
Honglin Zhao	Executive Director
Wayne Bould	Managing Director (until 18 August 2014)

Other key management personnel	**Position**
David Corr	Chief Financial Officer (until 19 December 2014)
Bessie Zhang	Chief Financial Officer (from 19 December 2014)
Ben Maynard	General Manager Operations

(ii) Remuneration governance

The Board has an established Remuneration and Nomination Committee to assist in overseeing the development of 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 Daniel Tenardi (Committee Chairperson), Ms Yan Jia (Non-Executive Deputy Chairperson) and Ms Michelle Li (Chairperson).

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, other Executive Directors and Key Management Personnel;
- The remuneration of the Managing Director; Managing Director - Southdown; Chief Financial Officer; and General Manager Operations;
- Periodically assessing the skills required by the Board;
- Recommend processes to evaluate the performance of the Board, its Committees and individual Directors; and
- Reviewing governance arrangements pertaining to remuneration matters.

The Charter is reviewed annually and remuneration strategies are reviewed regularly.

As announced on 18 August 2014, the Board has established an Executive Committee comprising Ms Michelle Li, Mr Honglin Zhao and Mr Daniel Tenardi to manage the Company on an interim basis following the Managing Director, Mr Wayne Bould leaving the Company. Until a replacement has been appointed, Grange management will continue with operational responsibilities and will report to the Executive Committee. The Executive Committee manages the implementation of the approved people and performance strategies and ensures the policies and processes are "alive" in business operations.

The Company did not receive any specific feedback at the annual general meeting or throughout the year on its remuneration practices.

(iii) Executive remuneration philosophy and framework

It is the Company's objective to provide maximum stakeholder benefit from the retention of a small high quality executive team by remunerating Executive 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 remuneration framework aims to ensure that remuneration practices are:

- acceptable to shareholders, transparent and easily understood;
- competitive and reasonable, enabling the company to attract and retain key talents who share the same values with Grange Resources; and
- aligned to the Company's strategic and business objectives and the creation of shareholder value.

Using external remuneration sector comparative data, the Group has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation. The framework is reviewed regularly along with the remuneration strategy review. The Board decided it was not necessary to use the services of independent remuneration consultants during the year ended 31 December 2014.

The framework provides a mix of fixed and variable pay, and a blend of short and long term incentives detailed as follows:

Fixed Remuneration

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.

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.

There are no guaranteed fixed pay increases included in any executives' contracts.

Variable Remuneration – Short Term Incentive ("STI")

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 selected executive directors and senior employees 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 relates to the achievement of company performance goals and 50% relates to the attainment of agreed personal performance goals.

Variable Remuneration - Long Term Incentive ("LTI")

a) *Deferred Cash*

During the year, the Board determined that it was appropriate to simplify the Company LTI plan and introduce a 2 year deferred cash incentive scheme with immediate effect from 1 January 2014.

The objective of this deferred cash scheme is to reward selected executive directors and senior employees with a cash payment which is linked to the Company satisfying shareholder value performance hurdles and subject to ongoing employment with Grange. The deferred cash component is determined by measuring the Company's:

- sales volumes (weighting 33.33%) of iron ore products (pellets, chips and concentrate)
- normalised EPS result (weighting 33.33%) (excluding abnormal items), and
- generation of additional Free Cash Flow over Budget (weighting 33.33%) (excluding capital management initiatives i.e. inflows from debt funding and outflows from dividends to shareholders).

The deferred cash component is determined based on the Company's performance for the year ended 31 December, with 50% payable on 31 December the following year, and the balance payable on or about the following 31 December (i.e. 2 years after the relevant calculation date). Payment of deferred cash is subject to continuing employment with Grange at the scheduled date of the payment.

b) Rights to Grange Shares

The objective for the issue of Rights under the LTI program was similar to the objective for the issue of Deferred Cash as discussed above. The Company did not issue any Rights to employees in the 12 months ended 31 December 2014.

31 December 2013 Award

In December 2012, the Board determined that the LTI program move to a three year performance period with immediate effect from 1 January 2013 and that Total Shareholder Return ("TSR") be used as the performance hurdle for the Plan.

Total Shareholder Return is a common measure of value creation for shareholders. It is calculated as the difference in the share price between the beginning and end of the period, divided by the share price at the start of the period. The Board determined that the performance hurdle for the rights be the attainment of a Total Shareholder Return of 5% per annum compounded over the three year period from 1 January 2013 to 31 December 2015.

The precise vesting date for the Rights is determined once the Board has assessed performance against the TSR target, following the end of the three year vesting period.

The precise number of Rights that will vest is dependent upon the Board assessment of performance against the TSR target.

31 December 2012 Award

For the 31 December 2012 Award, 50% of the LTI for an employee related to Company performance goals and 50% to personal performance goals. Rights were allocated using a share price that was based on the volume weighted average price of the Company's shares. The share price was based on the volume weighted average price of the Company's shares for the first two months of the Award performance period (i.e. the volume weighted average price of the Company's shares from 1 January 2012 to 29 February 2012).

Rights awarded for performance leading up to and inclusive of 31 December 2012 vest in three equal tranches over 24 months, completing on 1 January 2015.

c) Options over 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 or Executive Committee's recommendation, may discretionally grant the options via the LTI plan processes, and these options vest 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 Company did not issue any options to employees in the 12 months ended 31 December 2014 or 31 December 2013.

(iv) Relationship between remuneration and Grange Resources performance

The table below shows key performance indicators of Company performance over the past five years.

		2010[1]	2011	2012	2013	2014
Revenue from mining operations	$million	193.3	410.4	331.3	281.1	297.2
Net profit / (loss) after tax	$million	85.2	216.6	59.1	21.8	(110.2)
Basic earnings per share	Cents	7.4	18.78	5.12	1.89	(9.52)
Dividend payments	$million	-	57.7	23.1	34.7	-[2]
Share price (last trade day of financial year)	Cents	75.5	56.0	35.0	26.0	10.5

(1) For the 6 month period to 31 December 2010.
(2) The directors have recommended an ordinary final unfranked dividend of 1.0 cent per share for 31 December 2014. This final dividend was declared NIL conduit foreign income and will be paid on 2 April 2015.

(v) Non-executive director remuneration policy

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 comparative market data and if required the advice of independent remuneration consultants to ensure Non-executive Directors' fees and payments are appropriate and in line with the market. The Chairperson's fees are determined independently to the fees of Non-executive Directors based on comparative roles in the external market.

The current remuneration was last reviewed with effect from 1 November 2014. The Chairperson's remuneration is inclusive of committee fees while other Non-executive Directors who chair a Committee receive additional yearly fees. The Deputy Chairperson 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 reviewed for adequacy. Any increase to the aggregate Directors' fee pool is submitted to shareholders for approval. The maximum currently stands at $800,000 per annum and was approved by shareholders at the Annual General Meeting on 26 November 2010. Non-executive Directors do not receive performance-based pay.

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

	From 1 November 2014	**From 1 November 2013**
Board of Directors		
Chairperson [1]	$157,500	$157,500
Deputy Chairperson	$89,250	$89,250
Non-executive Director	$78,750	$78,750
Audit Committee		
Chairperson	$15,750	$15,750
Committee Member	$10,500	$10,500
Remuneration and Nomination Committee		
Chairperson	$15,750	$15,750
Committee Member	$7,500	$7,500
Health, Safety and Environment Committee[2]		
Chairperson	-	$15,750
Committee Member	-	$10,500
Independent Directors Committee[3]		
Chairperson	-	$15,750
Committee Member	-	$10,500

(1) The Chairperson is not paid any additional amounts for Committee membership.
(2) On the 30 October 2014, the Board resolved to discontinue the Health, Safety and Environment Committee. The Board is now directly accountable and responsible for Health, Safety and Environmental matters.
(3) On the 30 October 2014, the Board resolved to discontinue the Committee of Independent Directors. The Company's Independent Directors will still be responsible for overseeing transactions which may give rise to potential conflict of interest for a particular Director, consistent with the approach that the Committee of Independent Directors has taken to date in relation to these matters, with a view to protecting the interests of both the Company and its shareholders.

vi) Details of remuneration

Details of the remuneration of the key management personnel of the Group are set out in the following tables.

Amounts of remuneration

Table 1: Remuneration for the year ended 31 December 2014

	Short-term employee benefits			Post employment benefits	Long-term benefits		Long term incentive (LTI)			Total
	Salary & fees	Non-monetary benefits	Short term incentive (STI)	Super-annuation	Long service leave	Termination benefits	Cash	Rights	Options	
Non-Executive Directors	**$**	**$**	**$**	**$**	**$**	**$**		**$**	**$**	**$**
M Li	144,011	-	-	13,501	-	-	-	-	-	157,512
Y Jia(1)	42,376	-	-	-	-	-	-	-	-	42,376
C Ko	78,751	-	-	-	-	-	-	-	-	78,751
D Tenardi(2)	65,073	-	-	6,149	-	-	-	-	-	71,222
L Huang(3)	21,760	-	-	2,067	-	-	-	-	-	23,827
N Chatfield(4)	49,001	-	-	-	-	-	-	-	-	49,001
J Hoon(5)	119,874	-	-	-	-	-	-	-	-	119,874
Sub-total Non-Executive Directors	**520,846**	**-**	**-**	**21,717**	**-**	**-**	**-**	**-**	**-**	**542,563**

Table 1: Remuneration for the year ended 31 December 2014 (Continued)

	Short-term employee benefits			Post employment benefits	Long-term benefits		Long term incentive (LTI)			Total
	Salary & fees	Non-monetary benefits	Short term incentive (STI)	Super-annuation	Long service leave	Termination benefits	Cash[13]	Rights[14]	Options	
Executive Directors	$	$	$	$	$	$		$	$	$
H Zhao	183,071	72,983	48,975[9]	21,693	3,821	-	15,035	-	-	345,578
W Bould[6]	315,479	-	37,808[10]	-	-	250,000[12]	56,712	-	-	659,999
Other Key Management Personnel										
D Corr[7]	377,622	-	94,565[11]	31,897	(13,235)	-	-	(15,519)	-	475,330
B Zhang[8]	10,753	-	-	1,021	-	-	-	-	-	11,774
B Maynard	228,836	-	19,185[9]	23,228	27,591	-	18,750	8,920	-	326,510
Sub-total Key Management Personnel	**1,115,761**	**72,983**	**200,533**	**77,839**	**18,177**	**250,000**	**90,497**	**(6,599)**	**-**	**1,819,191**
TOTAL	**1,636,607**	**72,983**	**200,533**	**99,556**	**18,177**	**250,000**	**90,497**	**(6,599)**	**-**	**2,361,754**

(1) Y Jia was appointed as a Non-Executive Director of the Company from 1 June 2014 and as Deputy Chairperson from 6 November 2014.
(2) D Tenardi was appointed a Non-Executive Director of the Company from 31 March 2014.
(3) L Huang was appointed an independent Non-Executive Director of the Company from 24 Sep 2014.
(4) N Chatfield was an independent Non-Executive Director and Deputy Chairperson of the Company until 15 April 2014.
(5) J Hoon was an independent Non-Executive Director of the Company until 31 December 2014.
(6) W Bould was Managing Director of the Company until 18 August 2014. He ceased being a Director of the Company on 22 August 2014.
(7) D Corr was Chief Financial Officer until 19 December 2014.
(8) B Zhang was appointed Chief Financial Officer from 19 December 2014.
(9) Represents short term incentive payments for the year ended 31 December 2013. Variable remuneration amounts awarded to Executive Directors and Other Key Management Personnel are disclosed during the period in which the Remuneration and Nomination Committee approves the remuneration entitlement.
(10) Represents short term incentive payments for the year ended 31 December 2014 as approved by the Remuneration and Nomination Committee during the year. The variable remuneration payment to W Bould represents a pro-rata amount for the period in which he was contracted by the Company.
(11) Represents short term incentive payments paid to D Corr for the years ended 31 December 2013 and 31 December 2014 for the period in which he was employed by the Company as approved by the Remuneration and Nomination Committee during the year.
(12) W Bould received a payment of 6 months fees upon ceasing his contract with the Company in accordance with the terms of a Consultancy Agreement.
(13) Represents amounts expensed through the Company's income statement for cash issued under the Company's 2014 Long Term Incentive Scheme. These amounts are recognised in the Company's income statement over the vesting period in accordance with AASB 137, *Provisions, Contingent Liabilities and Contingent Assets*. The amount recognised for W Bould represents the pro-rata vesting period expense for the cash that was paid upon ceasing his contract with the Company as approved by the Remuneration and Nomination Committee during the year.
(14) Represents amounts expensed through the Company's income statement for rights issued under the Company's Long Term Incentive Scheme. These amounts are recognised in the Company's income statement over the vesting period in accordance with AASB 2, *Share Based Payments*.

Amounts of remuneration

Table 2: Remuneration for the year ended 31 December 2013

	Short-term employee benefits				Post employment benefits	Long-term benefits		Long term incentive (LTI)		Total
	Salary & fees	Non-monetary benefits	Short term incentive (STI)	Other	Super-annuation	Long service leave	Termination benefits	Rights	Options	
Non-Executive Directors	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
M Li[1]	23,536	-	-	-	2,718	-	-	-	-	26,254
N Chatfield	133,876	-	-	-	-	-	-	-	-	133,876
C Ko	78,751	-	-	-	-	-	-	-	-	78,751
J Hoon	107,867	-	-	-	4,552	-	-	-	-	112,419
X Zhiqiang[2]	131,250	-	-	-	-	-	-	-	-	131,250
Sub-total Non-Executive Directors	**475,280**	**-**	**-**	**-**	**7,270**	**-**	**-**	**-**	**-**	**482,550**

Table 2: Remuneration for the year ended 31 December 2013 (Continued)

	Short-term employee benefits				Post employment benefits	Long-term benefits		Long term incentive (LTI)		Total
	Salary & fees	Non-monetary benefits	Short term incentive (STI)	Other	Super-annuation	Long service leave	Termination benefits	Rights[(8)]	Options	
Executive Directors	$	$	$	$	$	$	$	$	$	$
W Bould[(3)]	468,749	-	-	-	-	-	-	-	-	468,749
H Zhao	355,165	91,862	45,000[(5)]	-	32,337	-	-	-	-	524,364
R Mehan[(4)]	233,056	-	100,781[(6)]	-	-	-	178,173[(7)]	196,612[(9)]	-	708,622
Other Key Management Personnel										
D Corr	277,093	-	31,318[(5)]	-	25,284	5,778	-	43,405	-	382,878
B Maynard	174,670	-	14,173[(5)]	-	17,258	14,320	-	9,823	-	230,244
Sub-total Key Management Personnel	**1,508,733**	**91,862**	**191,272**	**-**	**74,879**	**20,098**	**178,173**	**249,840**	**-**	**2,314,857**
TOTAL	**1,984,013**	**91,862**	**191,272**	**-**	**82,149**	**20,098**	**178,173**	**249,840**	**-**	**2,797,407**

(1) M Li was appointed a Non-Executive Director and Chairperson of the Company from 29 October 2013.
(2) Z Xi resigned as a Director of the Company from 29 October 2013.
(3) W Bould was appointed Managing Director of the Company from 4 June 2013. Remuneration disclosures include consultancy fees earned from 1 January 2013 to 3 June 2013 when he was Chief Operating Officer of the Group.
(4) R Mehan resigned as Managing Director of the Company on 4 June 2013.
(5) Represents short term incentive payments for the year ended 31 December 2012. Variable remuneration amounts awarded to Executive Directors and Other Key Management Personnel are disclosed during the period in which the Remuneration and Nomination Committee approves the remuneration entitlement.
(6) Represents short term incentive payments for the years ended 31 December 2012 and 31 December 2013 as approved by the Remuneration and Nomination Committee during the year. The variable remuneration payment to R Mehan for the year ended 31 December 2013 represents a pro-rata amount for the period in which he was employed by the Company.
(7) R Mehan received a payment of 4 months' salary upon ceasing employment with the Company in accordance with the terms of his employment contract. The total termination payments to R Mehan did not exceed the statutory limit for such payments.
(8) Represents amounts expensed through the Company's income statement for rights issued under the Company's Long Term Incentive Scheme. These amounts are recognised in the Company's income statement over the vesting period in accordance with AASB 2, *Share Based Payments*. The amount recognised for R Mehan represents the entire vesting period expense for the rights that were issued upon ceasing employment with the Company.
(9) Represents rights issued to R Mehan for the year ended 31 December 2013 as approved by the Remuneration and Nomination Committee during the year. These rights will vest in accordance with the conditions of the Company's Long Term Incentive Scheme and the terms of his employment contract.

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-14	Dec-13	Dec-14	Dec-13	Dec-14	Dec-13
Executive Directors						
H Zhao	77%	91%	9%	9%	14%	-
W Bould[(1)]	77%	100%	9%	-	14%	-
Other Key Management Personnel						
D Corr[(2)]	74%	74%	11%	11%	15%	15%
B Zhang[(3)]	83%	-	10%	-	7%	-
B Maynard	77%	80%	9%	10%	14%	10%

(1) W Bould was Managing Director of the Company until 18 August 2014. He ceased being a Director of the Company on 22 August 2014.
(2) D Corr was Chief Financial Officer of the Company until 19 December 2014.
(3) B Zhang was appointed Chief Financial Officer of the Company from 19 December 2014.

(*vii) Service agreements*

On appointment to the Board, all Non-executive Directors sign a letter of appointment with the Company. The document details the term of appointment, the role, duties and obligations of the Directors as well as the likely time commitment and performance expectations and review arrangements and circumstances relating to the vacation of office. In addition, it also summarises the major Board policies and terms, including compensation, relevant to the office of Director.

Remuneration and other terms of employment for the executives are formalised in service agreements. Each of the agreements provide for the provision of fixed pay, performance related variable remuneration and other benefits. The agreements with executives 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.

(*viii) Details of STI and LTI (including share-based payment) and equity instruments held by key management personnel*

<u>*Short term incentive*</u>

For each short term incentive benefit, the percentage of the available bonus that was paid, in the current financial year, and the percentage that was forfeited because the service and performance criteria were not met, is set out in the following table. No part of the incentive is payable in future years.

Name	2014		
	Maximum possible incentive award	Awarded	Amount of award in cash
Executive Directors			
H Zhao	$72,500	73.8%	$53,505[(1)]
W Bould	$60,000	63.0%	$37,808
Other Key Management Personnel			
D Corr	$97,976	96.5%	$94,565
B Maynard	$23,328	89.8%	$20,960[(1)]

(1) Inclusive of superannuation.

Long term incentive

a) Deferred Cash

At the date of this report, the performance criteria for the 2014 LTI program had not yet been assessed or awarded, except for the pro-rata % awarded for the period in which W Bould was contracted by the Company in accordance with the terms of a Consultancy agreement.

For the 2014 long term incentive benefit, the percentage of the available cash incentive that was paid, in the current financial year, and the percentage that was forfeited because the service and performance criteria were not met, is set out in the following table:

Name	2014		
	Maximum possible incentive award	Awarded	Amount of award in cash
Executive Directors			
W Bould	$90,000	63.0%	$56,712

b) 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.

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 2014

	Balance 1 January 2014	Granted as remuneration	Issued on vesting of rights	Other	Balance 31 December 2014	Vested	Unvested
Other Key Management Personnel							
D Corr(1)(2)	23,936	-	-	-	23,936	-	23,936
B Maynard(1)	5,904	-	-	-	5,904	-	5,904

(1) From 1 January 2013, the LTI program adopted a Total Shareholder Return performance hurdle and moved to a three year performance period. Rights awarded to eligible employees will be disclosed in the period in which the Remuneration and Nomination Committee approves the variable remuneration entitlement following the end of the three year performance period.

(2) D Corr resigned as Chief Financial Officer of the Company on 19 December 2014. Unvested rights issued to D Corr will vest in accordance with the conditions of the Company's Long Term Incentive Scheme, the terms of his employment contract and as approved by the Remuneration and Nomination Committee.

31 December 2013

	Balance 1 January 2013	Granted as remuneration	Issued on vesting of rights	Other	Balance 31 December 2013	Vested	Unvested
Directors of Grange Resources Limited							
W Bould	232,607	-	(232,607)	-	-	-	-
R Mehan[(1)]	-	614,029[(2)]	-	(614,029)	-	-	614,029
Other Key Management Personnel							
D Corr[(3)]	59,501	71,807	(107,372)	-	23,936	-	23,936
B Maynard[(3)]	8,909	17,712	(20,717)	-	5,904	-	5,904

(1) R Mehan resigned as Managing Director of the Company on 4 June 2013. Unvested rights issued to R Mehan will vest in accordance with the conditions of the Company's Long Term Incentive Scheme and the terms of his employment contract.
(2) Represents rights issued to R Mehan for the year ended 31 December 2013 as approved by the Remuneration and Nomination Committee during the year.
(3) From 1 January 2013, the LTI program adopted a Total Shareholder Return performance hurdle and moved to a three year performance period. Rights awarded to eligible employees will be disclosed in the period in which the Remuneration and Nomination Committee approves the variable remuneration entitlement following the end of the three year performance period.

There were no rights to grants that vested during the financial year.

c) Options to Grange Shares

No options were provided as remuneration or shares issued on exercise of options during the year ended 31 December 2014 and 31 December 2013.

There were no options over ordinary shares in the Company held during the year ended 31 December 2014 (2013: Nil) by any Director of Grange Resources Limited or other key management personnel of the Group, including their personally related entities.

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 2014

	Balance 1 January 2014	On vesting of rights	On market purchases	On market disposals	Other	Balance 31 December 2014
Directors of Grange Resources Limited						
M Li	13,507	-	-	-	-	13,507
C Ko	98,154,884	-	-	-	-	98,154,884
N Chatfield[(1)]	140,000	-	-	-	(140,000)	-
W Bould[(2)]	1,247,343	-	-	-	(1,247,343)	-
Other key management personnel of the Group						
D Corr[(3)]	247,878	-	-	-	(247,878)	-
B Maynard	62,217	-	-	-	-	62,217

(1) N Chatfield resigned as Director of the Company on 15 April 2014.
(2) W Bould resigned as Managing Director of the Company on 18 August 2014. He ceased being a Director of the Company on 22 August 2014.
(3) D Corr resigned as Chief Financial Officer of the Company on 19 December 2014.

31 December 2013 (Restated)

	Balance 1 January 2013	On vesting of rights	On market purchases	On market disposals	Other	Balance 31 December 2013
Directors of Grange Resources Limited						
M Li [(1)]	10,287	3,220	-	-	-	13,507
N Chatfield	140,000	-	-	-	-	140,000
W Bould	1,313,204	232,607	-	(298,468)	-	1,247,343
C Ko	90,385,520	-	7,769,364	-	-	98,154,884
R Mehan[(2)]	100,000	-	-	-	(100,000)	-
Other key management personnel of the Group						
D Corr	140,506	107,372	-	-	-	247,878
B Maynard	41,500	20,717	-	-	-	62,217

(1) Shareholdings of M Li were omitted from the 2013 Annual Report as acknowledged to the ASX on 20 March 2014.
(2) R Mehan resigned as Managing Director of the Company on 4 June 2013.

(ix) Loans to key management personnel

There were no loans to key management personnel during the year (December 2013: Nil).

(x) Other transactions with key management personnel

A director, Mr Clement Ko, is a director of Pacific Minerals Limited to which spot sales for pellets were made in 2013. Pacific Minerals Limited also acted as sales agent in regards to sales agency agreements and received agency commissions. All transactions were on terms equivalent to those that prevail in arm's length transactions and conducted with oversight from the Independent Directors of Grange.

A director, Mr Honglin Zhao, is a former director of Jiangsu Shagang Group (Shagang) to which sales of iron ore products are made under long-term off-take agreements. As at 27 February 2015, Shagang holds 46.87% (2013: 46.47%) of the issued ordinary shares of Grange. Each transaction between Shagang and Grange must be either approved by non-associated Grange shareholders, or approved by the Grange independent directors.

A director, Ms Yan Jia, is an employee of Shagang International Trade Co. Ltd., which is a wholly owned subsidiary of Jiangsu Shagang Group (Shagang) to which sales of iron ore products are made under long-term off-take agreements. As at 27 February 2015, Shagang holds 46.87% (2013: 46.47%) of the issued ordinary shares of Grange. Each transaction between Shagang and Grange must be either approved by non-associated Grange shareholders, or approved by the Grange independent directors.

Managing Director (up to 18 August 2014), Mr Wayne Bould, is a Managing Director and Chairperson of the Bonney Group of Companies which includes Lloyds North Pty Ltd. Lloyds North Pty Ltd provide equipment hire and freight services to Grange under a contract based on normal commercial terms and conditions.

Aggregate amounts of each of the above types of other transactions with key management personnel of Grange:

	2014 $	2013 $
Sales of iron ore products		
Long term off-take agreement		
- Pellets	129,237,036	142,058,438
- Chips	2,157,061	7,145,574
Spot sales		
- Pellets	-	34,082,402
Agency commissions		
- Spot sales	(637,787)	(903,324)
Purchases		
- Equipment hire and freight	(682,867)	(446,973)
	130,073,443	181,936,117

The following balances are outstanding at the end of the reporting period in relation to the above transactions:

	2014 $	2013 $
Trade receivables (sales or iron ore products)		
Long term off-take agreement		
- Pellets	1,949,265	19,836,124
- Chips	(5,594)	1,311,124
- Other	(119,911)	(29,916)
Spot sales (agency commissions)	(132,972)	(562,817)
- Other	-	10,000
	1,690,788	20,564,515

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 its 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 arise as a direct result of the Company's breach of its obligations to the Auditors, unless prohibited by the *Corporations Act 2001*.

Audit and Non-audit Services

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

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

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and

- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code *of Ethics for Professional Accountants*.

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

	2014	2013
		(Restated)
	$'000	**$'000**
(a) PwC - Australia		
Audit and review of financial reports	376	279
Other assurance services	51	15
Taxation services		
Taxation consulting and advice	49	95
Total remuneration of PwC - Australia	**476**	**389**
(b) Related practices of PwC - Australia		
Audit and review of financial reports	17	23
Taxation compliance	2	2
Total remuneration of related practices of PwC - Australia	**19**	**25**

It is the Group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers expertise and experience with the Group are important. These assignments are principally tax consulting and advice or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the Group's policy to seek competitive tenders on all major consulting assignments. Group policy also requires the Chairperson of the Audit Committee to approve all individual assignments performed by PricewaterhouseCoopers with total fees greater than $10,000.

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 27.

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

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

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

Daniel Tenardi
Executive Committee Representative

Perth, Western Australia
27 February 2015

Auditor's Independence Declaration

As lead auditor for the audit of Grange Resources Limited for the year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been:

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

John O'Donoghue
Partner
PricewaterhouseCoopers

Melbourne
27 February 2015

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

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:

- Developing long-term objectives and strategy in conjunction with management;
- Reviewing and approving plans, new investments, major capital and operating expenditures and major funding activities proposed by management;
- Reviewing and approving policies, goals, targets and budgets;
- Defining and setting performance expectations for the Company and monitoring actual performance;
- Appointing and reviewing the performance of the Managing Director and senior management;
- Assuring itself that there are effective health, safety, environmental and operational procedures in place;
- Ensuring that there is effective budgeting and financial supervision and that appropriate audit arrangements are in place;
- 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;
- 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;
- Assuring itself that the Company has adopted a Code of Corporate Ethics and that Company practice is consistent with that Code;
- Reporting to and advising shareholders;
- Practicing and exhibiting the Company's values; and
- 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.

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 / legal 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 Chairperson and the roles of the Chairperson and Managing Director were undertaken by different individuals for part of the year, until the appointment of the Executive Committee ("ExCo"), which upon formation on 18 August 2014, resulted in the Chairperson partially undertaking both roles for the remainder of the year. The Board is comprised of seven Directors – one executive Director and six non-executive Directors.

Whilst it had been noted in previous announcements to the ASX (including Grange's 2013 Annual Report) that Ms Li was not considered to be independent due to being nominated by Shagang, in 2014 the Board carefully considered all factors outlined in the ASX Corporate Governance Principles and determined Ms Li to be an independent Director. Accordingly, two of the six non-executive Directors are not considered to be independent. The two non-independent Directors, comprise Clement Ko (representative of substantial shareholder Pacific International Holdings Co. Pty Ltd) and Yan Jia, (representative of substantial shareholder Shagang International Holdings Limited).

The Board is mindful of the Principles and the preference for Boards to have a majority of independent Directors. The Board continues to monitor and review its composition and plans to appoint a further independent Director in the first half of 2015. The independent status of each director is monitored throughout the year.

Director	Independent	Non-Executive	Term in Office
Michelle Li	Yes – as determined by the Board	Yes	14 months
Daniel Tenardi	Yes	Yes	11 months
Liming Huang	Yes	Yes	6 months
Yan Jia	No – representative of substantial shareholder	Yes	9 months
Honglin Zhao	No – Executive Director	No	4 years & 6 months
Clement Ko	No – Substantial shareholder	Yes	6 years
John Hoon	Yes	Yes	4 years & 6 months

Evaluation of the Board, Committees and Senior Management

The performance of the Board and its Committees is assessed 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 last conducted in mid 2013.

The Managing Director'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 Managing Director's remuneration which is based on both performance and external market data. The Company currently does not have a Managing Director appointed and is in the process of recruiting a replacement Managing Director. A current position description describes the expected term of office, duties, rights and responsibilities and entitlements on termination.

Board Committees

Audit & Risk Committee

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

The Audit & Risk Committee consists of Mr Liming Huang (Committee Chairperson), Mr Daniel Tenardi and Ms Michelle Li, all of whom are non-executive Directors. Each member of the Audit & Risk Committee must be appropriately financially literate and at least one member of the Audit & Risk Committee will have extensive financial or accounting expertise.

The Audit & Risk 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:

- Grange's financial reporting principles and policies, controls and procedures;
- the effectiveness of Grange's internal control systems;
- 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.

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

The Audit & Risk Committee 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 Audit & Risk Committee 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 ExCo 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
- the Company's risk management and internal compliance and control system is operating effectively in all material respects.

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 the oversight of Grange's remuneration strategy and overall policy. It makes recommendations to the Board on all aspects of appointment, remuneration and termination pertaining to the Managing Director and reviews the appointment, remuneration or termination of senior executives.

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 solely 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.

In addition to considering the performance of the senior management, the Committee monitors external remuneration trends and market conditions and selects and appoints external advisers as required.

The Committee oversees the Company's diversity policy and corporate governance practices in relation to remuneration. 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 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.

The Remuneration and Nomination Committee has three members and presently comprises Mr Daniel Tenardi (Committee Chairperson), Ms Michelle Li and Ms Yan Jia, all of whom are non-executive Directors. A majority of the Committee (including the Committee Chairperson) is independent.

There are no executive Directors on the Committee. The Committee seeks input from the ExCo 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 and external remuneration advisers are consulted by the Committee as required.

The Committee has adopted the following guidelines for engaging and dealing with remuneration consultants:

- the consultant/consultancy should have a database from which to draw data on market practice in relation to remuneration of key management personnel ("KMP") in relevant comparator companies;
- the consultant/consultancy should have significant relevant experience in advising on KMP remuneration;
- the individual consultants who are advising the Company should have significant relevant experience in advising on KMP remuneration;

- the consultant/consultancy should be engaged by and report directly to the Board or the Remuneration and Nomination committee;
- any interaction between management and the consultant/consultancy should be authorised by the Board or Remuneration and Nomination Committee and should be limited to receiving input to allow the consultant to undertake the work commissioned by the Board or Remuneration and Nomination committee; and
- If interviews or working sessions involve management then a representative of the Board or Remuneration and Nomination Committee may attend.

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.

Health, Safety and Environment Committee

The Board resolved to disband the dedicated Health, Safety and Environment Committee during the financial year. The Board has taken responsibility to undertake its environmental and workplace health and safety role and obligations.

Committee of Independent Directors

The Board resolved to disband the Committee of Independent Directors' of the Board during the financial year. Independent Directors meet informally as required with respect to transactions which may give rise to a potential conflict of interest for a particular Director, with a view to protect the interests of both the Company and its shareholders.

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 Chairperson, may seek independent professional advice concerning any aspect of the Company's operations or undertakings at the Company's expense.

Codes 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 Ethics and Conduct Policy.

The Code 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 is mandatory with breaches taken seriously.

In addition the Board has a dedicated Code of Conduct which provides Directors with clear and unambiguous guidance as to the minimum standards of behaviour which is required of Grange's Directors undertaking Grange activities or whenever they are representing Grange.

Copies of the Code of Ethics and Conduct and the Board Code of Conduct are located on the Company's website.

Diversity

Philosophy and Policy

Grange recognises that our employees are our most valuable resource and the means by which we will achieve safe, sustainable, cost effective production. Diversity is one of many elements which helps create sustainable value for our shareholders. Grange takes a broad and all-encompassing view of diversity. Diversity is about accepting, respecting and understanding that each person is unique.

In late 2011 the Board approved a Diversity Policy. The policy highlights that an individual's differences can be along the lines of race, cultural background, gender, sexual orientation, socio-economic status, age, physical abilities, religious beliefs, political beliefs or other ideologies. Diversity can also include an extensive range of individual characteristics and experiences such as communication styles, career path, educational background, family responsibilities and marital status which may influence personal perspectives.

The policy details how Grange supports diversity in its work place. This includes:

- Undertaking recruitment of employees at all levels from as diverse a pool of qualified candidates as reasonably possible;
- Recruiting and selecting on the basis of merit (skills, qualifications, abilities and achievements);
- Providing fair and equal access to employees so that no one person or group of people is treated any less favourably or more favourably than others;
- Providing a positive and safe work environment that promotes job satisfaction and one in which all employees feel they are valued, treated fairly and recognised for their contribution;
- Treating all employees fairly and with respect and dignity as detailed in the Company's values and the Code of Business Ethics and Conduct and Fair Treatment Policy;
- Maintaining a comprehensive range of contemporary policies as part of the "Grange Cares" program covering recruitment, behaviour at work, fair treatment, performance as well as training and personal development;
- Reinforcing a performance oriented and merit based organisational culture in which remuneration practices reward and retain employees equally based on performance and potential regardless of gender;
- Providing training and personal development plans to maximise safety awareness, job performance and productivity, and the opportunity for promotion;
- Complying with anti-discrimination and equal employment legislation;
- Initiating and supporting actions in our communities which foster diversity and equal opportunities; and
- Integrating Board approved diversity targets into business and workforce planning.

In addition, the policy also explains how the Board demonstrates its commitment to diversity. This includes:

- Using professional intermediaries to source suitably qualified candidates for Board positions;
- Providing translation services and other administrative arrangements to accommodate non-English speaking Board members;
- Assuming responsibility for establishing and reviewing measurable diversity targets (with the assistance of the Remuneration and Nominations Committee);
- Reporting on gender participation in the Annual Report each year; and
- Annually reviewing the diversity policy.

A copy of the policy is on the Company's website.

Gender Participation

The Company has two female Board members, one who is also Chairperson. In addition the Grange Board has cultural diversity with five of the six directors being of overseas origin.

The Company defines executives as those professional or managerial team members who report directly to the ExCo or the Board. Of the four executives reporting directly to the ExCo or Board, one (25%) is a woman. The Company conducts performance based reviews at least annually of all employees and monitors the number of women progressing through its professional and technical ranks.

The table below indicates the participation of women in the general workforce for the Company as at 31 December 2014:

Workforce Segment	% of Total Workforce in Segment	As at 31 Dec 2014 % of Women in Segment	As at 31 Dec 2013 % of Women in Segment	Measurable Diversity Targets
Supervisory / Administrative	22%	25%	20%	*No specific target for these individual categories. Overall target of 10% for all three categories by 2018*
Operations / Maintenance	74%	4%	4%	
Professional / Managerial	4%	10%	11%	15% by 2018
Total workforce	***100%***	***9%***	***8%***	***10% by 2018***

As at 31 December 2014 the number of women in the Company's workforce was 46. This represents an overall participation rate of 9% (2013: 8%). Women comprise 4% of operations and maintenance roles, 25% of administration and supervisory roles and 10% of senior professional roles and managerial roles.

In early 2012 the Company established measurable diversity objectives. In developing its objectives the Board considered the location and nature of the Company's operations as well as the potential impact of its major development project.

As a result, for the foreseeable future the Company will be based at Grange's Tasmanian operations. Both Savage River and Port Latta are mature and established operations and by mining industry standards have a stable workforce with very low levels of staff turnover. Consequently there are limited opportunities for the Company to improve diversity through recruitment.

In 2014 the Company reviewed its diversity objectives in the light of the changed operational landscape and market conditions. As a result amendments have been made to the timeframe for the attainment of its diversity objectives with 2018 being considered a more realistic target. The Company continues to aim to have women comprising 15% of senior professional / managerial roles and to increase the overall proportion of women in the workforce to 10%. The Board will continue to review progress against these targets at regular intervals.

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 "blackout" periods during which Directors and employees are not allowed to trade. The Company Secretary advises employees and Directors of the commencement and conclusion of all blackout periods.

Before commencing any trade, a Director must first obtain the written approval of the Chairperson 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.

During the year the Company also introduced additional internal procedures to provide clarity to employees in relation to information requests from external sources.

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 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 investor presentations) on the Company's website. The website contains eleven 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.

ASX Best Practice Recommendations

The following 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 2014, 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.	✓	
2.2	The chair should be an independent director.	✓	

	Principle / Recommendation	Complied	Note
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	×	1
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: • 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; and • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	✓	
3.2	Establish and disclose a policy concerning diversity.	✓	
3.3	Disclose the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	✓	
3.4	Disclose the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	✓	
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: • 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; and • has at least three members.	✓	
4.3	The Audit Committee should have a formal charter.	✓	
5	**Make Timely and Balanced Disclosure**		
5.1	Establish and disclose written policies 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.	✓	

	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	The remuneration committee should be structured so that it: • consists of a majority of independent directors; • is chaired by an independent chair; and • has at least three members.	✓	
8.3	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 2.3 of the ASX Best Practice Recommendations. In August 2014 the Board appointed an interim Executive Committee ("ExCo") to manage the Company on an interim basis until a replacement Managing Director/Chief Executive Officer was appointed. Ms Li was appointed to ExCo and also holds the position of Chairperson. As a consequence, from August until the end of the financial year the roles of chair and chief executive officer were in part exercised by the same individual. This is seen as an interim measure only.

Despite the Company not being in compliance with this 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 all stakeholders.

Australia's most experienced magnetite producer

FINANCIAL STATEMENTS

For the Year Ended
31 December 2014

Contents

These financial statements are the consolidated financial statement of the consolidated entity consisting of Grange Resources Limited and its subsidiaries. The financial statements are presented in Australian currency.

Grange Resources Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

34A Alexander Street
Burnie Tasmania 7320

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' Report on pages 2 to 11, which is not part of these financial statements.

All press releases, financial reports and other information are available on our website: www.grangeresources.com.au

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

Consolidated	NOTES	2014 $'000	2013 (Restated) $'000
Revenues from mining operations	5	297,155	281,072
Cost of sales	6	(186,898)	(251,985)
Gross profit from mining operations		**110,257**	**29,087**
Administration expenses		(4,816)	(4,795)
Operating profit before other income / (expense)		**105,441**	**24,292**
Other income / (expenses)			
Revaluation of deferred consideration	20,23	(134)	5,077
Settlement of deferred consideration	20,23	20,757	-
Exploration and evaluation expenditure		(1,934)	(5,411)
Impairment of assets	30	(296,132)	-
Other income / (expenses)	7	281	1,368
Operating (loss) / profit before finance costs		**(171,721)**	**25,326**
Finance income	8	6,979	10,957
Finance expenses	8	(2,500)	(6,065)
(Loss) / Profit before tax		**(167,242)**	**30,218**
Income tax benefit/(expense)	9	57,078	(8,388)
(Loss) / profit for the year		**(110,164)**	**21,830**
Total comprehensive (loss) / income for the year		**(110,164)**	**21,830**
Profit /(loss) for the period attributable to:			
- Equity holders of Grange Resources Limited		(110,164)	21,830
		(110,164)	21,830
Total comprehensive income /(loss)for the period attributable to:			
- Equity holders of Grange Resources Limited		(110,164)	21,830
		(110,164)	21,830
Earnings per share for profit attributable to the ordinary equity holders of Grange Resources Limited			
Basic earnings per share (cents per share)	38	**(9.52)**	**1.89**
Diluted earnings per share (cents per share)	38	**(9.51)**	**1.89**

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

Consolidated	NOTES	31 December 2014	31 December 2013 (Restated)	1 January 2013 (Restated)
		$'000	$'000	$'000
ASSETS				
Current assets				
Cash and cash equivalents	10	138,650	154,881	119,918
Term deposits		15,000	5,000	55,000
Trade and other receivables	11	22,795	29,269	22,397
Inventories	12	54,788	59,981	53,097
Intangible assets	13	-	3,063	5,548
Total current assets		231,233	252,194	255,960
Non-current assets				
Receivables	14	7,797	7,747	6,937
Property, plant and equipment	15	106,431	163,747	171,879
Mine properties and development	16	215,230	369,775	365,281
Deferred tax assets	17	67,558	664	8,385
Total non-current assets		397,016	541,933	552,482
Total assets		628,249	794,127	808,442
LIABILITIES				
Current liabilities				
Trade and other payables	18	24,294	28,171	28,697
Borrowings	19	333	2,852	13,876
Deferred consideration	20	-	8,332	7,559
Current tax liability		10,482	667	-
Provisions	21	12,071	15,366	13,091
Total current liabilities		47,180	55,388	63,223

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

Consolidated	NOTES	31 December 2014 $'000	31 December 2013 (Restated) $'000	1 January 2013 (Restated) $'000
Non-current liabilities				
Borrowings	22	320	680	-
Deferred consideration	23	-	35,536	42,027
Deferred tax liabilities	24	-	-	-
Provisions	25	45,548	34,048	33,737
Total non-current liabilities		45,868	70,264	75,764
Total liabilities		93,048	125,652	138,987
Net assets		535,201	668,475	669,455
EQUITY				
Contributed equity	26	331,373	331,373	330,334
Reserves	27	415	383	1,103
Retained profits	28	203,413	336,719	338,018
Capital and reserves attributable to owners of Grange Resources Limited		535,201	668,475	669,455
Total equity		535,201	668,475	669,455

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

Consolidated	NOTES	Contributed equity $'000	Reserves $'000	Retained earnings (Restated) $'000	TOTAL (Restated) $'000
Balance at 1 January 2014		**331,373**	**383**	**336,719**	**668,475**
Loss for the year		-	-	(110,164)	(110,164)
Total comprehensive loss for the year		-	-	(110,164)	(110,164)
Transactions with owners in their capacity as owners					
Dividends paid	29	-	-	(23,142)	(23,142)
Employee share options and rights	27	-	32	-	32
		-	32	(23,142)	(23,110)
Balance at 31 December 2014		**331,373**	**415**	**203,413**	**535,201**
Balance at 1 January 2013		**330,334**	**1,103**	**414,832**	**746,269**
Change in accounting policy	31	-	-	(76,814)	(76,814)
Restated balance at 1 January 2013		**330,334**	**1,103**	**338,018**	**669,455**
Profit for the year		-	-	25,617	25,617
Change in accounting policy	31	-	-	(3,787)	(3,787)
Total comprehensive income for the year		-	-	21,830	21,830
Transactions with owners in their capacity as owners					
Dividends paid	29	-	-	(23,129)	(23,129)
Employee share options and rights	27	1,039	(720)	-	319
		1,039	(720)	(23,129)	(22,810)
Balance at 31 December 2013		**331,373**	**383**	**336,719**	**668,475**

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

Consolidated	NOTES	2014 $'000	2013 (Restated) $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		305,172	268,298
Payments to suppliers and employees (inclusive of goods and services tax)		(130,745)	(162,068)
		174,427	106,230
Interest received		2,794	4,170
Interest paid		(90)	(9)
Income taxes (paid) / received		-	-
Net cash inflow / (outflow) from operating activities	37	177,131	110,391
Cash flows from investing activities			
Payments for property, plant and equipment		(41,661)	(14,684)
Payments for mine properties and development		(93,467)	(80,074)
Proceeds from (payments for) term deposits		(10,057)	55,601
Net cash inflow / (outflow) from investing activities		(145,185)	(39,157)
Cash flows from financing activities			
Repayment of borrowings		(2,533)	-
Proceeds from borrowings		-	3,532
Payment of deferred consideration		(24,412)	(5,174)
Dividends paid to shareholders		(23,142)	(23,129)
Finance lease payments		(389)	(14,243)
Net cash inflow / (outflow) from financing activities		(50,476)	(39,014)
Net (decrease) / increase in cash and cash equivalents		(18,530)	32,220
Cash and cash equivalents at beginning of the year		154,881	119,918
Net foreign exchange differences		2,299	2,743
Cash and cash equivalents at end of the year	10	138,650	154,881

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements are for the consolidated entity consisting of Grange Resources Limited and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*.

Compliance with IFRS

The consolidated financial statements of the Grange Resources Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Change in accounting policy

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

The new exploration and evaluation expenditure accounting policy is to charge exploration and evaluation expenditure against profit and loss as incurred; except for expenditure incurred after a decision to proceed to development is made, in which case the expenditure is capitalised as an asset. The impact on the statement of cash flows is a movement from investing activities to a movement in operating activities.

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

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

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

Details in relation to the impact of this change in accounting policy on comparative financial information are disclosed in Note 31.

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 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continue)

(a) Basis of preparation (continued)

Reclassification of Comparative Financial Information

The Group has reclassified financial information for the comparative period to improve the relevance and reliability of information presented. This reclassification within current liabilities has reduced trade and other payables by $7.3 million and $6.3 million and increased current provisions by the same amount at 31 December 2013 and 1 January 2013 respectively. This revised presentation reflects the annual leave obligation as an employee benefits provision. There have been no changes to the comparative income statement, statement of changes in equity or statement of cash flows as a result of this reclassification.

Details in relation to the impact of this reclassification on comparative financial information is disclosed in Note 31.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Grange Resources Limited as at 31 December 2014 and the results of all subsidiaries for the year then ended. Grange Resources Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the 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 acquisition method of accounting is used to account for business combinations by the Group (refer to note 1(e)).

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 arrangements

Joint operations

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings. Details of the joint operations are set out in Note 36.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 Interim Executive Committee.

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 in other comprehensive income.

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 recognised in other comprehensive income. 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 reclassified to the income statement, as part of the gain or loss on sale where applicable. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Business combinations

The acquisition 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 acquisition. Acquisition-related costs are expensed as incurred. 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 or debt instruments are recognised in accordance with financial instrument standards.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. 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.

Deferred consideration is measured at the present value of management's best estimate of expenditure required to settle the 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. Amounts disclosed as revenue are net of agency commissions and amounts collected on behalf of third parties.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Revenue recognition (continued)

Interest revenue

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

(g) Government Grants

Government grants are recognised at their fair value 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.

(i) Cash and cash equivalents

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

Term deposits held with financial institutions with maturities of more than three months are presented as receivables. Term deposits with a maturity date of more than 12 months after the reporting date are classified as non-current.

(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 the 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

The income tax expense or benefit for the period is the tax payable on the current period’s taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company’s subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Income tax (continued)

of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences, including MRRT allowances and unused tax losses, only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and the tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not revers in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Grange Resources Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, Grange Resources Limited and its subsidiaries are taxed as a single entity and the deferred tax assets and liabilities of the Group are set off in the consolidated financial statements.

(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) Mineral Resources Rent Tax (MRRT)

The MRRT was enacted in the reporting period ended 31 December 2012 and commenced on 1 July 2012. The MRRT represents an additional tax on profits generated from mining operations of iron ore and coal miners in Australia

The MRRT is considered, for accounting purposes, to be a tax based on income and accordingly current and deferred MRRT expenses will be measured and disclosed on the same basis as income tax expense as set out in Note 1(l).

The Mineral Resource Rent Tax Repeal and Other Measures Act 2014 received royal assent on 5 September 2014.

Detail in relation to the impact of this repeal is disclosed in Note 9.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Carbon Emissions

Carbon emission units (carbon permits) issued under the Jobs and Competitiveness Program are recognised as a Government grant upon receipt and presented as an intangible asset. Grants from the government are recognised at fair value. The Government grant is initially recognised as deferred income and then subsequently recognised in the income statement systematically over the period based on production from the emissions intensive activity.

Carbon emission liabilities are recognised as the emissions are generated and are measured at the present value of the carbon permits required to extinguish the liability

Carbon expense and deferred income from carbon permits are recorded as part of the cost of inventory.

Carbon permit assets and carbon emission liabilities are disclosed on a gross basis in the consolidated statement of financial position.

The Carbon Tax repeal received royal assent on 17 July 2014, effective from 1 July 2014. All transactions have been settled and there is no ongoing impact.

(p) 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. Assets under construction are measured at cost and are not depreciated until they are ready and available for use. Depreciation on assets is calculated using either a straight-line or diminishing value method to allocate the cost, net of their residual values, over the estimated useful lives or the life of the mine, whichever is shorter. Leasehold improvements and certain leased plant and equipment are depreciated over the shorter lease term.

Other non-mine plant and equipment typically has the following estimated useful lives:

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.

The carrying value of property, plant and equipment is assessed annually for impairment in accordance with Note 1(t).

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) 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.

A change in accounting policy has been adopted for exploration and evaluation expenditure. The new accounting policy was adopted for the year ended 31 December 2014 and has been applied retrospectively.

The new exploration and evaluation expenditure accounting policy is to charge exploration and evaluation expenditure against profit and loss as incurred; except for expenditure incurred after a decision to proceed to development is made, in which case the expenditure is capitalised as an asset. The impact on the statement of cash flows is a movement from investing activities to a movement in operating activities.

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

The Group judges that the change in policy will result in the financial report providing more relevant and no less reliable information because the Group has a higher degree of confidence as to the probability that future economic benefits will flow to the Company prior to the capitalisation of such costs.

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

Details in relation to the impact of this change in accounting policy on comparative financial information are disclosed in Note 31.

(r) Mine properties and development

Mine properties and development represent the accumulation of all exploration, evaluation and development expenditure incurred by, not 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(t).

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Deferred stripping costs

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

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

Capitalised stripping costs are initially measured at cost and represent an accumulation of costs directly incurred in performing the stripping activity that improves access to the identified component of the ore body, plus an allocation of directly attributable overhead costs. The amount of stripping costs deferred is based on a relevant production measure which uses a ratio obtained by dividing the tonnage of waste mined by the quantity of ore mined for an identified component of the ore body. Stripping costs incurred in the period for an identified component of the ore body are deferred to the extent that the current period ratio exceeds the expected ratio for the life of the identified component of the ore body. Such deferred costs are then charged against the income statement on a systematic units of production basis over the expected useful life of an identified component of the ore body.

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

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

(t) Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset, including 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 of disposal 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 groups of assets (cash generating units).

Where there is no binding sale agreement or active market, fair value less costs of disposal 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 post-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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Impairment of assets(continued)

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.

(u) 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Due to the short-term nature of the current receivables, their carrying amount is assumed to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts. The fair values were calculated based on cash flows discounted using a current lending rate. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

(v) 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.

(w) Non-current assets held for sale

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Non-current assets held for sale (continued)

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

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

(x) Ore reserves

The Company estimates its mineral resources and ore reserves based on information compiled by Competent Persons as defined in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves of December 2012 (the JORC 2012 code). Reserves, and for certain mineral 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.

(y) 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.

(z) 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(aa) Provisions

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

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

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

Decommissioning and restoration

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

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

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ab) Employee entitlements

Wages, salaries 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.

Annual leave

Liabilities for annual leave expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits 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 39.

The fair value of rights 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.

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.

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ac) 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.

(ad) 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.

(ae) 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(af) Parent entity financial information

The financial information for the parent entity, Grange Resources Limited, disclosed in Note 40 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.

(ag) Rounding of amounts

The Group 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.

(ah) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2014 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) ***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) and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures*** *(effective from 1 January 2018)*

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2018 but is available for early adoption. The Company intends to apply the standard from 1 January 2018. Application of this standard will not have a significant impact on the Group.

(ii) ***AASB 15 Revenue from Contracts with Customers – Mandatory Effective Date of AASB 15*** *(effective from 1 January 2017)*

AASB 15 *Revenue from Contracts with Customers* will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The Company is still assessing the impact of the new rules on the Group's financial statements. The standard is not applicable until 1 January 2017. The Company intends to apply the standard from 1 January 2017.

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 an 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:

	2014	2013 (Restated)
	$'000	$'000
Financial Assets		
Cash and cash equivalents	138,650	154,881
Term deposits	15,000	5,000
Trade and other receivables	28,030	33,679
	181,680	193,560
Financial Liabilities		
Trade and other payables	24,294	28,171
Borrowings	653	3,532
Deferred consideration	-	43,868
	24,947	75,571

(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.

At this time the Group does not manage its prospective foreign exchange risk with currency hedges.

NOTE 2. FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk (continued)

(i) Foreign exchange risk (continued)

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

	2014 $'000	2013 $'000
Cash and cash equivalents	58,842	73,427
Trade and other receivables	16,348	21,522
Trade and other payables	(726)	(573)
Deferred consideration	-	(43,868)
Net US dollar surplus	74,464	50,508

Group sensitivity

Based on the financial instruments held at 31 December 2014, 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 $5.8 million higher / $4.7 million lower (2013: $5.4 million higher / $2.0 million lower), mainly as a result of foreign exchange gains/losses on US dollar denominated cash and cash equivalents and receivables as detailed in the above table.

(ii) Price risk

The Group is exposed to commodity price risk. During prior years, the Group agreed with its customers to price its iron ore pellets at index based market prices. At this time, the Group does not manage its iron ore price risk with financial instruments.

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

(iii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from cash and cash equivalents.

As at the reporting date, the Group has no variable rate borrowings outstanding. Borrowings issued at variable rates expose 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. 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.

NOTE 2. FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk (continued)

Group sensitivity

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 and are excluded from the interest rate sensitivity analysis.

At 31 December 2014, if interest rates had increased by 50 basis points (bps) or decreased by 50 basis points from the period end rates with all other variables held constant, post tax profit for the period would have been $0.7 million higher / $0.7 million lower (December 2013 changes of 50 bps / 50 bps: $0.8 million higher / $0.8 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.

As at 31 December 2014, trade receivables of $1.1m (2013 Nil) were past due but not impaired. At the date of this report, all past due trade receivables had been received except for $342k, with full settlement expected during March 2015. The other classes within trade and other receivables do not contain impaired assets and are not past due.

	2014 $'000	2013 $'000
Up to 12 months	1,097	-

(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.

NOTE 2. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity Risk (continued)

Maturities of financial liabilities

The table below analyses the Group's 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.

2014 – Consolidated	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contract-ual cash flows	Carrying amount liabilities
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Non-derivatives							
Non-interest bearing							
Trade and other payables	24,294	-	-	-	-	24,294	24,294
Fixed rate borrowings	179	180	329	-	-	688	653
Total non-derivatives	24,473	180	329	-	-	24,982	24,947

2013 (Restated) - Consolidated	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contract-ual cash flows	Carrying amount liabilities
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Non-derivatives							
Non-interest bearing							
Trade and other payables	28,171	-	-	-	-	28,171	28,171
Deferred consideration	4,815	3,878	6,126	18,963	34,669	68,451	43,868
Fixed rate borrowings	2,380	541	359	329	-	3,609	3,532
Total non-derivatives	35,366	4,419	6,485	19,292	34,669	100,231	75,571

(d) 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.

The Group had access to the following undrawn borrowing facility at the end of the reporting period:

	2014 $'000	2013 $'000
Secured and floating rate		
Expiring within one year [(1)]	14,220	-

NOTE 2. FINANCIAL RISK MANAGEMENT (continued)

(d) Capital Risk Management (continued)

(1) The Group entered into a multi-advance secured loan facility agreement to finance the re-build program for the Dump Trucks located at the Savage River Mine in December 2014. A specific security deed granted security interest in the equipment and all parts, improvements and replacements thereof, to secure all amounts payable by the Group under the Facility. Maximum term is four years for the Facility (including the Availability Period of first twelve months after the date of execution or, if earlier, the date the Facility Limit is fully utilised).

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.

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.

(a) 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.

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

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

Details in relation to the Group's impairment assessment are disclosed at Note 30.

(c) Stripping costs in the production phase of a surface mine (Interpretation 20)

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

Judgement is also applied in identifying the component of the ore body and the manner in which stripping costs are capitalised and amortised. There are a number of uncertainties inherent in identifying components of the ore body and the inputs to the relevant production methods for capitalising and amortising stripping costs and these assumptions may change significantly when new information becomes available. Such changes could impact on capitalisation and amortisation rates for capitalised stripping costs and deferred stripping asset values.

(d) Determination of mineral resources and ore reserves

Mineral resources and ore reserves are based on information compiled by a Competent Person as defined in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC 2012 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 ore 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.

NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(e) 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.

The Group merged its multiple tax consolidated groups on 6 January 2011 which has impacted the carrying amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet. Management has used judgment in the application of income tax legislation on accounting for this tax consolidation. These judgments are based on management's interpretation of the income tax legislation applicable at the time of the consolidation.

In addition, certain deferred tax assets for deductible temporary differences 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. 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.

(f) 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.

(g) 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 shares issued is determined by the volume weighted average trading price over a specified number of days.

(h) Revenue recognition - Provisional pricing

The Group has recognised revenues amounting to $1.5 million for the year ended 31 December 2014 (31 December 2013: $9.5 million) from the sale of iron ore products which requires quantity and quality verification by the customer. The Group is confident that the quantity and quality of the iron ore pellets is such that it is appropriate to recognise the provisional pricing revenues during the year ended 31 December 2014.

NOTE 4. SEGMENT INFORMATION

(a) Description of segments

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

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

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

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

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

	Segment revenues from sales to external customers	
	2014	**2013**
	$'000	**$'000**
Australia	21,974	6,725
China	157,265	206,487
India	9,425	12,761
Japan	38,144	30,582
Korea	55,638	21,684
Malaysia	14,709	-
Philippines	-	2,833
TOTAL	297,155	281,072

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 2014 and 31 December 2013. The total costs incurred during the current and comparative periods to acquire segment assets were also predominately incurred in Australia.

NOTE 5. REVENUE

	2014 $'000	2013 $'000
From mining operations		
Sales of iron ore products	297,155	281,072
	297,155	281,072

NOTE 6. COST OF SALES

	2014	2013
Mining costs	132,295	142,472
Production costs	94,873	92,577
Government royalties	7,171	9,702
Depreciation and amortisation expense	17,280	22,723
Property, Plant and Equipment		
- Amounts capitalised during the year	(18,886)	-
Mine properties and development		
- Amounts capitalised during the year	(43,750)	(50,906)
- Amortisation expense	12,951	15,643
Deferred stripping		
- Amounts capitalised during the year	(49,717)	(29,168)
- Amortisation expense	29,066	59,487
Changes in inventories	8,164	(7,881)
Foreign exchange gain	(2,549)	(2,664)
	186,898	251,985

Depreciation and amortisation		
Land and buildings	1,204	1,516
Plant and equipment	14,902	20,668
Computer equipment	1,174	539
	17,280	22,723

Profit before income tax includes the following specific expenses:

Employee benefits expense	57,854	61,274
Defined contribution superannuation expense	5,238	5,071

NOTE 7. OTHER INCOME / (EXPENSES)

	2014 $'000	2013 $'000
Other income / (expenses)		
Net loss on the disposal of property, plant and equipment	-	(28)
Other income	281	1,396
	281	1,368

NOTE 8. FINANCE INCOME/(EXPENSES)

	2014 $'000	2013 $'000
Finance income		
Interest income received or receivable		
- Other entities	2,838	4,334
Exchange gains on foreign currency deposits / borrowings (net)	4,141	6,623
	6,979	10,957
Finance expenses		
Interest charges paid or payable		
- Other entities	(198)	(206)
Finance lease interest charges paid or payable	(90)	(290)
Provisions: unwinding of discount		
- Deferred consideration (Note 20 and Note 23)	(1,167)	(4,533)
- Decommissioning and restoration (Note 25)	(1,045)	(1,036)
	(2,500)	(6,065)

NOTE 9. INCOME TAX EXPENSE

		2014	2013 (Restated)
		$'000	$'000
(a)	**Income tax (benefit) / expense**		
	Current tax	9,816	667
	Deferred tax	(66,894)	7,721
		(57,078)	8,388
	Deferred income tax included in income tax (benefit) / expense comprises:		
	(Increase)/decrease in deferred tax assets	(36,543)	1,953
	Increase/(decrease) in deferred tax liabilities	(30,351)	5,768
		(66,894)	7,721
(b)	**Numerical reconciliation of income tax (benefit) / expense to prima facie tax payable**		
	(Loss) / profit from continuing operations before income tax (benefit) / expense	(167,242)	30,218
	Tax (credit) / expense at the Australian tax rate of 30% (2013: 30%)	(50,173)	9,065
	Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
	Revaluation of deferred consideration	6	(1,523)
	Settlement of deferred consideration	(6,227)	-
	Unwind of discount on deferred consideration	350	1,360
	Share based payments expense	10	96
	Sundry items	(394)	277
		(56,428)	9,275
	Adjustments to current / deferred tax of prior periods	(650)	(887)
	Income tax expense	(57,078)	8,388
(c)	**Taxation Losses**		
	Unused taxation losses for which no deferred tax asset has been recognised	54,104	54,104
	Potential tax benefit @ 30%	16,231	16,231

All unused taxation losses were incurred by Australian entities that are part of the tax consolidated group. The tax losses as disclosed above have not been recognised as they are not presently available for use. Their availability is subject to the satisfaction of the same business test under Australia's tax loss integrity rules.

NOTE 9. INCOME TAX EXPENSE / (BENEFIT) (continued)

(d) Mineral Resources Rent Tax (MRRT)

The Mineral Resource Rent Tax Repeal and Other Measures Act received royal assent on 5 September 2014. As at 5 September 2014, the Group had unused MRRT royalty credits and starting base allowances for which no deferred tax asset had been recognised. There has been no financial impact as a result of the repeal.

NOTE 10. CASH AND CASH EQUIVALENTS

	2014 $'000	2013 $'000
Cash at bank and in hand	63,971	31,223
Term deposits	74,679	123,658
	138,650	154,881

(a) Total cash (current and non-current)

Cash at bank and in hand as per statement of cash flows	138,650	154,881
Add:		
Current term deposits	15,000	5,000
	153,650	159,881

Total cash is held in trading accounts or term deposits with major financial institutions under normal terms and conditions appropriate to the operation of the accounts. These deposits earn interest at rates set by these institutions. As at 31 December 2014 the weighted average interest rate on the Australian dollar accounts was 3.36% (31 December 2013: 3.99%) and the weighted average interest rate on the United States dollar accounts was 0.60% (31 December 2013: 0.87%).

(b) 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 11. TRADE AND OTHER RECEIVABLES

	2014 $'000	2013 $'000
Trade receivables	16,753	21,696
Security deposits[1]	401	394
Other receivables	3,079	3,842
Prepayments	2,562	3,337
	22,795	29,269

(1) Security deposits comprises of restricted deposits that are used for monetary backing for performance guarantees.

NOTE 11. TRADE AND OTHER RECEIVABLES (continued)

(a) Impaired trade receivables

Information regarding the impairment of trade and other receivables is provided in Note 2. The Group has trade receivables past due but not impaired as at 31 December 2014.

(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 12. INVENTORIES

	2014 $'000	2013 $'000
Stores and spares	23,814	20,843
Ore stockpiles	13,408	20,487
Work-in-progress	6,294	439
Finished goods	11,272	18,212
	54,788	59,981

NOTE 13. INTANGIBLE ASSETS

Carbon Units[1]	-	3,063
	-	3,063

(1) Represents the fair value of the allocation of free carbon units issued to Grange Resources (Tasmania) Pty Ltd pursuant to the *Clean Energy Act 2011* and the *Clean Energy Regulations 2011* for the 2014-15 vintage year (2013: 2013-14 vintage year). The Carbon Tax repeal received Royal Assent on 17 July 2014, effective from 1 July 2014, and the buy-back of carbon units by the Clean Energy Regulator under s.116(2) was finalised on 18 December 2014.

NOTE 14. RECEIVABLES

	2014 $'000	2013 $'000
Security deposits[1]	7,797	7,747
	7,797	7,747

(1) Non-current security deposits comprises of restricted deposits that are used for monetary backing for performance guarantees.

(a) Risk exposure

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

NOTE 15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings $'000	*Plant and equipment* $'000	*Computer equipment* $'000	*Total* $'000
At 1 January 2014				
Cost	38,485	300,448	6,883	345,816
Accumulated depreciation	(13,136)	(165,907)	(3,026)	(182,069)
Net book amount	**25,349**	**134,541**	**3,857**	**163,747**
Year ended 31 December 2014				
Opening net book amount	25,349	134,541	3,857	163,747
Additions	3,709	37,860	93	41,662
Disposals	-	-	(1)	(1)
Depreciation charge	(1,219)	(14,908)	(1,213)	(17,340)
Impairment losses (Note 30)	(13,045)	(66,917)	(1,675)	(81,637)
Closing net book amount	**14,794**	**90,576**	**1,061**	**106,431**
At 31 December 2014				
Cost	42,193	338,266	6,948	387,407
Accumulated depreciation and impairment	(27,399)	(247,690)	(5,887)	(280,976)
Net book amount	**14,794**	**90,576**	**1,061**	**106,431**

	Land and buildings $'000	*Plant and equipment* $'000	*Computer equipment* $'000	*Total* $'000
At 1 January 2013				
Cost	54,067	281,164	2,377	337,608
Accumulated depreciation	(19,265)	(144,501)	(1,963)	(165,729)
Net book amount	**34,802**	**136,663**	**414**	**171,879**
Year ended 31 December 2013				
Opening net book amount	34,802	136,663	414	171,879
Additions	909	11,660	2,998	15,567
Disposals	-	(26)	(4)	(30)
Depreciation charge	(1,532)	(21,529)	(608)	(23,669)
Transfers (at net book value)	(8,830)	7,773	1,057	-
Closing net book amount	**25,349**	**134,541**	**3,857**	**163,747**
At 31 December 2013				
Cost	38,485	300,448	6,883	345,816
Accumulated depreciation	(13,136)	(165,907)	(3,026)	(182,069)
Net book amount	**25,349**	**134,541**	**3,857**	**163,747**

NOTE 15. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Assets under construction

The carrying amounts of the assets disclosed above includes expenditure of $54.7 million (2013: $24.1 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.

	2014 $'000	2013 $'000
Cost	999	999
Accumulated depreciation	(633)	-
Net book amount	366	999

NOTE 16. MINE PROPERTIES AND DEVELOPMENT

	2014 $'000	2013 $'000
Mine properties and development (at cost)	463,680	411,431
Accumulated amortisation and impairment	(348,397)	(120,952)
Net book amount	115,283	290,479
Deferred stripping costs (net book amount)	99,947	79,296
Total mine properties and development	215,230	369,775

Movements in mine properties and development are set out below:

	2014 $'000	2013 $'000
Mine properties and development		
Opening net book amount	290,479	255,666
Current year expenditure capitalised	43,750	50,906
Change in rehabilitation estimate	8,499	(450)
Amortisation expense	(12,951)	(15,643)
Impairment losses (Refer Note 30)	(214,494)	-
Closing net book amount	115,283	290,479
Deferred stripping costs		
Opening net book amount	79,296	109,615
Current year expenditure capitalised	49,717	29,168
Amortisation expense	(29,066)	(59,487)
Closing net book amount	99,947	79,296

NOTE 17. DEFERRED TAX ASSETS

	2014	2013
		(Restated)
	$'000	$'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	41,422	21,263
Mine properties and development	13,931	-
Trade and other payables	66	112
Employee benefits	4,430	4,753
Decommissioning and restoration	10,214	7,369
Other	826	849
Total deferred tax assets	70,889	34,346
Set-off against deferred tax liabilities pursuant to set-off provisions (Note 24)	(3,331)	(33,682)
Net deferred tax assets	67,558	664
Deferred tax assets expected to be recovered within 12 months	3,555	4,657
Deferred tax assets expected to be recovered after more than 12 months	67,334	29,689
	70,889	34,346

NOTE 18. TRADE AND OTHER PAYABLES

Trade payables and accruals	23,317	24,157
Other payables	977	4,014
	24,294	28,171

(a) 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 19. BORROWINGS (CURRENT)

	2014	2013
	$'000	$'000
Secured		
Finance lease liabilities (1)	333	319
Other borrowings	-	2,533
	333	2,852

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

NOTE 20. DEFERRED CONSIDERATION (CURRENT)

	2014 $'000	2013 $'000
Deferred consideration	-	8,332
	-	8,332

(a) Movements in deferred consideration

Movements in deferred consideration are set out below:

	2014	2013
Balance at beginning of the year	8,332	7,559
Payments	(24,412)	(5,174)
Changes in estimate	134	(1,148)
Unwinding of discount	165	776
Gain on settlement	(20,757)	-
Transfers from non-current balance	36,538	6,319
Balance at end of the year	-	8,332

Refer to Note 23 for further details on deferred consideration.

NOTE 21. PROVISIONS (CURRENT)

	2014 $'000	2013 (Restated) $'000
Employee benefits	11,276	14,629
Decommissioning and restoration	585	535
Other	210	202
	12,071	15,366

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

	Decommissioning and restoration	Other	Total
Balance at beginning of the year	535	202	**737**
Payments	(744)	(202)	**(946)**
Transfers from non-current provisions	794	210	**1,004**
Balance at the end of the year	585	210	**795**

NOTE 22. BORROWINGS (NON-CURRENT)

	2014 $'000	2013 $'000
Secured		
Finance lease liabilities [1]	320	680
	320	680

[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 23. DEFERRED CONSIDERATION (NON-CURRENT)

	2014	2013
	$'000	$'000
Deferred consideration	-	35,536
	-	35,536

(a) Movements in deferred consideration

Movements in deferred consideration are set out below:		
Balance at beginning of year	35,536	42,027
Changes in estimate	-	(3,929)
Unwinding of discount	1,002	3,757
Transfers to current balance	(36,538)	(6,319)
Balance at end of year	-	35,536

The deferred consideration obligation represents a series of payments owing to the previous owners of Grange Resources (Tasmania) Pty Ltd and arose from a business combination which completed in August 2007. The terms of the obligation entitled the previous owners to 2% of the gross receipts of Grange Resources (Tasmania) Pty Ltd from 1 January 2013 to 31 December 2023. The Company successfully negotiated a settlement of the deferred consideration obligation for an immediate cash payment of US$21 million (A$22.4 million) in April 2014.

NOTE 24. DEFERRED TAX LIABILITIES (NON-CURRENT)

	2014	2013 (Restated)
	$'000	$'000
The balance comprises temporary differences attributable to:		
Trade and other receivables	46	39
Inventories	3,285	2,651
Mine properties and development	-	30,992
Total deferred tax liabilities	3,331	33,682
Set-off of deferred tax assets pursuant to set-off provisions (Note 17)	(3,331)	(33,682)
Net deferred tax liabilities	-	-
Deferred tax liabilities expected to be settled within 12 months	3,331	2,690
Deferred tax liabilities expected to be settled after more than 12 months	-	30,992
	3,331	33,682

NOTE 25. PROVISIONS (NON-CURRENT)

	2014	2013
	$'000	$'000
Employee benefits	3,492	1,225
Decommissioning and restoration	42,038	32,595
Other	18	228
	45,548	34,048

NOTE 25. PROVISIONS (NON-CURRENT) (continued)

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

	Decommissioning and restoration	Other	Total
Balance at beginning of the year	32,595	228	**32,823**
Change in estimate	9,192	-	**9,192**
Unwinding of discount	1,045	-	**1,045**
Transfers to current provisions	(794)	(210)	**(1,004)**
Balance at the end of the year	42,038	18	**42,056**

NOTE 26. CONTRIBUTED EQUITY

	2014 Shares	2013 Shares	2014 $'000	2013 $'000
Issued and fully paid ordinary shares	1,157,097,869	1,157,097,869	331,373	331,373
	1,157,097,869	1,157,097,869	331,373	331,373

(a) Movements in ordinary share capital	**Number of Shares**	**$'000**
1 January 2013 – Opening balance	**1,155,487,102**	**330,334**
8 January 2013 – Issue of shares under long term incentive plan	314,298	170
8 January 2013 – Issue of shares under long term incentive plan	364,842	269
10 January 2013 – Issue of shares under long term incentive plan	15,540	11
7 March 2013 – Issue of shares under long term incentive plan	310,413	181
31 December 2013 – Issue of shares under long term incentive plan	240,829	140
31 December 2013 – Issue of shares under long term incentive plan	364,845	268
31 December 2013 – Closing balance	**1,157,097,869**	**331,373**
31 December 2014 – Closing balance	**1,157,097,869**	**331,373**

(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.

NOTE 26. CONTRIBUTED EQUITY (continued)

(c) Share options and rights

The Company has share based payment schemes under which rights for the Company's shares have been granted to certain executives and eligible employees (refer to Note 39).

NOTE 27. RESERVES

	2014	2013
	$'000	$'000
Share-based payments reserve	415	383
	415	383

(a) Movements in share-based payments reserves

Balance at beginning of the year	383	1,103
Share based payments expense	32	319
Issue of shares to employees	-	(1,039)
Balance at end of the year	415	383

(b) Nature and purpose of share-based payment reserve

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

NOTE 28. RETAINED PROFITS

	2014	2013 (Restated)
	$'000	$'000
Retained profits		
Movements in retained profits were as follows:		
Balance at the beginning of the year	336,719	338,018
(Loss) / profit for the year	(110,164)	21,830
Dividends paid	(23,142)	(23,129)
Balance at the end of the year	203,413	336,719

NOTE 29. DIVIDENDS

	2014	2013
	$'000	$'000
Unfranked interim dividend for the year ended 31 December 2013 – 1.0 cent per share	-	11,565
Unfranked final dividend for the year ended 31 December 2013 – 1.0 cent per share (2012: 1.0 cent per share) and an additional special dividend of 1.0 cent per share (2012:nil)	23,142	11,564
Total dividends provided for or paid	23,142	23,129

NOTE 29. DIVIDENDS (continued)

(a) Ordinary shares

A final dividend for the year ended 31 December 2013 of 1.0 cent per fully paid share (2012:1.0 cent per share) and an additional special dividend of 1.0 cent per share (2012:nil) was paid on 4 April 2014. This final and special dividend was declared NIL conduit foreign income.

There was no interim dividend for the year ended 31 December 2014 paid during the year (2013: 1.0 cent per fully paid share).

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

In addition to the above dividends which were paid during 2014, the directors have recommended the payment of an unfranked dividend of $11.6 million. This represents an ordinary final unfranked dividend of 1.0 cent per share for the year ended 31 December 2014. This final dividend was declared NIL conduit foreign income and will be paid on 2 April 2015.

NOTE 30. IMPAIRMENT OF NON-CURRENT ASSETS

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. The Company considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 31 December 2014, the market capitalisation of the Company was below the book value of its net assets, indicating a potential trigger for impairment of assets.

(a) Impairment Testing

(i) Methodology

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

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

(ii) Key assumptions

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

Assumptions	31 December 2014		31 December 2013	
	2015 – 2023	**Long Term 2024+**	**2014 – 2022**	**Long Term 2023+**
Iron ore pellets (FOB Port Latta) (US$ per DMT)	US$84/t – US$98/t	US$98/t	US$140/t – US$105/t	US$105/t
AUD:USD exchange rate	$0.75	$0.75	$0.90 declining to $0.81	$0.81
Post-tax real discount rate	9.5%		10%	

NOTE 30. IMPAIRMENT OF NON-CURRENT ASSETS (continued)

Commodity prices and foreign exchange rates

Commodity prices and foreign exchange rates are estimated with reference to analysis performed by an external party and are updated at least once every six months, in-line with the Group's reporting dates. The rates applied for the period to 2019 are based upon analysis performed by an external party which then transition to a long term market based assumption over a five year period from 2019.

Operating performance (production, operating costs and capital costs)

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

Discount rate

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

(iii) Impacts

As at the reporting date, the Group has conducted a carrying value analysis and assessed the fair value as being greater than its carrying amount as at 31 December 2014. As at 30 June 2014, the Group recognised non-current asset impairments of the carrying value of Savage River assets of $207.3 million after tax, as summarised in the table below:

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

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

(iv) Sensitivity analysis

After recognising the asset impairments in respect of Savage River as at 30 June 2014, and based on the impairment tests performed at the end of the year, no further impairment is required for the 2014 financial year.

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

It is estimated that changes in the following key assumptions would have the following approximate impact on the fair value of the Savage River CGU that has been subject to impairment as at 31 December 2014:

NOTE 30. IMPAIRMENT OF NON-CURRENT ASSETS (continued)

Decrease in fair value resulting from:

US$1 per dmt decrease in iron ore pellet prices (FOB Port Latta)	$21.3 million
$0.01 increase in the AUD:USD exchange rate	$28.3 million
1% increase in estimated operating costs	$14.5 million
25 bps increase in the discount rate	$9.8 million

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

NOTE 31. IMPACTS ARISING FROM A CHANGE IN ACCOUNTING POLICY AND THE RECLASSIFICATION OF COMPARATIVE FINANCIAL INFORMATION

(a) Statement of Financial Position – 1 January 2013

	31 December 2012	Increase / (Decrease)		1 January 2013 (Restated)
		Accounting Policy	Reclassification	
	$'000	$'000	$'000	$'000
ASSETS				
Current assets				
Cash and cash equivalents	119,918	-	-	119,918
Term deposits	55,000	-	-	55,000
Trade and other receivables	22,397	-	-	22,397
Inventories	53,097	-	-	53,097
Intangible assets	5,548	-	-	5,548
Total current assets	**255,960**	**-**	**-**	**255,960**
Non-current assets				
Receivables	6,937	-	-	6,937
Property, plant and equipment	171,879	-	-	171,879
Mine properties and development	365,281	-	-	365,281
Exploration and evaluation	109,734	(109,734)	-	-
Deferred tax assets	-	8,385	-	8,385
Total non-current assets	**653,831**	**(101,349)**	**-**	**552,482**
Total assets	**909,791**	**(101,349)**	**-**	**808,442**
LIABILITIES				
Current liabilities				
Trade and other payables	34,982	-	(6,285)	28,697
Borrowings	13,876	-	-	13,876
Deferred consideration	7,559	-	-	7,559
Provisions	6,806	-	6,285	13,091
Total current liabilities	**63,223**	**-**	**-**	**63,223**
Non-current liabilities				
Deferred consideration	42,027	-	-	42,027
Deferred tax liabilities	24,535	(24,535)	-	-
Provisions	33,737	-	-	33,737
Total non-current liabilities	**100,299**	**(24,535)**	**-**	**75,764**
Total liabilities	**163,522**	**(24,535)**	**-**	**138,987**
Net assets	**746,269**	**(76,814)**	**-**	**669,455**
EQUITY				
Contributed equity	330,334	-	-	330,334
Reserves	1,103	-	-	1,103
Retained earnings	414,832	(76,814)	-	338,018
Total equity	**746,269**	**(76,814)**	**-**	**669,455**

NOTE 31. IMPACTS ARISING FROM A CHANGE IN ACCOUNTING POLICY AND THE RECLASSIFICATION OF COMPARATIVE FINANCIAL INFORMATION (continued)

(b) Statement of Comprehensive Income – 31 December 2013

	31 December 2013 $'000	Profit Increase / (Decrease) $'000	31 December 2013 (Restated) $'000
Revenues from mining operations	281,072	-	281,072
Cost of sales	(251,985)	-	(251,985)
Gross profit from mining operations	**29,087**	**-**	**29,087**
Administration expenses	(4,795)	-	(4,795)
Operating profit before other income / (expenses)	**24,292**	**-**	**24,292**
Other income / (expenses)			
Revaluation of deferred consideration	5,077	-	5,077
Exploration and evaluation expenditure	-	(5,411)	(5,411)
Other income / (expenses)	1,368	-	1,368
Operating profit before finance income / (expense)	**30,737**	**(5,411)**	**25,326**
Finance income	10,957	-	10,957
Finance expenses	(6,065)	-	(6,065)
Profit / (loss) before tax	**35,629**	**(5,411)**	**30,218**
Income tax benefit /(expense)	(10,012)	1,624	(8,388)
Profit / (loss) for the year	**25,617**	**(3,787)**	**21,830**
Total comprehensive income for the year	**25,617**	**(3,787)**	**21,830**
Earnings per share for profit attributable to the ordinary equity holders of Grange Resources Limited			
Basic earnings per share (cents per share)	**2.22**	**(0.33)**	**1.89**
Diluted earnings per share (cents per share)	**2.21**	**(0.32)**	**1.89**

NOTE 31. IMPACTS ARISING FROM A CHANGE IN ACCOUNTING POLICY AND THE RECLASSIFICATION OF COMPARATIVE FINANCIAL INFORMATION (continued)

(c) Statement of Cash Flows – 31 December 2013

	31 December 2013	Increase / (Decrease)	31 December 2013 (Restated)
	$'000	$'000	$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)	**268,298**	-	**268,298**
Payments to suppliers and employees (inclusive of goods and services tax)	**(156,657)**	(5,411)	**(162,068)**
	111,641	(5,411)	**106,230**
Interest received	**4,170**	-	**4,170**
Interest paid	**(9)**	-	**(9)**
Net cash inflow / (outflow) from operating activities	**115,802**	(5,411)	**110,391**
Cash flows from investing activities			
Payments for exploration and evaluation	**(5,411)**	5,411	**-**
Payments for property, plant and equipment	**(14,684)**	-	**(14,684)**
Payments for mine properties and development	**(80,074)**	**-**	**(80,074)**
Proceeds from term deposits	**55,601**	-	**55,601**
Net cash inflow / (outflow) from investing activities	**(44,568)**	5,411	**(39,157)**
Cash flows from financing activities			
Proceeds from borrowings	**3,532**	-	3,532
Payment of deferred consideration	**(5,174)**	-	(5,174)
Dividends paid to shareholders	**(23,129)**	-	(23,129)
Finance lease payments	**(14,243)**	-	(14,243)
Net cash inflow / (outflow) from financing activities	**(39,014)**	**-**	**(39,014)**
Net increase / (decrease) in cash and cash equivalents	**32,220**	-	32,220
Cash and cash equivalents at beginning of the year	**119,918**	-	119,918
Net foreign exchange differences	**2,743**	-	2,743
Cash and cash equivalents at end of the year	**154,881**	**-**	**154,881**

NOTE 31. IMPACTS ARISING FROM A CHANGE IN ACCOUNTING POLICY AND THE RECLASSIFICATION OF COMPARATIVE FINANCIAL INFORMATION (continued)

(d) Statement of Financial Position – 31 December 2013

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

NOTE 32. REMUNERATION OF AUDITORS

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.

	2014 $'000	2013 (Restated) $'000
(a) PwC - Australia		
Audit and review of financial reports	376	279
Other assurance services	51	15
Taxation services		
Taxation consulting and advice	49	95
Total remuneration of PwC - Australia	476	389
(b) Related practices of PwC - Australia		
Audit and review of financial reports	17	23
Taxation compliance	2	2
Total remuneration of related practices of PwC - Australia	19	25

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:

	2014 $'000	2013 (Restated) $'000
Within one year	210	202
After one year but not more than five years	18	228
Minimum lease payments	228	430

(b) Finance lease expenditure commitments

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

Within one year	359	389
After one year but not more than five years	329	687
	688	1,076
Future finance charges	(35)	(77)
Recognised as a liability	653	999

(c) Tenement expenditure commitments

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

Within one year	959	856
After one year but not more than five years	4,524	4,389
	5,483	5,245

(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:

Within one year	43,181	23,197
After one year but not more than five years	20,140	4,577
	63,321	27,774

NOTE 33. COMMITMENTS AND CONTINGENCIES (continued)

(e) 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 $2,012,963 (2013: $2,012,963), 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 $2,984,234 (December 2013: $2,934,444). 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 (December 2013: $2,800,000). This amount is a guarantee against the purchase price outstanding with the Tasmanian government as specified in the Goldamere Agreement.

Refer to Note 40 for bank guarantees provided by the parent entity. No material losses are anticipated in respect to the above bank guarantees and the rehabilitation provisions include these amounts.

(f) Contingent Assets and Liabilities

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

NOTE 34. RELATED PARTY TRANSACTIONS

(a) Ultimate Parent

Grange Resources Limited (Grange) is the ultimate Australian parent company.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 35.

(c) Key management personnel compensation

	2014	2013
	$	$
Short-term employee benefits	1,910,123	2,267,147
Post-employment benefits	99,556	82,149
Long-term benefits	18,177	20,098
Termination benefits	250,000	178,173
Long-term incentives	83,898	249,840
	2,361,754	2,797,407

Detailed remuneration disclosures are provided in the remuneration report on pages 12 to 25.

NOTE 34. RELATED PARTY TRANSACTIONS (continued)

(d) Transactions with related parties

During the year the following transactions occurred with related parties:

	2014 $	2013 $
Sales of iron ore products		
Long term off-take agreement [(1)]		
- Pellets	129,237,036	142,058,438
- Chips	2,157,061	7,145,574
Spot sales [(2)]		
- Pellets	-	34,082,402
Agency commissions		
- Spot sales [(2)]	(637,787)	(903,324)
Purchases		
- Equipment hire and freight[(3)]	(682,867)	(446,973)
	130, 073,443	181,936,117

(1) Sales of iron ore products to Jiangsu Shagang International Trade Co., Ltd (Shagang), a wholly owned subsidiary of Jiangsu Shagang Group Co. Ltd, under long-term off-take agreements.
During the year, 1,098,719 dry metric tonnes of iron ore products were sold to Shagang in accordance with the terms of the long term off-take agreements (2013: 1,008,437 dry metric tonnes)

(2) Spot sales of iron ore pellets or agency commissions paid to other Director-related entities.
Grange has successfully negotiated that no commissions will be payable to the related parties for the 12 month sales agency agreements for 2015, resulting in significant savings of commission payable going forward.
Transactions with related parties are on terms equivalent to those that prevail in arm's length transactions and conducted with oversight from the Independent Directors of Grange.

(3) The Group acquired equipment hire and freight services from entities that are controlled by members of the Group's key management personnel.

(e) Outstanding balances arising from transactions with related parties

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	2014 $	2013 $
Trade receivables (sales or iron ore products)		
Long term off-take agreement		
- Pellets	1,949,265	19,836,124
- Chips	(5,594)	1,311,124
- Other	(119,911)	(29,916)
Spot sales (agency commissions)	(132,972)	(562,817)
- Other	-	10,000
	1,690,788	20,564,515

Amounts outstanding under the long term off-take agreement with Shagang are unsecured whereas amounts outstanding in respect of spot sales are secured against an irrecoverable letter of credit. All outstanding balances will be settled in cash.

There is no allowance account for impaired receivables in relation to any outstanding balances with related parties, and no expense has been recognised during the year in respect of impaired receivables due from related parties (2013: Nil).

NOTE 34. RELATED PARTY TRANSACTIONS (continued)

Long term off-take agreement

Grange Resources (Tasmania) Pty Ltd (Grange Tasmania) is party to a long term off-take agreements (Pellets and Chips) with Jiangsu Shagang International Trade Co. Ltd (Shagang), a wholly owned subsidiary of Jiangsu Shagang Group Co. Ltd, who, as at 27 February 2015, holds 46.87% (2013: 46.47%) of the issued ordinary shares of Grange.

Pellets

The key terms of the agreement with Shagang, as advised to the ASX on 19 November 2012, are as follows:

- The sale of 1 million dry metric tonnes of iron ore pellets per annum until 2022.
- The price for the iron ore pellets will be the fair market value as agreed by the parties having regard to:
  - seaborne iron ore supply and demand conditions;
  - available published price benchmarks for iron ore; and
  - product quality differentials and potential freight costs.

Grange Tasmania and Shagang have agreed to adopt a Metal Bulletin Iron Ore Pellet reference price which is published weekly for a 65-66% Fe, iron ore pellet product and is quoted on a US$ per dry metric tonne CFR North China basis. The reference price is converted to an FOB price per dry metric tonne using a freight net-back calculation developed with the assistance of independent advisors. This pricing mechanism has applied to all shipments of iron ore pellets to Shagang since 1 April 2012.

Chips

The key terms of the agreement with Shagang, are as follows:

- The sale of 90 thousand dry metric tonnes of iron ore chips per annum until 2022.
- The price for the iron ore chips will be the fair market value as agreed by the parties having regard to:
  - seaborne iron ore supply and demand conditions;
  - available published price benchmarks for iron ore; and
  - product quality differentials and potential freight costs.

Grange Tasmania and Shagang have agreed to adopt a Platts Iron Ore reference price which is published daily for a 62% Fe, iron ore chip product and is quoted on a US$ per dry metric tonne CFR North China basis. The reference price is adjusted for quality and converted to an FOB price per dry metric tonne using a freight net-back calculation developed with the assistance of independent advisors. This pricing mechanism has applied to all shipments of iron ore chips to Shagang since 1 April 2010.

As set out in the Grange Notice of Meeting dated 5 November 2008, each transaction between Shagang and Grange (including the off-take arrangements) must be either approved by non-associated Grange shareholders, or approved by the Grange independent directors.

Agency agreements with related parties

Grange sold some product on the spot market through sales agency agreements with sales agents who were related parties of Grange directors. Any appointment of a related party sales agent was non-exclusive and negotiated and appointed by Grange directors and management independent of related parties, acting in the best interests of all Grange shareholders.

NOTE 34. RELATED PARTY TRANSACTIONS (continued)

Agency agreements with related parties (continued)

The commission payable to the related party sales agent was determined on the basis of an amount equal to a market-determined percentage of the US dollar price of product sold to the third party, and the sales agency agreement did not confer a right to any other royalty or similar revenue scheme. The appointment of the related party sales agent and the precise percentage of the commission payable was determined by Grange directors and management independent of related parties on the basis of it comprising reasonable, arm's length terms.

NOTE 35. SUBSIDIARIES

The consolidated financial statements 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	
	2014	**2013**
Name	**%**	**%**
Ever Green Resources Co., Limited [(1)]	**100**	100
Grange Tasmania Holdings Pty Ltd	**100**	100
Beviron Pty Ltd	**100**	100
Grange Resources (Tasmania) Pty Ltd	**100**	100
Grange Capital Pty Ltd	**100**	100
Grange Administrative Services 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	**100**	100
Southdown Project Management Company Pty Ltd	**100**	100
Grange Developments Sdn Bhd [(2)]	**100**	100

(1) Ever Green Resources Co., Limited is incorporated in Hong Kong, and registered as a foreign company under the Corporations Act 2001.
(2) Grange Developments Sdn Bhd is incorporated in Malaysia.

NOTE 36. INTERESTS IN JOINT OPERATIONS

Name of Joint Operation	% Interest 2014	% Interest 2013
Southdown Magnetite and Associated Pellet Project(s) – Iron Ore	70.00	70.00
Reward - Copper / Gold	31.15	31.15
Highway – Copper	30.00	30.00
Reward Deeps / Conviction - Copper	30.00	30.00
Mt Windsor Exploration - Gold / Base Metals	30.00	30.00
Durack / Wembley – Exploration Gold	15.00	15.00

The joint operations 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 Southdown Magnetite and Associated Pellet Project(s) is jointly controlled because key decisions over its activities require unanimous consent of the participants.

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

	2014 $'000	2013 (Restated) $'000
ASSETS		
Current assets		
Cash and cash equivalents	9,536	9,329
Trade and other receivables	114	89
Total current assets	9,650	9,418
Non-current assets		
Property, plant and equipment	6,469	6,493
Total non-current assets	6,469	6,493
Total assets	16,119	15,911
LIABILITIES		
Current liabilities		
Trade and other payables	88	67
Total current liabilities	88	67
Total liabilities	88	67
Net assets	16,031	15,844

The net contributions of joint operations (inclusive of resultant revenues) to the Group's operating profit before income tax was a loss of $1,764,770 (2013 restated: loss $2,078,564).

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

NOTE 37. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2014	2013 (Restated)
	$'000	$'000
(Loss) / profit for the year	(110,164)	21,829
Revaluation of deferred consideration	134	(5,077)
Unwinding of discount	2,212	5,569
Depreciation and amortisation	17,340	23,669
Mine properties and development amortisation	33,518	75,130
Interest expense on finance leases	43	290
Gain on deferred consideration settlement	(20,757)	-
(Profit) / loss on sale of property, plant and equipment	-	28
Share based payment expense	32	319
Impairment of assets	296,131	-
Net unrealised foreign exchange (gain) / loss	(2,299)	(2,743)
Change in operating assets and liabilities		
(Increase) / decrease in trade and other receivables	6,481	(13,283)
(Increase) / decrease in inventories	5,193	(6,884)
(Increase) / decrease in intangible assets	3,063	2,485
(Increase) / decrease in deferred tax assets	(66,894)	7,722
Increase / (decrease) in trade and other payables	(3,877)	107
Increase / (decrease) in other provisions	7,160	563
Increase / (decrease) provision for income tax payable	9,815	667
Net cash inflow / (outflow) from operating activities	177,131	110,391

NOTE 38. EARNINGS PER SHARE

	2014	2013
		(Restated)
	Cents	Cents
Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	(9.52)	1.89
Total basic earnings per share attributable to the ordinary equity holders of the Company	(9.52)	1.89
Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	(9.51)	1.89
Total diluted earnings per share attributable to the ordinary equity holders of the Company	(9.51)	1.89

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

Basic earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share from continuing operations	(110,164)	21,830
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share from continuing operations	(110,164)	21,830

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

	2014	2013
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,157,097,869	1,156,425,168

Rights

Rights issued to eligible employees under the Long Term Incentive Plan are considered to be potential ordinary shares for the purposes of determining diluted earnings per share. Rights have not been included in the determination of basic earnings per share. Details relating to rights are set out in Note 39.

NOTE 39. 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:

	2014 $'000	2013 $'000
Rights issued to eligible employees under the LTIP	32	319
	32	319

The types of share-based payments are described below.

(b) Types of share-based payments

(i) 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.

31 December 2013 Award

In December 2012, the Board determined that the LTI program move to a three year performance period with immediate effect from 1 January 2013 and that Total Shareholder Return ("TSR") be used as the performance hurdle for the Plan.

Total Shareholder Return is a common measure of value creation for shareholders. It is calculated as the difference in the share price between the beginning and end of the period, divided by the share price at the start of the period. The Board has determined that the performance hurdle for the rights be the attainment of a Total Shareholder Return of 5% per annum compounded over the three year period from 1 January 2013 to 31 December 2015.

The precise vesting date for the Rights will be determined once the Board has assessed performance against the TSR target, following the end of the three year vesting period.

The precise number of Rights that will vest will be dependent upon the Board assessment of performance against the TSR target.

31 December 2012 Award

For the year ending 31 December 2012, 50% of the LTI for an employee relates to Company performance goals and 50% relates to personal performance goals. Rights were allocated using a share price that was based on the volume weighted average price of the Company's shares.

Rights awarded for performance leading up to and inclusive of 31 December 2012 currently vest in three equal tranches over 24 months, completing on 1 January 2015.

For the 31 December 2012 Award, the share price was based on the volume weighted average price of the Company's shares for the first two months of the Award performance period (i.e. the volume weighted average price of the Company's shares from 1 January 2012 to 29 February 2012).

NOTE 39. SHARE BASED PAYMENTS (continued)

The expense recognised during the year ended 31 December 2014 is for rights to Grange shares issued to eligible employees. These amounts are recognised in the Company's income statement over the vesting period.

The table below summaries rights issued to eligible employees:

31 December 2014

Performance Period	Balance 1 January 2014	Granted as remuneration	Issued on vesting of rights	Other Changes (net) (1)	Balance 31 December 2014	Vested	Unvested
31 December 2012	240,829	-	-	-	240,829	-	240,829
31 December 2013(3)	614,029	-	-	-	614,029	-	614,029
Total	**854,858**	**-**	**-**	**-**	**854,858**	**-**	**854,858**

31 December 2013

Performance Period	Balance 1 January 2013	Granted as remuneration	Issued on vesting of rights	Other Changes (net) (1)	Balance 31 December 2013	Vested	Unvested
31 December 2010	314,298	-	(314,298)	-	-	-	-
31 December 2011	745,227	-	(745,227)	-	-	-	-
31 December 2012	518,927	273,144	(551,242)	-	240,829	-	240,829
31 December 2013(3)	-	614,029(2)	-	-	614,029	-	614,029
Total	**1,578,452**	**887,173**	**(1,610,767)**	**-**	**854,858**	**-**	**854,858**

(1) Other changes relate to the departure of eligible employees prior to the date of vesting.

(2) Represents rights issued to R Mehan for the year ended 31 December 2013 as approved by the Remuneration and Nomination Committee during the year.

(3) From 1 January 2013, the LTI program adopted a Total Shareholder Return performance hurdle and moved to a three year performance period. Rights awarded to eligible employees will be disclosed in the period in which the Remuneration and Nomination Committee approves the variable remuneration entitlement following the end of the three year performance period

NOTE 40. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

	2014 $'000	2013 (Restated) $'000
Balance sheet		
Current assets	10,491	13,244
Total assets	283,302	279,015
Current liabilities	11,268	4,726
Total liabilities	42,415	35,800
Shareholders' equity		
Contributed equity	392,335	392,335
Reserves		
Share-based payments	31,606	31,574
Retained (losses)	(183,054)	(180,694)
Total equity	240,887	243,215
Profit for the year	20,782	19,628
Total comprehensive income for the year	20,782	19,628

(b) Contingent liabilities of the parent entity

Bank deposits / guarantees

A bank guarantee has been provided by the parent entity, on demand by Charter Hall Funds Management Limited for the amount of $130,470, in accordance with the terms of an office lease agreement dated 19 December 2012 to lease office premises at 225 St Georges Terrace, Perth.

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.

NOTE 41. EVENTS OCCURRING AFTER THE REPORTING PERIOD

No matter or circumstance has arisen since 31 December 2014 that has significantly affected, or may significantly affect:

- the Group's operations in future financial years; or
- the results of those operations in future financial years; or
- the Group's state of affairs in future financial years.

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 38 to 97 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 2014 and of its performance for the financial year ended on that date, and

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

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations of the Interim Executive Committee 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.

Daniel Tenardi
Executive Committee Representative

Perth, Western Australia
27 February 2015

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 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Grange Resources Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation 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 (a), 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. Those 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 consolidated 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.

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

Independence

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

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

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 2014 and of its performance for the year ended on that date; and

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

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

Report on the Remuneration Report

We have audited the remuneration report included in pages 12 to 25 of the directors' report for the year ended 31 December 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Grange Resources Limited for the year ended 31 December 2014 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

John O'Donoghue
Partner

Melbourne
27 February 2015