



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 2018

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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 2018.

Directors

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

Michelle Li	Independent Non-executive Chairperson
Yan Jia	Non-executive Deputy Chairperson
Honglin Zhao	Executive Director, Chief Executive Officer
Daniel Tenardi	Independent Non-executive Director
Michael Dontschuk	Independent Non-executive Director

Information on Directors

Michelle Li, PhD, GAICD

Independent Non-executive Chairperson, Member of the Audit and Risk Committee, Member of the Remuneration and Nomination Committee

Dr Li was appointed as non-executive Chairperson on 29 October 2013. Dr Li is a mineral processing engineer and metallurgist with over 20 years' experience in the Australian mining sector. Dr 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.

Dr Li has a PhD from the University of Queensland and is currently a non-executive Director of Ardiden Limited and was previously a non-executive Director of Orion Metals Limited and Sherwin Iron Limited.

Yan Jia, GAICD

Non-executive Deputy 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 ten years' experience of managerial, human resources, intellectual property and commercial experience in the steel industry and bulk raw material transaction sector.

Honglin Zhao

Executive Director, Chief Executive Officer

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 40 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.

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Daniel Tenardi

Independent Non-executive Director and Chairperson of the Remuneration and Nomination Committee and member of Audit and Risk 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.

Michael Dontschuk BSc(Hons), FFTP, GAICD

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

Mr Dontschuk is a finance professional with over 35 years' experience in investment, finance, treasury and financial risk management. He currently is a professional NED and sits on a number of company boards including Eticore, Public Trustee (Tasmania), Motor Accidents Insurance Board (Tasmania) and Australia Ratings.

Previously Mr Dontschuk has been Group Treasurer of Grange Resources, Group Treasurer of ANZ Bank, Managing Director of Treasury Corporation Victoria, President and Director of the Finance and Treasury Association of Australia and has worked extensively in corporate financial advisory and investment banking including with Oakvale Capital and Bankers Trust.

Company Secretary

Mr Piers Lewis, BComm, CA, AGIA

Mr Lewis has more than 20 years' global corporate experience and is currently the Company Secretary for ASX listed companies Cycliq Group Limited and Ultima United Limited. Mr Lewis also serves as Chairman of Digital Wine Ventures Limited and eSense-Lab Ltd and on the Board of Cycliq Group Limited.

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.

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.

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Dividends

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

	2018 \$'000	2017 \$'000
Fully franked interim dividend for half year ended 30 June 2018 - 1.0 cent per share	11,574	-
Fully franked final dividend for the year ended 31 December 2017 - 1.0 cent per share	11,574	-
Fully franked final dividend for the year ended 31 December 2016 - 0.5 cent per share	-	5,787
Total dividends paid	23,148	5,787

Since the end of the financial year the directors have recommended the payment of a 1.0 cent final dividend of \$11.6 million. This represents a total of \$23.1 million (2.0 cents per share) fully franked dividend for the year-end 31 December 2018. The final dividend was declared NIL conduit foreign income and will be paid on 29 March 2019.

Operating and Financial Review

Key Highlights

Mining operations

- Full year production supported despite high rainfall and flooding hampering mining activity.
- Waste stripping continued on the west wall of North Pit, with ore accessed from stages under the east wall.
- Delivered profit after tax of \$112.9 million (2017: profit after tax of \$60.7 million), on revenues from mining operations of \$368.2 million (2017: \$247.9 million).
- Grange's high quality, low impurity iron ore products attracted a high premium with average product prices of \$149.76 per tonne (2017: \$127.20) (FOB Port Latta)
 - Total iron ore product sales of 2.37 million tonnes (2017: 1.90 million tonnes)
 - Weaker AUD:USD exchange rates have supported AUD revenues
 - Continued focus on selling cargoes to targeted customers and balancing opportunities in the spot market
- Continued cost control disciplines resulted in unit C1 cash operating costs of \$98.10 per tonne (2017: \$99.17).
- Sustained strong cash and cash equivalents position at \$204.5 million (2017: \$168.0 million).
- South Deposit Tailings Storage Facility (SDTSF) completed and successfully commissioned.

Property Development

Grange ROC Property has commenced construction and pre-sales of Lumley Court and Malvern Road. The units sold have achieved the budgeted sale price, supporting our confidence in the market for the entity's business model and quality projects. The projects are planned to be fully constructed and sold in 2019.

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Safety performance

A focus on safety has been maintained across the business with over 650 days Lost Time Injury Free achieved.

Key revenue metrics for the year ended 31 December 2018 and the preceding 2017 year were as follows:

	2018	2017
Iron Ore Pellet Sales (dmt)	2,258,487	1,804,108
Iron Ore Concentrate Sales (dmt)	10,042	134
Iron Ore Chip Sales (dmt)	105,151	91,841
Total Iron Ore Product Sales (dmt)	2,373,680	1,896,083
Average Realised Product Price (US\$/t FOB Port Latta)	111.92	97.84
Average Realised Exchange Rate (AUD:USD)	0.7473	0.7692
Average Realised Product Price (A\$/t FOB Port Latta)	149.76	127.20

Total sales for the year ended 31 December 2018 was 2.37 million tonnes of high quality, low impurity iron ore products (2017: 1.90 million tonnes) and reflects sustained production from maintaining access to high grade ore.

The average iron ore product price received during the year was \$149.76 per tonne of product sold (FOB Port Latta) (2017: \$127.20 per tonne). The increase compared to prior year was consistent with the increase in the pellet premium price which reached record levels before declining to more sustainable levels. This was driven by structural reform in the Chinese steel industry that resulted in greater demand for higher grade iron ore.

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 represents 40.6% of total sales for 2018 (2017: 47.6%).

Key operating metrics for the year ended 31 December 2018 and the preceding 2017 year were as follows:

	2018	2017
Total BCM Mined	14,730,697	12,461,515
Total Ore BCM	1,050,067	1,193,821
Concentrate Produced (t)	2,275,718	1,959,604
Weight Recovery (%)	53.2	49.5
Pellets Produced (t)	2,185,627	1,895,180
Pellet Stockpile (t)	189,351	262,212
"C1" Operating Cost (A\$/t Product Produced) ⁽¹⁾	98.10	\$99.17

⁽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 activity in the first six months of the year were strong despite wet weather conditions. The high level of rainfall increased in July and August and impacted mining activities in the main ore zone area. While this affected production rates through October, mining rates improved on the successful completion of the dewatering project and access to the main ore zone restored in Q4 and supported full year planned production. Waste stripping continued on the west wall of North Pit, with ore accessed from stages under the east wall.

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The planned common equipment shut was brought forward to align mill downtime and key maintenance activities.

The concentrate and pellet plants delivered at high production levels throughout the first half in 2018. Production rates were impacted in the second half of the year due to wet weather conditions impacting ore supply. The scheduled maintenance works at the pellet plant were completed safely and efficiently. This continues to be a great achievement for our 50-year-old production plants and demonstrates the value of the efforts and resources invested in sustaining maintenance.

South Deposit Tailings Storage Facility (SDTSF) has been completed and successfully commissioned during the year. The final steps in the commissioning of pipe line for tails deposition were completed in Q4 and the SDTSF was commissioned in November. This is the culmination of many years of design, construction and approvals. The SDTSF will now provide tails storage for the next phase of the mine life.

The raise of the Main Creek Tails Dam (MCTD) wall to final height commenced and will progress over the next 2 years to provide adequate water cover along with construction of the final spillway for closure of the MCTD over the next 2 years.

North Pit Underground Development Project

Phase 1 of the diamond drilling program to investigate the access of the ore body in North Pit through underground mining was undertaken. Nine holes were drilled for an advance of approximately 9,192m. Laboratory testing of diamond core for geophysical and assay information is progressing. Phase 2 of the drilling has commenced with 1,980m completed to date. This program comprises nine holes and focusses on the northern part of the ore body at depth.

Preliminary works on the exploration decline have commenced with 2 diamond holes for an advance of 350m. These were drilled along the portal alignment to provide structural information into the east wall. A tender process is in progress to appoint a contractor to construct the decline.

Centre Pit Feasibility Study

Work continues on the feasibility study for Centre Pit. Additional diamond holes are in progress in the north eastern area of the potential pit to further define structural domains for modelling and geotechnical slope analysis.

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 2018, 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. Compliance with environmental and tenement conditions was maintained.

This approach will continue into 2019, 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.

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Financial Position

Grange's net assets increased during the year to \$ 477.8 million (31 December 2017: \$387.6 million) principally as a result of the following:

- A profit after tax of \$112.9 million;
- A final 2017 dividend payment of \$11.6 million
- An interim 2018 dividend payment of \$11.6 million

Statement of Cash Flows

Net cash flows from operating activities

Net cash inflows from operating activities for the year were \$167.4 million (2017: inflows \$71.2 million) and reflect higher iron ore product sales and a decrease in unit operating costs.

Net cash flows from investing activities

Net cash outflows from investing activities for the period were \$110.1 million (2017: outflows \$51.6 million) and principally related to expenditures for mine properties and development \$54.8 million and property, plant and equipment \$35.3 million.

Net cash flows from financing activities

Net cash outflows from financing activities for the period were \$27.6 million (2017 outflow: \$10.2 million) and principally related to the payment of 2017 final dividend (\$11.6 million) and 2018 interim dividend (\$11.6 million).

Significant Changes in State of Affairs

There was no significant change in the state of affairs of the Group that occurred during the year ended 31 December 2018. 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

No matter or circumstance has arisen since 31 December 2018 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

- Optimising the Life of Mine Plan together with cost reduction strategies
- Completing feasibility study into the ability to access the ore body in North Pit through underground development
- Reviewing the potential to deliver ore from Centre Pit
- Securing majority of sales through off take agreements
- 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
- Continuing focus on improving productivity and implementing cost control projects

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Southdown Project

- Ensuring that all tenements, permits and project assets remain in good standing
- Secure Commonwealth EPBC approval for the minesite, slurry pipeline, port facilities and desalination infrastructure
- Maintaining the currency of all the elements of the Definitive Feasibility Study
- Continuing review and identifying the potential for alternative project 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 market and movements in foreign exchange rates
- Volatility in the electricity and gas price and availability
- Mitigate market demand risk through securing 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:

- Optimise timing of sales to 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
- Hedging strategies for key energy exposures
- 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

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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. An ongoing 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 2045.

During the financial year there were no breaches of licence conditions.

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 and the Clean Energy Legislation (Carbon Tax Repeal) Act 2014

The Group has complied with its obligations under the Clean Energy Act, the Clean Energy Legislation (Carbon Tax Repeal) Act and related legislation by completing True-up requirements with regard to assistance received 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 2018, and the numbers of meetings attended by each Director were:

Name	Directors' meetings		Meetings of Committees			
			Audit		Remuneration	
	A	B	A	B	A	B
M Li	9	9	6	6	4	4
Y Jia	8	9			4	4
D Tenardi	9	9	6	6	4	4
H Zhao	9	9				
M Dontschuk	9	9	6	6		

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 2018

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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
M Li	13,507	-	-
Y Jia ⁽¹⁾	-	-	-
D Tenardi	-	-	-
M Dontschuk	41,500	-	-
H Zhao ⁽²⁾	-	-	-

⁽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 affiliates hold 540,255,987 ordinary fully paid shares in the Company as at the date of this report.

⁽²⁾ 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 affiliates hold 540,255,987 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
Yan Jia
Daniel Tenardi
Michael Dontschuk

Executive directors

Honglin Zhao

Position

Executive Director
Chief Executive Officer

Other key management personnel

Steven Phan
Ben Maynard

Position

Chief Financial Officer
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 enable 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 Dr 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, Executive Directors and Key Management Personnel;
- The remuneration of the Chief Executive Officer; Chief Financial Officer; and General Manager Operations;

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- 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.

(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 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.

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Variable Remuneration - Long Term Incentive ("LTI")

a) Deferred Cash

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 financial 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 (mainly operating and investing cash flows) 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 replaced with Deferred Cash from 1 January 2014 as discussed above. The Company did not issue any Rights to employees in the 12 months ended 31 December 2018.

(iv) Relationship between remuneration and Grange Resources performance

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

		2014	2015	2016	2017	2018
Revenue from mining operations	\$ million	297.2	205.6	276.3	247.9	368.2
Net profit/(loss) after tax	\$ million	(110.2)	(277.8)	92.90	60.71	112.94
Basic earnings per share	Cents	(9.52)	(24.00)	8.03	5.25	9.79
Dividend declared	\$ million	11.6	-	11.6	11.6	23.1
Share price (last trade day of financial year)	Cents	10.5	9.0	14.0	21.5	20.0

(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 periodically 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.

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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:

Board of Directors

Chairperson ⁽¹⁾	\$170,000
Deputy Chairperson	\$92,000
Non-executive Director	\$81,000

Audit and Risk Committee

Chairperson	\$15,750
Committee Member	\$10,500

Remuneration and Nomination Committee

Chairperson	\$15,750
Committee Member	\$7,500

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

vi) Details of remuneration

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

Table 1: Remuneration for the year ended 31 December 2018

	Short-term employee benefits			Post employment benefits	Long-term benefits		Long term incentive (LTI)		Total
	Salary & fees	Non-monetary benefits	Short term incentive (STI) ⁽¹⁾	Super-annuation	Long service leave	Termination benefits	Cash ⁽¹⁾	Rights ⁽¹⁾	
Non-Executive Directors	\$	\$	\$	\$	\$	\$		\$	\$
M Li	155,253	-	-	14,749	-	-	-	-	170,002
Y Jia	99,502	-	-	-	-	-	-	-	99,502
D Tenardi	97,948	-	-	9,305	-	-	-	-	107,253
M Donschuk	88,358			8,394					96,752
Sub-total Non-Executive Directors	441,061	-	-	32,448	-	-	-	-	473,509
Executive Directors									
H Zhao	494,509	120,657	73,930	46,978	25,760	-	48,331	-	810,165
Other Key Management Personnel									
S Phan	319,941	-	27,051	30,366	6,905	-	22,318	-	406,581
B Maynard	352,003	-	45,100	33,440	26,277	-	32,586	-	489,406
Sub-total Key Management Personnel	1,166,453	120,657	146,081	110,784	58,942	-	103,235	-	1,706,152
TOTAL	1,607,514	120,657	146,081	143,232	58,942	-	103,235	-	2,179,661

⁽¹⁾ Represents short term and long-term incentive payments for the year ended 31 December 2017 and 2016 granted in February 2018 and 2017, respectively. 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.

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Table 2: Remuneration for the year ended 31 December 2017

	Short-term employee benefits			Post employment benefits	Long-term benefits		Long term incentive (LTI)		Total
	Salary & fees	Non-monetary benefits	Short term incentive (STI) ⁽³⁾	Super-annuation	Long service leave	Termination benefits	Cash ⁽³⁾	Rights ⁽³⁾	
Non-Executive Directors	\$	\$	\$	\$	\$	\$		\$	\$
M Li	143,837	-	-	13,665	-	-	-	-	157,502
Y Jia	96,750	-	-	-	-	-	-	-	96,750
D Tenardi	95,890	-	-	9,110	-	-	-	-	105,000
L Huang ⁽¹⁾	35,959	-	-	4,099	-	-	-	-	40,058
M Dontschuk ⁽²⁾	46,524	-	-	4,420	-	-	-	-	50,944
Sub-total Non-Executive Directors	418,960	-	-	31,294	-	-	-	-	450,254
Executive Directors									
H Zhao	430,009	55,419	41,195	40,851	29,908	-	41,477	-	638,859
Other Key Management Personnel									
S Phan	280,004	-	17,337	26,600	2,985	-	9,034	-	335,960
B Maynard	306,005	-	48,044	29,071	11,393	-	30,659	-	425,172
Sub-total Key Management Personnel	1,016,018	55,419	106,576	96,522	44,286	-	81,170	-	1,399,991
TOTAL	1,434,978	55,419	106,576	127,816	44,286	-	81,170	-	1,850,245

(1) L Huang retired as Non-executive Director on 25 May 2017.

(2) M Dontschuk was appointed Non-executive Director on 6 June 2017.

(3) Represents short term and long term incentive payments for the year ended 31 December 2016 and 2015 granted on 21 March 2017 and 20 March 2016, respectively. 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.

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-18	Dec-17	Dec-18	Dec-17	Dec-18	Dec-17
Executive Directors						
H Zhao	76%	77%	14%	14%	10%	9%
Other Key Management Personnel						
S Phan	82%	84%	8%	8%	10%	8%
B Maynard	79%	80%	12%	12%	9%	8%

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(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 provides 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) held by key management personnel

Short term incentive

For each short term incentive benefit, the percentage of the available bonus was awarded and will be paid in the early coming year as follows.

At the date of this report, the performance for the 2018 STI program had been approved:

Name	2018 STI Program		
	Maximum possible incentive award	Awarded	Amount awarded
Executive Directors			
H Zhao	\$112,086	91%	\$102,286 ⁽¹⁾
Other Key Management Personnel			
S Phan	\$40,250	92%	\$37,081 ⁽¹⁾
B Maynard	\$66,488	91%	\$60,675 ⁽¹⁾

(1) Inclusive of superannuation.

Long term incentive

a) Deferred Cash

At the date of this report, the performance for the 2018 LTI program had been approved.

Name	2018 LTI Program		
	Maximum possible incentive award	Awarded	Amount awarded
Executive Directors			
H Zhao	\$71,475	100%	\$71,475 ⁽¹⁾
Other Key Management Personnel			
S Phan	\$38,500	100%	\$38,500 ⁽¹⁾
B Maynard	\$42,398	100%	\$42,398 ⁽¹⁾

(1) Inclusive of superannuation.

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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.

There were no Rights to Grange shares issued to directors or senior employees in the years 2018 and 2017.

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 2018

	Balance 1 January 2018	On vesting of rights	On market purchases	On market disposals	Other	Balance 31 December 2018
Directors of Grange Resources Limited						
M Li	13,507	-	-	-	-	13,507
M Donschuk	-	-	41,500	-	-	41,500
Other Key Management Personnel						
B Maynard	68,121	-	-	-	-	68,121

31 December 2017

	Balance 1 January 2017	On vesting of rights	On market purchases	On market disposals	Other	Balance 31 December 2017
Directors of Grange Resources Limited						
M Li	13,507	-	-	-	-	13,507
Other Key Management Personnel						
B Maynard	68,121	-	-	-	-	68,121

(ix) Loans to key management personnel

There were no loans to key management personnel during the year (December 2017: Nil).

(x) Other transactions with key management personnel

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 28 February 2019, Shagang holds 46.68% (27 February 2018: 46.68%) of the issued ordinary shares of Grange. Transactions between Shagang and Grange must be approved by non-associated shareholders of Shagang 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. Transactions between Shagang and Grange must be approved by non-associated shareholders of Shagang, or approved by the Grange independent directors.

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

	2018	2017
	\$	\$
Sales of iron ore products		
Pellets	149,342,457	117,991,116

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

	2018	2017
	\$	\$
Trade receivables (sales of iron ore products)		
Pellets	(2,772,327)	13,069,589
Others		(57,519)
	(2,772,327)	13,012,070

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, PwC, 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

The Board of Directors has considered the position and, in accordance with advice received from the Company's Audit and Risk 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 and Risk 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*.

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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:

	2018	2017
	\$'000	\$'000
Assurance services		
<i>PwC Australia</i>		
Audit and review of financial reports	291	293
Other assurance services	42	41
Network firms of PwC Australia	23	5
Total assurance services	356	339
Non-assurance services		
<i>PwC Australia</i>		
Other consulting services	13	-
Taxation compliance services	5	-
Total remuneration paid	374	339

It is the Group's policy to employ PwC on assignments additional to their statutory audit duties where PwC's expertise and experience with the Group are important. These assignments are principally tax consulting and advice or where PwC 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 and Risk Committee to approve all individual assignments performed by PwC with total fees greater than \$10,000.

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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 20.


Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/19, 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 the instrument 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.



Michelle Li
Chairperson of the Board of Directors

Perth, Western Australia
28 February 2019

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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. The 2018 corporate governance statement was approved by the Board on 27 February 2019.

Details of the Company's corporate governance practices are included in the Corporate Governance Statement and Appendix 4G which have been announced on the ASX and can be located on our Company's website www.grangeresources.com.au in the Corporate Governance and Policies section in the About Us area. 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.

ASX Best Practice Recommendations

The following table lists the departures from the ASX Best Practice Recommendations applicable to the Company as at the date of its financial year end, being 31 December 2018. 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 in the following table.

"Recommendation" Ref ("Principle No" Ref followed by Recommendation Ref)	Departure	Explanation
7.3(a)	A separate internal audit function has not been formed.	<p>An Internal Audit function has not been established as per recommendation 7.3(a), The Board monitors the need for an internal audit function having regard to the size, geographic location and complexity of the Company's operations.</p> <p>The Company's Management periodically undertakes an internal review of financial systems and processes and where systems are considered to require improvement these systems are developed. The Board also considers external reviews of specific areas and monitors the implementation of system improvements.</p>



Auditor's Independence Declaration

As lead auditor for the audit of Grange Resources Limited for the year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to read 'A Campbell'.

Amanda Campbell
Partner
PricewaterhouseCoopers

Melbourne
28 February 2019



Australia's most experienced magnetite producer

FINANCIAL STATEMENTS

For the Year Ended
31 December 2018

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These financial statements are the consolidated financial statements of the consolidated entity consisting of Grange Resources Limited and its controlled entities. 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 1 to 18, 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

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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	2018 \$'000	2017 \$'000
Consolidated			
Revenues from mining operations	4, 5	368,204	247,877
Cost of sales	6	(238,938)	(173,347)
Gross profit from mining operations		129,266	74,530
Administration expenses	7	(5,177)	(3,534)
Operating profit before other income		124,089	70,996
Exploration and evaluation expenditure		(822)	(799)
Other income (expenses)	8	281	439
Operating profit before finance costs		123,548	70,636
Finance income	9	13,316	5,342
Finance expenses	9	(1,536)	(9,228)
Profit before tax		135,328	66,750
Income tax expense	10	(22,390)	(6,037)
Profit for the year		112,938	60,713
Total comprehensive income for the year		112,938	60,713
Total comprehensive income (loss) for the period attributable to:			
- Equity holders of Grange Resources Limited		113,325	60,713
- Non Controlling Interests		(387)	-
		112,938	60,713
Earnings per share for profit attributable to the ordinary equity holders of Grange Resources Limited			
Basic earnings per share (cents per share)	35	9.79	5.25
Diluted earnings per share (cents per share)	35	9.79	5.25

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

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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

Consolidated	NOTES	31 December 2018	31 December 2017
		\$'000	\$'000
ASSETS			
Current Assets			
Cash and cash equivalents	2, 11	204,497	167,989
Trade and other receivables	12	31,715	30,118
Inventories	13	60,730	63,166
Other financial assets	2	19,734	66
Total current assets		316,676	261,339
Non-current assets			
Receivables	14	8,654	8,030
Inventories	15	222	-
Property, plant and equipment	16	77,345	138,389
Mine properties and development	17	193,302	75,323
Deferred tax assets	18	12,416	6,880
Total non-current assets		291,939	228,622
Total assets		608,615	489,961
LIABILITIES			
Current liabilities			
Trade and other payables	2, 19	45,116	23,525
Borrowings	2, 20	7,126	4,830
Provisions	21	20,168	12,821
Total current liabilities		72,410	41,176
Non-current liabilities			
Borrowings	22	611	-
Provisions	23	57,764	61,206
Total non-current liabilities		58,375	61,206
Total liabilities		130,785	102,382
Net assets		477,830	387,579
EQUITY			
Contributed equity	24	331,513	331,513
Retained profits	25	146,243	56,066
Capital and reserves attributable to owners of Grange Resources Limited		477,756	387,579
Non-Controlling Interests	27	74	-
Total equity		477,830	387,579

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

GRANGE RESOURCES LIMITED
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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	Contributed equity \$'000	Non- Controlling Interests \$'000	Retained earnings \$'000	TOTAL \$'000
Balance at 1 January 2018		331,513	-	56,066	387,579
Profit for the period attributable to owners of Grange Resources Limited		-	-	113,325	113,325
Loss attributable to non-controlling interests		-	(387)	-	(387)
Total comprehensive income/(loss) for the year		-	(387)	113,325	112,938
Transactions with owners in their capacity as owners					
Dividends paid	26	-	-	(23,148)	(23,148)
Non-controlling interest					
Contributed equity	27	-	461	-	461
			461	(23,148)	(22,687)
Balance at 31 December 2018		331,513	74	146,243	477,830
Balance at 1 January 2017		331,513	-	1,140	332,653
Profit for the year		-	-	60,713	60,713
Total comprehensive income/(loss) for the year		-	-	60,713	60,713
Transactions with owners in their capacity as owners					
Dividends paid	26	-	-	(5,787)	(5,787)
		-	-	(5,787)	(5,787)
Balance at 31 December 2017		331,513	-	56,066	387,579

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

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STATEMENT OF CASHFLOW
FOR THE YEAR ENDED 31 DECEMBER 2018

Consolidated	NOTES	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Receipts from customers and other debtors (inclusive of goods and services tax)		376,960	249,301
Payments to suppliers and employees (inclusive of goods and services tax)		(207,728)	(183,095)
		169,232	66,206
Interest received		6,508	4,917
Interest paid		(226)	(517)
Income taxes paid		(8,132)	619
Net cash inflow from operating activities	34	167,382	71,225
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		2	-
Payments for property, plant and equipment	16	(35,297)	(21,749)
Payments for mine properties and development	17	(54,779)	(29,730)
(Payments) proceeds for short term managed funds	2	(20,000)	-
(Payments) proceeds for term deposits		(25)	(117)
Net cash outflow from investing activities		(110,099)	(51,596)
Cash flows from financing activities			
Repayment of borrowings		(11,395)	(6,535)
Proceeds from borrowings		6,433	2,147
Dividends paid to shareholders	26	(23,148)	(5,787)
Contributed equity - non-controlling interests		461	-
Net cash outflow from financing activities		(27,649)	(10,175)
Net increase in cash and cash equivalents		29,634	9,454
Cash and cash equivalents at beginning of the year		167,989	165,958
Net foreign exchange differences		6,874	(7,423)
Cash and cash equivalents at end of the year	11	204,497	167,989

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

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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).

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.

New and amended standards adopted by the group

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- AASB 9 Financial Instruments
- AASB 15 Revenue from Contracts with Customers

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below.

AASB 16 Leases (effective from 1 January 2019)

AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The group has set up a project team which has reviewed all of the group's leasing arrangements over the last year in light of the new lease accounting rules in AASB 16. The standard will affect primarily the accounting for the group's operating leases.

As at the reporting date, the group has non-cancellable operating lease commitments of \$545,000 within 5 years, see note 30. Of these commitments, none relate to short-term leases and nil to low value leases which would be recognised on a straight-line basis as expense in profit or loss under the new standard.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the remaining lease commitments, the group expects to recognise right-of-use assets of approximately \$768,000 on 1 January 2019, lease liabilities of \$593,000 (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018) and deferred tax assets of (\$53,000). Overall net assets will be approximately \$228,000 higher, and net current assets will be \$21,000 higher due to the presentation of a portion of the liability as a current liability.

The group expects that net profit after tax will decrease by approximately \$51,000 for 2019 as a result of adopting the new rules.

Operating cash flows will increase, and financing cash flows decrease by approximately \$33,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The group's activities as a lessor are not material and hence the group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

The group will apply the standard from its mandatory adoption date of 1 January 2019. The group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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.

(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 2018 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 32.

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

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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 33.

(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 Chief Executive Officer.

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 of 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.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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. The consideration transferred for the acquisition of a subsidiary comprises the

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase. Where settlement of any part of cash 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 entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

(f) Revenue recognition

Revenue is recognised for the major business transactions as follows:

Sale of ore and the related freight revenue

Sales revenue is recognised on individual sales when control transfers to the customer. In most instances, control passes and sales revenue is recognised when the product is delivered to the vessel on which it will be transported. There may be circumstances when judgment is required when recognising revenue based on the five-step model below:

- i. Identify the contract(s) with a customer
- ii. Identify the performance obligations in the contract
- iii. Determine the transaction price
- iv. Allocate the transaction price to the performance of obligations in the contract.
- v. Recognise revenue when (or as) the entity satisfies the performance obligation.

The Group sells a portion of its product on Cost and Freight (CFR). This means that the Group is responsible for providing shipping services. Using the 5-step model above, the Group has determined that freight services is a separate performance obligation. Therefore, the revenue for shipping services is recognised as the Group satisfies the performance obligation over time rather than at point when product is transferred to the vessel on which the product will be shipped.

Application of the new accounting standard AASB 15 did not have a significant impact on the financial statements in the comparative period as all shipments with CFR terms arrived at the port of destinations before 31 December 2017.

Typically, the Group has a right to payment at the point that control of the goods passes including a right, where applicable, to payment for provisionally priced products and unperformed freight services. Cash received before control passes is recognised as a contract liability. The amount of consideration does not contain a significant financing component as payment terms are less than one year.

Interest revenue

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

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sale of apartments

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer therefore the notion of control replaces the existing notion of risks and rewards. In most instances, control passes, and sales revenue is recognised when legal title of the property is transferred to the buyer. There may be circumstances when judgment is required based on the five indicators of control below:

- i. The buyer has the significant risks and rewards of ownership and has the ability to direct the use of, and obtain substantially all of the remaining benefits from the good or service;
- ii. The buyer has a present obligation to pay in accordance with the terms of the sales contract. For property disposed of, this is generally on transfer of legal title, at which time settlement of the remaining contract price occurs;
- iii. The buyer has accepted the asset;
- iv. The buyer has legal title to the asset; and
- v. The buyer has physical possession of the asset

AASB 15 required the Group to identify deliverables in contracts with customers that qualify as 'performance obligations'. The transaction price receivable from customers must be allocated between the Group's performance obligations under the contracts on a relative stand-alone selling price basis. Revenue will be recognised at a point in time when the performance obligations are met.

The Group has assessed the impact of the application of AASB 15. There was no revenue from the sale of property for the period ended 31 December 2018. Therefore, the adoption of this standard has no impact on the financial statements.

Distribution Income

Distribution income from short term managed funds is recognised when the right to receive the income has been established.

(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

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(j) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

As permitted by IFRS 9, the Group applies the 'simplified approach' to trade receivable balances and the 'general approach' to all other financial assets. The simplified approach requires expected lifetime credit losses to be recognised from initial recognition of the receivables. The general approach incorporates a review for any significant increase in counterparty credit risk since inception.

The expected credit losses (ECL) review include assumptions about the risk of default and expected credit loss rates. In determining the recoverability of a trade or other receivable using the ECL model, the Group performs a risk analysis considering the type and age of the outstanding receivables, the creditworthiness of the counterparty, contract provisions, letter of credit and timing of payment.

(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.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Development work in progress pertains to development and construction of housing units and comprises expenditures relating to:

- **Cost of acquisition**
The cost of acquisition comprises the purchase price of the land along with any direct costs incurred as part of the acquisition including legal, valuation and stamp duty costs.
- **Development and other costs**
Cost includes variable and fixed costs directly related to specific contracts, costs related to general contract activity which can be allocated to specific projects on a reasonable basis, and other costs specifically chargeable under the contract.
- **Interest capitalised**
Financing costs on the purchase and development of housing units are also included in the cost of inventory.

(I) 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 Group'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 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 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 Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse 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.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Goods and Services Tax (GST)

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

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

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

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

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

(n) Property, plant and equipment

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

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

Land is not depreciated. 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.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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(r).

(o) Exploration and evaluation

Exploration and evaluation expenditure comprise 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 include 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.

Exploration and evaluation expenditure is charged 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.

(p) 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(r).

(q) 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.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(r) 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 fair value, 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.

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.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Investments and other financial assets

(i) Classification

From 1 January 2018, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments.

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

From 1 January 2018, the group assesses on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Based on the risk analysis above, the Group has determined that the expected provision for credit losses is not material at transition date.

(v) Accounting policies applied until 31 December 2017

The group has applied AASB 9 retrospectively but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the group's previous accounting policy.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification

Until 31 December 2017, the group classified its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period.

Reclassification

The group could choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset was no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables were permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that was unusual and highly unlikely to recur in the near term. In addition, the group could choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the group had the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications were made at fair value as of the reclassification date. Fair value became the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date were subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories were determined at the reclassification date. Further increases in estimates of cash flows adjusted effective interest rates prospectively.

Subsequent Measurement

The measurement at initial recognition did not change on adoption of AASB 9, see description above.

Subsequent to the initial recognition, loans and receivables and held-to-maturity investments were carried at amortised cost using the effective interest method.

Financial assets at FVPL were subsequently carried at fair value. Gains or losses arising from changes in the fair value were recognised in profit or loss within other gains/(losses).

Details on how the fair value of financial instruments is determined are disclosed in note 2(f).

Impairment

The group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

(u) 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 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.

(v) 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. Trade payables and other payables 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.

(w) 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.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) 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.

(y) Employee entitlements

Wages, salaries and sick leave

Liabilities for wages and salaries, including non-monetary benefits 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.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 corporate 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.

(z) 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.

(ab) 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.

(ac) 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.

(ad) Parent entity financial information

The financial information for the parent entity, Grange Resources Limited, disclosed in note 36 has been prepared on the same basis as the consolidated financial statements, except as set out below.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries 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.

(ae) Rounding of amounts

The Group is of a kind referred to in ASIC Legislative Instrument 2016/191 Class, 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 the instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

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 used derivative financial instruments such as foreign exchange contracts and forward commodity 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 the management team following guidance received from the Audit and Risk Committee.

The Group holds the following financial instruments:

	2018	2017
	\$'000	\$'000
Financial Assets		
Cash and cash equivalents	204,497	167,989
Short Term Managed Funds	19,988	
Trade and other receivables	36,566	36,233
Derivative financial instruments	(254)	66
	260,797	204,288
Financial Liabilities		
Trade and other payables	45,116	23,525
Borrowings	7,738	4,830
	52,854	28,355

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NOTE 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

The carrying amount and movement in Short Term Managed Funds are set out below

	2018	2017
	\$'000	\$'000
Short Term Managed Funds		
Units in unlisted securities	19,988	-
Carrying amount at the end of the year	19,988	-
 Movements in Short Term Managed Funds		
Balance at the beginning of the year	-	-
Movement in Short Term Managed Funds	19,988	-
Carrying amount at the end of the year	19,988	-

Financial assets at fair value through profit or loss

Classification

The group classifies the following financial assets at fair value through profit or loss (FVPL)

- short term managed funds
- derivative financial instruments

Financial assets measured at FVPL include the following:

	2018	2017
	\$'000	\$'000
Current Assets		
Short Term Managed Funds	19,988	-
Derivative financial instruments	(254)	66
	19,734	66

Amounts recognised in profit or loss

During the year, the following gains/(losses) were recognised in profit or loss:

	2018	2017
	\$'000	\$'000
Fair value gain(loss) on short term managed funds held at FVPL recognised in Gain/(loss) on financial instruments	(12)	-
Fair value gain(loss) on derivative financial instruments at FVPL recognised in Gain/(loss) on financial instruments	(320)	46
	(332)	46

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NOTE 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market Risk

(i) Foreign exchange risk

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

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

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

	2018	2017
	\$'000	\$'000
Cash and cash equivalents	65,431	75,080
Trade and other receivables	17,645	24,752
Trade and other payables	(66)	(126)
Net US dollar surplus	83,010	99,706

Group sensitivity

Based on the financial instruments held at 31 December 2018, 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 \$5.3 million higher / \$6.4 million lower (2017: \$6.3 million higher / \$7.7 million lower), mainly as a result of foreign exchange gains/losses on US dollar denominated cash and cash equivalents, term deposits 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.

Short term managed funds are exposed to price risk arising from investments held by the fund for which the future prices are uncertain. The investment manager moderates this risk through a careful selection of securities within specified limits. The fund actively maintains a high level of diversification in its holdings, thus potentially reducing the amount of risk in the fund.

(iii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from cash and cash equivalents, term deposits and short term managed funds.

For short term managed funds, the interest-bearing financial assets in each of the Funds expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The main interest rate risk arises from the Fund's investments in bonds.

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NOTE 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

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.

(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 2018, there were no trade receivables (2017 nil) that are past due. The other classes within trade and other receivables do not contain impaired assets and are not past due.

(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.

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.

2018 - Consolidated	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount liabilities
Non-derivatives							
Trade and other payables	45,116	-	-	-	-	45,116	45,116
Fixed rate borrowings	1,349	6,184	739	-	-	8,272	7,738
Total non-derivatives	46,465	6,184	739	-	-	53,388	52,854
2017 - Consolidated	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount liabilities
Non-derivatives							
Trade and other payables	23,525	-	-	-	-	23,525	23,525
Fixed rate borrowings	3,267	1,604	-	-	-	4,871	4,830
Total non-derivatives	26,792	1,604	-	-	-	28,396	28,355

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NOTE 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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.

(e) Derivatives

Derivatives are only used for economic hedging purposes and not as speculative investments.

(i) Classification of derivatives

Derivatives are classified as held for trading and accounted for at fair value through profit or loss. They are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period.

(f) Recognised fair value measurements

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value the derivative financial instruments mainly include determining the fair value of forward contracts using forward rates at the balance sheet date provided by the dealers.

The following table presents the group's assets and liabilities measured and recognised at fair value at 31 December 2018 and 31 December 2017.

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NOTE 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

2018	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Short Term Managed Funds	823	18,763	402	19,988
Derivative financial instruments		(254)	-	(254)
Total Financial Assets	823	18,509	402	19,734

2017	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Derivative financial instruments	-	66	-	66
Total Financial Assets	-	66	-	66

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 include a number of assumptions, including commodity price expectations, foreign exchange rates and costs to complete inventories to a saleable product. As at 31 December 2018 the net realisable value exceeded cost for all significant inventory balances.

Development Properties

Property acquired for development and sale in the ordinary course of business is carried at the lower of cost and Net Realisable Value (NRV). The cost of development properties includes expenditure incurred in acquiring the property, preparing it for sale and borrowing costs incurred,

The NRV is the estimated selling price, less the estimated costs of completion and selling expenses. Management considers the estimation of both selling prices and costs of completion to be an area of estimation uncertainty, as these estimations take into consideration market conditions affecting each property and the underlying strategy for selling the property.

The recoverable amount of each property is assessed at each balance date and accounting judgement is required to assess whether a provision is raised where cost (including costs to complete) exceeds NRV.

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NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

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 28.

(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.

(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. Utilization 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 or forecasts will impact upon the carrying amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet.

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NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(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, changes to mine plan, and 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.

Certain rehabilitation activities are undertaken as part of the mining operations included in the life of mine plan. Should the life of mine plan be amended in the future to exclude these activities, the provision for rehabilitation would increase correspondingly.

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.

NOTE 4. SEGMENT INFORMATION

(a) Description of segments

Operating segments are determined based on the reports reviewed by the Chief Executive Officer, who is the Group's chief operating decision maker in terms of allocating resources and assessing performance.

The Group has two reportable segments:

- i. Exploration, evaluation, and development of mineral resources and iron ore mining operations; and
- ii. Development and construction of housing units

The Chief Executive Officer 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 Chief Executive Officer. These projects may become segments in the future.

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NOTE 4. SEGMENT INFORMATION (CONTINUED)

Segment information

	Ore Mining		Property Development	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Revenue	368,204	247,877	-	-
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Total Assets	590,462	489,961	18,153	-
Total Liabilities	124,946	102,382	5,839	-

The Group holds 51% ownership of the property development segment and is fully consolidated (refer to note 27).

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

	2018	2017
	\$'000	\$'000
Australia	47,493	36,715
China	224,179	189,017
Japan	11,876	21,293
Korea	46,506	852
Malaysia	22,914	-
Philippines	15,236	-
TOTAL	368,204	247,877

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 2018 and 31 December 2017. The total costs incurred during the current and comparative periods to acquire segment assets were also predominately incurred in Australia.

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NOTE 5. REVENUE

Disaggregation of revenue from contracts with customers

		2018		2017
	Revenue from Contracts with Customers	Other Revenue (Loss)	Consolidated Revenues	Consolidated Revenues
	\$'000	\$'000	\$'000	\$'000
From mining operations				
Sales of iron ore	370,596	(2,392)	368,204	247,877
	370,596	(2,392)	368,204	247,877

Revenue from contracts with provisional pricing is recognised based on the estimated forward prices which the Group expects to receive at the end of the quotation period. The quotation period exposure is considered to be an embedded derivative and forms part of trade receivables. The subsequent changes in the fair value were recognised in the statement of profit or loss and other comprehensive income as other revenue (loss). Changes in fair value over, and until the end of the quotation period, are estimated by reference to updated forward market prices.

NOTE 6. COST OF SALES

	2018	2017
	\$'000	\$'000
Mining costs	123,530	100,422
Production costs	99,802	92,633
Government royalties	3,379	5,847
Freight	12,731	6,702
Depreciation and amortisation expense	7,725	3,560
Property, Plant and Equipment		
- Amounts capitalised during the year	-	(1,275)
Mine properties and development		
- Amortisation expense	1,230	539
Deferred stripping		
- Amounts capitalised during the year	(45,728)	(29,730)
- Amortisation expense	24,865	15,750
Changes in inventories	12,658	(23,480)
Foreign exchange gain	(1,254)	2,379
	238,938	173,347
 Depreciation and amortisation		
Land and buildings	231	117
Plant and equipment	7,391	3,405
Computer equipment	145	38
	7,767	3,560

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NOTE 7. ADMINISTRATIVE EXPENSES

	2018	2017
	\$'000	\$'000
Salaries	3,096	2,113
Consultancy fees	749	882
Provision for rehabilitation - Interest in joint operation	282	154
Other	1,050	385
	5,177	3,534

NOTE 8. OTHER INCOME (EXPENSES)

	2018	2017
	\$'000	\$'000
GST refund relating to prior years	-	397
Rent income	137	210
Net gain (loss) on the disposal of property, plant and equipment	(531)	(45)
Other income (expenses)	675	(123)
	281	439

NOTE 9. FINANCE INCOME (EXPENSES)

	2018	2017
	\$'000	\$'000
Finance Income		
Interest income received or receivable	6,774	5,296
Gain/(loss) on financial instruments	(332)	46
Exchange gains on foreign currency deposits / borrowings (net)	6,874	-
	13,316	5,342

Finance expenses

Exchange loss on foreign currency deposits / borrowings (net)	-	(7,423)
Interest charges paid or payable	(238)	(479)
Provisions: unwinding of discount		
- Decommissioning and restoration (note 23)	(1,298)	(1,326)
	(1,536)	(9,228)

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NOTE 10. INCOME TAX BENEFIT (EXPENSE)

	2018	2017
	\$'000	\$'000
(a) Income tax expense (benefit)		
Current tax	27,926	4,220
Deferred tax	(5,536)	1,817
	22,390	6,037
<i>Deferred income tax included in income tax expense (benefit) comprises:</i>		
(Increase) decrease in deferred tax assets	(5,536)	1,817
	(5,536)	1,817
(b) Numerical reconciliation of income tax (benefit) / expense to prima facie tax payable		
Profit from continuing operations before income tax (benefit) / expense	135,328	66,750
Tax expense (credit) at the Australian tax rate of 30% (2017: 30%)	40,598	20,025
<i>Tax effect of amounts which are not deductible (taxable) in calculating taxable income:</i>		
Sundry items	183	(630)
	40,781	19,395
Net movement in previously unrealised deferred tax assets	(17,051)	(13,252)
Adjustments to tax of prior period	(1,340)	(106)
Income tax expense	22,390	6,037

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NOTE 10. INCOME TAX BENEFIT (EXPENSE) (CONTINUED)

(c) Taxation Losses	2018 \$'000	2017 \$'000
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.		
(d) Unrecognised temporary differences		
Temporary difference for which deferred tax assets not recognised	244,179	304,635
Potential tax benefit @ 30%	73,254	91,390
Unrecognised deferred tax assets relating to above temporary differences	73,254	91,390

NOTE 11. CASH AND CASH EQUIVALENTS

	2018 \$'000	2017 \$'000
Cash at bank and in hand	7,664	5,245
Short-term deposits	196,833	162,744
	204,497	167,989
Cash at bank and in hand as per statement of cash flows	204,497	167,989
	204,497	167,989

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 2018 the weighted average interest rate on the Australian dollar accounts was 2.52% (31 December 2017: 2.77%) and the weighted average interest rate on the United States dollar accounts was 4.16% (31 December 2017: 3.50%).

(a) Risk exposure

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

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NOTE 12. TRADE AND OTHER RECEIVABLES

	2018	2017
	\$'000	\$'000
Trade receivables	18,220	25,176
Security deposits	362	362
Loan receivable	5,372	-
Other receivables	3,958	2,665
Prepayments	3,803	1,915
	31,715	30,118

Trade receivables include provisionally priced receivables relating to sales contracts where the selling price is determined after delivery to the customers, based on the market price at the relevant quotation point stipulated in the contract (note 5 – Revenue). The quotation period exposure is considered to be an embedded derivative and not separated from the entire balance. The entire balance is accounted for as one instrument and measured at fair value.

Loans receivable, classified as financial asset held at amortised cost, from the other partner in the arrangement of \$5.4 million, representing the other partner's portion of the shareholder loans. This loan is secured, carries an annual interest of 7% to 9% and will be receivable upon completion and subsequent sale of the property development projects.

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

(a) Impaired trade receivables

Information regarding the impairment of trade and other receivables is provided in note 2.

(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 be 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.

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NOTE 13. INVENTORIES

	2018	2017
	\$'000	\$'000
Stores and spares	24,219	24,644
Ore stockpiles	7,327	15,724
Work in progress	378	1,001
Finished goods (at lower of cost and net realisable value)	18,159	21,797
Development work in progress	10,647	-
	60,730	63,166

Inventories are valued at the lower of weighted average cost and estimated net realisable value. An expense of \$12.66 million in 2018 and a credit of \$23.48 million in 2017 were recognised for the movements in finished goods inventories (note 6).

Development work in progress pertains to property acquired for development and sale with completion and sale expected to occur within the next 12 months.

NOTE 14. NON-CURRENT RECEIVABLES

	2018	2017
	\$'000	\$'000
Loan Receivables	611	-
Security deposits	8,043	8,030
	8,654	8,030

Non-current loans receivable, classified as financial asset held at amortised cost, from the other partner in the arrangement of \$0.6 million. This loan is secured, carries an annual interest of 7% to 9% and will be receivable upon completion and subsequent sale of the property development projects.

Non-current security deposits comprise 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 risk and interest rate risk in relation to security deposits 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. NON-CURRENT INVENTORIES

	2018	2017
	\$'000	\$'000
Development work in progress	222	-
	222	-

Non-current development work in progress pertains to property acquired for development and sale. Completion of development and sale of this property is not expected to occur within the next 12 months.

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NOTE 16. PROPERTY, PLANT AND EQUIPMENT

	<i>Land and buildings</i> \$'000	<i>Plant and equipment</i> \$'000	<i>Computer Equipment</i> \$'000	<i>Total</i> \$'000
At 1 January 2018				
Cost	45,422	450,966	8,055	504,443
Accumulated depreciation and impairment	(37,382)	(320,862)	(7,810)	(366,054)
Net book amount	8,040	130,104	245	138,389
Year ended 31 December 2018				
Opening net book amount	8,040	130,104	245	138,389
Additions	487	34,513	297	35,297
Disposals - net book value	-	(533)	-	(533)
Depreciation charge	(231)	(7,391)	(145)	(7,767)
Transfer to MP&D	-	(88,041)	-	(88,041)
Closing net book amount	8,296	68,652	397	77,345
At 31 December 2018				
Cost	45,908	396,905	8,353	451,166
Accumulated depreciation and impairment	(37,612)	(328,253)	(7,956)	(373,821)
Net book amount	8,296	68,652	397	77,345
At 1 January 2017				
Cost	44,666	430,104	7,969	482,739
Accumulated depreciation and impairment	(37,264)	(317,451)	(7,765)	(362,480)
Net book amount	7,402	112,653	204	120,259
Year ended 31 December 2017				
Opening net book amount	7,402	112,653	204	120,259
Additions	756	20,862	131	21,749
Disposals	-	-	(45)	(45)
Depreciation charge	(118)	(3,411)	(45)	(3,574)
Closing net book amount	8,040	130,104	245	138,389
At 31 December 2017				
Cost	45,422	450,966	8,055	504,443
Accumulated depreciation and impairment	(37,382)	(320,862)	(7,810)	(366,054)
Net book amount	8,040	130,104	245	138,389

(a) Assets under construction

The carrying amounts of the assets disclosed above includes expenditure of \$27.66 million (2017: \$110.73 million) recognised in relation to property, plant and equipment which is in the course of construction.

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NOTE 17. MINE PROPERTIES AND DEVELOPMENT

	2018	2017
	\$'000	\$'000
Mine properties and development (at cost)	569,038	470,692
Accumulated amortisation and impairment	(467,485)	(466,255)
Net book amount	101,553	4,437
Deferred stripping costs (net book amount)	91,749	70,886
Total mine properties and development	193,302	75,323

Movements in mine properties and development are set out below:

Mine properties and development

Opening net book amount	4,437	2,424
Current year expenditure capitalised/transfer	97,092	-
Change in rehabilitation estimate	1,254	2,552
Amortisation expense	(1,230)	(539)
Closing net book amount	101,553	4,437

Deferred stripping costs

Opening net book amount	70,886	56,906
Current year expenditure capitalised	45,728	29,730
Amortisation expense	(24,865)	(15,750)
Closing net book amount	91,749	70,886

NOTE 18. DEFERRED TAX ASSETS

	2018	2017
	\$'000	\$'000
The balance comprises temporary differences attributable to:		
Deferred Tax Assets		
Property, plant and equipment	5,983	2,547
Mine properties and development	7,493	7,821
Trade and other payables	-	1
Employee benefits	1,031	310
Decommissioning and restoration	3,027	1,077
Foreign exchange	-	54
Total deferred tax assets	17,534	11,810
Deferred Tax Liabilities		
Inventory	(3,916)	(4,930)
Foreign exchange	(1,202)	-
Total deferred tax liabilities	(5,118)	(4,930)
Total net deferred tax assets	12,416	6,880

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NOTE 19. TRADE AND OTHER PAYABLES

	2018	2017
	\$'000	\$'000
Trade payables and accruals	20,156	18,543
Tax payable	23,759	3,965
Other payables	1,201	1,017
	45,116	23,525

(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 20. BORROWINGS (CURRENT)

	2018	2017
	\$'000	\$'000
Insurance premium funding ⁽¹⁾	1,798	1,717
Loans Payable ⁽²⁾	5,328	3,113
	7,126	4,830

⁽¹⁾ Insurance premium funding represents an unsecured loan which carries a fixed interest rate of 1.63% and will be fully paid in August 2019.

⁽²⁾ Loans payable to the other partner in the arrangement of \$5.3 million, representing the other partner's portion of the shareholder loans. This loan is secured, carries an annual interest of 7% to 9% and will be payable upon completion of the development property projects.

NOTE 21. PROVISIONS (CURRENT)

	2018	2017
	\$'000	\$'000
Leave Obligations	12,488	10,446
Employee benefits	2,174	1,662
Decommissioning and restoration	5,506	713
	20,168	12,821

The leave obligations cover the group's liabilities for long service leave and annual leave which are classified as either current or non-current benefits. The current portion of this liability includes all of the accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required period of service and also for those employees that are entitled to pro-rata payments in certain circumstances. The entire amount of the provision of \$12.49 million (2017 - \$10.45 million) is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months

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NOTE 21. PROVISIONS (CURRENT) (CONTINUED)

	2018	2017
	\$'000	\$'000
Current leave obligations expected to be settled after 12 months	5,861	4,697
Movements in provision for decommissioning and restoration are set out below		
	2018	2017
	\$'000	\$'000
Balance at beginning of the year	713	680
Payments	(419)	(327)
Transfers from non-current provisions	5,212	360
Balance at the end of the year	5,506	713

NOTE 22. BORROWINGS (NON-CURRENT)

	2018	2017
	\$'000	\$'000
Secured		
Loans Payable	611	-
	611	-

Loans payable to the other partner in the arrangement of \$0.6 million. This loan is secured, carries an annual interest of 7% to 9% and will be payable upon completion of the development property projects.

NOTE 23. PROVISIONS (NON-CURRENT)

	2018	2017
	\$'000	\$'000
Leave obligations	3,123	4,338
Employee benefits	77	73
Decommissioning and restoration	54,564	56,795
	57,764	61,206

Movements in provision for decommissioning and restoration are set out below

Balance at beginning of the year	56,795	52,949
Change in estimate	1,683	2,880
Unwinding of discount	1,298	1,326
Transfers to current provisions	(5,212)	(360)
Balance at the end of the year	54,564	56,795

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NOTE 24. CONTRIBUTED EQUITY

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 25. RETAINED PROFITS ATTRIBUTABLE TO OWNERS OF GRANGE RESOURCES

	2018	2017
	\$'000	\$'000
Retained profits		
Movements in retained profits were as follows:		
Balance at the beginning of the year	56,066	1,140
Profit for the year	113,325	60,713
Dividends paid	(23,148)	(5,787)
Balance at the end of the year	146,243	56,066

NOTE 26. DIVIDENDS

	2018	2017
	\$'000	\$'000
Fully franked interim dividend for half year ended 30 June 2018 - 1.0 cent per share	11,574	-
Fully franked final dividend for the year ended 31 December 2017 - 1.0 cent per share	11,574	-
Fully franked final dividend for the year ended 31 December 2016 - 0.5 cent per share	-	5,787
Total dividends paid	23,148	5,787

Since the end of the financial year the directors have recommended the payment of a 1.0 cent final dividend of \$11.6 million. This represents a total of \$23.1 million (2.0 cents per share) fully franked dividend for the year-end 31 December 2018. The final dividend was declared NIL conduit foreign income and will be paid on 29 March 2019.

Franked Dividends

The final dividends recommended after 31 December 2018 will be fully franked out of existing franking credits, or out of franking credits arising from the payment of income tax in the year ending 31 December 2018.

	31 December	31 December
	2018	2017
	\$'000	\$'000
Franking credits available for subsequent reporting periods		
Based on a tax rate of 30% (2017 – 30%)	12,269	14,097

The above amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the year.

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NOTE 27. NON-CONTROLLING INTEREST

Non-controlling interest pertains to the 49% interest in Grange ROC Property Pty Ltd. This entity is involved in the development and construction of apartments.

As at 31 December 2018, there are three projects which are 100% owned by Grange ROC Property Pty Ltd :

- i. Lumley Court which will construct a 3-level, 5 units prestige apartment. Construction has commenced, and 2 units have been pre-sold. The project is planned to be fully constructed and sold in 2019.
- ii. Brookville Road which will construct a 3-level prestige residential apartment and is in the planning approval stage.
- iii. GRP Malvern Road which will construct a 3-level, 8 units prestige apartment. Construction has commenced, and 2 units have been pre-sold. The project is planned to be fully constructed and sold in 2019.

Grange ROC Property Pty Ltd is a controlled entity and therefore is fully consolidated as the Group has:

- i. Exposure, or rights, to variable returns from its involvement with the other partner in the arrangement;
- ii. Power over the entity (i.e., existing rights that give it the current ability to direct the relevant activities of the entity); and
- iii. The ability to use its powers over the entity to affect its return.

NOTE 28. 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 for impairment. During the year and as at 31 December 2018, 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. The fair value assessment is categorised within level 3 in the fair value hierarchy.

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

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NOTE 28. IMPAIRMENT OF NON-CURRENT ASSETS (CONTINUED)

(ii) Key assumptions

The key assumptions which are used by the Directors in determining the recoverable amount for the Group's Savage River CGU were in the following ranges at 31 December 2018:

Assumptions	31-Dec-18		
	2019	2020 – 2024	Long Term 2025+
Iron ore pellets (FOB Port Latta) (US\$ per DMT)	US\$115.83	US\$98.30 – US\$108.77	US\$106.95
AUD:USD exchange rate	\$0.7375	\$0.7730	\$0.78
Post-tax real discount rate	9.10%		

Commodity prices and foreign exchange rates

Commodity prices and foreign exchange rates are estimated with reference to analysis performed by an external party and are updated at least once every six months, in-line with the Group's reporting dates.

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 approved by the Board adjusted for expected improvements reflecting the Group's objective of maximising free cash flow (mainly operating and investing cash flows) 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.

The Board has decided to investigate a capital project – Pit Rim Crushing and Conveying in order to save operating costs. The capital investment and operating cost offset benefit have been included in the fair value model. Management is continuously working on different mining and production plans.

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

The Group has conducted a carrying value analysis and has not identified further impairment to its net assets carrying value as at 31 December 2018.

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NOTE 28. IMPAIRMENT OF NON-CURRENT ASSETS (CONTINUED)

(iv) Sensitivity analysis

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 as at 31 December 2018:

Decrease in fair value resulting from:

US\$1 per dmt decrease in iron ore pellet prices (FOB Port Latta)	\$16.71 million
\$0.01 increase in the AUD:USD exchange rate	\$25.38 million
1% increase in estimated operating costs	\$13.10 million
25 bps increase in the discount rate	\$10.18 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 29. 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.

	2018	2017
	\$'000	\$'000
Assurance services		
<i>PwC Australia</i>		
Audit and review of financial reports	291	293
Other assurance services	42	41
Network firms of PwC Australia	23	5
Total assurance services	356	339
Non-assurance services		
<i>PwC Australia</i>		
Other consulting services	13	-
Taxation compliance services	5	-
Total remuneration paid	374	339

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NOTE 30. COMMITMENTS AND CONTINGENCIES

(a) 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:

	2018	2017
	\$'000	\$'000
Within one year	688	689
After one year but not more than five years	2,188	2,201
	2,876	2,890

(b) Capital expenditure commitments

	2018	2017
	\$'000	\$'000
Within one year	15,801	11,271
After one year but not more than five years	-	-
	15,801	11,271

(c) Operating lease expenditure commitments

	2018	2017
	\$'000	\$'000
Within one year	123	140
After one year but not more than five years	422	381
	545	521

(d) 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 (2017: \$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 \$3,122,535 (2017: \$3,097,941). 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 (2017: \$2,800,000). This amount is a guarantee against the purchase price outstanding with the Tasmanian government as specified in the Goldamere Agreement.

No material losses are anticipated in respect to the above bank guarantees and the rehabilitation provisions include these amounts.

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NOTE 30. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(e) Contingent Assets and Liabilities

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

NOTE 31. 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 32.

(c) Key management personnel compensation

	2018	2017
	\$	\$
Short term employee benefits	1,874,252	1,596,973
Post-employment benefits	143,232	127,816
Long-term benefits	58,942	44,286
Long-term incentives	103,235	81,170
	2,179,661	1,850,245

Detailed remuneration disclosures are provided in the remuneration report on pages 10 to 19.

(d) Transactions with related parties

During the year the following transactions occurred with related parties:

	2018	2017
	\$	\$
Sales of iron ore products	149,394,404	117,991,116
Agency commissions – Spot Sales	(51,947)	-

⁽¹⁾ Sales of iron ore products to Jiangsu Shagang International Trade Co., Ltd, a wholly owned subsidiary of Jiangsu Shagang Group, under long-term off-take agreements.
During the year, 1,014,306 dry metric tonnes of iron ore products were sold to Shagang in accordance with the terms of the long term off-take agreements (2017: 935,449 dry metric tonnes)

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NOTE 31. RELATED PARTY TRANSACTIONS (CONTINUED)

(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:

	2018	2017
	\$	\$
Trade receivables (sales of iron ore products)		
Pellets	(2,772,327)	13,069,589
Others	-	(57,519)
	(2,772,327)	13,012,070

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. The credit balance of the receivables represents the final price adjustments due to the quotation periods and final discharge port results.

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 (2017: Nil).

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 28 February 2019, holds 46.68% (27 February 2018: 46.68%) 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.

As set out in the Grange Notice of Meeting dated 5 November 2008, transactions between Shagang and Grange must be approved by non-associated shareholders of Grange, 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.

The majority of related party sales had nil commission. Where commission was payable to the related party sales agent it 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.

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NOTE 32. 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.

Name	Percentage of equity interest held by the Group	
	2018	2017
	%	%
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
Grange Investment Pty Ltd	100	-
Grange ROC Property Pty Ltd	51	-

⁽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 33. INTEREST IN JOINT OPERATIONS

Name of Joint Operation	% Interest	% Interest
	2018	2017
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 Deepes / 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.

Southdown Magnetite and Associated Pellet Project(s) is a joint venture between Grange Resources Limited and SRT Australia Pty Ltd. The joint venture proposes to mine and export premium iron ore pellets and concentrates. The principal place of business of the joint venture is at 34a Alexander Street, Burnie, Tasmania, 7320.

Mt Windsor Exploration is a joint venture between BML Holdings Pty Limited, a subsidiary of Grange Resources Limited, and Thalanga Copper Mines Pty Ltd. The joint venture was engaged in ore mining and is now being rehabilitated for future lease relinquishment. The principal place of business of the joint venture is at 1 Penghana Road, Queenstown, Tasmania, 7326.

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NOTE 34. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2018	2017
	\$'000	\$'000
Profit for the year	112,938	60,713
Unwinding of discount	1,298	1,326
Depreciation and amortisation	7,767	3,574
Mine properties and development amortisation	26,094	16,289
Loss (profit) on sale of property, plant and equipment	531	45
Loss (gain) on financial instruments	332	(46)
Loss (gain) on net unrealised foreign exchange	(6,874)	7,423
<i>Change in operating assets and liabilities</i>		
(Increase) decrease in trade and other receivables (excluding income tax refund)	5,573	386
Decrease (increase) in inventories	2,213	(27,625)
Decrease (increase) in deferred tax assets	(5,536)	1,817
Increase in trade and other payables (excluding tax payable)	1,797	1,694
Increase in other provisions	1,455	789
Increase provision for income tax payable	19,794	4,841
Net cash inflow from operating activities	167,382	71,226

NOTE 35. EARNINGS PER SHARE

	2018	2017
	Cents	Cents
Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	9.79	5.25
Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	9.79	5.25
(a) Reconciliations of earnings used in calculating earnings per share		
	2018	2017
	\$'000	\$'000
Profit (loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings per share from continuing operations	113,325	60,713
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share from continuing operations	113,325	60,713
(b) Weighted average number of shares used as the denominator		
	2018	2017
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,157,338,698	1,157,338,698

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NOTE 36. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

	2018	2017
	\$'000	\$'000
Balance Sheet		
Current assets	3,131	6,059
Total assets	316,688	277,798*
Current liabilities	26,495	2,315
Total liabilities	58,620	34,456
Shareholders' equity		
Contributed equity	392,475	392,475
Reserves		
- Share-based payments	31,191	31,191
Retained losses	(165,598)	(180,324)*
Total equity	258,068	243,342
 Profit (loss) for the year	 37,878**	 6,384*
Total comprehensive income (loss) for the year	37,878**	6,384*

* Figure includes dividends declared and approved for the corresponding year of \$9m.

** Includes final FY 2017 dividend declared March 2018 of \$14.6m.

(b) Contingent liabilities of the parent entity

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 37. EVENTS OCCURRING AFTER THE REPORTING PERIOD

No matter or circumstance has arisen since 31 December 2018 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.

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31 DECEMBER 2018 FINANCIAL REPORT

DIRECTORS' DECLARATION

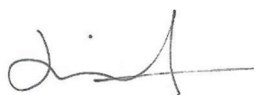
In the Directors' opinion:

- (a) the financial statements and notes set out on pages 21 to 71 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 2018 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 Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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



Michelle Li
Chairperson of the Board of Directors

Perth, Western Australia
28 February 2019



Independent auditor's report

To the members of Grange Resources Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Grange Resources Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the statement of financial position as at 31 December 2018
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if

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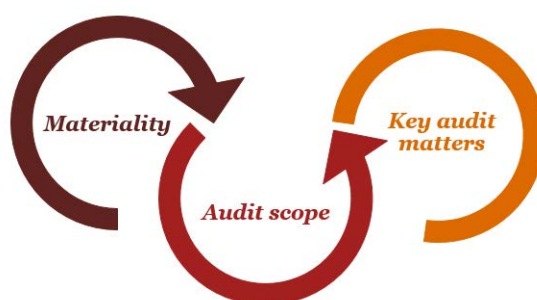
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individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

The Group's operations consist principally of owning and operating the Savage River integrated iron ore mining and pellet production business located in the north-west region of Tasmania.



<i>Materiality</i>	<i>Audit scope</i>	<i>Key audit matters</i>
<ul style="list-style-type: none"> For the purpose of our audit we used overall Group materiality of \$6.6 million, which represents approximately 5% of the Group's profit before tax. We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. We chose group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds. 	<ul style="list-style-type: none"> Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. Our audit mainly consisted of procedures performed by the audit engagement team at the Burnie head office, with site visits as necessary. 	<ul style="list-style-type: none"> Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: <ul style="list-style-type: none"> – Impairment assessment for the Savage River cash generating unit (CGU) – Accounting for the cost of rehabilitation These are further described in the <i>Key audit matters</i> section of our report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the

context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
<p><i>Impairment assessment for the Savage River cash generating unit (CGU)</i> <i>Refer to Note 28</i></p> <p>The impairment assessment of the Savage River CGU, which consists of the mine and pelletising plant, was a key audit matter given the significance of the carrying amount to the statement of financial position. There were also a number of factors in the impairment assessment requiring judgement including:</p> <ul style="list-style-type: none"> • The pellet (final product) price and the AUD/USD exchange rate • Estimation uncertainty associated with forecast operating and capital expenditure for the period to 2036 (Life of Mine). <p>During the year ended 31 December 2018, the Group prepared a discounted cashflow model (the model) to determine the recoverable amount of the Savage River CGU balance, which requires a number of assumptions as described in Note 28.</p>	<p>We evaluated the cash flow forecasts in the model and developed our understanding of the process by which they were prepared. We satisfied ourselves that the operating and capital expenditure forecasts were consistent with the latest Board approved Life of Mine plan (to 2036) and budget.</p> <p>In order to assess the Group's ability to make reliable forecasts, we compared current year (2018) actual results with the figures included in the prior year forecasts (2017).</p> <p>We also assessed:</p> <ul style="list-style-type: none"> • The long term pellet price and AUD/USD exchange rate in the forecasts by comparing them to economic and industry forecasts; • The projected cost savings in future years which rely on future capital projects; • The discount rate used by assessing the cost of capital for the Group, assisted by PwC valuations experts, and comparing the rate to market data and industry research.
<p><i>Accounting for the cost of rehabilitation</i> <i>Refer to Note 21 and 23 (\$60.1 million)</i></p> <p>The main component of the provision is for the Group's obligation to rehabilitate the Savage River and Port Latta sites for the disturbance caused by its operations. The rehabilitation provision also includes an obligation under the Tasmanian Goldamere Pty Ltd Act 1996 to repay the Tasmanian Government for part of the purchase of the mine through expenditure on remediation.</p> <p>The net present value of the cost of rehabilitation is recorded as a provision of \$54.6 million (non-current) and \$5.5 million (current), for a total of \$60.1 million. Given the significance of this balance and the complexities and uncertainties outlined below, our examination of the provision for rehabilitation was a key audit matter.</p>	<p>We obtained the Group's calculation of the rehabilitation obligation (the model). We checked the timing of the cash flows in the model for consistency with the current Life of Mine plan.</p> <p>We compared the discount rate used to market data.</p> <p>Where external and internal experts were used by the Group to estimate remediation costs, we assessed our ability to use their estimates for the purposes of our audit.</p> <p>We compared the Group's assumptions on rehabilitation costs to other similar costs in the business.</p>

Key audit matter

How our audit addressed the key audit matter

Calculating the final rehabilitation obligation is challenging and requires significant estimation and judgement by the Group, given some of the uncertainties over methods of rehabilitation, costs and timing. The calculation of the provision requires significant input from specialists and experts, both from within and external to the Group.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2018, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included About Grange, 2018 Overview, 2019 Priorities, About the Grange Business, Chairperson's and Chief Executive Officer's Review, Tenement Schedule, ASX Additional Information and List of Significant ASX Announcements. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the



going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 9 to 15 of the directors' report for the year ended 31 December 2018.

In our opinion, the remuneration report of Grange Resources Limited for the year ended 31 December 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

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A handwritten signature in black ink, appearing to read 'A Campbell'.

Amanda Campbell
Partner

Melbourne
28 February 2019