GRANGE RESOURCES

AUSTRALIA'S MOST EXPERIENCED MAGNETITE PRODUCER

2019 ANNUAL REPORT

GRANGE RESOURCES LIMITED

BOARD OF DIRECTORS

Michelle Li
Non-executive Chairperson

Yan Jia
Non-executive Deputy Chairperson

Daniel Tenardi
Non-executive Director

Michael Dontschuk
Non-executive Director

David Woodall
Non-executive Director

Honglin Zhao
Chief Executive Officer / Managing Director

COMPANY SECRETARY

Piers Lewis

REGISTERED OFFICE

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SOUTHBANK, VIC 3006

STOCK EXCHANGE

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

WEBSITE

www.grangeresources.com.au

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ABOUT GRANGE

OUR BUSINESS

Grange Resources Limited (Grange or the Company), ASX Code: GRR, is Australia's most experienced magnetite producer with over 50 years of mining and production from its Savage River mine and has a projected mine life beyond 2035.

Grange's operations consist principally of owning and operating the Savage River integrated iron ore mining and pellet production business located in the north-west region of Tasmania. The Savage River magnetite iron ore mine is a long-life mining asset. At Port Latta, on the north-west coast of Tasmania, Grange owns a downstream pellet plant and port facility producing over 2 million tonnes of premium quality iron ore pellets annually, with plans to increase annual production. Grange has a combination of spot and contracted sales arrangements in place to deliver its pellets to customers throughout the Asia Pacific region.

In addition, Grange is a majority joint venture partner in a major magnetite development project at Southdown, near Albany in Western Australia. The Southdown magnetite project, once developed, is expected to have the capacity to supply over four times the amount of iron ore produced at Savage River, at an annual production rate of 10 million tonnes of premium magnetite concentrate. The Company is continuing to evaluate options related to a strategic share of the Company's interest in the project.

OUR VISION

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

OUR VALUES

At Grange we ALL will...

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

2019 OVERVIEW

Production rates were impacted in the first half of the year and revised targets were achieved in spite of delays due to heavy rainfall and wall instability from the end of 2018.

OPERATIONAL OVERVIEW

- Surpassed 1000 consecutive days Lost Time Injury free by year end 2019.
- Achieved revised full year production despite the high rainfall and flooding hampering mining activity from previous year.
- Opportune maintenance was undertaken through the first half to ensure the concentrator and pellet plant were prepared for full production in the second half of 2019.
- Waste stripping on the west wall of North Pit provided access into the main ore zone, with ore stockpiles replenished and providing increased head grade of ore to the concentrator.
- Ore Reserves increased to 113.2MT @ 47.2 %DTR driven by the completion of the Centre Pit feasibility study and interim environmental approval.
- Progressed Prefeasibility study into underground mining in the North Pit deposit.
- Engineering and design work commenced to improve airflow through pellet furnaces.
- Preserved balance sheet strength with disciplined operational planning and execution enabling internal funding of critical mine re-development.
- Cost control disciplines maintained to ensure sustainable operating costs.

FINANCIAL OVERVIEW

- Total iron ore product sales of 2.19 million tonnes (2018: 2.37 million tonnes).
- Unit C1 cash operating cost of $114.26 per tonne (2018: $98.10).
- Grange's high quality, low impurity iron ore products attracted a high premium with average product prices of $158.33 per tonne (2018: $149.76) (FOB Port Latta).
- Weaker AUD:USD exchange rates have supported AUD revenues.
- Delivered profit after tax of $77.3 million (2018: profit after tax of $112.9 million), on revenues from mining operations of $368.6 million (2018: $368.2 million).
- Continued focus on selling cargoes to targeted customers and balancing opportunities in the spot market.
- Sustained strong cash and cash equivalents position at $142.1 million (2018: $204.5 million).

2020 PRIORITIES

Grange is Australia's proven, safe, reliable, long life producer of magnetite iron ore and premium quality pellets. Grange is committed to the local community of North West Tasmania and makes a significant contribution to the state economy.

The Board undertook a strategic review in the middle of the year and defined some key areas of focus to underpin the development of Grange's business. Four main areas were defined to address: developing a sustainable Life-of-Mine-Plan; integrating innovation into all aspects of the business; sustaining ageing infrastructure and building capacity and capability within our workforce. Grange's business and operational planning is directed to deliver into these core strategies.

DEVELOPING A SUSTAINABLE LIFE-OF-MINE-PLAN

The Life-of-Mine-Plan is the foundation that underpins investment decisions and to optimise business execution. Potential failure on the East Wall and instability in the mine introduces uncertainty into the production profile. The single source of ore supply and low stockpiles presents risks if any delays in the mine and extreme weather events have the potential to interrupt production. To mitigate these uncertainties we will seek to mitigate increasing pressure on OPEX costs; develop contingency for extreme weather events; understand and mitigate risk of environmental approval delays on project development and complete the studies to enable integration and optionality for Open Pit and Underground operation.

North Pit is the main source of ore for 2020 and Grange will continue to invest in stripping the west wall to deliver high grade ore. For longer term asset development, the focus will be on the completion of the exploration decline below North Pit. This will allow further exploration drilling and support the continuing pre-feasibility study to inform the development of a de-risked, long life plan. These resources will feed into the development of the optimised Life-of-Mine-Plan with a view to maximise recovery of the existing mineral resource at Savage River.

INTEGRATE INNOVATION

Innovation is critical to improving safety, efficiency and reducing cost. Innovation tools are integrated into the business through our Management Operating System (MOS) and we are building capability with our people and systems. This will be considered at the transactional level, and in the development of the plan. Application of new technology will support and improve operational outcomes. Our focus will be to: determine the potential to introduce automation into the operation; upgrade the equipment tracking system for the mine and optimise the mining cycle to reduce delay and increase efficiency; review the opportunity for sources and supply of energy; and build production capability for potential expansion of the operation.

SUSTAIN AGEING INFRASTRUCTURE

Our operation is supported by mature and valuable infrastructure and assets. Maintenance has been deferred over periods of downturn in the past and assets require investment to restore or replace where appropriate. Cost Benefit Analysis will be used to support repair versus replacement decisions. Our focus will be to: manage and maintain mobile plant in the mine; manage and maintain fixed plant; continue offshore structural refurbishment; sustain the light vehicle fleet to support safe and productive operation; and determine the ongoing maintenance requirements to sustain the Pipeline for the long term.

BUILD CAPACITY & CAPABILITY

We recognise that our people are our most valuable asset. We have a committed workforce with strong skills and experience base. There is increasing competition for human resources as the resource industry cycles and acknowledge there is a risk of losing key technical staff and some of our skills and experience.

To mitigate these risks we will implement retention strategies to retain employees; develop strategies to attract the required skills into the business; improve the communication of our brand and operation in order to attract talent and build specialised expertise as we gain certainty with respect to our optimised and de-risked Life-of-Mine-Plan

	Develop Sustainable LOMP	Integrate Innovation	Sustain Ageing Infrastructure	Build Capacity & Capability
Drivers	• Uncertainty in the Life-of-Mine Plan is the foundation that underpins investment decisions to optimise business execution. • Potential failure on the East Wall and instability in the mine introduces uncertainty into the production profile. • A single source of ore supply and low stockpiles provides no capacity to absorb any delays in the mine. • Extreme weather events have the potential to interrupt production	• Innovation is critical to improving safety, efficiency and reducing cost. • Innovation tools are integrated into the business through our MOS and we are building capability with our people and systems. • This needs to be considered at the transactional level and in the development of the plan. • Application of new technology will support and improve operational outcomes.	• Our process is supported by mature and valuable infrastructure and assets. • Maintenance has been deferred over periods of downturn. • Assets require investment to restore or replace where appropriate. • Cost Benefit Analysis will be used to support repair vs replacement decision.	• People are our most valuable asset • We have a committed workforce with strong skills and experience base. • There is increasing competition for human resources as the industry cycles. • We are losing key technical staff and are at risk of losing our skills and experience base.
Focus Areas	• Seek to mitigate increasing pressure on OPEX costs. • Analyse Price and Exchange Rate sensitivity • Develop contingency for extreme weather events. • Understand and mitigate risk of Environmental approval delays on project development. • Complete the studies to enable integration and optionality for Open Pit and Underground operation.	• Determine the potential to introduce automation into the operation • Upgrade the equipment tracking system and optimise the mining cycle to reduce delay and increase efficiency. • Review the opportunity for sources and supply of energy. • Build production capability for potential expansion	• Manage and maintain mobile plant in the mine. • Manage and maintain fixed plant. • Continue offshore structural refurbishment. • Sustain the light vehicle fleet to support safe and productive operation. • Determine the ongoing maintenance requirements to sustain the Pipeline.	• Implement retention strategies to retain employees. • Develop strategies to attract the required skills into the business. • Improve the communication of our brand and operation in order to attract talent. • Build specialised expertise when certainty around LOMP and NPUG direction is confirmed.

ABOUT THE GRANGE BUSINESS

MAGNETITE

Magnetite is a naturally occurring mineral commonly refined into an iron ore concentrate and used for steel production. Iron ore makes up about five per cent of the Earth's crust and most commonly occurs in the form of haematite or magnetite. Most of the magnetite mined is usually used to produce concentrate for pellet feed or pellets which are used to make steel.

The Australian iron ore industry has traditionally been based on the mining, production and export of haematite ores, also referred to as 'Direct Shipping Ore' (DSO). The majority of Australian iron ore production comes from DSO. While magnetite is an emerging industry in Australia, globally it accounts for approximately 50 per cent of iron ore production.

Smelting magnetite to iron involves agglomeration or 'clumping together' of the magnetite concentrate, and thermal treatment to produce haematite iron ore pellets. The pellets can be used directly in a blast furnace or at direct reduction iron-making plants.

Magnetite concentrate has internal thermal energy, meaning less energy is required as the magnetite is converted into haematite pellets. This results in lower carbon dioxide emissions. The blast furnace chemically reduces iron oxide into liquid iron called 'hot metal'. The iron ore and reducing agents (coke, coal and limestone) are combined. Pre-heated air is blown at the bottom of the combination for up to eight hours. The final product is a liquid which is drained, and eventually refined to produce steel.

Mining magnetite ore is capital intensive and requires significant downstream processing infrastructure including a beneficiation plant, a pellet plant and port facilities. Magnetite products command a value premium above haematite ore products such as fines and lump. This premium is derived on two fronts, through additional iron content, and a quality premium.

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

As magnetite concentrate is a refined product, it usually has higher iron content and lower impurities. This can have beneficial quality and environmental outcomes for the steel maker.

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

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

Grange Resources Limited (Grange Resources) owns and operates Australia's oldest integrated iron ore mining and pellet production business located in the northwest region of Tasmania. The Savage River magnetite iron ore mine, 100km southwest of the city of Burnie, is a long-life mining asset set to continue operation to beyond 2035. At Port Latta, 70kms northwest of Burnie, is Grange Resources' wholly owned pellet plant and port facility producing more than 2 million tonnes of premium quality iron ore pellets annually with plans to increase annual production. Grange holds long term supply contracts for 1 million tonnes of its annual production and offers the balance of its production to market via a spot sales tendering and contracting process. All products are shipped to major steel producers in the Asia Pacific region.

As well as this profitable magnetite operation, Grange Resources has the majority interest in the Southdown magnetite mining project near Albany in Western Australia. Grange is actively seeking an equity partner to take a strategic share of the Company's interest in the project.

Grange Resources is Australia's most experienced magnetite producer. Grange is a proven and reliable commercial producer combining both mining and pellet production expertise.

CHAIRPERSON'S & CHIEF EXECUTIVE OFFICER'S REVIEW

Dear Shareholders,

Our outstanding performance in FY2019 was achieved through hard work and commitment by our people. Your Company has delivered strong financial results and has announced dividends of 2 cents per share fully franked. These results were achieved through a focused strategy of disciplined capital expenditure with improvements in operating performance and safety, supported by a continued focus on productivity and higher iron ore prices. Our balance sheet remains strong. We have been reviewing our strategy against changes in the external environment by analysing the risks and opportunities we are facing and optimising our operations with a number of long-term improvement projects. We believe that the Board's approach to strategy and risk management positions us to manage and respond to changes and capture opportunities to grow shareholder value over time. We maintain a relentless focus on the health and safety of our people and the communities in which we operate.

2019 REVIEW

Safety remained our top priority in 2019. All of our safety performance indicators improved, and we have achieved over 1000 days Lost Time Injury Free.

The operating performance of the Group was satisfactory, despite the challenges throughout the year. Capital discipline, and strong iron ore markets enabled us to deliver a robust financial performance in 2019.

We delivered a profit after tax of $77.3 million (2018: profit after tax of $112.9 million), on revenues from mining operations of $368.6 million (2018: $368.2 million) from improved iron ore prices and record pellet premiums with average product prices of $158.33 per tonne (2018: $149.76) (FOB Port Latta). Total iron ore product sales of 2.19 million tonnes (2018: 2.37 million tonnes) were achieved. Lower production rates and increased maintenance works in the processing plant, as well as increased electricity price resulted in an increase in unit C1 cash operating costs to $114.26 per tonne (2018: $98.10).

Cash and cash equivalents positioned at $142.1 million (2018: $204.5 million), decreased largely due to increase in capital expenditures and income tax paid.

It was a slow start to the year with mining activities restricted in the first six months due to high rain fall and wall instability during the latter part of the prior year. While this affected production rates throughout the first half of the year, mining rates improved on the successful remediation of the issue and access to the main ore zone was restored in second half and achieved the revised full year production target. Waste stripping on the west wall of North Pit provided access into the main ore zone, with ore stockpiles replenished and provided increased head grade of ore to the concentrator.

Our continued investment in strategic projects to de-risk future production continues with the North pit underground development pre-feasibility study. Phase 3 drilling program from the exploration decline continued in Q4 2019. These diamond holes are being drilled directly from the Exploration Decline through the fault zone and into the main ore zone to provide detailed geotechnical information and improve confidence in the orebody at depth. Further feasibility studies continued on ventilation, infrastructure, numerical modelling, production schedules and structural geology.

The Exploration Decline is progressing to plan, with the face position in 1,195-metres as at the end of December. The Phase 3 drilling program is progressing well with 6 holes completed and 2 in progress for an advance of over 5,390-metres. The second rig was mobilized to site in Q4 2019 to accelerate the drilling activity.

The feasibility study for Centre Pit was completed in Q4 2019. Interim environmental approval was achieved for the first stage of stripping, which commenced in Q4 2019. Final environmental approvals are under review and will be sought in Q1 2020 to support the release of the feasibility study.

Grange ROC Property has completed construction of the first project, Lumley Park, and successfully obtained the Certificate for occupancy. This marks a significant milestone for the joint property venture, with 4 of the 5 units sold. Construction at Carter Toorak is progressing well with full completion to be achieved in the first quarter of 2020. 3 of the 8 units have been sold, and the focus for the coming months is to sell the remaining units. Development approval was successfully achieved for the Brookville project.

We have continued to seek a buyer for our equity interest in the Southdown joint venture project. During 2019, the joint venture partners continued 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. Compliance with environmental and tenement conditions has been maintained. The on-going strategy is to maintain the currency and good standing of all tenements, permits and project assets.

OUTLOOK

Looking ahead, our outlook on the iron ore pellet market remains uncertain. The impact of the COVID-19 on our business is too early to tell.

The iron ore market remained strong throughout most of 2019 due to supply disruptions because of tailings dam failures in Brazil and cyclones hitting major exporters in Australia. Seaborne supply volumes have yet to recover from those events.

Chinese iron ore imports have dropped as a result of the outbreak of COVID-19 in the beginning of 2020. Iron ore prices have proved relatively buoyant for the past two months compared with the price plunges we have seen in other commodities with the COVID-19 pandemic outbreak. Further price support after the outbreak of COVID-19 can be attributed to the strict containment measures taken by China. Iron ore prices have recently been supported by confidence in the recovery of the Chinese market. Chinese industrial activities are expected to return to a more normal level by the end of this month, with a consequent rise in steel production, supported by the government's stimulus packages. We can also see support for current iron ore price levels in the fundamentals, with Chinese pig iron production up by 3.1% year-on-year to 132 million tonnes in the first two months of the year. There was an increase in blast furnace utilisation rates in China, which rose to 86% in the first week of April from 83% in March. Adding relatively tight seaborne supply to buoyant Chinese demand has created a recipe for strong price support in the short term.

The 62% Fe iron ore benchmark first dipped to nearly $80 per tonne in the beginning of February and rose to nearly $90 per tonne again in March before decreasing to the mid $80 in April. Demand for pellets was weakened in both Europe and India due to the impact of the COVID-19 pandemic on downstream steelmaking facilities causing shutdowns in the regions and resulting in sellers offering spot cargoes to the only viable market – China.

The potential supply disruptions in the global seaborne supply chain for iron ore, as a result of the pandemic, could keep prices resilient. This is adding to a supply situation that was already tight because Brazilian iron ore exports have yet to recover from last year's dam disaster. Brazilian exports may be affected by the nationwide lockdown. The restrictions in Canada and national lockdowns in both India and South Africa could further hamper the seaborne supply of iron ore. Further reductions of seaborne volumes as a result of national lockdowns could cause price spikes, despite slowing demand growth in China.

This year, the downward trend is likely to be further reinforced by a looming global economic downturn and slowing of demand growth for Chinese pig iron. China is by far the largest importer of seaborne iron ore and Chinese pig iron production remains a key driver of iron ore pricing.

The downside risks to iron ore prices will increase with falling steel prices, which will threaten to squeeze the operating margins for steelmakers. Although there may be upside risks to iron ore prices in the short term, we anticipate a gradual downward correction in the long term when demand starts to decline, as IMF recently announced the recession will drag global GDP contraction of 3% in 2020. The uncertainty surrounding other economies is undoubtedly increasing.

Despite the uncertain conditions that we currently face, the long-term outlook for our sector remains positive. We continued building our safety culture through initiatives, in which our employees are encouraged to come up with new, creative ideas on how to strengthen and improve our business. Our strong balance sheet provides a fundamental base for managing volatile markets and ensuring capital is available for sustaining operations through the cycle. This strength is underpinned by our ongoing generation of solid cash flows from operations. We continue to implement measures to both preserve the balance sheet strength and align our capital allocation framework with the cyclical nature of the industry. Our priorities for capital are to maintain safe and stable operations whilst maximising cash flow and preserving the balance sheet through the cycle. Our primary goal is to remain competitive in a frequently changing iron ore market. Our focus will remain on delivering our value, and striving to ensure our company remains strong, resilient and able to deliver superior returns to shareholders in the short, medium and long term. Sustainability will remain important priorities and indeed, will play an increasingly important role in our business.

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

The Board and the management team have a positive outlook for the pellet market and are proactively exploring opportunities for innovation, improvement and productivity growth. The on-going development of the iron ore market and the issues in China for increasing restrictions on environmental noncompliance provide a unique opportunity for us. We are very confident of our competitiveness to supply a sustained high quality, low impurity iron ore pellet product. We strive to deliver value to our loyal employees and shareholders.

Thank you

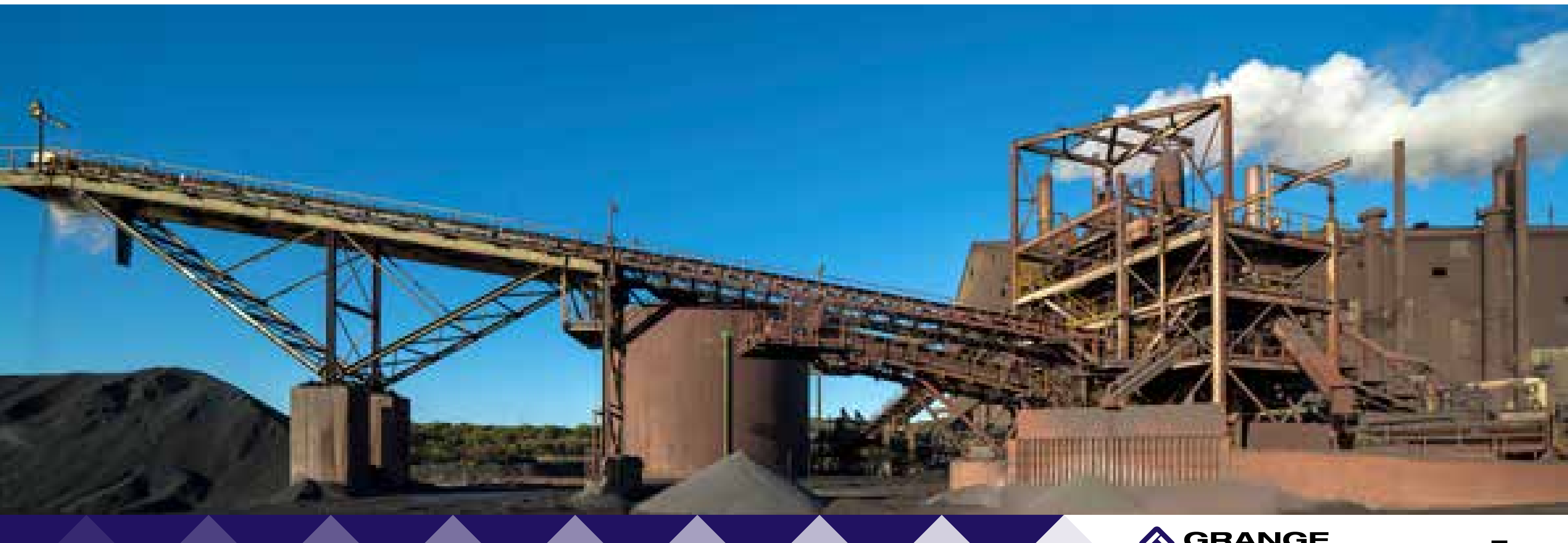
On behalf of Grange's Board, we would like to thank all of our employees for their dedication and hard work over the past year. We are proud of our excellent culture, capability and resilience to best place us for a prosperous future. And to our shareholders, thank you for your continued support.

Michelle Li

Chairperson

Honglin Zhao

Chief Executive Officer



OPERATING AND FINANCIAL REVIEW

KEY HIGHLIGHTS

- Achieved a major milestone of over 1000 days Lost Time Injury Free.
- Revised full year production target achieved despite high rainfall and wall instability during the latter part of the prior year impacting mine production in the first half of this year.
- Waste stripping on the west wall of North Pit providing access into the main ore zone, with ore stockpiles replenished and providing increased head grade of ore to the concentrator.
- Completed feasibility study in Centre Pit, to facilitate the development of an additional ore source.
- Delivered profit after tax of $77.3 million (2018: profit after tax of $112.9 million), on revenues from mining operations of $368.6 million (2018: $368.2 million).
- Grange's high quality, low impurity iron ore products attracted a high premium with average product prices of $158.33 per tonne (2018: $149.76) (FOB Port Latta).
    - o Total iron ore product sales of 2.19 million tonnes (2018: 2.37 million tonnes).
    - o Weaker AUD:USD exchange rates have supported the AUD revenues.
    - o Continued focus on selling cargoes to targeted customers and balancing opportunities in the spot market.
- Unit C1 cash operating costs of $114.26 per tonne (2018: $98.10), increased largely due to:
    - o Decrease in concentrate production. This was due to low head grade of ore mined in the first half of the year as the west wall cutback was advanced to the main ore zone.
    - o Increased opportune maintenance works performed in the processing plant.
    - o Increased electricity price.
- Cash and cash equivalents position at $142.1 million (2018: $204.5 million), decreased largely due to increase in capital expenditures and income tax paid.

PROPERTY DEVELOPMENT

- Grange ROC Property has completed construction of the first project, Lumley Park, and successfully obtained the Certificate for occupancy. This marks a significant milestone for the property joint venture. 4 of the 5 units have been sold.
- Construction at Carter Toorak is progressing well with full completion to be achieved in the first quarter of 2020. 3 of the 8 units have been sold and the focus for the coming months is to sell the remaining units.
- Development approval was successfully achieved for the Brookville project. The JV is seeking a buyer for the property and anticipate the sale to be made in the year.

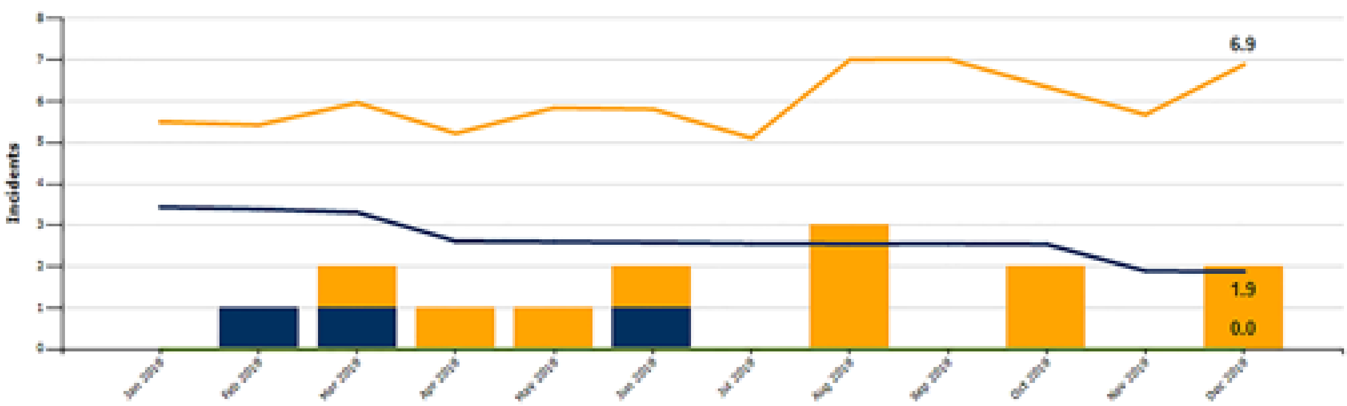
SAFETY PERFORMANCE

Grange operations surpassed 1000 consecutive days Lost Time Injury free by year end 2019. Maintained focus on lead indicators, hazard identification and risk management has helped us sustain the current long running lost time injury free period, despite a marked increase in manhours worked.

Unfortunately, there was a slight increase in disabling injuries, however a significant drop in medical treatment injuries was achieved. The majority of disabling injuries were minor, and all persons involved were given meaningful work for their respective periods of incapacity, they have actively contributed to their return to work programs reducing the periods of alternate work.

2019 was a year of significant contractor involvement at both operational sites, increasing our hours worked and exposures with new and exciting projects undertaken. Our SEMS (safety, environment management system) onsite training and major hazard systems improvements continue to support a compliant, well managed and mature safety culture throughout the year.

Lag Indicators



FULL YEAR RESULT

Grange recorded a statutory profit after tax of $77.3 million for the year ended 31 December 2019 (2018: $112.9 million).

Key revenue metrics for the year ended 31 December 2019 and the preceding 2018 year were as follows:

	2019	2018
Iron Ore Pellet Sales (dmt)	2,096,673	2,258,487
Iron Ore Concentrate Sales (dmt)	122	10,042
Iron Ore Chip Sales (dmt)	95,291	105,151
Total Iron Ore Product Sales (dmt)	2,192,086	2,373,680
Average Realised Product Price (US$/t FOB Port Latta)	109.95	111.92
Average Realised Exchange Rate (AUD:USD)	0.6944	0.7473
Average Realised Product Price (A$/t FOB Port Latta)	158.33	149.76

Total sales for the year ended 31 December 2019 was 2.19 million tonnes of high quality, low impurity iron ore products (2018: 2.37 million tonnes) and reflects sustained production from maintaining access to high grade ore.

The average iron ore product price received during the year was $158.33 per tonne of product sold (FOB Port Latta) (2018: $149.76 per tonne). The increase compared to prior year was supported by lower AUD:USD exchange rates.

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 35.7% of total sales for 2019 (2018: 40.6%).

Key operating metrics for the year ended 31 December 2019 and the preceding 2018 year were as follows:

	2019	2018
Total BCM Mined	14,462,931	14,730,697
Total Ore BCM	2,108,370	1,050,067
Concentrate Produced (t)	2,117,053	2,275,718
Weight Recovery (%)	39.7	53.2
Pellets Produced (t)	2,055,043	2,185,627
Pellet Stockpile (t)	147,721	189,351
'C1' Operating Cost (A$/t Product Produced)(1)	114.26	98.10

(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 the main ore zone in the lower parts of the North Pit was completed early in the year. Whilst, heavy rainfall and wall instability during the latter part of the prior year impacted the remediation and mining of the narrow stage on the east wall, development of the west wall of North Pit was the main focus for much of the first half of this year. Successful access to the main ore zone on the west wall was achieved in Q3. Consequently, head grade was significantly increased and presented higher grade ore to replenish the stockpiles and concentrator.

The planned common equipment shut and opportune maintenance projects were brought forward to align mill downtime.

The concentrate and pellet plants delivered at high production levels throughout the latter part of 2019. Production rates were impacted in the first half of the year due to heavy rainfall and wall instability impacting ore supply. The scheduled and opportune maintenance activities at the pellet plant were completed safely and efficiently.

NORTH PIT UNDERGROUND DEVELOPMENT PROJECT

The preliminary feasibility study is progressing well. Phase 3 drilling program from the exploration decline continued in Q4. These diamond holes are being drilled directly from the Exploration Decline through the fault zone and into the main ore zone to provide detailed geotechnical information and improve confidence in the orebody at depth. Further feasibility studies continued on ventilation, infrastructure, numerical modelling, production schedules and structural geology.

The Exploration Decline is progressing to plan, with the face position in 1,195-metres as at the end of December. The Phase 3 drilling program is progressing well with 6 holes completed and 2 in progress for an advance of over 5,390-metres. The second rig was mobilised to site in Q4 to accelerate the drilling activity.

CENTRE PIT FEASIBILITY STUDY

The feasibility study for Centre Pit was completed in Q4. Interim environmental approval was achieved for the first stage of stripping, which commenced in Q4. Final environmental approvals are under review and will be sought in Q1, 2020 to support the release of the feasibility study.

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, one of Japan's largest steel producers. 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 2019, 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 2020, as we formulate a valid alternate development model and seek to secure equity partners for a strategic share of the Company's interest in the project.

FINANCIAL POSITION

Grange's net assets increased during the year to $532.1 million (31 December 2018: $477.8 million) principally as a result of the following:

- A profit after tax of $77.3 million;
- A final 2019 dividend payment of $11.6 million;
- An interim 2019 dividend payment of $11.6 million.

The Group's market capitalisation as at 24 April 2020 is $243.03 million.

STATEMENT OF CASH FLOWS

Net cash flows from operating activities

Net cash inflows from operating activities for the year were $55.7 million (2018: inflows $167.4 million) and reflect higher iron ore product sales and an increase in unit operating costs.

Net cash flows from investing activities

Net cash outflows from investing activities for the period were $93.6 million (2018: outflows $110.1 million) and principally related to expenditures for mine properties and development $51.0 million and property, plant and equipment $42.2 million.

Net cash flows from financing activities

Net cash outflows from financing activities for the period were $25.6 million (2018 outflow: $27.6 million) and principally related to the payment of 2018 final dividend ($11.6 million) and 2019 interim dividend ($11.6 million).

EXPLORATION AND EVALUATION

The resource definition during the last year ending Dec 31, 2019 focussed on the mining lease areas around North Pit.

The Mineral Resource stands at 489.9 million tonnes at 45.5% DTR. A decrease of 55MT from the previous statement in 2018 followed a re-estimation of North Pit in 2019 incorporating the second stage of drilling from the underground project. Confidence and grade of the Measured Resource has increased. The decrease in total Mineral Resources is considered minor given the quantum of the total Mineral Resources; annual mine production levels; and the ongoing nature of the drilling program. Ore Reserves increased significantly to 113.2MT @ 47.2%DTR driven by the completion of the Centre Pit feasibility study. This has increased the Ore Reserve by 19.2MT including mining depletion from North Pit during 2019. Resource drilling and estimation on the deposit will continue in 2020, as part of the continuing pre-feasibility studies. For details on the Mineral Resource please refer to the ASX release made on 27 April 2020.

MINERAL RESOURCES AND ORE RESERVES STATEMENT - SAVAGE RIVER OPERATIONS

The following tables show the Mineral Resources and Ore Reserves for the Savage River operations as at 31 December 2019. The mining of ore throughout the year focussed on high grade supply from North Pit. The Mineral Resource has decreased since the previous estimate dated 31 December 2018 as a result of the re-estimation, which is continuing with further refinement expected this year. Ore Reserves have increased due to the completion of the Centre Pit feasibility and incorporate mining depletion for North Pit.

Mineral Resources and Ore Reserves are categorised in accordance with the Australasian Code for Exploration Results, Mineral Resources and Ore Reserves of 2012 (JORC Code, 2012). Estimated Measured and Indicated Mineral Resources include those Mineral Resources modified to produce the estimated Ore Reserves. Mineral Resources which are not included in the Ore Reserves did not meet the required economic viability hurdle at the time of last review.

Mineral Resources

A summary of the total Mineral Resources for Savage River as at 31 December 2019, above a cut-off grade of 15% DTR is as follows:

	As at December 2019		As at December 2018	
	Tonnes (Mt)	Grade % DTR (1)	Tonnes (Mt)	Grade % DTR (1)
Measured	152.6	55.8	155.0	55.6
Indicated	182.6	43.5	231.7	45.9
Inferred	154.7	37.6	158.5	39.2
Total	489.9	45.5	545.2	46.7

(1) Davis Tube Recovery – a measure of recoverable magnetite

Ore Reserve

A summary of the ore reserve for Savage River as at 31 December 2019, above a cut-off grade of 15% DTR is as follows:

	As at December 2019		As at December 2018	
	Tonnes (Mt)	Grade % DTR (1)	Tonnes (Mt)	Grade % DTR (1)
Proved	61.1	53.4	75.9	54.0
Probable	52.1	39.9	18.1	32.3
Total	113.2	47.2	94.0	49.8

(1) Davis Tube Recovery – a measure of recoverable magnetite

A detailed statement of the Mineral Resources and Ore Reserves can be found in the ASX announcement dated 27 April 2020. Grange confirms in reproducing the Mineral Resources and Ore Reserves in this subsequent report, that it is not aware of any new information or data that materially affects the information included and all the material assumptions and technical parameters underpinning the estimates in this report continue to apply and have not materially changed.

HEALTH AND SAFETY

Overview

Grange believe that responsible occupational Health and Safety with sound environmental and social responsibility (HSE) practices are integral to an efficient and successful company. Grange's OHS & ESR Management Systems have been integrated to form the "Safety and Environment Management System" (SEMS) which supports OHS & ESR policies and defines the required standards to which any Grange facility must operate. Our OHS policy leads us to continually improve our Safety Systems.

SEMS is an integral part of the Grange Management System (GMS) and is well supported by a management plan for 16 of the major hazards identified in our industry. Of the 16 Major Hazard Standards, 4 are deemed to be Principal Mining Hazards as outlined in the Tasmanian Mining Legislation. The implementation and effective management of SEMS enables compliance with legislation, reduction of risk, increased efficiencies and provides the framework for continuous improvement. SEMS is aligned to ISO 14001 Environmental & ISO 45001 Occupational Health & Safety Systems and is applicable to any existing and future national or international operation. SEMS is now integrated into our Certificate IV Leadership & Management training competency for our current and aspiring leaders.

During 2019 Major Hazard Systems were refined to manage the underground operation and be fully compliant with the appropriate standards and legislation. Critical controls were also added in 2019 to help manage our Principal Hazards.

Mission Statement

To drive a continuous improvement culture involving everyone at Grange Resources. We strive to eliminate injury, loss and waste, and create positive environmental outcomes adding value to the communities in which we operate.

The goals of our Mission Statement will be achieved through effective adherence to management systems, integrated risk management practices, risk aware culture, demonstrable leadership, maintaining standards, monitoring performance and looking after our people. Proactive Lead Indicators are the prime focus for safety to ensure we minimise and control our Lag Indicators.

To achieve superior health and safety performance we believe:

- All injuries and loss events are preventable
- All hazards can be identified and their risks managed
- No task is so important that it cannot be done safely
- Every person is accountable for their own safety and the safety of those around them
- Safety performance can always be improved

Safety Performance

The Company remains committed to providing a safe place of work and safe systems of work for all its workers at every site. We take this commitment seriously and expect those working for us share the same level of commitment. We want all our workers, employees and contractors, to return home in the same or better condition than when they came to work. The effectiveness of our systems and safety management in general is well demonstrated by the consistent measurable improvement in our safety lag indicators. Targeted improvements in our lag indicators are reinforced by a regime of measurable lead indicators to help reduce risk exposures.

In addition, Grange is committed to ensuring compliance with legislative requirements for each area of its operations including meeting or exceeding requirements within:

- Federal & State Work Health & Safety Legislation;
- Anti-Discrimination Legislation;
- Fair Work Australia Legislation;
- Rehabilitation & Workers Compensation Legislation;
- Environmental Legislation;
- Codes of Practice nominated in all Federal and State Legislation;
- Adopting accepted industry & Australian Standards in areas where legislation is deficient;
- Whistleblower legislation;
- Mining specific, HSE Legislation as required; and
- Environmental licence conditions for existing and new operations.

Established systems are in place to ensure legislative requirements are tracked, monitored and corrective actions implemented for any instances of non-compliance.

During 2019 we continued our focus on reducing costs without reducing support services via:

- Initiatives for Emergency Response Team (ERT) in-house training again saved considerable costs and we are looking to further reduce these in 2020, while maintaining a high standard of response.
- ERT training has been maintained to meet underground requirements and provide a competent onsite resource for our underground crews.
- The underground emergency refuge chamber and associated equipment was sourced to maintain compliance with industry standards and WST expectations.
- Managing the emergency response team size while increasing our general first aid training coverage has ensured we have competent people where they are needed, as demonstrated by our win in the Tasmanian State Mines Rescue Competition first aid component.
- Continuing to obtain Federal and State government training funds reduces the outlay for training in leadership and continuous improvement.
- Continuing to develop a highwall scaling excavator locally promises to provide a machine capable of restoring lost berm catch capacity in the mine, cleaning batters and improving mining safety. This machine will come to site in 2020 and has generated industry wide interest.
- Participating in the Insurance Underwriters safety audit continues to provide initiatives to help reduce insurance costs.
- Continued investment in Mental Health and Wellbeing first aid training for Management and Contact Officers has helped foster an alert and caring worker relationship.
- Focus on gender diversity has promoted the role of women in our workforce and is supporting greater diversity in our teams.
- Strategic focus in “Critical Controls” is improving our risk management system and initiatives.

Grange recognises the importance of our contractors’ safety management systems being aligned with WorkSafe Tasmania and mine safety regulations as well as being on par with our own safety standards. To this end we have incorporated and communicated new OHS & ESR requirements for contractors into our SEMS.

2019 has seen further enhancing of our Safety Preventative Maintenance (PM) work orders in lead indicators, dedicated Area Inspections covering all areas on site, formalising Task Observations for management and key personnel as Lead Indicator Key Performance Indicators (KPI’s). These lead indicators were supplemented by specific KPIs for the NPUG workforce. Tracking lead indicators has helped reduce risk exposures across all areas. This was particularly evident by our continued lost time injury free status.

Sharing and Learning

Grange adopts a philosophy of continuous learning and sharing of safety experiences. In addition to its highly successful on-line induction programs, Grange conducts an extensive range of on-site safety training activities including extensive work permit training, energy isolations, site driving and pit driving permits, simulation training for new operators, fire warden and extinguisher training as well as refreshers on occupational first aid and road accident rescue entrapment release. Grange have also added a very effective online “Isolations” training package allowing our offsite contract

workforce to learn our systems before coming to site.

During the year Grange continued to work closely and openly with the Office of the Chief inspector of Mines (OCIM), with our company providing an outlet to GMIRM (Global Mining Industry Risk Management) training, a risk management initiative sponsored by the Chief inspector of Mines.

GMIRM has four levels of Risk Management training G1 for workers, G2 for Supervisors, G3 for Management and G4 for Directors and Senior Executives. Grange ran two, week-long G3 forums and two, 2-day G2 forums both with participants from other local companies.

The company has developed its own G1 compliant training program and continues to work with University of Queensland to develop effective programs. We aim to ensure everyone at Grange has an effective understanding of Risk Management.

These forums have had a positive impact on the Tasmanian operations involved and received a very positive response from the Workplace Inspectorate.

Grange continue to represent Tasmanian Mines on a Mines Legislation Safety Steering Committee (MSSC) that is reviewing and enhancing the current Tasmanian Mining Supplementary Safety Act and Regulations. The first stage of this, minor changes to the Act, has been scheduled for legislative review.

Principal Hazard Management Plans and subordinate standards and procedures were also revised and compiled to ensure full compliance with the legislative requirements. These Plans were presented to the Office of the Chief inspector of Mines (OCIM) and assessed as being the benchmark for the mining industry and are commonly referenced by the MSSC.

In addition to training delivered at the operational level, the company continued to reinforce many site-wide health and safety programs aimed at improving our employee's wellbeing, including cancer awareness, heart safety awareness, mental health awareness/first aid and in 2019 the "Whistleblower Policy" was implemented.

During 2019 the company invested in new promotional videos that help deliver the safety messages, culture reinforcement and a means to share important operational and stakeholder information with our workforces.

The Company has a fully functional and qualified emergency response team ("ERT") providing expert first aid and first response care to our sites and others in need including road accidents in the Savage River and Port Latta areas. The company is a member of the Tasmanian Mines Emergency Rescue Committee (TMERC) and commits to provide assistance through Mutual Aid to other member sites if this is ever requested.

Commitment to Social Responsibility

Grange continued with its commitment to social responsibility engaging with our stakeholders and communities to help us understand and respond to their interests and concerns. In addition to regular dialogue with neighbours and communities close to our operations, the Company continues to host and support the education sector through tours, school curriculum information, industry links, a graduate program as well as work opportunities at its operations.

Grange is actively involved in the community in which we operate and regularly support local events throughout the region with focus on local schools seeking help with student work skill development. Grange staff actively participated in the local school's student development programs including mock interviews, conducting site visits and the "careers on wheels" program.

2019 was also a year of increased assistance to Tasmanian schools by providing the opportunity for students from all over the state to have a week of work experience with us at both operational sites.

In 2019 our management and workers have actively participated in several WorkSafe Tasmania (WST) workshops, helping to share our Safety Management approach with other industry participants. Our interactions with WST have been positive and much appreciated by the inspectorate.

ENVIRONMENTAL

Legislative Approval

Grange obtained environmental and planning approval in 1996 and 1997 allowing it to operate under the Tasmanian Land Use Planning and Approvals Act 1993 (LUPA), the Tasmanian Environmental Management and Pollution Control Act 1994 (EMPCA), the Tasmanian Goldamere Pty Ltd (Agreement) Act 1996 (Goldamere Act) and the Tasmanian Mineral Resources Development Act 1995. This approval covers an expected mine and processing life using open-cut mining at Savage River, gangue removal and concentrating at Savage River and pelletising at Port Latta. During 2014 Grange received relevant approvals for the South Deposit Tailings Storage Facility. Grange obtained approval to construct an underground drive and a portal to allow exploration of the North pit ore body at depth in 2019 and is actively following up an approval to mine the ore using underground mining (NPUG). Late in 2019 Grange also obtained an approval to commence open pit mining of the Centre pit (CP) ore reserve and are actively seeking approval to continue mining this deposit.

Goldamere Act

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

Planning Approvals

Grange obtained planning approval subject to a series of environmental permit conditions on 29 January 1997. Planning approval was issued by the Waratah Wynyard Council for Savage River and by the Circular Head Council for Port Latta. The approvals were conditional on the provision of an Environmental Management Plan (EMP) incorporating a Rehabilitation Plan (ERP) prior to the commencement of operations. Various other studies were also required. Grange received planning approvals from the Waratah Wynyard Council for the South Deposit Tailings Storage Facility (SDTSF) during 2014, construction commenced in July 2014 and operation commenced in Q4 2018. Grange are actively working with and informing the Waratah Wynyard Council on all aspects of the NPUG project and the CP project.

Environmental Management Plans

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

Approvals are required from the Department of Primary Industries, Parks, Water and the Environment (DPIPWE) and relevant Councils for major infrastructure developments and operational expansions and changes. These approvals are in the form of approved EPN's and or amendments and reflect changing operational circumstances, an increasing knowledge base and include approvals designed to extend operations, amend management plans and provide for changes to waste rock dumping plans and any proposed treatment facilities. Such amendments are enacted by the issue of EPN's or Permit Conditions Environmental (PCE)'s.

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

EMP and ERP reviews are submitted on a 3-yearly basis. Revised EMPs reflect BPEM and current mine planning and focus on closure requirements and rehabilitation. The development of significant new projects such as a new pit will require additional planning approval and at a minimum an EMP amendment approval followed by issuance of an EPN from the EPA.

The Tasmanian EPA issued EPN 10006/1 enabling the construction of the Exploration Decline for the North Pit Underground Project in November 2018.

Goldamere Agreement

The Goldamere Agreement (which forms part of the Goldamere Act) provides a framework for Grange to repay the Tasmanian Government for the purchase of the mine through remediation works. A significant variation to the Goldamere Agreement was signed on 19th December 2014 which extends the Agreement until 24th December 2034. This variation also removed a significant number of redundant conditions. The amended Goldamere Agreement provides a framework for Grange to co-manage the Savage River Rehabilitation Project (SRRP) and carry out contracted works in lieu of paying the purchase price of the operation to the Government. The agreement also allows Grange to integrate its rehabilitation obligations with those of the State under the SRRP.

Savage River Rehabilitation Project ('SRRP')

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

A strategic plan outlining the works required to achieve the objective and repay Grange's purchase price debt has been approved by the Tasmanian Environmental Protection Authority and is being implemented by the SRRP Committee. This plan was updated in 2019 to reflect the long-term risks and Grange's latest mining plan.

Principal Environmental Issues

Waste Rock, Tailings and Water Management – Savage River

- Water, tailings and waste rock management at Savage River, including: development of waste rock dumps which exclude oxygen to minimise the formation of acid mine drainage and utilisation of these dumps to form seals on old waste rock dumps; subaqueous tailings deposition and maintenance of saturated tailings; providing a centralised water treatment system using a disused pit to eliminate turbidity from mine runoff. Appropriate management and monitoring systems are in place to ensure regulatory compliance in these areas.
- In 2013 Grange developed a Development and Environmental Management Plan (DPEMP) for the South Deposit Tails Storage Facility (SDTSF). Due to the size and nature of the tails storage facility, the proposal required assessment under LUPA (1993), the State EMPC Act (1994) and the Commonwealth EPBC Act (1999), as the proposal has the potential to impact on matters of national environmental significance (Tasmanian Devil and Spotted Quoll).
- The DPEMP was submitted to the Waratah-Wynyard Council in May 2013 for assessment, the DPEMP was publicly advertised through May and June with one submission received in relation to the development. A workshop in July with the Environmental Protection Authority (EPA) highlighted areas that needed further clarification. Toward the end of July the EPA formally requested a Supplementary submission, this submission provided an opportunity to address the issues raised in the public submission. Grange spent a number of months liaising with both the EPA and the Department of Environment in Canberra (DoE) addressing the Supplementary criteria. In early December 2013 the EPA and the DoE were satisfied that all the required information had been provided which allowed the approvals process to recommence.
- Grange received final council approval under LUPA (1993) on 24 March 2014 for the construction of the South Deposit Tailings Storage Facility. A Permit Conditions Environment (PCE) was issued, outlining the conditions that must be met during construction and operation of the dam.
- Grange received approval from the federal Environment Minister on 24 April 2014, due to the potential loss of habitat for the Tasmanian Devil and the Spotted Quoll, Grange is required to provide an offset for unavoidable impacts. This offset is in the form of a donation to the Save the Devil Program to a value of $160,000. Grange received further conditions from the federal approval under the EPBC Act (1999).
- Construction of the dam, including the downstream waste rock dump commenced in early July after a number of the approval conditions had been met. These included approvals of a Devil and Quoll Management Plan, a Waste Rock Management Plan and a Water Quality and Remediation Plan. Grange also fulfilled its requirements to establish training and induction packages for threatened species and instigated an EPBC species register for sightings and incidents involving EPBC listed species. The EPBC Register and other relevant documents are available on the Grange Resources Website. By December the waste rock dump was well established, and work was commencing on the consolidated section of the dam.
- The SDTSF incorporates the ability to mix and co-treat legacy acid rock drainage (ARD) from the Old Tailings Dam and B-Dump using the excess alkalinity in tailings should Grange and the Crown agree to do so. The potential transfer of the ARD seeps from the Old Tailings Dam will also improve the long-term integrity of the Main Creek Tails Dam (MCTD). The co-treatment of the ARD seeps within the SDTSF would improve water quality in Main Creek and the Savage River. Regardless of whether the ARD seeps are treated in the SDTSF, remediation of Main Creek will be further enhanced by the innovative design of the storage facility that will allow water to flow through alkaline rock prior to discharge downstream. The first stage involving the installation of pipework was completed in 2014, with the remaining OTD Collection Bund and associated intake and discharge works commenced in 2017. Final completion of the project occurred in 2019 however there is an ongoing monitoring period before final sign off by GDH.
- Grange requested a variation to conditions 1 and 11 of the EPBC approval of the SDTSF to allow for a slightly larger pit perimeter and other minor operational changes. These variations were approved on the 28th July 2015. No further offset was required for these variations.
- Grange progressed design and construction work for the Main Creek Tails Dam closure during 2018. It is expected that the closure process will take approximately two years.

Air Emissions Reduction Program – Port Latta

- Grange continued to work on quality and measurement systems to improve performance of the Port Latta operations especially with regard to air emissions. In particular, the focus is on the stable operation of furnaces.

Rehabilitation Plans

Grange continues to plan for closure and departure on completion of the mining plan. Principal issues in respect of closure include waste rock dump maintenance, tailings management, future use of infrastructure and a five-year monitoring and maintenance plan.

SOUTHDOWN MAGNETITE PROJECT

The Southdown Project ultimately aims to export 10 million tonnes per year of premium magnetite concentrate to Asian steel markets. The Southdown Joint Venture (SDJV) is a joint venture between Grange Resources Limited (70%) and SRT Australia Pty Ltd (SRTA) (30%). SRTA is jointly owned by Sojitz Corporation, a Japanese global trading company, and Kobe Steel, one of Japan's largest steel producers.

2019 Project Overview

- The Project continued on reduced expenditure while Grange seeks an equity partner for a strategic share in the Project.
- Existing tenure and approvals have been maintained.
- Project security has been enhanced by continuing to

build land tenure and access, including progressing negotiations with the State and landowners for access to key infrastructure areas.

- Progressed studies relating to project engineering and further environmental permitting, including:
    - o Progression of the commonwealth environmental approval for mine, desalination and pipelines.
    - o Groundwater modelling which confirmed deep water-bearing palaeo channels have some potential to contribute to construction water supply.
    - o Ongoing hydrogeological baseline studies.

Grange announced to the market on 29 November 2012 that it would significantly reduce expenditure on its 70% share of the Southdown Magnetite Project. Following this announcement, the Project's team size and scope of work was reduced.

Challenging global economic conditions have resulted in the search for an equity partner continuing throughout the year. The reduced Project Team has continued to work toward securing environmental approvals, and to build land tenure and access through negotiations with land holders and government agencies to enhance the ability of the Project to rapidly mobilise in the future.

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. This approach will be continued into 2019, and at least until Grange is able to secure an equity partner for a strategic share of the Company's interest in the project or until a valid alternate development model can be successfully formulated.

2020 Project Priorities

- Continue to investigate alternate development models which may see the Southdown Project move into construction and operation.
- Continue search for new equity partner to take a strategic share of the Company's interest in the Project.
- Maintain reduced expenditure.
- Maintain all tenements, permits and project assets in good order.
- Progress environmental approvals and permits.
- Grange has the in-house skills, systems, capability and discipline to deliver Southdown's potential when the time is right.

Project Overview

Geology

The Southdown magnetite deposit is a long, thin, near-surface, continuous ore body. It extends over 12 kilometres, with depths varying from 50 metres in the west to 480 metres in the east. The deposit has been drilled and evaluated since its initial discovery in 1983, including an extensive program of resource drilling during 2011 for the feasibility study.

Conventional Mining

Targeted concentrate production rates require a material movement in the mine of up to 132 Mt per annum by conventional drill, blast, load and haul mining methods. The final proposed pit is six kilometres long, one kilometre wide and about 370 metres deep. The mining operation will draw heavily on Grange's existing capability as Australia's most experienced commercial producer of magnetite concentrate, to assist with start-up and ongoing operations.

Ore Crushing and Concentration

The project plan envisages Southdown ore being processed to increase the iron content from around 25% to 69%. Extensive metallurgical test work including pilot plant trials have been conducted since 2004.

The process includes crushing, grinding, classification and magnetic separation. The concentrate is further upgraded using hydro separation to remove fine silica, and flotation to remove sulphur impurities.

Transporting the Concentrate Slurry 110 km to the Port

Final magnetite concentrate will be thickened and transported through a 110 km pipeline to the Port of Albany, where it will be filtered and stored for loading onto cape size ships. A second pipeline will return the filtered water back to the mine site so it can be used again in the process. Both pipelines will be buried.

Increasing Albany's Port Capacity

Subject to a decision to proceed, a concentrate export facility would be built on 7 hectares of reclaimed land at Albany Port, immediately east of the existing wood chip terminal site. The plan incorporates a filtration plant, storage shed, new berth and ship loading facility. Deepening and widening a 9.5 kilometre approach channel will enable 200,000 tonne cape size ships to use the port. Whilst minimal dust generation is expected because of the high moisture content of the concentrate, the shed will be fully enclosed, under negative pressure and fitted with dust extraction equipment.

The development would more than treble Albany's current port capacity from approximately 4 Mt per annum to 14 Mt per annum. The design has been developed in close consultation with the Southern Ports Authority, Port of Albany (formerly Albany Port Authority) and in line with the Public Environmental Review approved in November 2010.

A new source of water and power supply

The plan also envisages that a seawater desalination plant would be constructed 25 km from the mine to supply the plant with 11 GL per annum of water. Power for the mine site would be provided by a new 278 kilometre 330kv transmission line from Muja to Southdown, to be built by Western Power.

Operations Planning

The Southdown operation will be modelled on Grange's existing Savage River operation in Tasmania operating on a 24/7 basis for 365 days per year.

Construction Planning & Schedule

Subject to a decision to proceed, the project will engage an experienced construction management company to coordinate a series of fixed price contracts to minimise risk and the number of interfaces. The Southdown Joint Venture continues to work alongside the community, including traditional owners of the land, to ensure a safe and environmentally responsible project.

MINERAL RESOURCES AND ORE RESERVES – SOUTHDOWN PROJECT

Mineral Resources

The Mineral Resource estimate for the Southdown Project as at 31 December 2019 is as follows:

	As at December 2019	
	Tonnes (Mt)	**Grade %DTR (1)**
Measured	423.0	37.8
Indicated	86.8	38.7
Inferred	747.1	30.9
Total	1,256.9	33.7

(1) Davis Tube Recovery – a measure of recoverable magnetite

Mineral Resources are reported above a cut-off of 10% DTR

Ore Reserves

The current Ore Reserve for the Southdown Project as at 31 December 2018 is based on the pit design and mining schedule developed during the Feasibility Study and includes modifying metallurgical factors and plant recovery.

	ROM (Mt)	DTR* (%)
Proven	384.6	35.6
Probable	3.1	41.7
Total	387.7	35.6

An additional 24.4 Mt of Inferred Resources is included within the designed pit.

A detailed statement of the Mineral Resources and Ore Reserves can be found in the ASX announcement dated 28 February 2014. Grange confirms in reproducing the Mineral Resources and Ore Reserves in this subsequent report, that it is not aware of any new information or data that materially affects the information included, and all the material assumptions and technical parameters underpinning the estimates in this report continue to apply and have not materially changed. Grange confirms that all environmental approvals and tenure have been maintained in compliance and terms extended as required to retain currency.

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 2019 corporate governance statement was approved by the Board on 28 February 2020.

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 to 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.	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. 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.

GRANGE RESOURCES

AUSTRALIA'S MOST EXPERIENCED MAGNETITE PRODUCER

Grange Resources Limited
ABN 80 009 132 405
and Controlled Entities

FINANCIAL REPORT

For the Year Ended 31 December 2019

Contents

DIRECTORS' REPORT

The Directors present their report on the consolidated entity (the "Group") consisting of Grange Resources Limited ("Grange" or "the Company") and the entities it controlled at the end of, or during, the year ended 31 December 2019.

Directors

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

Michelle Li	Chairperson
Honglin Zhao	Executive Director
Daniel Tenardi	Non-Executive Director
Yan Jia	Non-Executive Director, Deputy Chairperson
Michael Dontschuk	Non-Executive Director
David Woodall	Non-Executive Director – appointed 1 March 2019

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 has more than 30 years of international mining experience, including senior executive roles with mining companies such as Citic Pacific, Rio Tinto and Iluka Resources.

Dr Li has a PhD from the University of Queensland and is 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.

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.

David Woodall, MSc, BSc, GAICD

Mr. Woodall is a mining engineer with over 30 years' experience in operations, project development and evaluations in the mineral resources industry including gold, copper, iron ore, and nickel. He has had senior management, corporate and operational positions in large scale open pit, large and small-scale underground operations in Canada, Australia, USA, Fiji, Africa, Central Asia and China.

Mr Woodall is CEO at Superior Lake Resources Limited, and previous roles included Executive General Manager International Operations for Newcrest and Director Operations for FMG.

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.

Dividends

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

	2019 $'000	2018 $'000
Fully franked interim dividend for half year ended 30 June 2019 - 1.0 cents per share	11,574	-
Fully franked final dividend for the year ended 31 December 2018 - 1.0 cents per share	11,574	-
Fully franked interim dividend for half year ended 30 June 2018 - 1.0 cents per share	-	11,574
Fully franked final dividend for the year ended 31 December 2017	-	11,574
Total dividends paid	**23,148**	**23,148**

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 2019. The final dividend was declared NIL conduit foreign income and will be paid on 30 March 2020.

OPERATING AND FINANCIAL REVIEW

Key Highlights

MINING OPERATIONS

- Achieved a major milestone of over 1000 days Lost Time Injury Free.
- Revised full year production target achieved despite high rainfall and wall instability during the latter part of the prior year impacting mine production in the first half of this year.
- Waste stripping on the west wall of North Pit providing access into the main ore zone, with ore stockpiles replenished and providing increased head grade of ore to the concentrator.
- Delivered profit after tax of $77.3 million (2018: profit after tax of $112.9 million), on revenues from mining operations of $368.6 million (2018: $368.2 million).
- Grange's high quality, low impurity iron ore products attracted a high premium with average product prices of $158.33 per tonne (2018: $149.76) (FOB Port Latta).
  - o Total iron ore product sales of 2.19 million tonnes (2018: 2.37 million tonnes).
  - o Weaker AUD:USD exchange rates have supported the AUD revenues.
  - o Continued focus on selling cargoes to targeted customers and balancing opportunities in the spot market.
- Unit C1 cash operating costs of $114.26 per tonne (2018: $98.10), increased largely due to:
  - o Decrease in concentrate production. This was due to low head grade of ore mined in the first half of the year as the west wall cutback was advanced to the main ore zone.
  - o Increased opportune maintenance works performed in the processing plant.
  - o Increased electricity price.

Cash and cash equivalents position at $142.1 million (2018: $204.5 million), decreased largely due to increase in capital expenditures and income tax paid.

PROPERTY DEVELOPMENT

- Grange ROC Property has completed construction of the first project, Lumley Park, and successfully obtained the Certificate for occupancy. This marks a significant milestone for the property joint venture. 4 of the 5 units have been sold.
- Construction at Carter Toorak is progressing well with full completion to be achieved in the first quarter of 2020. 3 of the 8 units have been sold and the focus for the coming months is to sell the remaining units.
- Development approval was successfully achieved for the Brookville project. The JV is seeking a buyer for the property and anticipate the sale to be made in the year.

SAFETY PERFORMANCE

A focus on safety has been maintained across the business with over 1000 days Lost Time Injury Free achieved.

Key revenue metrics for the year ended 31 December 2019 and the preceding 2018 year were as follows:

	2019	2018
Iron Ore Pellet Sales (dmt)	2,096,673	2,258,487
Iron Ore Concentrate Sales (dmt)	122	10,042
Iron Ore Chip Sales (dmt)	95,291	105,151
Total Iron Ore Product Sales (dmt)	2,192,086	2,373,680
Average Realised Product Price (US$/t FOB Port Latta)	109.95	111.92
Average Realised Exchange Rate (AUD:USD)	0.6944	0.7473
Average Realised Product Price (A$/t FOB Port Latta)	158.33	149.76

Total sales for the year ended 31 December 2019 was 2.19 million tonnes of high quality, low impurity iron ore products (2018: 2.37 million tonnes) and reflects sustained production from maintaining access to high grade ore.

The average iron ore product price received during the year was $158.33 per tonne of product sold (FOB Port Latta) (2018: $149.76 per tonne). The increase compared to prior year was supported by lower AUD:USD exchange rates.

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 35.7% of total sales for 2019 (2018: 40.6%).

Key operating metrics for the year ended 31 December 2019 and the preceding 2018 year were as follows:

	2019	2018
Total BCM Mined	14,462,931	14,730,697
Total Ore BCM	2,108,370	1,050,067
Concentrate Produced (t)	2,117,053	2,275,718
Weight Recovery (%)	39.7	53.2
Pellets Produced (t)	2,055,043	2,185,627
Pellet Stockpile (t)	147,721	189,351
'C1' Operating Cost (A$/t Product Produced)[1]	114.26	98.10

(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 the main ore zone in the lower parts of the North Pit was completed early in the year. Whilst, heavy rainfall and wall instability during the latter part of the prior year impacted the remediation and mining of the narrow stage on the east wall, development of the west wall of North Pit was the main focus for much of the first half of this year. Successful access to the main ore zone on the west wall was achieved in Q3. Consequently, head grade was significantly increased and presented higher grade ore to replenish the stockpiles and concentrator.

The planned common equipment shut and opportune maintenance projects were brought forward to align mill downtime.

The concentrate and pellet plants delivered at high production levels throughout the latter part of 2019. Production rates were impacted in the first half of the year due to heavy rainfall and wall instability impacting ore supply. The scheduled and opportune maintenance activities at the pellet plant were completed safely and efficiently.

North Pit Underground Development Project

The preliminary feasibility study is progressing well. Phase 3 drilling program from the exploration decline continued in Q4. These diamond holes are being drilled directly from the Exploration Decline through the fault zone and into the main ore zone to provide detailed geotechnical information and improve confidence in the orebody at depth. Further feasibility studies continued on ventilation, infrastructure, numerical modelling, production schedules and structural geology.

The Exploration Decline is progressing to plan, with the face position in 1,195-metres as at the end of December. The Phase 3 drilling program is progressing well with 6 holes completed and 2 in progress for an advance of over 5,390-metres. The second rig was mobilized to site in Q4 to accelerate the drilling activity.

Centre Pit Feasibility Study

The feasibility study for Centre Pit was completed in Q4. Interim environmental approval was achieved for the first stage of stripping, which commenced in Q4. Final environmental approvals are under review and will be sought in Q1, 2020 to support the release of the feasibility study.

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 2019, 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 2020, as we formulate a valid alternate development model and seek to secure equity partners for a strategic share of the Company's interest in the project.

Financial Position

Grange's net assets increased during the year to $ 532.1 million (31 December 2018: $477.8 million) principally as a result of the following:

A profit after tax of $77.3 million;

A final 2019 dividend payment of $11.6 million

An interim 2019 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 $55.7 million (2018: inflows $167.4 million) and reflect higher iron ore product sales and an increase in unit operating costs.

Net cash flows from investing activities

Net cash outflows from investing activities for the period were $93.6 million (2018: outflows $110.1 million) and principally related to expenditures for mine properties and development $51.0 million and property, plant and equipment $42.2 million.

Net cash flows from financing activities

Net cash outflows from financing activities for the period were $25.6 million (2018 outflow: $27.6 million) and principally related to the payment of 2018 final dividend ($11.6 million) and 2019 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 2019. 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

In February 2020, the last apartment unit for the Lumley Court project of the property JV was sold. With the Lumley Court project fully constructed and all projects sold, this marks the successful completion of the first project by the property JV.

There were no other matters or circumstances arising since 31 December 2019 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
- Optimising the mine design for 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

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 within the course of normal operations. These conditions and regulations cover the management of the storage of hazardous materials and rehabilitation of mine sites.

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

Savage River and Port Latta Operations

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

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

Southdown Joint Venture

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

Mount Windsor Joint Venture

The Group is a junior partner (30%) in the Mt Windsor project in North Queensland which is now being rehabilitated for future lease relinquishment. 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 P*roduction of Magnetite Concentrate* in the moderately emissions-intensive category.

Approach to Climate Change

Grange acknowledges that, though iron ore is fundamental to a sustainable future, our industry must anticipate and address the risks and opportunities that climate change will bring. The Group is continuing to monitor the implications of potential risks of regulatory changes, reduction in demand for our product, increased energy prices and physical risks associated with climate change and to formulate a strategy to mitigate against these potential risks.

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 2019, and the numbers of meetings attended by each Director were:

			Meetings of Committees			
	Directors' meetings		Audit		Remuneration	
Name	A	B	A	B	A	B
M Li	9	9	7	7	4	4
Y Jia	8	9			4	4
D Tenardi	9	9	7	7	4	4
H Zhao	9	9				
M Dontschuk	9	9	7	7		
D Woodall	8	8				

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 2019

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	13,000	-	-
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 554,762,656 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 554,762,656 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

David Woodall

Executive Directors	Position
Honglin Zhao	Executive Director Chief Executive Officer

Other key management personnel	Position
Steven Phan	Chief Financial Officer
Ben Maynard	General Manager Operations

ii) Remuneration governance

The Board has an established Remuneration and Nomination Committee to assist in overseeing the development of policies and practices which 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;

- 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.

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 3 year deferred cash incentive scheme with immediate effect from 1 January 2019.

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 performance hurdles and subject to ongoing employment with Grange. The deferred cash component is determined by measuring the Company's progress made on:

- Development of mineral assets (weighting 35%)
- Mine development (weighting 20%)
- Downstream process improvement (weighting 15%)
- Financial returns (weighting 20%)
- Safety and sustainability (weighting 10%)

The deferred cash component is determined based on the Company's performance for the year ended 31 December, with 33.3% payable on 31 December the first following year, 33.3% payable on 31 December the second following year, and the balance payable on the following 31 December (i.e. 3 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. The Company did not issue any Rights to employees in the 12 months ended 31 December 2019.

iv) Relationship between remuneration and Grange Resources performance

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

		2015	2016	2017	2018	2019
Revenue from mining operations	$ million	205.6	276.3	247.9	368.2	368.6
Net profit/(loss) after tax	$ million	(277.8)	92.9	60.71	112.94	77.3
Basic earnings per share	Cents	(24.00)	8.03	5.25	9.79	6.71
Dividend declared	$ million	-	11.6	11.6	23.1	23.1
Share price (last trade day of financial year)	Cents	9.0	14.0	21.5	20.0	25.0

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.

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 2019

	Short-term employee benefits			Post employment benefits	Long-term benefits		Long term incentive (LTI)		
	Salary & fees	Non-monetary benefits	Short term incentive (STI) (1)	Super-annuation	Long service leave	Termination benefits	Cash (1)	Rights (1)	Total
Non-executive Directors	**$**	**$**	**$**	**$**	**$**	**$**		**$**	**$**
M Li	155,255	-	-	14,748	-	-	-	-	170,003
Y Jia	99,503	-	-	-	-	-	-	-	99,503
D Tenardi	97,946	-	-	9,303	-	-	-	-	107,249
M Dontschuk	88,357	-	-	8,397	-	-	-	-	96,754
D Woodall	61,649	-	-	5,859	-	-	-	-	67,508
Sub-total Non-Executive Directors	**502,710**	**-**	**-**	**38,307**	**-**	**-**	**-**	**-**	**541,017**
Executive Directors									
H Zhao	511,813	156,967	102,288	48,624	27,773	-	60,219	-	907,684
Other Key Management Personnel									
S Phan	330,829	-	37,082	31,427	11,445	-	32,535	-	443,318
B Maynard	375,204	-	60,676	35,644	16,643	-	36,062	-	524,229
Sub-total Key Management Personnel	**1,217,846**	**156,967**	**200,046**	**115,695**	**55,861**	**-**	**128,816**	**-**	**1,875,231**
TOTAL	**1,720,556**	**156,967**	**200,046**	**154,002**	**55,861**	**-**	**128,816**	**-**	**2,416,248**

(1) Represents short term and long-term incentive payments for the year ended 31 December 2018 and 2017 granted in February 2019 and 2018, 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 2: Remuneration for the year ended 31 December 2018

	Short-term employee benefits			Post employment benefits	Long-term benefits		Long term incentive (LTI)		
	Salary & fees	Non-monetary benefits	Short term incentive (STI) (3)	Super-annuation	Long service leave	Termination benefits	Cash (1)	Rights (1)	Total
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 Dontschuk	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.

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:

	Fixed Remuneration		At Risk - STI		At Risk - LTI	
Name	**Dec-19**	**Dec-18**	**Dec-19**	**Dec-18**	**Dec-19**	**Dec-18**
Executive Directors						
H Zhao	78%	76%	14%	14%	8%	10%
Other Key Management Personnel						
S Phan	84%	82%	9%	8%	7%	10%
B Maynard	81%	79%	12%	12%	7%	9%

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 2019 STI program had been approved:

	2019 STI Program		
Name	**Maximum possible incentive award**	**Awarded**	**Amount awarded**
Executive Directors			
H Zhao	$112,086	88.57%	$99,268(1)
Other Key Management Personnel			
S Phan	$65,205	93.07%	$60,683(1)
B Maynard	$73,951	93.07%	$68,822(1)

(1) Inclusive of superannuation.

Long term incentive

a) Deferred Cash

At the date of this report, the performance for the 2019 LTI program had been approved.

	2019 LTI Program		
Name	**Maximum possible incentive award**	**Awarded**	**Amount awarded**
Executive Directors			
H Zhao	$84,065	95.54%	$80,315(1)
Other Key Management Personnel			
S Phan	$43,470	95.54%	$41,531(1)
B Maynard	$49,301	95.54%	$47,101(1)

(1) Inclusive of superannuation.

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 2019 and 2018.

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 2019

	Balance 1 January 2019	On vesting of rights	On market purchases	On market disposals	Other	Balance 31 December 2019
Directors of Grange Resources Limited						
M Li	13,507	-	-	-	-	13,507
M Dontschuk	41,500	-	-	28,500	-	13,000
Other Key Management Personnel						
B Maynard	68,121	-	-	-	-	68,121

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 Donstchuk	-	-	41,500	-	-	41,500
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 2018: 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 2020, Shagang holds 47.93% (28 February 2019: 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.

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

	2019	2018
Sales of iron ore products		
Pellets	**131,598,839**	**149,342,457**

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

	2019	2018
Trade receivables (sales of iron ore products)		
Pellets	2,869,107	(2,772,327)
Others	2,062	-
	2,871,169	**(2,772,327)**

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.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

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.*

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:

	2019 $'000	2018 $'000
Assurance services		
PwC Australia		
Audit and review of financial reports	302	291
Other assurance services	43	42
Network firms of PwC Australia	20	23
Total assurance services	**365**	**356**
Non-assurance services		
PwC Australia		
Other consulting services	-	13
Taxation compliance services	5	5
Total remuneration paid	**370**	**374**

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.

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 35.

Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, 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 2020

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Auditor's Independence Declaration

As lead auditor for the audit of Grange Resources Limited for the year ended 31 December 2019, 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.

Amanda Campbell
Partner
PricewaterhouseCoopers

Melbourne
28 February 2020

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STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTES	2019 $'000	2018 $'000
Consolidated			
Revenues from mining operations	4, 5	368,601	368,204
Cost of sales	6	(286,072)	(238,938)
Gross profit from mining operations		**82,529**	**129,266**
Administration expenses	7	(5,949)	(5,177)
Operating profit before other income		**76,580**	**124,089**
Exploration and evaluation expenditure		(1,235)	(822)
Other income	8	174	281
Operating profit before finance costs		**75,519**	**123,548**
Finance income	9	7,991	13,648
Finance expenses	9	(1,884)	(1,868)
Profit before tax		**81,626**	**135,328**
Income tax expense	10	(4,292)	(22,390)
Profit for the year		**77,334**	**112,938**
Total comprehensive income for the year		**77,334**	**112,938**
Total comprehensive income/(loss) for the period attributable to:			
- Equity holders of Grange Resources Limited		77,661	113,325
- Non Controlling Interests		(327)	(387)
		77,334	**112,938**
Earnings per share for profit attributable to the ordinary equity holders of Grange Resources Limited			
Basic earnings per share (cents per share)	36	**6.71**	**9.79**
Diluted earnings per share (cents per share)	36	**6.71**	**9.79**

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

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

Consolidated	NOTES	31 December 2019 $'000	31 December 2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents	2, 11	142,143	204,497
Trade and other receivables	12	58,809	31,715
Inventories	13	119,801	60,730
Other financial assets	2	18,839	19,734
Total current assets		**339,592**	**316,676**
Non-current assets			
Non-current receivables	14	8,470	8,654
Non-current inventories	15	-	222
Property, plant and equipment	16	97,756	77,345
Right of Use Assets	17	2,883	-
Mine properties and development	18	206,321	193,302
Deferred tax assets	19	32,855	12,416
Total non-current assets		**348,285**	**291,939**
Total assets		**687,877**	**608,615**
LIABILITIES			
Current liabilities			
Trade and other payables	2, 20	51,258	45,116
Borrowings	2, 21	16,755	7,126
Provisions	22	23,693	20,168
Total current liabilities		**91,706**	**72,410**
Non-current liabilities			
Borrowings	23	-	611
Provisions	24	64,118	57,764
Total non-current liabilities		**64,118**	**58,375**
Total liabilities		**155,824**	**130,785**
Net assets		**532,053**	**477,830**
EQUITY			
Contributed equity	25	331,513	331,513
Retained earnings	26	200,716	146,243
Capital and reserves attributable to owners of Grange Resources Limited		532,229	477,756
Non-Controlling Interests	28	(176)	74
Total equity		**532,053**	**477,830**

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTES	Contributed equity $'000	Non-Controlling Interests $'000	Retained earnings $'000	TOTAL $'000
Balance at 1 January 2019		**331,513**	**74**	**146,243**	**477,830**
Change in Accounting Policy (note 17)				(40)	(40)
Restated Opening Equity at 1 January 2019		**331,513**	**74**	**146,203**	**477,790**
Profit for the period attributable to owners of Grange Resources Limited		-	-	77,661	77,661
Loss attributable to non-controlling interests		-	(327)	-	(327)
Total comprehensive profit/(loss) for the year		**-**	(327)	77,661	77,334
Transactions with owners in their capacity as owners					
Dividends paid	27	-	-	(23,148)	**(23,148)**
Non-controlling interest					
Contributed equity	28	-	77	-	**77**
			77	**(23,148)**	**(23,071)**
Balance at 31 December 2019		**331,513**	**(176)**	**200,716**	**532,053**
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 profit/(loss) for the year		-	(387)	113,325	**112,938**
Transactions with owners in their capacity as owners					
Dividends paid	27	-	-	(23,148)	**(23,148)**
Non-controlling interest					
Contributed equity	28	-	461	-	**461**
			461	(23,148)	**(22,687)**
Balance at 31 December 2018		**331,513**	**74**	**146,243**	**477,830**

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

Consolidated	NOTES	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers and other debtors (inclusive of goods and services tax)		359,299	376,960
Payments to suppliers and employees (inclusive of goods and services tax)		(276,845)	(207,728)
		82,454	**169,232**
Interest received		7,405	6,508
Interest paid		(38)	(226)
Income taxes paid		(34,085)	(8,132)
Net cash inflow from operating activities	35	**55,736**	**167,382**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	2
Payments for property, plant and equipment	16	(42,214)	(35,297)
Payments for mine properties and development	18	(50,974)	(54,779)
Payments to managed funds		10,163	-
Proceeds from managed funds		(10,000)	(20,000)
(Payments) proceeds for term deposits		(537)	(25)
Net cash outflow from investing activities		**(93,562)**	**(110,099)**
Cash flows from financing activities			
Increase in loan receivable		(12,881)	(11,395)
Proceeds from borrowings		10,816	6,433
Dividends paid to shareholders	27	(23,148)	(23,148)
Lease Payments		(446)	-
Contributed equity - non-controlling interests		77	461
Net cash outflow from financing activities		**(25,582)**	**(27,649)**
Net increase in cash and cash equivalents		**(63,408)**	**29,634**
Cash and cash equivalents at beginning of the year		204,497	167,989
Net foreign exchange differences		1,054	6,874
Cash and cash equivalents at end of the year	**11**	**142,143**	**204,497**

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Grange Resources Limited is a for-profit entity for the purpose of preparing the financial statements.

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 2019:

- AASB 16 Leases

The group changed its accounting policies as a result of adopting AASB 16. The group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in note 17. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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 2019 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 33.

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

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

(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 34.

(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.

(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.

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 transactions 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.

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.

Sale of apartments

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 requires 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.

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

As explained in note 1(a) above, the group changed its accounting policy for leases where the group is a lessee. The new policy is described and its impact is in note 17.

(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.

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.

(l) Income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the 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

(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.

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.

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.

(s) Investments and other financial assets

(i) Classification

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.
- 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

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.

(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.

(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.

Changes in cost of goods or services required for restoration activity as a result of future changes to the legal and regulatory framework, for example, surrounding climate change, may result in future actual expenditure differing from the amounts currently provided.

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.

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.

(aa) 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.

(ab) 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.

(ac) 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.

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.

(ad) 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:

	2019 $'000	2018 $'000
Financial Assets		
Cash and cash equivalents	142,143	204,497
Short Term Managed Funds	19,783	19,988
Trade and other receivables	66,088	36,566
Derivative financial instruments	(944)	(254)
	227,070	**260,797**
Financial Liabilities		
Trade and other payables	51,258	45,116
Borrowings	16,755	7,738
	68,013	**52,854**

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

	2019 $'000	2018 $'000
Short Term Managed Funds		
Units in unlisted securities	19,783	19,988
Carrying amount at the end of the year	**19,783**	**19,988**
Balance at the beginning of the year	19,988	-
Movement in Short Term Managed Funds	(205)	19,988
Carrying amount at the end of the year	**19,783**	**19,988**

Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	2019 $'000	2018 $'000
Cash and cash equivalents	142,143	204,497
Liquid investments	19,783	19,988
Borrowings - repayable within one year	(16,755)	(7,126)
Borrowings - repayable after one year	-	(611)
Net (debt)/asset	**145,171**	**216,748**
Cash and liquid investments	161,926	224,485
Gross debt - fixed interest rates	(16,755)	(7,737)
Net (debt)/asset	**145,171**	**216,748**

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:

	2019 $'000	2018 $'000
Current Assets		
Short Term Managed Funds	19,783	19,988
Derivative financial instruments	(944)	(254)
	18,839	**19,734**

Amounts recognised in profit or loss

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

	2019 $'000	2018 $'000
Fair value gain(loss) on short term managed funds held at FVPL recognised in Gain/(loss) on financial instruments	(43)	(12)
Fair value gain(loss) on derivative financial instruments at FVPL recognised in Gain/(loss) on financial instruments	(690)	(320)
	(733)	**(332)**

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:

	2019 $'000	2018 $'000
Cash and cash equivalents	43,104	65,431
Trade and other receivables	29,848	17,645
Trade and other payables	(73)	(66)
Net US dollar surplus	**72,879**	**83,010**

Group sensitivity

Based on the financial instruments held at 31 December 2019, 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 $4.6 million higher / $5.7 million lower (2018: $5.3 million higher / $6.4 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.

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 2019, there are $1.54m in trade receivables (2018 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.

2019 - Consolidated	Less than 6 months $'000	6-12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount liabilities $'000
Non-derivatives							
Trade and other payables	51,258	-	-	-	-	51,258	51,258
Borrowings	-	16,755	-	-	-	16,755	16,755
Lease liabilities	486	968	1,302	460		3,216	2,923
Total non-derivatives	**51,744**	**17,723**	**1,302**	**460**	**-**	**71,229**	**70,936**

2018 - Consolidated	Less than 6 months $'000	6-12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount liabilities $'000
Non-derivatives							
Trade and other payables	45,116	-	-	-	-	45,116	45,116
Borrowings	1,349	6,184	739	-	-	8,272	7,738
Total non-derivatives	**46,465**	**6,184**	**739**	**-**	**-**	**53,388**	**52,854**

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 2019 and 31 December 2018.

2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial Assets				
Short Term Managed Funds	202	17,272	2,309	19,783
Derivative financial instruments	-	(944)	-	(944)
Total Financial Assets	**202**	**16,328**	**2,309**	**18,839**

2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'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**

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 2019 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.

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 29.

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.

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.

Segment information	Ore Mining 2019 $'000	Ore Mining 2018 $'000	Property Development 2019 $'000	Property Development 2018 $'000
Revenue from external customers	368,601	368,204	-	-
Timing of revenue recognition				
At a point in time - Pellets	347,068	355,473	-	-
Over time - Freight	21,533	12,731	-	-

	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Total Assets	634,851	590,462	53,025	18,153
Total Liabilites	136,789	124,946	19,035	5,839

The Group holds 51% ownership of the property development segment and is fully consolidated (refer to note 28).

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

	2019 $'000	2018 $'000
Australia	24,704	47,493
China	313,738	224,179
Japan	-	11,876
Korea	30,159	46,506
Malaysia	-	22,914
Philippines	-	15,236
TOTAL	**368,601**	**368,204**

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 2019 and 31 December 2018. The total costs incurred during the current and comparative periods to acquire segment assets were also predominately incurred in Australia.

NOTE 5. REVENUE

Disaggregation of revenue from contracts with customers

	2019			2018		
	Revenue from Contracts with Customers $'000	Other Revenue (Loss) $'000	Cons. Revenues $'000	Revenue from Contracts with Customers $'000	Consolidated Revenues $'000	Cons. Revenues $'000
From mining operations						
Sales of iron ore products	366,875	1,726	368,601	370,596	(2,392)	368,204
	366,875	**1,726**	**368,601**	**370,596**	**(2,392)**	**368,204**

Revenue from contracts with provisional pricing is recognised based on the estimated forward prices where available which the Group expects to receive at the end of the quotation period. Where an estimated forward price is not available, spot prices are applied as management's best estimate of the provisional prices. 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

	2019 $'000	2018 $'000
Mining costs	133,656	123,530
Production costs	107,960	99,802
Changes in inventories	(32,443)	12,658
Mining & production costs	**209,173**	**235,990**
Freight costs	21,533	12,731
Government royalties	9,511	3,379
Depreciation and amortisation expense	21,991	7,725
Mine properties and development		
- Capitalised	(14,525)	-
- Amortisation expense	6,659	1,230
Deferred stripping		
- Amounts capitalised during the year	(3,989)	(45,728)
- Amortisation expense	35,832	24,865
Foreign exchange gain	(113)	(1,254)
	286,072	**238,938**
Depreciation and amortisation		
Land and buildings	480	231
Plant and equipment	21,221	7,368
Computer equipment	290	126
	21,991	**7,725**

NOTE 7. ADMINISTRATIVE EXPENSES

	2019 $'000	2018 $'000
Salaries	3,412	3,096
Consultancy fees	1,334	749
Provision for rehabilitation - Interest in joint operation	370	282
Other	833	1,050
	5,949	**5,177**

NOTE 8. OTHER INCOME (EXPENSES)

	2019 $'000	2018 $'000
Rent income	236	137
Other income	28	675
Net loss on the disposal of property, plant and equipment	(90)	(531)
	174	**281**

NOTE 9. FINANCE INCOME (EXPENSES)

	2019 $'000	2018 $'000
Finance Income		
Interest income received or receivable	5,978	6,461
Exchange gains on foreign currency deposits / borrowings (net)	1,054	6,874
Distribution Income	959	313
	7,991	**13,648**
Finance expenses		
Loss on financial instruments	(733)	(332)
Interest charge on lease liabilities	(156)	(238)
Provisions: unwinding of discount - Decommissioning and restoration	(995)	(1,298)
	(1,884)	**(1,868)**

NOTE 10. INCOME TAX BENEFIT (EXPENSE)

	2019 $'000	2018 $'000
(a) Income tax expense (benefit)		
Current tax	29,036	27,926
Previously unrecognised tax losses now recouped to reduce current tax expense	(4,869)	-
Deferred tax	(19,875)	(5,536)
	4,292	**22,390**
Deferred income tax included in income tax expense (benefit) comprises:		
(Increase) / decrease in deferred tax assets	(19,875)	(5,536)
	(19,875)	**(5,536)**
(b) Numerical reconciliation of income tax (benefit) / expense to prima facie tax payable		
Profit from continuing operations before income tax (benefit) / expense	81,626	135,328
Tax expense (credit) at the Australian tax rate of 30% (2018: 30%)	24,488	40,598
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Sundry items	280	183
	24,768	**40,781**
Movement in unrecognised deferred tax assets relating to temporary differences	(15,386)	(17,051)
Previously unrecognised tax losses now recouped to reduce current tax expense	(4,869)	-
Adjustments to tax of prior period	(221)	(1,340)
Income tax expense	**4,292**	**22,390**
(c) Taxation Losses		
Unused taxation losses for which no deferred tax asset has been recognised	-	54,104
Potential tax benefit @ 30%	**-**	**16,231**
(d) Unrecognised temporary differences		
Temporary difference for which deferred tax assets not recognised	192,897	244,179
Potential tax benefit @ 30%	**57,869**	**73,254**
Unrecognised deferred tax assets relating to above temporary differences	**57,869**	**73,254**

The ATO has agreed to allow a deduction of $16.2 million (tax-effected $4.87 million) relating to the Group's carried forward losses of $54.1 million incurred prior to 2 January 2009. The Group will no longer be entitled to claim any further deduction in relation to these tax losses incurred prior to 2009, and therefore ceases to disclose the respective tax losses in note 10(c) of the 2019 annual report.

NOTE 11. CASH AND CASH EQUIVALENTS

	2019 $'000	2018 $'000
Cash at bank and in hand	6,435	7,664
Short-term deposits	135,708	196,833
	142,143	**204,497**
Cash at bank and in hand as per statement of cash flows	142,143	204,497
	142,143	**204,497**

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 2019 the weighted average interest rate on the Australian dollar accounts was 1.69% (31 December 2018: 2.52%) and the weighted average interest rate on the United States dollar accounts was 3.53% (31 December 2018: 4.16%).

a) Risk exposure

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

NOTE 12. TRADE AND OTHER RECEIVABLES

	2019 $'000	2018 $'000
Trade receivables	30,469	18,220
Security deposits	364	362
Loan receivable	16,913	5,372
Other receivables	9,870	3,958
Prepayments	1,193	3,803
	58,809	**31,715**

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 $16.9 million, representing the other partner's portion of the shareholder loans. This loan is secured, carries an annual interest of 7% to 12% 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.

NOTE 13. INVENTORIES

	2019 $'000	2018 $'000
Stores and spares	29,117	24,219
Ore stockpiles	40,476	7,327
Work in progress	508	378
Finished goods (at lower of cost and net realisable value)	17,322	18,159
Development work in progress	32,378	10,647
	119,801	**60,730**

Inventories are valued at the lower of weighted average cost and estimated net realisable value. A credit of $32.44 million in 2019 and an expense of $12.66 million in 2018 were recognised for the movements in 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

	2019 $'000	2018 $'000
Loan Receivables	-	611
Security deposits	8,470	8,043
	8,470	**8,654**

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

	2019 $'000	2018 $'000
Development work in progress	-	222
	-	**222**

In 2018, non-current development work in progress pertained to property acquired for development and sale where completion of development and sale of this property was not expected to occur within the next 12 months.

NOTE 16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings $'000	Plant and equipment $'000	Computer equipment $'000	Total $'000
At 1 January 2019				
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**
Year ended 31 December 2019				
Opening net book amount	8,296	68,652	397	77,345
Additions	3,910	37,572	732	42,214
Disposals - net book value	-	(90)	-	(90)
Depreciation charge	(481)	(20,928)	(304)	(21,713)
Closing net book amount	**11,725**	**85,206**	**825**	**97,756**
At 31 December 2019				
Cost	49,818	434,387	9,085	493,290
Accumulated depreciation and impairment	(38,093)	(349,181)	(8,260)	(395,534)
Net book amount	**11,725**	**85,206**	**825**	**97,756**
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**

a) Assets under construction

The carrying amounts of the assets disclosed above includes expenditure of $23.78 million (2018: $27.66 million) recognised in relation to property, plant and equipment which is in the course of construction.

NOTE 17. LEASES

The Group has adopted AASB 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

(a) Adjustments recognised on adoption of AASB 16

On adoption of AASB 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AABS 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.16%.

i) Practical expedients applied

In applying AASB 16 for the first time, the group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- Reliance on previous assessments on whether leases are onerous
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- Excluding initial direct costs for the measurement of the right of-use asset at the date of initial application, and
- The use of hindsight in determining the lease term where the contract contains operations to extend or terminate the lease.

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease.*

Reconciliation of lease commitments under non-cancellable operating lease disclosed at 31 December 2018 and lease liability recognised on 1 January 2019 upon applying AASB 16:

	2019 $'000
Operating lease commitments disclosed as at 31 December 2018	545
Discounted using the lessee's incremental borrowing rate of at the date of initial application	476
(Less): short-term leases not recognised as a liability	(61)
Add/(less): adjustments as a result of a different treatment of extension and termination options	145
Lease liability recognised as at 1 January 2019	**560**
of which are:	
Current lease liabilities	(90)
Non-current lease liabilities	(470)
Total lease liabilities	**(560)**

The recognised right-of-use assets relate to the following type of assets

	Land and buildings $'000	Plant and equipment $'000	Total $'000
As at 1 January 2019			
Cost	597	146	743
Accumulated depreciation	(118)	(105)	(223)
Net book amount	**479**	**41**	**520**
Year ended 31 December 2019			
Opening net book amount	479	41	520
Additions	-	2,769	2,769
Disposals - net book value	-	(19)	(19)
Depreciation charge	(75)	(312)	(387)
Closing net book amount	**404**	**2,479**	**2,883**

The change in accounting policy affected the following items in the balance sheet on 1 January 2019.

- Right-of-use asset – increase by $742,833
- Lease liabilities – increase by $560,481
- Accumulated depreciation – increase by $222,651

The net impact on retained earnings on 1 January 2019 was a decrease of $40,299.

(b) The group's leasing activities and how these are accounted for

The group leases office spaces, mobile radars, forklifts, and motor vehicles with lease terms between 3 to 8 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period as to produce a constant periodic rate of interest on the remaining balance of the liability for each period – refer to Note 9. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease payments included in the measure of the lease liability comprise:

- fixed payments less any lease incentives
- variable lease payments that are based on an index or rate
- amounts expected to be payable under residual value guarantees
- purchase option exercise price where lessee is reasonably certain to exercise
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option
- penalties for termination of lease

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of a similar value in a similar economic environmental with similar terms and conditions.

The Group presents lease liabilities in 'Provisions' (Note 22 and 24) in the statement of financial position.

Right-of-use assets are initially measured at cost comprising of the following:

- the amount of the initial measurement of the lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and an
- restoration costs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of less than 12 months and leases of low-value assets. The Group recognises lease payments associated with these types of leases as an expense in the profit or loss.

(i) Extension options

Options for a new lease are stipulated in the office space and mobile radars lease and are only exercisable by the Group, not the lessor. Exercising the option will contain similar terms as the initial lease. In determining the lease term under AASB 16, management considers all facts and circumstances that create an economic incentive to exercise the extension option or not exercise a termination option. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in the circumstances within its control.

As it is reasonably certain that the Group will exercise the extension option for the office space lease, additional future cash outflows of $403,180 have been included in the calculation of the lease liability with a corresponding adjustment to the right-of-use asset.

(ii) Variable lease payments

The group is exposed to potential future increases in variable lease payments based on an index or rate. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right of use asset. The forklift hire lease contains variable lease payments that are subject to CPI adjustments, effective on an annual basis.

NOTE 18. MINE PROPERTIES AND DEVELOPMENT

	2019 $'000	2018 $'000
Mine properties and development (at cost)	620,559	569,038
Accumulated amortisation and impairment	(474,144)	(467,485)
Net book amount	146,415	101,553
Deferred stripping costs (net book amount)	59,906	91,749
Total mine properties and development	**206,321**	**193,302**
Movements in mine properties and development are set out below:		
Mine properties and development		
Opening net book amount	101,553	4,437
Current year expenditure capitalised	46,985	97,092
Change in rehabilitation estimate	4,536	1,254
Amortisation expense	(6,659)	(1,230)
Closing net book amount	**146,415**	**101,553**
Deferred stripping costs		
Opening net book amount	91,749	70,886
Current year expenditure capitalised	3,989	45,728
Amortisation expense	(35,832)	(24,865)
Closing net book amount	**59,906**	**91,749**

NOTE 19. DEFERRED TAX ASSETS

	2019 $'000	2018 $'000
The balance comprises temporary differences attributable to:		
Deferred Tax Assets		
Property, plant and equipment	10,335	5,983
Mine properties and development	16,828	7,493
Trade and other payables	16	-
Employee benefits	2,354	1,031
Decommissioning and restoration	6,591	3,027
Tax losses	565	-
Foreign exchange	397	-
Total deferred tax assets	**37,086**	**17,534**
Deferred Tax Liabilities		
Inventory	(4,204)	(3,916)
Foreign exchange	-	(1,202)
Prepayments	(27)	-
Total deferred tax liabilities	**(4,231)**	**(5,118)**
Total net deferred tax assets	**32,855**	**12,416**

NOTE 20. TRADE AND OTHER PAYABLES

	2019 $'000	2018 $'000
Trade payables and accruals	25,048	20,156
Unearned Revenue	5,278	-
Contract Liabilities	316	-
Tax payable	19,274	23,759
Other payables	1,342	1,201
	51,258	**45,116**

(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 21. BORROWINGS (CURRENT)

	2019 $'000	2018 $'000
Insurance premium funding (1)	-	1,798
Other borrowings (2)	16,755	5,328
	16,755	**7,126**

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

(2) Loans payable to the other partner in the arrangement of $16.8 million, representing the other partner's portion of the shareholder loans. This loan is secured, carries an annual interest of 7% to 12% and will be payable upon completion of the development property projects.

NOTE 22. PROVISIONS (CURRENT)

	2019 $'000	2018 $'000
Leave Obligations	13,290	12,488
Employee benefits	2,186	2,174
Lease liability (current)	839	-
Decommissioning and restoration	7,378	5,506
	23,693	**20,168**

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 $13.29 million (2018 - $12.49 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.

	2019 $'000	2018 $'000
Current leave obligations expected to be settled after 12 months	6,780	5,861
Movements in provision for decommissioning and restoration are set out below:		
Balance at beginning of the year	5,506	713
Payments	(189)	(419)
Transfers from non-current provisions	2,061	5,212
Balance at the end of the year	**7,378**	**5,506**

NOTE 23. BORROWINGS (NON-CURRENT)

	2019 $'000	2018 $'000
Secured		
Loans Payable	-	611
	-	**611**

Loans payable to the other partner in the arrangement of $5.4 million. This loan is secured, carries an annual interest of 7% to 12% and will be payable upon completion of the development property projects.

NOTE 24. PROVISIONS (NON-CURRENT)

	2019 $'000	2018 $'000
Leave obligations	3,621	3,123
Employee benefits	102	77
Lease liability (NC)	2,084	-
Decommissioning and restoration	58,311	54,564
	64,118	**57,764**
Movements in provision for decommissioning and restoration are set out below		
Balance at beginning of the year	54,564	56,795
Change in estimate	4,966	1,683
Unwinding of discount	842	1,298
Transfers to current provisions	(2,061)	(5,212)
Balance at the end of the year	**58,311**	**54,564**

NOTE 25. 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.

(a) Movements in ordinary share capital	Number of shares	$'000
Balance at 1 January 2019 / 31 December 2019	1,157,338,698	331,513

NOTE 26. RETAINED PROFITS ATTRIBUTABLE TO OWNERS OF GRANGE RESOURCES

	2019 $'000	2018 $'000
Retained profits		
Movements in retained profits were as follows:		
Balance at the beginning of the year	146,243	56,066
Change in Accounting Policy - note 17	(40)	-
Restated Opening Retained Earnings	**146,203**	**56,066**
Profit for the year	77,661	113,325
Dividends paid	(23,148)	(23,148)
Balance at the end of the year	**200,716**	**146,243**

NOTE 27. DIVIDENDS

	2019 $'000	2018 $'000
Fully franked interim dividend for half year ended 30 June 2019 - 1.0 cents per share	11,574	-
Fully franked final dividend for the year ended 31 December 2018 - 1.0 cents per share	11,574	-
Fully franked interim dividend for half year ended 30 June 2018 - 1.0 cents per share	-	11,574
Fully franked final dividend for the year ended 31 December 2017 - 1.0 cents per share	-	11,574
Total dividends paid	**23,148**	**23,148**

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 2019. The final dividend was declared NIL conduit foreign income and will be paid on 30 March 2020.

Franked Dividends

The final dividends recommended after 31 December 2019 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 2019.

	2019 31 December $'000	2018 31 December $'000
Franking credits available for subsequent reporting periods. Based on a tax rate of 30% (2018 – 30%)	36,434	12,269

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.

NOTE 28. 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 2019, there are three projects which are 100% owned by Grange ROC Property Pty Ltd :

i. Lumley Court which has constructed a 3-level, 5 unit prestige apartment. Construction has been completed and the Certificate of Occupancy has been obtained in January, 2020. 4 of the 5 units have been pre-sold with the properties due to settle in the first quarter of 2020.

ii. Brookville Road which will construct a 3-level prestige residential apartment and has achieved planning approval.

iii. GRP Malvern Road which is in progress to construct a 3-level, 8 unit prestige apartment. Construction is due for completion in the first quarter of 2020, and 3 units have been pre-sold.

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 29. 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 2019, 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.

(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 2019:

Assumptions	2020	2021 - 2025	31 December 2019 Long Term 2026+
Iron ore pellets (FOB Port Latta) (US$ per DMT) (Nominal)	US$106.52	US$95.90 – US$104.78	US$125.81
AUD:USD exchange rate	$0.6943	$0.7447	$0.75
Post-tax real discount rate		7.93%	

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.

While the Group acknowledges that factors such as future changes to the regulatory framework in response to climate change could impact future recoverability, these factors have not been included in our assumptions.

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 2019.

(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 2019:

Decrease in fair value resulting from:

US$1 per dmt decrease in iron ore pellet prices (FOB Port Latta)	$19.35 million
$0.01 increase in the AUD:USD exchange rate	$29.14 million
1% increase in estimated operating costs	$15.18 million
25 bps increase in the discount rate	$10.76 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 30. 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.

	2019 $'000	2018 $'000
Assurance services		
PwC Australia		
Audit and review of financial reports	302	291
Other assurance services	43	42
Network firms of PwC Australia	20	23
Total assurance services	**365**	**356**
Non-assurance services		
PwC Australia		
Other consulting services	-	13
Taxation compliance services	5	5
Total remuneration paid	**370**	**374**

NOTE 31. 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:

	2019 $'000	2018 $'000
Within one year	583	688
After one year but not more than five years	2,167	2,188
Later than five years	-	-
	2,750	**2,876**

b) Capital expenditure commitments

Capital expenditure obligations at the end of the reporting period but not recognised as liabilities are as follows:

	2019 $'000	2018 $'000
Within one year	6,899	15,801
After one year but not more than five years	9,082	-
Later than five years	-	-
	15,981	**15,801**

c) Contractual Operating expenditure commitments

Obligations to external parties which arise with respect to legal supply contracts made by the company (other than lease agreements).

	2019 $'000	2018 $'000
Within one year	15,334	27,271
After one year but not more than five years	5,169	20,503
Later than five years	-	-
	20,503	**47,774**

d) Operating lease expenditure commitments

The group leases motor vehicles, offices and carparks under non-cancellable operating leases. The leases have varying terms and renewal rights.

From 1 January 2019, the group has recognised right-of-use assets for these leases, except for short-term and low-value leases, refer note 17 for more information.

	2019 $'000	2018 $'000
Within one year	-	123
After one year but not more than five years	-	422
	-	**545**

e) Bank Guarantees

Bank guarantees have been provided on the Group's behalf to secure, on demand by the Minister for Mines and Energy for the State of Queensland, any sum to a maximum aggregate amount of $2,517,424 (2018: $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 $3,153,121 (2018: $3,122,535). 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 (2018: $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.

f) Contingent Assets and Liabilities

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

NOTE 32. 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 33.

c) Key management personnel compensation

	2019 $	2018 $
Short-term employee benefits	2,077,569	1,874,252
Post-employment benefits	154,002	143,232
Long-term benefits	55,861	58,942
Long-term incentives	128,816	103,235
	2,416,248	**2,179,661**

Detailed remuneration disclosures are provided in the remuneration report on pages 30 to 34.

d) Transactions with related parties

During the year the following transactions occurred with related parties:

	2019 $	2018 $
Sales of iron ore products(1)	**131,598,839**	**149,394,404**
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, 852,489 dry metric tonnes of iron ore products were sold to Shagang in accordance with the terms of the long term off-take agreements (2018: 1,014,306 dry metric tonnes). The lower tonnages sold to Shagang in 2019 were due to lower production availability by Grange. Shagang has agreed to defer these shipments to 2020.

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:

	2019 $	2018 $
Trade receivables (sales of iron ore products)		
Pellets	2,869,107	(2,772,327)
Others	2,062	-
	2,871,169	**(2,772,327)**

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 in the prior year 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 (2018: Nil).

Long term off-take agreement

Grange Resources (Tasmania) Pty Ltd (Grange Tasmania) is party to a long term off-take agreement (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 2020, holds 47.93% (28 February 2019: 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, at market rates.

NOTE 33. SUBSIDIARIES

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

	Percentage of equity interest held by the Group	
	2019	2018
Name	%	%
Ever Green Resources Co., Limited (1)	100	100
Grange Tasmania Holdings Pty Ltd	100	100
Beviron Pty Ltd	100	100
Grange Resources (Tasmania) Pty Ltd	100	100
Grange Capital Pty Ltd	100	100
Grange Administrative Services Pty Ltd	100	100
Barrack Mines Pty Ltd	100	100
Bamine Pty Ltd	100	100
BML Holdings Pty Ltd	100	100
Horseshoe Gold Mine Pty Ltd	100	100
Grange Resources (Southdown) Pty Ltd	100	100
Southdown Project Management Company Pty Ltd	100	100
Grange Developments Sdn Bhd (2)	-	100
Grange Investment Pty Ltd	100	100
Grange ROC Property Pty Ltd	51	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 was incorporated in Malaysia and has been deregistered in 2019.

NOTE 34. INTEREST IN JOINT OPERATIONS

Name of Joint Operation	% Interest 2019	% Interest 2018
Southdown Magnetite and Associated Pellet Project(s) – Iron Ore	70.00	70.00
Reward - Copper / Gold	31.15	31.15
Highway - Copper	30.00	30.00
Reward Deeps / Conviction - Copper	30.00	30.00
Mt Windsor Exploration - Gold / Base Metals	30.00	30.00
Durack / Wembley – Exploration Gold	15.00	15.00

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

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.

NOTE 35. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2019 $'000	2018 $'000
Profit for the year	77,334	112,938
Unwinding of discount	995	1,298
Depreciation and amortisation	22,101	7,767
Mine properties and development amortisation	42,491	26,094
Interest expense	119	-
Loss (profit) on sale of property, plant and equipment	90	531
Loss (gain) on derivative financial instruments	733	332
Net unrealised foreign exchange gain	(1,054)	(6,874)
Change in operating assets and liabilities		
(Increase) decrease in trade and other receivables	(15,445)	5,573
Decrease (increase) in inventories	(58,849)	2,213
Decrease (increase) in deferred tax assets	(20,439)	(5,536)
Increase in trade and other payables (excluding tax payable)	10,627	1,797
Increase in other provisions	1,518	1,455
Increase provision for income tax payable	(4,485)	19,794
Net cash inflow from operating activities	**55,736**	**167,382**

NOTE 36. EARNINGS PER SHARE

	2019 Cents	2018 Cents
Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	6.71	9.79
Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	6.71	9.79

a) Reconciliations of earnings used in calculating earnings per share

	2019 $'000	2018 $'000
Profit (loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings per share from continuing operations	77,661	113,325
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share from continuing operations	77,661	113,325

b) Weighted average number of shares used as the denominator

	2019 Number	2018 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

NOTE 37. PARENT ENTITY FINANCIAL INFORMATION

a) Summary financial information

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

	2019 $'000	2018 $'000
Balance Sheet		
Current assets	6,026	3,131
Total assets	315,727	316,688
Current liabilities	20,243	26,495
Total liabilities	51,803	58,620
Shareholders' equity		
Contributed equity	392,475	392,475
Reserves		
- Share-based payments	31,191	31,191
Retained losses	(159,742)	(165,598)
Total equity	**263,924**	**258,068**
Profit (loss) for the year	29,003	37,878*
Total comprehensive income (loss) for the year	**29,003**	**37,878***

*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 38. EVENTS OCCURRING AFTER THE REPORTING PERIOD

In February 2020, the last apartment unit for the Lumley Court project of the property JV was sold. With the Lumley Court project fully constructed and all projects sold, this marks the successful completion of the first project by the property JV.

There were no matters or circumstances arising since 31 December 2019 that has significantly affected, or may significantly affect:

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

DIRECTORS' DECLARATION

In the Directors' opinion:

a) the financial statements and notes set out on pages 36 to 76 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 2019 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 2020

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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*
Impairment assessment for the Savage River cash generating unit (CGU) *Refer to Note 28* 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: ● 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). 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.	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. 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). We also assessed: ● 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.
Accounting for the cost of rehabilitation *Refer to Note 21 and 23 ($60.1 million)* 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. 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.	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. We compared the discount rate used to market data. 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. We compared the Group's assumptions on rehabilitation costs to other similar costs in the business.

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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

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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 2019 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 2019
- 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 (including Independence Standards)* (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 individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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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.

Materiality	*Audit scope*	*Key audit matters*
• For the purpose of our audit we used overall Group materiality of $4.1 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.	• 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.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: – Impairment assessment for the Savage River cash generating unit (CGU) – Accounting for the cost of rehabilitation • These are further described in the *Key audit matters* 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.

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Key audit matter	How our audit addressed the key audit matter
Impairment assessment for the Savage River cash generating unit (CGU) *(Refer to Note 29)* 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: • The pellet (final product) price and the AUD/USD exchange rates. • The discount rate • Estimation uncertainty associated with forecast of operating and capital expenditure for the period to 2036 (Life of Mine). 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 29.	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 board approved Life of Mine plan (to 2036). In order to assess the Group's ability to make reliable forecasts, we compared current year (2019) actual results with the figures included in the prior year forecasts (2018). We also assessed: • The long term pellet price and AUD/USD exchange rate assumptions by comparing them to economic and industry forecasts; • 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.
Accounting for the cost of rehabilitation *(Refer to Note 22 and 24)* 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. The net present value of the cost of rehabilitation is recorded as a provision of $58.3 million (non-current) and $7.4 million (current), for a total of $65.7 million. Given the significance of this balance and the level of complexity and uncertainty within the estimate, our examination of the provision for rehabilitation was a key audit matter.	We evaluated the Group's calculation of the rehabilitation obligation for consistency with the current Life of Mine plan. We compared the discount rate used to available market data. 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. We compared the Group's assumptions on rehabilitation costs to other similar costs in the business.

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Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2019, 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 the Directors' Report and the Corporate Governance Statement. 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.

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Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 11 to 18 of the directors' report for the year ended 31 December 2019.

In our opinion, the remuneration report of Grange Resources Limited for the year ended 31 December 2019 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.

PricewaterhouseCoopers

PricewaterhouseCoopers

Amanda Campbell
Partner

Melbourne
28 February 2020

TENEMENT SCHEDULE

AS AT 28 FEBRUARY 2019

PROSPECT	TENEMENT	INTEREST
TASMANIA		
Savage River	2M/2001	100% (1)
	14M/2007	100% (1)
	11M/2008	100% (1)
	EL30/2003	100% (1)
	EL8/2014	100% (1)
WESTERN AUSTRALIA		
Southdown	M70/1309	70% (3) (4)
	G70/217	70% (4)
	E70/2512	70% (4)
	L70/185	70% (4)
	L70/186	70% (4)
Wembley	M52/801	15% (5) (6)
Horseshoe Lights	M52/743	0% (7)
Abercromby Well	M53/336	0% (8)
Red Hill	M27/57	0% (9)
Freshwater	M52/278,279,299	0% (10)
	M52/295-296	0% (11)
	M52/300-301	0% (11)
	M52/305-306	0% (10)
	M52/369-370	0% (10)
Pilbara	E47/1846	0% (12)
QUEENSLAND		
Mt Windsor JV	ML 1571	30% (13)
	ML 1734	30% (13)
	ML 1739	30% (13)
	ML 10028	30% (13)
	ML 1758	30% (13)
NORTHERN TERRITORY		
Mt Samuel	MLC 49	0% (14)
	MLC 527	0% (15)
	MLC 599	0% (15)
	MLC 617	0% (15)
	MCC 174	0% (15)
	MCC 212	0% (15)
	MCC 287-288	0% (15)
	MCC 308	0% (15)
	MCC 344	0% (15)
True Blue	MCC 342	0% (15)
	MLC 619	0% (15)
Aga Khan	MLC 522	0% (15)
Black Cat	MCC 338-339	0% (15)
	MCC 316-317	0% (15)
	MCC 340-341	0% (15)

Notes:

(1) Held by Grange Resources (Tasmania) Pty Ltd.
(2) Under application.
(3) Subject to conditional purchase agreement with Medaire Inc.
(4) Subject to Joint Venture Implementation Agreement with SRT Australia Pty Ltd.
(5) Subject to 1% Net Smelter Return royalty with Lac Minerals (Australia) NL.
(6) Subject to joint venture agreement with Aragon Resources Pty Ltd.
(7) Royalty interest with Horseshoe Metals Ltd.
(8) Royalty interest with Nova Energy Pty Ltd.
(9) Royalty interest with Kanowna Mines Pty Ltd.
(10) Royalty interest with Dampier (Plutonic) Pty Ltd.
(11) Royalty interest with Northern Star Resources Ltd.
(12) Royalty interest with Fortescue Metals Group Ltd.
(13) Subject to joint venture agreement with Thalanga Copper Mines Pty Ltd.
(14) Royalty interest with Santexco Pty Ltd.
(15) Royalty interest with Giants Reef Exploration Pty Ltd.

LIST OF SIGNIFICANT ASX ANNOUNCEMENTS

FROM 1 JANUARY 2019 THROUGH TO 24 APRIL 2020

Date	Announcement
15/04/2020	Change of Director’s Interest Notice
03/04/2020	Date of AGM
25/03/2020	Board Update
28/02/2020	Corporate Governance Statement
28/02/2020	Appendix 4G
28/02/2020	Dividend/Distribution - GRR
28/02/2020	Grange Full Yr Statutory Accts 12 Months Ended 31 Dec 2019
28/02/2020	Grange Resources Limited Appendix 4E - 31 December 2019
28/01/2020	GRR - Quarterly Report for 3 months ended 31 December 2019
24/10/2019	GRR - Quarterly Report for 3 months ended 30 September 2019
27/08/2019	Dividend/Distribution - GRR
27/08/2019	Half Yearly Report and Accounts
27/08/2019	Appendix 4D - Half Year Ending 30 June 2019
30/07/2019	Savage River Production Update
29/07/2019	GRR - Quarterly Report for 3 months ended 30 June 2019
05/07/2019	Change of Director's Interest Notice
09/05/2019	Results of Meeting
09/05/2019	AGM Presentation
26/04/2019	GRR - Quarterly Report for 3 months ended 31 March 2019
11/04/2019	Savage River Production Update
10/04/2019	Notice of Annual General Meeting/Proxy Form
09/04/2019	Annual Report to shareholders
08/04/2019	Significant increase in Savage River Mineral Resources
26/03/2019	Grange commences Exploration Decline
01/03/2019	Initial Director's Interest Notice
01/03/2019	Director Appointment
28/02/2019	Corporate Governance Statement
28/02/2019	Dividend/Distribution - GRR
28/02/2019	Appendix 4G
28/02/2019	Grange Full Yr Statutory Accts 12 Months Ended 31 Dec 2018
28/02/2019	Grange Resources Limited Appendix 4E - 31 December 2018
23/01/2019	GRR - Quarterly Report for 3 months ended 31 December 2018

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The shareholder information set out below was applicable as at 3 February 2020 except where otherwise indicated.

ORDINARY SHARES

Twenty Largest Shareholders as at 3 February 2020

The twenty largest holders of ordinary fully paid shares are listed below:

Name	Number	%
Shagang International Holdings Limited (Hongkong)	554,762,656	47.9
Pacific International Co (Hong Kong)	78,764,179	6.8
Realindex Investments Pty Ltd (Australia)	45,257,032	3.9
RGL Holdings Ltd (Hong Kong)	16,685,466	1.4
DFA Australia Ltd (Australia)	15,106,023	1.3
JP Morgan Securities (Australia) Ltd (Australia)	13,931,074	1.2
ABN AMRO Bank NV (Netherlands)	13,771,031	1.2
Morgan Stanley & Co. International Plc (United Kingdom)	10,911,693	0.9
Coöperatieve Rabobank U.A. (Netherlands)	9,395,527	0.8
UBS AG Switzerland (Switzerland)	8,528,666	0.7
IFM Investors Pty Ltd (Australia)	7,844,650	0.7
Credit Suisse AG (Switzerland)	7,606,720	0.7
Mr Adam Garrigan (Australia)	7,500,000	0.6
Dimensional Fund Advisors LP (United States)	7,147,746	0.6
LSV Asset Management (United States)	6,183,400	0.5
Interactive Brokers	5,922,129	0.5
Mr Gary and Mrs Susan Sadler (Australia)	5,656,861	0.5
Mrs Karen Hislop (Australia)	4,881,548	0.4
Standard Chartered Bank (Hong Kong) Ltd (Hong Kong)	4,515,001	0.4
Swiss Trading Overseas Corp (Panama)	4,426,000	0.4
Sub-total	**828,797,402**	**71.4**

Distribution of Equity Securities

Analysis of number of shareholders by size and holding:

	Ordinary Shares	Director Options	Employee Options	Other Options
1 - 1,000	460	-	-	-
1,001 - 10,000	2,152	-	-	-
10,001 - 100,000	2,231	-	-	-
100,001 - and over	566	-	-	-
Total	5,409	0	0	0

The number of shareholders holding less than a marketable parcel of Ordinary Shares at 24 April 2020 was 932.

Voting Rights

All shares carry one vote per share without restriction.

Substantial Shareholders

An extract of the Company's Register of Substantial Shareholders as at 24 April 2020 is set out below:

Name	Number of fully paid shares	Voting power
Shagang International (Australia) Pty Ltd		
Shagang International Holdings Limited		
Ever Lucky Developments Limited	>571,448,122	49.3%
RGL Holdings Co. Ltd		
Pacific International Co	78,764,179	6.8%

Securities Subject to Voluntary Escrow

The following securities are subject to voluntary escrow:

Class of Security	Number of Securities	Escrow period ends
Fully Paid Ordinary Shares	Nil	Not applicable


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