Grange Resources Limited

ABN 80 009 132 405
and Controlled Entities

Australia's most experienced magnetite producer

INTERIM FINANCIAL REPORT

For the Half-Year Ended
30 June 2019

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DIRECTORS' REPORT

The directors present their report on the consolidated entity (the "Group") consisting of Grange Resources Limited ("Grange" or "the Company") and the entities it controlled at the end of, or during, the half-year ended 30 June 2019.

Directors

The following persons were directors of the Company during the half-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

Principal activities

During the six months ended 30 June 2019, the principal activities of the Group were as follows:

- mining, processing and sale of iron ore from its operations in Tasmania; and

- the ongoing exploration and evaluation of mineral resources, principally the Southdown Magnetite Project near Albany, Western Australia.

Review of operations

Key Highlights

Mining operations

- Achieved over 830 days Lost Time Injury free

- Statutory profit after tax for the six months ended 30 June 2019 of $21.3 million compared to the same period in 2018 of $67.2 million profit after tax. Net assets as at 30 June 2019 of $487.6 million, compared to $477.8 million as at 31 December 2018.

- Pellet production of 0.9 million tonnes, a decrease of approximately 31%, compared to $1.2 million tonnes in the preceding 2018 half year.

- Pellet sales of 0.8 million tonnes, a decrease of approximately 37% compared to 1.3 million tonnes in the preceding 2018 half year.

- Unit cash operating costs for the six months ended 30 June 2019 of $139.21 per tonne compared to $82.1 per tonne for the preceding 2018 half year.

- Cash and cash equivalents and liquid investments of $149.6 million compared to $204.5 million as at 31 December 2018.

- Phase 2 of the diamond drilling program to investigate access to the ore body in North Pit through underground development completed and Phase 3 of the drilling program commenced. Exploration Decline 370-metres in and progressing well.

- Feasibility study for Centre Pit is on track for completion in Q3.

Property Development

Grange ROC Property has settled the land contracts for Brookville during the first half for the remaining balance of $9.0 million. A planning application for a 3-level, 8-unit prestige apartment development has been submitted to the Stonnington City Council.

Construction works continue on Carter Toorak and Lumley Park with both projects planned to be fully constructed and sold in 2019.

Review of Results

Statement of Comprehensive Income

Grange achieved a statutory profit after tax of $21.3 million for the half year ended 30 June 2019 (2018: $67.2 million profit after tax) on revenues from mining operations of $150.3 million (2018: $189.3 million).

Key revenue metrics for the 30 June 2019 half year and preceding 2018 half year were as follows:

	6 months to 30 June 2019	6 months to 30 June 2018
Iron Ore Pellet Sales (dmt)	814,415	1,293,939
Iron Ore Concentrate Sales (dmt)	81	10,042
Iron Ore Chip Sales (dmt)	40,123	59,088
TOTAL Iron Ore Product Sales (dmt)	854,619	1,363,069
Average Realised Product Price (US$/t FOB Port Latta)*	119.85	$103.94
Average Realised Exchange Rate (AUD:USD)	$0.7084	$0.7689
Average Realised Product Price (A$/t FOB Port Latta)*	169.18	$135.18

*In 2019 and 2018, a portion of sales were made on CFR terms whereby the Group incurred shipping expenses to transport the shipments to the discharge ports. The above FOB Port Latta unit prices realised reflect prices net of shipping expenses.

Sales for the half year ended 30 June 2019 totalled 854,619 tonnes of high quality, low impurity iron ore products compared to 1,363,069 tonnes for the preceding 2018 half year.

The average pellet price received during the half year was US$119.85 per tonne of product sold (FOB Port Latta) (2018: US$103.94 per tonne). Despite continued volatility and uncertainty as to the future direction of iron ore prices, the market continues to recognise the quality value in use premium for high quality, low impurity iron ore products sold by Grange.

Grange will continue to deliver into secured term offtake agreements for all products for 2019.

Key production metrics for the 30 June 2019 half year and preceding 2018 half year were as follows:

	6 months to 30 June 2019	6 months to 30 June 2018
Total BCM Mined	7,103,716	8,825,443
Total Ore BCM	891,227	615,366
Concentrate Produced (t)	853,932	1,351,948
Weight Recovery (%)	32.4	64.1
Pellets Produced (t)	854,984	1,231,569
Pellet Stockpile (t)	229,920	199,842
"C1" Cost (A$/tonne Product Produced)[1]	$139.21	$82.06

Note: "C1" costs are the cash costs associated with producing iron ore products without allowance for mine development, deferred stripping and stockpile movements, and does not include royalties, depreciation and amortisation costs.

As at 30 June 2019 the lost time injury free for Grange operations was recorded at 836 days.

Mining activity in the first six months of the year has been hampered as a result of the high rainfall and wall instability that was experienced in Q4 of last year. Minor ore lenses of lower grade material have provided the main ore feed for the last few months resulting in lower head grade and subsequently reduced pellet production. Although this has impacted production in the first half, the production team has focused on the cutback on the west wall, which has now been advanced to a position to begin accessing the Main Ore Zone. This will see a return to the high-grade ore for the balance of the year, which will support significant improvement to product produced.

Opportune maintenance was undertaken through the first half to ensure the concentrator and pellet plant are prepared for full production for the second half of 2019.

North Pit Underground Development Project

Phase 2 of the diamond drilling to test resource extensions for the North Pit Underground project were completed in the second quarter. The Exploration Decline is progressing to plan, with the face position in 370m as at the end of June. While there have been some areas of slow going moving through a fault system, work is proceeding well. An underground drill rig was mobilized to site and installed for Phase 3 of the drilling program. This includes diamond holes designed to assess the orebody from the Exploration Decline and will focus on acquiring detailed geotechnical information from the Main Ore Zone.

Centre Pit Feasibility Study

The feasibility study for Centre Pit is on track for completion in Q3. Geotechnical slope analysis and modelling is being finalised, and the first pass of staged pit designs has been completed. Submission has been made to the EPA for approval to commence operation in Centre Pit.

Statement of Financial Position

Grange's net assets increased by $9.8 million during the six months ended 30 June 2019 to $487.6 million from $477.8 million as at 31 December 2018 principally as a result of the following:

- A profit after tax of $21.3 million; and
- A final 2018 dividend payment of $11.6 million

Statement of Cash Flows

Net cash flows from operating activities

Net cash outflows from operating activities for the six months ended 30 June 2019 were $20.4 million (six months ended 30 June 2018: net inflow of $84.1 million) which largely reflects lower iron ore product sales volumes and payment of income tax for 2018 $24.5 million.

Net cash flows from investing activities

Net cash outflows from investing activities for the six months ended 30 June 2019 were $48.3 million (six months ended 30 June 2018: net outflow of $48.8 million), principally related to significant expenditure for mine development of $17.8 million (June 2018: $26.7 million), and purchase of property plant equipment of $23.7 million (June 2018: $19.8 million).

Net cash flows from financing activities

Net cash outflows from financing activities for the six months ended 30 June 2019 were $6.4 million (six months ended 30 June 2018: net outflow of $12.7 million) and principally related to payment of final dividend payment of $11.6 million for the 2018 financial year.

Dividends

Dividends provided for or paid during the half year:

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

These dividends were declared NIL conduit foreign income.

Since the end of the half-year, the Board of Directors have recommended the payment of a fully-franked dividend of 1.0 cents per share or $11.574 million. The interim dividend was declared NIL conduit foreign income and will be paid on 27 September 2019.

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.

Auditor’s independence declaration

A copy of the auditor’s independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

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

Michelle Li
Chairperson
Perth Western Australia
27 August 2019

Auditor's Independence Declaration

As lead auditor for the review of Grange Resources Limited for the half-year ended 30 June 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 review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Amanda Campbell
Partner
PricewaterhouseCoopers

Melbourne
27 August 2019

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GRANGE RESOURCES LIMITED
ABN 80 009 132 405
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 JUNE 2019

	NOTES	Six months to 30 June 2019 $'000	Six months to 30 June 2018 $'000
Consolidated			
Revenues from mining operations	2,3	150,259	189,310
Cost of sales	4	(121,321)	(111,403)
Gross profit from mining operations		**28,938**	**77,907**
Administration expenses	5	(3,254)	(2,786)
Operating profit before other income (expenses)		**25,684**	**75,121**
Other income (expenses)			
Exploration and evaluation expenditure		(573)	(372)
Other income	6	39	101
Operating profit before finance costs		**25,150**	**74,850**
Finance income	7	5,305	6,745
Finance expenses	7	(613)	(805)
Profit before tax		**29,842**	**80,790**
Income tax expense	8	(8,495)	(13,589)
Profit for the half-year		**21,347**	**67,201**
Total comprehensive income for the half-year		**21,347**	**67,201**
Total comprehensive income for the period attributable to:			
- Equity holders of Grange Resources Limited		21,518	67,463
- Non Controlling Interests		(171)	(262)
		21,347	**67,201**
Earnings per share for profit attributable to the ordinary equity holders of Grange Resources Limited			
Basic earnings per share (cents per share)		**1.86**	**5.83**
Diluted earnings per share (cents per share)		**1.86**	**5.83**

GRANGE RESOURCES LIMITED
ABN 80 009 132 405
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

Consolidated	NOTES	30 June 2019 $'000	31 December 2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	129,978	204,497
Trade and other receivables	10	40,098	31,715
Inventories	11	92,013	60,730
Other financial assets	27	20,181	19,734
Total current assets		**282,270**	**316,676**
Non-current assets			
Receivables	12	13,643	8,654
Property Development Cost	13	10,255	222
Property, plant and equipment	14	89,578	77,345
Right of Use Assets	15	532	-
Mine properties and development	16	204,147	193,302
Deferred tax assets	17	17,241	12,416
Total non-current assets		**335,396**	**291,939**
Total assets		**617,667**	**608,615**
LIABILITIES			
Current liabilities			
Trade and other payables	18	29,912	45,116
Borrowings	19	8,487	7,126
Provisions	20	19,750	20,168
Total current liabilities		**58,148**	**72,410**
Non-current liabilities			
Borrowings	21	5,172	611
Provisions	22	66,716	57,764
Total non-current liabilities		**71,888**	**58,375**
Total liabilities		**130,036**	**130,785**
Net assets		**487,630**	**477,830**
EQUITY			
Contributed equity	23	331,513	331,513
Retained profits	24	156,138	146,243
Capital and reserves attributable to owners of Grange Resources Limited		487,651	477,756
Non-controlling interests	26	(21)	74
Total equity		**487,630**	**477,830**

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

GRANGE RESOURCES LIMITED
ABN 80 009 132 405
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 30 JUNE 2019

	NOTES	Contributed equity $'000	Non-controlling Interest $'000	Retained earnings $'000	TOTAL $'000
Balance at 31 December 2018		**331,513**	**74**	**146,243**	**477,830**
Change in Accounting Policy (note 15)				(49)	**(49)**
Restated Opening Equity at 1 January 2019		**331,513**	**74**	**146,194**	**477,781**
Profit for the period attributable to owners of Grange Resource Limited		-	-	21,518	**21,518**
Loss attributable to non-controlling interests		-	(171)	-	**(171)**
Total comprehensive profit for the period		-	(171)	21,518	**21,347**
Transactions with owners in their capacity as owners					
Dividends paid	25	-	-	(11,574)	**(11,574)**
Non-controlling interests					
Contributed equity	26	-	76	-	**76**
		-	76	(11,574)	**(11,498)**
Balance at 30 June 2019		**331,513**	**(21)**	**156,138**	**487,630**
Balance at 1 January 2018		**331,513**	**-**	**56,066**	**387,579**
Profit for the period attributable to owners of Grange Resource Limited		-	-	67,463	**67,463**
Loss attributable to non-controlling interests		-	(262)	-	**(262)**
Total comprehensive profit for the period		-	(262)	67,463	**67,201**
Transactions with owners in their capacity as owners					
Dividends paid	25	-	-	(11,574)	**(11,574)**
Non-controlling interests					
Contributed equity	26	-	232	-	**232**
		-	232	(11,574)	**(11,342)**
Balance at 30 June 2018		**331,513**	**(30)**	**111,955**	**443,438**

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

GRANGE RESOURCES LIMITED
ABN 80 009 132 405
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 30 JUNE 2019

Consolidated	NOTES	Six months to 30 June 2019 $'000	Six months to 30 June 2018 $'000
Cash flows from operating activities			
Receipts from customers and other debtors (inclusive of goods and services tax)		144,502	190,869
Payments to suppliers and employees (inclusive of goods and services tax)		(139,932)	(103,693)
		4,570	87,176
Interest received		3,876	2,997
Interest paid		(41)	(143)
Income taxes paid		(28,791)	(5,892)
Net cash (outflow)/inflow from operating activities		**(20,386)**	**84,138**
Cash flows from investing activities			
Loans to a related party		(7,103)	(2,254)
Payments for property, plant and equipment	14	(23,715)	(19,786)
Payments for mine properties and development	16	(17,751)	(26,715)
Proceeds for managed funds		796	-
Payments for security deposits		(535)	(11)
Net cash outflow from investing activities		**(48,309)**	**(48,766)**
Cash flows from financing activities			
Lease payments		(32)	-
Proceeds from borrowings		7,015	2,310
Repayment of borrowings		(1,853)	(3,622)
Dividends paid to shareholders	25	(11,574)	(11,574)
Contributed equity - non-controlling interests		76	232
Net cash outflow from financing activities		**(6,368)**	**(12,654)**
Net (decrease)/increase in cash and cash equivalents		**(75,062)**	**22,718**
Cash and cash equivalents at beginning of the year		204,497	167,989
Net foreign exchange differences	7	543	3,673
Cash and cash equivalents at of the half-year	9	**129,978**	**194,380**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation for the interim financial report

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2019 has been prepared in accordance with Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*.

The condensed consolidated interim financial report does not include all information and disclosures required in the annual financial statements. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2018 and any public announcements made by Grange Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

(b) Accounting policies

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption AASB 16 Leases effective as of 1 January 2019. The group had to change its accounting policies and make retrospective adjustments as a result of adopting AASB 16 Leases. The impact of these adjustments is disclosed in note 15.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

(c) Critical accounting estimates and judgements

The preparation of this interim financial report requires the use of estimates and judgements. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within this interim financial report are consistent with those of the previous financial year as disclosed in the Annual Report for the year ended 31 December 2018.

NOTE 2. SEGMENT INFORMATION

Operating segments are 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.

Segment assets and capital are allocated based on where the assets are located. The consolidated assets of the Group were predominately located in Australia as at 30 June 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.

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.

NOTE 2. SEGMENT INFORMATION Continued

Segment information

	Ore Mining		Property Development	
	Six months to 30 June 2019 $'000	Six months to 30 June 2018 $'000	Six months to 30 June 2019 $'000	Six months to 30 June 2018 $'000
Revenue from external customers	150,259	189,310	-	-
Timing of revenue recognition				
At a point in time	144,585	184,257	-	-
Over time	5,674	5,053	-	-

The Group holds 51% ownership of the property development segment and is fully consolidated (refer to note 26).

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

	Six months to 30 June 2019 $'000	Six months to 30 June 2018 $'000
Australia	10,882	105,116
China	124,216	25,385
Japan	-	23,508
Korea	15,161	21,929
Malaysia	-	13,372
TOTAL	**150,259**	**189,310**

NOTE 3. REVENUE

	Six months to 30 June 2019			Six months to 30 June 2018		
	Revenue from Contracts with Customers	**Other Revenue (loss)**	**Consol. Sales Revenues**	**Revenue from Contracts with Customers**	**Other Revenue (loss)**	**Consol. Sales Revenue**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
From mining operations						
Sales of iron ore	144,453	5,806	150,259	190,261	(951)	189,310
	144,453	5,806	150,259	190,261	(951)	189,310

Revenue from contracts with provisional pricing is recognised based on the estimated forward prices which the Group expects to receive at the end of the quotation period. The quotation period exposure is considered as 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 4. COST OF SALES

	Six months to 30 June 2019	**Six months to 30 June 2018**
	$'000	**$'000**
Mining costs	64,701	59,627
Production costs	54,091	51,182
Changes in inventories	(27,095)	3,066
Mining & Production Costs	**91,697**	**113,876**
Freight costs	5,674	4,503
Government royalties	2,799	5,053
Depreciation and amortisation expense	6,429	2,131
Mine properties and development		
- Amortisation expense	3,220	148
Deferred stripping		
- Amounts capitalised during the year	(3,989)	(26,715)
- Amortisation expense	15,740	12,841
Foreign exchange gain (loss)	(249)	(433)
	121,321	**111,403**

NOTE 5. ADMINISTRATION EXPENSES

	Six months to 30 June 2019 $'000	Six months to 30 June 2018 $'000
Rehabilitation costs - Interest in joint operation	596	299
Salaries	1,695	1,551
Consultancy fees	435	347
Other	528	589
	3,254	**2,786**

NOTE 6. OTHER INCOME/(EXPENSES)

	Six months to 30 June 2019 $'000	Six months to 30 June 2018 $'000
Rent income	116	68
Other income	13	33
Net loss on the disposal of property, plant and equipment	(90)	-
	39	**101**

NOTE 7. FINANCE INCOME/(EXPENSES)

	Six months to 30 June 2019 $'000	Six months to 30 June 2018 $'000
Finance Income		
Interest income received or receivable	3,519	2,968
Gain on financial instruments	610	104
Exchange gain on foreign currency deposits/borrowings (net)	543	3,673
Distribution Income	633	-
	5,305	**6,745**
Finance expenses		
Interest charges paid or payable	(32)	(154)
Interest charge on lease liabilities	(16)	-
Provisions: unwinding of discount		
- Decommissioning and restoration	(565)	(651)
	(613)	**(805)**

NOTE 8. INCOME TAX BENEFIT (EXPENSES)

		Six months to 30 June 2019 $'000	Six months to 30 June 2018 $'000
(a)	**Income tax expense/(benefit)**		
	Current tax	13,320	15,509
	Deferred tax	(4,825)	(1,920)
		8,495	**13,589**
	Deferred income tax included in income tax expense (benefit) comprises:		
	Increase in net deferred tax assets	(4,825)	(1,920)
		(4,825)	**(1,920)**
(b)	**Numerical reconciliation of income tax (benefit) / expense to prima facie tax payable**		
	Profit from continuing operations before income tax (benefit) / expense	29,842	80,790
	Tax expense at the Australian tax rate of 30% (June 2018: 30%)	8,953	24,237
	Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
	Sundry items	(156)	(161)
		8,797	24,076
	Movement in previously unrealised net deferred tax assets	(45)	(9,237)
	Adjustment to tax of prior period	(257)	(1,250)
		8,495	**13,589**

		Six months to 30 June 2019 $'000	Six months to 30 June 2018 $'000
(c)	**Taxation Losses**		
	Unused taxation losses for which no deferred tax asset has been recognised	54,104	54,104
	Potential tax benefit @ 30%	**16,231**	**16,231**

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

(d)	**Unrecognised temporary differences**		
	Temporary difference for which deferred tax assets not recognised	243,820	268,638
	Unrecognised deferred tax assets relating to above temporary differences	**73,146**	**80,591**

NOTE 9. CASH AND CASH EQUIVALENTS

	30 June 2019 $'000	31 December 2018 $'000
Cash at bank and in hand	11,941	7,664
Short-term deposits	118,037	196,833
	129,978	**204,497**

NOTE 10. TRADE AND OTHER RECEIVABLES

	30 June 2019 $'000	31 December 2018 $'000
Trade receivables	24,880	18,220
Security deposits	362	362
Loan Receivable	7,914	5,372
Other receivables	4,703	3,958
Prepayments	2,239	3,803
	40,098	**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 3 – Revenue). The quotation period exposure is considered as 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 a financial asset held at amortised cost, are from the other partner in the joint venture arrangement of $7.9 million, representing the other partners 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 comprise of restricted deposits that are used for monetary backing for performance guarantees.

NOTE 11. INVENTORIES

	30 June 2019 $'000	31 December 2018 $'000
Stores and spares	24,081	24,219
Ore stockpiles	12,050	7,327
Work in progress	498	378
Finished goods	40,410	18,159
Development work in progress	14,974	10,647
	92,013	**60,730**

Inventories are valued at the lower of weighted average cost and estimated net realisable value.

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 12. NON-CURRENT RECEIVABLES

	30 June 2019 $'000	31 December 2018 $'000
Loan receivables	5,172	611
Security deposits	8,471	8,043
	13,643	**8,654**

Non-current loans receivable, classified as financial asset held at amortised cost, from the other partner in the arrangement of $5.2 million. 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.

Non-current security deposits comprise of restricted deposits that are used for monetary backing for performance guarantees.

NOTE 13. PROPERTY DEVELOPMENT COST (NON-CURRENT)

	30 June 2019 $'000	31 December 2018 $'000
Development work in Progress	10,255	222
	10,255	**222**

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

NOTE 14. 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**
Half-year ended 30 June 2019				
Opening net book amount	8,296	68,652	397	77,345
Additions	61	23,379	275	23,715
Disposals - net book value	-	(90)	-	(90)
Depreciation charge	(104)	(6,227)	(107)	(6,438)
Transfer to MP&D	-	(4,954)	-	(4,954)
Closing net book amount	**8,253**	**80,760**	**565**	**89,578**
At 30 June 2019				
Cost	45,970	415,239	8,628	469,837
Accumulated depreciation and impairment	(37,717)	(334,479)	(8,063)	(380,259)
Net book amount	**8,253**	**80,760**	**565**	**89,578**

NOTE 15. 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%.

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

NOTE 15. LEASES Continued

Lease liabilities recognised from the adoption of AASB 16:

	30 June 2019 $'000	1 January 2019 $'000
Current lease liabilities	(90)	(100)
Non-current lease liabilities	(500)	(545)
Total lease liabilities	**(590)**	**(645)**

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	691	146	837
Accumulated depreciation	(137)	(104)	(241)
Net book amount	**554**	**42**	**596**
Half-year ended 30 June 2019			
Opening net book amount	554	42	596
Additions	-	-	-
Disposals - net book value	-	(8)	(8)
Depreciation charge	(43)	(13)	(56)
Closing net book amount	**511**	**21**	**532**

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

- Right-of-use asset – increase by $836,538
- Lease liabilities – increase by $644,374
- Accumulated depreciation – increase by $241,197

The net impact on retained earnings on 1 January 2019 was a decrease of $49,033.

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
- The exclusion of 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*

NOTE 15. LEASES Continued

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

The group leases office spaces, carparking, and motor vehicles with lease terms between 3 to 7 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 7. 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 20 and 22) 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 on a straight-line basis over the lease term.

(i) Extension options

Options for a new lease are stipulated in the office space and carpark lease and are only exercisable by the Group, not the lessor, up to 18 months before the end of the current lease. 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, additional future cash outflows of $467,885 have been included in the calculation of the lease liability with a corresponding adjustment to the right-of-use asset.

NOTE 15. LEASES Continued

Maturity analysis - contractual undiscounted cash flows

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	Total $'000
Less than 6 months	63
6-12 months	61
Between 1 and 2 years	214
Over 2 years	349
Total undiscounted lease liabilities at 30 June 2019	**687**

NOTE 16. MINE PROPERTIES AND DEVELOPMENT

	30 June 2019 $'000	**31 December 2018 $'000**
Mine properties and development (at cost)	594,853	569,038
Accumulated amortisation and impairment	(470,704)	(467,485)
Net book amount	124,149	101,553
Deferred stripping costs (net book amount)	79,998	91,749
Total mine properties and development	**204,147**	**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/transfer	13,764	97,092
Transfer from property, plant and equipment	4,954	
Change in rehabilitation estimate	7,098	1,254
Amortisation expense	(3,220)	(1,230)
Closing net book amount	**124,149**	**101,553**
Deferred stripping costs		
Opening net book amount	91,749	70,886
Current year expenditure capitalised	3,989	45,728
Amortisation expense	(15,740)	(24,865)
Closing net book amount	**79,998**	**91,749**

NOTE 17. DEFERRED TAX ASSETS

	30 June 2019 $'000	31 December 2018 $'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	6,462	5,983
Mine properties and development	9,141	7,493
Trade and other payables	-	-
Employee benefits	1,176	1,031
Decommissioning and restoration	4,044	3,027
Foreign exchange	171	-
Total deferred tax assets	**20,994**	**17,534**
Deferred Tax Liabilities		
Inventory	(3,752)	(3,916)
Foreign exchange	-	(1,202)
Total deferred tax liabilities	**(3,752)**	**(5,118)**
Total net deferred tax assets	**17,241**	**12,416**

NOTE 18. TRADE AND OTHER PAYABLES

	30 June 2019 $'000	31 December 2018 $'000
Trade payables and accruals	18,450	20,156
Unearned Revenue	1,000	-
Contract Liabilities	1,377	-
Tax payable	8,278	23,759
Other payables	795	1,201
	29,900	**45,116**

Unearned revenue represents deposits on pre-sales of units currently being constructed, held in our solicitor's Trust Account. Refer note 26.

NOTE 19. BORROWINGS (CURRENT)

	30 June 2019 $'000	31 December 2018 $'000
Insurance premium funding (1)	705	1,798
Other borrowings (2)	7,782	5,328
	8,487	**7,126**

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

(2) Other borrowing are loans payable to the other partner in the arrangement of $7.8 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 20. PROVISIONS (CURRENT)

	30 June 2019 $'000	31 December 2018 $'000
Leave Obligations	12,912	12,488
Employee benefits	1,204	2,174
Operating lease liability	90	-
Decommissioning and restoration	5,544	5,506
	19,750	**20,168**

	30 June 2019 $'000	31 December 2018 $'000
Current leave obligations expected to be settled after 12 months	6,465	5,861
Movements in provision for decommissioning and restoration are set out below:		
Balance at beginning of the year	5,506	713
Payments	(79)	(419)
Transfers from non-current provisions	117	5,212
Balance at the end of reporting period	**5,544**	**5,506**

NOTE 21. BORROWINGS (NON-CURRENT)

	30 June 2019 $'000	31 December 2018 $'000
Secured		
Loans Payable	5,172	611
	5,172	**611**

Loans payable to a joint venture partner of $5.2 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 22. PROVISIONS NON-CURRENT

	30 June 2019 $'000	31 December 2018 $'000
Leave Obligations	3,413	3,123
Employee benefits	152	77
Operating Lease Liability (NC)	500	-
Decommissioning and restoration	62,651	54,564
	66,716	**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	7,702	1,683
Unwinding of discount	565	1,298
Transfers to current provisions	(180)	(5,212)
Balance at the end of the year	**62,651**	**54,564**

The change in estimate reflects a change in valuation of the decommissioning and restoration liability due to a change in discount rate.

NOTE 23. CONTRIBUTED EQUITY

	30 June 2019 Shares	31 December 2018 Shares	30 June 2019 $'000	31 December 2018 $'000
Shares	1,157,338,698	1,157,338,698	331,513	331,513
	1,157,338,698	**1,157,338,698**	**331,513**	**331,513**

Movements in ordinary share capital	**Number of shares**	**$'000**
Opening Balance as at 1 January 2019	**1,157,338,698**	**331,513**
Closing balance as at 30 June 2019	**1,157,338,698**	**331,513**

NOTE 24. RETAINED PROFITS ATTRIBUTABLE TO OWNERS OF GRANGE RESOURCES

	30 June 2019 $'000	31 December 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 15	(49)	-
Restated Opening Retained Earnings	**146,194**	**56,066**
Profit for the year	21,529	113,325
Dividends paid	(11,574)	(23,148)
Balance at the end of reporting period	**156,149**	**146,243**

NOTE 25. DIVIDENDS

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

Since the end of the half-year, the Board of Directors have recommended the payment of a fully-franked dividend of 1.0 cents per share or $11.574 million. The interim dividend was declared NIL conduit foreign income and will be paid on 27 September 2019.

Franked Dividends

The interim dividends recommended after 30 June 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.

	30 June 2019 $'000	31 December 2018 $'000
Franking credits available for subsequent reporting periods Based on a tax rate of 30% (2018 – 30%)	36,100	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 26. NON-CONTROLLING INTEREST

Non-controlling interest pertains to the 49% interest in Grange ROC Property Pty Ltd. (joint venture) attributable to the joint venture partner. This joint venture is involved in the development and construction of premium residential apartments.

As at 30 June 2019, there are three projects which are 100% owned by the joint venture:

i. Lumley Park (previously Lumley Court) which will construct a 3 level, 5 unit prestige apartment complex. Construction is in progress, and 2 units have been pre-sold. Target date of project completion is in September 2019.

ii. Brookville Road which will construct a 3 level prestige residential apartment complex and is in the planning approval stage.

iii. Carter Toorak (previously GRP Malvern Road) which will construct a 3-level 8 units prestige apartment complex. Construction is in progress, and 3 units have been pre-sold. The project is planned to be fully constructed and sold in 2019.

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

i. Exposure, or rights, to variable returns from its involvement with the joint venture;

ii. Power over the joint venture ((i.e., existing rights that give it the current ability to direct the relevant activities of the joint venture); and

iii. The ability to use its powers over the joint venture to affect its return.

NOTE 27. FAIR VALUE MEASUREMENT

Fair Value Hierarchy

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.

NOTE 27. FAIR VALUE MEASUREMENT Continued

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 financial assets and financial liabilities measured and recognised at fair value at 30 June 2019 and 31 December 2018.

At 30 June 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Financial Assets				
Short Term Managed Funds	845	18,010	792	19,647
Derivative financial instruments	-	534	-	534
Total Financial Assets	**845**	**18,544**	**792**	**20,181**

At 31 December 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Financial Assets				
Short Term Managed Funds	823	18,763	402	19,988
Derivative financial instruments	-	(254)	-	(254)
Total Financial Assets	**823**	**18,509**	**402**	**19,734**

Derivatives are only used for economic hedging purposes and not as speculative investments. The Group has the following derivative financial instruments:

	30 June 2019 $'000	**31 December 2018 $'000**
Dual currency investment	66	(239)
Electricity Fixed Forward	-	(15)
Diesel Commodity Swap	468	-
Fixed forward contract for purchase of US dollar		-
Derivative financial instruments	534	(254)

(i) Classification of derivatives

Derivatives are classified as financial assets held at fair value through profit or loss (FVTPL). 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.

NOTE 28. CONTINGENT LIABILITIES

There were no significant changes to the contingent liabilities previously disclosed in the Annual Report for the half year ended 30 June 2019.

NOTE 29. EVENTS OCCURRING AFTER THE REPORTING PERIOD

No other matter or circumstance has arisen since 30 June 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 8 to 28 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

(ii) giving a true and fair view of the consolidated entity’s financial position as at 30 June 2019 and of its performance for the half-year ended on that date, and

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

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

Michelle Li
Chairperson
Perth Western Australia
27 August 2019

Independent auditor's review report to the members of Grange Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Grange Resources Limited (the Company), which comprises the Condensed Consolidated Statement of Financial Position as at 30 June 2019, the Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Changes in Equity and Condensed Consolidated Statement of Cash Flows for the half-year ended on that date, selected other explanatory notes and the directors' declaration for Grange Resources Limited. The Group comprises the Company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Grange Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

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2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
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Conclusion

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

1. giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the half-year ended on that date;

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the Company for the half-year ended 30 June 2019 included on Grange Resources Limited's web site. The Company's directors are responsible for the integrity of the Grange Resources Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

Amanda Campbell
Partner

Melbourne
27 August 2019