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 2018

Contents

GRANGE RESOURCES LIMITED
ABN 80 009 132 405
INTERIM FINANCIAL REPORT

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 2018.

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

Principal activities

During the six months ended 30 June 2018, 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 460 days Lost Time Injury free as we restored access to the main ore zone in North Pit, following the incident in March.
- Statutory profit after tax for the six months ended 30 June 2018 of $67.2 million compared to the same period in 2017 of $14.3 million profit after tax. Net assets as at 30 June 2018 of $443.4 million, compared to $387.6 million as at 31 December 2017.
- Pellet production of 1.2 million tonnes, an increase of approximately 84%, compared to 671k tonnes in the preceding 2017.
- Pellet sales of 1.3 million tonnes, an increase of approximately 63% compared to 792k tonnes in the preceding 2017 half year.
- Unit cash operating costs for the six months ended 30 June 2018 of $82.1 per tonne compared to $134.2 per tonne for the preceding 2017 half year.
- Cash and cash equivalents of $194.4 million compared to $168.0 million as at 31 December 2017.
- Approval for the South Deposit Tailings Storage Facility (SDTSF) has been obtained in July.
- Phase 1 of the diamond drilling program to investigate the ability to access the ore body in North Pit through underground development commenced in the second quarter.
- Feasibility study and diamond drilling program commenced in the Centre Pit

Property Development

- Grange ROC Property has successfully obtained the planning approval to commence the development and construction of the 3-level, 5-unit prestige apartment project. Demolition has been completed, construction has commenced and expected to be completed within 12 months.

Review of Results

Statement of Comprehensive Income

Grange achieved a statutory profit after tax of $67.2 million for the half year ended 30 June 2018 (2017: $14.3 million profit after tax) on revenues from mining operations of $189.3 million (2017: $99.8 million).

Key revenue metrics for the 30 June 2018 half year and preceding 2017 half year were as follows:

	6 months to 30 June 2018	6 months to 30 June 2017
Iron Ore Pellet Sales (dmt)	1,293,939	792,467
Iron Ore Concentrate Sales (dmt)	10,042	87
Iron Ore Chip Sales (dmt)	59,088	31,184
TOTAL Iron Ore Product Sales (dmt)	1,363,069	823,738
Average Realised Product Price (US$/t FOB Port Latta)*	$103.94	$87.72
Average Realised Exchange Rate (AUD:USD)	$0.7689	$0.7552
Average Realised Product Price (A$/t FOB Port Latta)*	$135.18	$116.16

*In 2018 and 2017, 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 2018 totalled 1,363,069 tonnes of high quality, low impurity iron ore products compared to 823,738 tonnes for the preceding 2017 half year.

The average pellet price received during the half year was US$103.94 per tonne of product sold (FOB Port Latta) (2017: US$87.72 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 2018.

Key production metrics for the 30 June 2018 half year and preceding 2017 half year were as follows:

	6 months to 30 June 2018	6 months to 30 June 2017
Total BCM Mined	8,825,443	5,332,573
Total Ore BCM	615,366	352,344
Concentrate Produced (t)	1,351,948	679,299
Weight Recovery (%)	64.1	42.2
Pellets Produced (t)	1,231,569	670,942
Pellet Stockpile (t)	199,842	49,615
"C1" Cost (A$/tonne Product Produced)[1]	$82.06	$134.15

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 2018 the lost time injury free for Grange operations was recorded at 460 days.

Mining activity in the first six months of the year remained strong despite wet weather conditions. This high level of rainfall increased in July and August and is impacting mining activities in the main ore zone area. While this will affect production rates through October, high production rates are expected once access to the bottom of North Pit is restored and will support full year planned production. The common equipment shut planned has been brought forward to align mill downtime and key maintenance activities.

The concentrate and pellet plants continue to run at high production levels throughout the first six months in 2018, with the scheduled maintenance at the pellet plant completed safely and efficiently. This continues to be a great achievement for our 50-year-old production plans and demonstrates the value of the efforts and resources invested in sustaining maintenance.

Approval for the South Deposit Tailings Storage Facility (SDTSF) has been obtained in July. Planning for the close out of the Main Creek Tailings Dam is in progress and we will look to transition to the new facility in the next quarter.

North Pit Underground Development Project

Phase 1 of the diamond drilling program to investigate the ability to access the ore body in North Pit through underground development commenced in the second quarter. The first part of the program has been focused on the open pit slopes to inform slope stability, potential subsidence zones, ground water modelling and to provide information into the structural model. Five holes have been drilled for an advance of approximately 1,200m. The nine planned deep diamond holes are planned to commence in Q3 and will combine downhole geophysics, hydrogeological assessment, laboratory testing of diamond drill core and modelling for input into feasibility studies.

Centre Pit Feasibility Study

Work is progressing on the feasibility study for Centre Pit. The surface diamond drilling program has also been progressed with the drilling of three holes for a total advance of approximately 813m. These holes have focussed on geotechnical data collection informing slope stability.

Statement of Financial Position

Grange's net assets increased by $55.9 million during the six months ended 30 June 2018 to $443.4 million from $387.6 million as at 31 December 2017 principally as a result of the following:

- Increase in cash and cash equivalents of $26.4 million largely due to increase in sales revenue;
- Net increase in property, plant and equipment of $17.6 million due to purchase of 3 trucks ($12.9 million) and overhaul of a face shovel ($1.4 million);
- Net increase in mine properties and development of $14.3 million due to capitalisation of stripping costs for North Pit.

Statement of Cash Flows

Net cash flows from operating activities

Net cash inflows from operating activities for the six months ended 30 June 2018 were $84.1 million (six months ended 30 June 2017: net inflow of $40.6 million) which largely reflects higher iron ore product sales volumes with higher prices received.

Net cash flows from investing activities

Net cash outflows from investing activities for the six months ended 30 June 2018 were $48.8 million (six months ended 30 June 2017: net outflow of $39.0 million), principally related to significant expenditure for mine development of $26.7 million (June 2017 $25.1 million), property plant equipment of $19.8 million (June 2017 $9.7 million).

Net cash flows from financing activities

Net cash outflows from financing activities for the six months ended 30 June 2018 were $12.7 million (six months ended 30 June 2017: net inflow of $9.9 million) and principally related to payment of final dividend payment of $11.6 million for the 2017 financial year.

Dividends

Dividends provided for or paid during the half year:

	30 June 2018	31 December 2017
	$'000	$'000
Fully franked final dividend for the year ended 31 December 2017 – 1.0 cent per share	11,574	-
Fully franked final dividend for the year ended 31 December 2016 – 0.5 cents per share	-	5,787
	11,574	5,787

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 26 September 2018.

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 5.

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

Michelle Li
Chairperson
Perth Western Australia
28 August 2018

Auditor's Independence Declaration

As lead auditor for the review of Grange Resources Limited for the half-year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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
28 August 2018

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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 2018

	NOTES	Six months to 30 June 2018 $'000	Six months to 30 June 2017 $'000
Consolidated			
Revenues from mining operations	3	189,310	99,784
Cost of sales	4	(111,403)	(81,687)
Gross profit from mining operations		**77,907**	**18,097**
Administration expenses	5	(2,786)	(1,917)
Operating profit before other income (expenses)		**75,121**	**16,180**
Other income (expenses)			
Exploration and evaluation expenditure		(372)	(312)
Other income	6	101	499
Operating profit before finance costs		**74,850**	**16,367**
Finance income	7	6,745	2,773
Finance expenses	7	(805)	(5,444)
Profit before tax		**80,790**	**13,696**
Income tax benefit (expense)	8	(13,589)	611
Profit for the year		**67,201**	**14,307**
Total comprehensive income for the year		**67,201**	**14,307**
Total comprehensive income for the period attributable to:			
- Equity holders of Grange Resources Limited		67,463	14,307
- Non-controlling interest		(262)	-
		67,201	**14,307**
Earnings per share for profit attributable to the ordinary equity holders of Grange Resources Limited			
Basic earnings per share (cents per share)		**5.83**	**1.24**
Diluted earnings per share (cents per share)		**5.83**	**1.24**

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

GRANGE RESOURCES LIMITED
ABN 80 009 132 405
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

Consolidated	NOTES	30 June 2018 $'000	31 December 2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	194,380	167,989
Trade and other receivables	10	29,694	30,118
Inventories	11	60,931	63,166
Other financial assets	27	170	66
Total current assets		**285,175**	**261,339**
Non-current assets			
Receivables	12	10,305	8,030
Inventories	13	3,730	-
Property, plant and equipment	14	156,024	138,389
Mine properties and development	15	89,623	75,323
Deferred tax assets	16	8,800	6,880
Total non-current assets		**268,482**	**228,622**
Total assets		**553,657**	**489,961**
LIABILITIES			
Current liabilities			
Trade and other payables	17	31,512	23,525
Borrowings	18	818	4,830
Provisions	19	13,455	12,821
Total current liabilities		**45,785**	**41,176**
Non-current liabilities			
Borrowings	20	2,310	-
Provisions	21	62,124	61,206
Total non-current liabilities		**64,434**	**61,206**
Total liabilities		**110,219**	**102,382**
Net assets		**443,438**	**387,579**
EQUITY			
Contributed equity	22	331,513	331,513
Retained profits	23	111,955	56,066
Capital and reserves attributable to owners of Grange Resources Limited		443,468	387,579
Non-controlling interest	25	(30)	-
Total equity		**443,438**	**387,579**

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 2018

	NOTES	Contributed equity $'000	Non-controlling Interest $'000	Retained earnings $'000	TOTAL $'000
Balance at 1 January 2018		**331,513**	**-**	**56,066**	**387,579**
Profit for the period attributable to owners of Grange Resource Limited		-	-	67,463	67,463
Loss attributable to non-controlling interest		-	(262)	-	(262)
Total comprehensive profit for the period		-	(262)	67,463	67,201
Transactions with owners in their capacity as owners					
Dividends paid	24	-	-	(11,574)	(11,574)
Non-controlling interest					
Contributed equity	25	-	232	-	232
		-	232	(11,574)	(11,342)
Balance at 30 June 2018		**331,513**	**(30)**	**111,955**	**443,438**
Balance at 1 January 2017		**331,513**	**-**	**1,140**	**332,653**
Profit for the period		-	-	14,307	14,307
Total comprehensive profit for the period		-	-	14,307	14,307
Transactions with owners in their capacity as owners					
Dividends paid	24	-	-	(5,787)	(5,787)
		-	-	(5,787)	(5,787)
Balance at 30 June 2017		**331,513**	**-**	**9,660**	**341,173**

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 2018

Consolidated	NOTES	Six months to 30 June 2018 $'000	Six months to 30 June 2017 $'000
Cash flows from operating activities			
Receipts from customers and other debtors (inclusive of goods and services tax)		190,869	119,162
Payments to suppliers and employees (inclusive of goods and services tax)		(103,693)	(78,289)
		87,176	40,873
Interest received		2,997	2,713
Interest paid		(143)	(318)
Income taxes paid		(5,892)	(2,622)
Net cash inflow from operating activities		**84,138**	**40,646**
Cash flows from investing activities			
Outflows for loans receivable	12	(2,254)	-
Payments for property, plant and equipment	13	(19,786)	(9,681)
Payments for mine properties and development	14	(26,715)	(25,135)
(Payments) proceeds for security deposits		(11)	(4,189)
Net cash outflow from investing activities		**(48,766)**	**(39,005)**
Cash flows from financing activities			
Capital contribution from non-controlling interest		232	-
Proceeds from borrowing	20	2,310	-
Repayment of borrowings		(3,622)	(4,160)
Dividends paid to shareholders	23	(11,574)	(5,787)
Net cash outflow from financing activities		**(12,654)**	**(9,947)**
Net increase (decrease) in cash and cash equivalents		**22,718**	**(8,306)**
Cash and cash equivalents at beginning of the year		167,989	165,958
Net foreign exchange differences	7	3,673	(4,005)
Cash and cash equivalents at of the half-year	9	**194,380**	**153,647**

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

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 2018 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 2017 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 2017, except for the adoption of new standards effective as of 1 January 2018 and application of a new accounting policies in connection with Grange ROC property joint venture. The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

(i) *New and amended standards adopted by Group.*

i) AASB 9 Financial Instruments, and

ii) AASB 15 Revenue from Contract with Customers

The application of the new accounting policies as a result of adoption these new standards did not have any significant impact on the Group's financial statements.

<u>AASB 9 Financial Instruments</u>

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group completed a detailed assessment of its financial assets as at 1 January 2018. Most of the requirements in AASB 139 for classification and measurement of the Group's financial assets were carried forward in AASB 9. Hence, the Group's accounting policy for financial assets did not change except for the application of new impairment rules and the inclusion of embedded derivatives to the trade receivables.

Financial assets held at amortised cost classification applies to debt instruments which are held under a hold to collect business model and which have cash flows that meet the ''Solely payments of principal and interest'' (SPPI) criteria. At initial recognition, trade receivables that do not have a significant financing component, are recognised at their transaction price. Other financial assets are initially recognised at fair value plus related transaction costs; they are subsequently measured at amortised cost using the effective interest method. Any gain or loss on de-recognition or modification of a financial asset held at amortised cost is recognised in the income statement.

Financial assets held at fair value through profit or loss (FVTPL) applies to the following financial assets, in all cases, transactions costs are immediately expensed to the income statement:

- Debt instruments that do not meet the criteria of amortised cost or fair value through other comprehensive income. The Group has a proportion of trade receivables with embedded derivatives for provisional pricing. These receivables are generally held to collect but do not meet the SPPI criteria and as a result must be held at FVTPL. Subsequent fair value gains or losses are taken to the income statement.

- Derivatives which are not designated as a hedging instrument. All subsequent fair value gains or losses are recognised in the income statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under AASB 9 embedded derivative will no longer be separated from trade receivables. The entire contract will be measured at FVTPL with subsequent changes in fair value recognised as addition/deduction to revenue each month until the final settlement. Refer to Note 3. Adoption of this new standard did not have a significant impact on the financial statements. The embedded derivative at 31 December 2017 pertaining to a provisionally- priced sales contract is not material. At 31 December 2017, there was only one shipment with quotation period exposure.

In determining the recoverability of a trade or other receivable using the expected credit loss 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.

Based on the risk analysis above, the Group has determined that expected provision for credit losses is not material at transition date, 1 January 2018.

<u>AASB 15 Revenue from Contracts with Customers</u>

The Group applied AASB 15 Revenue from Contracts with Customers beginning 1 January 2018. The Group has adopted the modified transitional approach to implementation and the new standard has therefore been applied only to contracts that remain in force at 1 January 2018.

<u>Sale of ore and the related freight revenue</u>

Sales revenue is recognised on individual sales when control transfers to the customer. In most instances, control passed 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 contact
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.

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

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

<u>Sale of apartments</u>

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. In most instances, control passed 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Group has assessed the impact of the application of AASB 15. There was no revenue from the sale of property for the period ended 30 June 2018. Therefore, the adoption of this standard has no impact on the financial statements.

(ii) New accounting policy adopted by Grange ROC Property

i) ***Non-current inventories***

Non-current inventories pertain 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.

(iii) Impact of accounting standards and interpretations issued but not yet applied by the entity

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

i) AASB 16 (effective from 1 January 2019)

AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. The Group has not yet determined to what extent these commitments will result in the recognition of an asset and liability for future payments and how this will affect the Group's profit and classification as cash flow.

Some of the commitments maybe covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

(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 2017.

Details in relation to the Group's impairment assessment as at 30 June 2018 are disclosed in Note 26 of this interim financial report.

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

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		Property Development	
	Six Months to 30 June 2018 $'000	Six months to 30 June 2017 $'000	Six months to 30 June 2018 $'000	Six Months to 30 June 2017 $'000
Revenue	189,310	99,784	-	-
	June 2018	**December 2017**	**June 2018**	**December 2017**
Total Assets	548,929	489,961	4,728	-
Total Liabilities	105,430	102,382	4,789	-

The Group holds 51% ownership of the property development segment and is fully consolidated (refer to note 25).

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 2018 $'000	Six months to 30 June 2017 $'000
Segment revenues from sales to external customers		
China	105,116	86,602
Australia	25,385	12,320
Korea	23,508	852
Malaysia	21,929	-
Japan	13,372	10
TOTAL	189,310	99,784

NOTE 3. REVENUE

	Six months to 30 June 2018		Six months to 30 June 2018	Six months to 30 June 2017
	Revenue from Contracts with Customers $'000	Other Revenue (loss) $'000	Consolidated Sales Revenues $'000	Consolidated Sales Revenue $'000
From mining operations				
Sales of iron ore	190,261	(951)	189,310	99,784
	190,261	(951)	189,310	99,784

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.

In the prior year, there was no equivalent requirement under IAS 18 to separate out provisional price movements as other revenue (loss) and therefore are not separately disclosed.

NOTE 4. COST OF SALES

	Six months to 30 June 2018 $'000	Six months to 30 June 2017 $'000
Mining costs	59,627	46,133
Production costs	51,182	44,969
Freight costs	4,503	4,102
Government royalties	5,053	3,680
Depreciation and amortisation expense	2,131	1,908
Property, Plant and Equipment		
- Amounts capitalised during the year - tailing storage facility	-	(1,155)
Mine properties and development		
- Amortisation expense	148	353
Deferred stripping		
- Amounts capitalised during the year	(26,715)	(25,135)
- Amortisation expense	12,841	2,742
Changes in inventories	3,066	1,629
Foreign exchange gain (loss)	(433)	2,461
	111,403	**81,687**

NOTE 5. ADMINISTRATION EXPENSES

	Six months to 30 June 2018 $'000	Six months to 30 June 2017 $'000
Provision for rehabilitation - Interest in joint operation	299	231
Salaries	1,551	971
Consultancy fees	347	548
Other	589	167
	2,786	**1,917**

NOTE 6. OTHER INCOME (EXPENSES)

	Six months to 30 June 2018 $'000	Six months to 30 June 2017 $'000
Rent income	68	139
Other income	33	405
Net loss on the disposal of property, plant and equipment	-	(45)
	101	**499**

NOTE 7. FINANCE INCOME (EXPENSES)

	Six months to 30 June 2018 $'000	Six months to 30 June 2017 $'000
Finance Income		
Interest income received or receivable	2,968	2,773
Gain on financial instruments	104	-
Exchange gain on foreign currency deposits/borrowings (net)	3,673	-
	6,745	**2,773**
Finance expenses		
Interest charges paid or payable	(154)	(260)
Finance lease interest charges paid or payable	-	(21)
Loss on financial instruments	-	(485)
Exchange loss on foreign currency deposits / borrowings (net)	-	(4,005)
Provisions: unwinding of discount		
- Decommissioning and restoration	(651)	(673)
	(805)	**(5,444)**

NOTE 8. INCOME TAX BENEFIT (EXPENSES)

		Six months to 30 June 2018 $'000	Six months to 30 June 2017 $'000
(a)	**Income tax expense (benefit)**		
	Current tax	15,509	(4,545)
	Deferred tax	(1,920)	3,934
		13,589	**(611)**
	Decrease (Increase) in deferred tax assets	(1,920)	3,934
(b)	**Numerical reconciliation of income tax (benefit) / expense to prima facie tax payable**		
	Profit from continuing operations before income tax (benefit) / expense	80,790	13,696
	Tax expense at the Australian tax rate of 30% (June 2017: 30%)	24,237	4,109
	Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
	Sundry items	(161)	20
		24,076	4,129
	Movements in previously unrealised deferred tax assets	(7,317)	(1,084)
	Deferred tax assets recognised on tax losses	-	(4,763)
	Movement in deferred tax assets recognised	(1,920)	5,652
	Adjustment to tax of prior period	(1,250)	(4,545)
		13,589	**(611)**

NOTE 8. INCOME TAX BENEFIT (EXPENSES) (CONTINUED)

(c) Taxation Losses

	Six months to 30 June 2018 $'000	Six months to 30 June 2017 $'000
Unused taxation losses for which no deferred tax asset has been recognised	54,104	54,104
Potential tax benefit @ 30%	**16,231**	**16,231**

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

(d) Unrecognised temporary differences

Temporary difference for which deferred tax assets not recognised	268,638	324,833
Unrecognised deferred tax assets relating to above temporary differences	**80,591**	**97,450**

NOTE 9. CASH AND CASH EQUIVALENTS

	30 June 2018 $'000	31 December 2017 $'000
Cash at bank and in hand	14,044	5,245
Short-term deposits	180,336	162,744
	194,380	**167,989**
Cash at bank and in hand and short-term deposits as per statement of cash flows	**194,380**	**167,989**

NOTE 10. TRADE AND OTHER RECEIVABLES

	30 June 2018 $'000	31 December 2017 $'000
Trade receivables	23,424	25,176
Security deposits	373	362
Other receivables	2,923	2,665
Prepayments	2,974	1,915
	29,694	**30,118**

Trade receivables include provisionally priced receivables relating to sales contracts where the selling price is determined after delivery to the customers, based on the market price at the relevant quotation point stipulated in the contract (note 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.

In determining the recoverability of trade and other receivables, the Group performs a risk analysis considering the type and age of outstanding receivable, supporting letter of credit, contract provision and creditworthiness of the counterparty. The Group has determined that the expected provision for credit losses is not material. As at 30 June 2018, there are no trade receivables that were past due.

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

NOTE 11. INVENTORIES

	30 June 2018 $'000	31 December 2017 $'000
Stores and spares	25,475	24,644
Ore stockpiles	15,478	15,724
Work in progress	3,047	1,001
Finished goods	16,931	21,797
	60,931	**63,166**

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

Cost of sales of $3.1 million for the six-months ended 30 June 2018 and $1.6 million for the six-months ended 30 June 2017 were recognised for the movements in ore stock piles, work in progress, and finished goods inventories (note 4).

NOTE 12. NON-CURRENT RECEIVABLES

	30 June 2018 $'000	31 December 2017 $'000
Loan receivables	2,254	-
Security deposits	8,051	8,030
	10,305	**8,030**

Loans receivable, classified as financial asset held at amortised cost, from a joint venture partner of $2.3 million. This loan is secured, carries an annual interest of 9% and will be receivable upon completion and subsequent sale of the property development projects.

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

NOTE 13. NON-CURRENT INVENTORIES

	30 June 2018 $'000	31 December 2017 $'000
Property development work in progress	3,730	-
	3,730	**-**

49% pertains to non-controlling interest (refer to note 25).

NOTE 14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings $'000	*Plant and equipment* $'000	*Computer Equipment* $'000	*Total* $'000
At 1 January 2018				
Cost	45,422	450,966	8,055	504,443
Accumulated depreciation and impairment	(37,382)	(320,862)	(7,810)	(366,054)
Net book amount	**8,040**	**130,104**	**245**	**138,389**
Half-year ended 30 June 2018				
Opening net book amount	8,040	130,104	245	138,389
Additions	462	19,269	55	19,786
Depreciation charge	(83)	(2,032)	(36)	(2,151)
Closing net book amount	**8,419**	**147,341**	**264**	**156,024**
At 30 June 2018				
Cost	45,884	470,235	8,110	524,229
Accumulated depreciation and impairment	(37,465)	(322,894)	(7,846)	(368,205)
Net book amount	**8,419**	**147,341**	**264**	**156,024**

NOTE 15. MINE PROPERTIES AND DEVELOPMENT

	30 June 2018 $'000	31 December 2017 $'000
Mine properties and development (at cost)	471,266	470,692
Accumulated amortisation and impairment	(466,403)	(466,255)
Net book amount	4,863	4,437
Deferred stripping costs (net book amount)	84,760	70,886
Total mine properties and development	**89,623**	**75,323**

Movements in mine properties and development are set out below:

	30 June 2018 $'000	31 December 2017 $'000
Mine properties and development		
Opening net book amount	4,437	2,424
Change in rehabilitation estimate	574	2,552
Amortisation expense	(148)	(539)
Closing net book amount	**4,863**	**4,437**
Deferred stripping costs		
Opening net book amount	70,886	56,906
Current year expenditure capitalised	26,715	29,730
Amortisation expense	(12,841)	(15,750)
Closing net book amount	**84,760**	**70,886**

NOTE 16. DEFERRED TAX ASSETS

	30 June 2018 $'000	31 December 2017 $'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	3,289	2,547
Mine properties and development	3,518	2,945
Trade and other payables	-	1
Employee benefits	489	310
Decommissioning and restoration	1,504	1,077
Total deferred tax assets	**8,800**	**6,880**

NOTE 17. TRADE AND OTHER PAYABLES

	30 June 2018 $'000	31 December 2017 $'000
Trade payables and accruals	17,486	18,543
Tax payables	13,585	3,965
Other payables	441	1,017
	31,512	**23,525**

NOTE 18. BORROWINGS (CURRENT)

	30 June 2018 $'000	31 December 2017 $'000
Insurance premium funding (1)	429	1,717
Other borrowings (2)	389	3,113
	818	**4,830**

(1) Insurance premium funding represents an unsecured loan which carries a fixed interest rate of 1% and will be fully paid in July 2018.

(2) Other borrowings represent a multi-advance secured loan facility secured by a charge over the 789 Dump Trucks ('equipment') and all parts, improvements and replacements thereof to secure all amounts payable under the facility upon default. This was fully paid in August 2018.

NOTE 19. PROVISIONS (CURRENT)

	30 June 2018 $'000	31 December 2017 $'000
Employee benefits	12,654	12,108
Decommissioning and restoration	801	713
	13,455	**12,821**

Movements in provision for decommissioning and restoration are set out below

	30 June 2018 $'000	31 December 2017 $'000
Balance at beginning of the year	713	680
Payments	(69)	(327)
Transfers from non-current provisions	157	360
Balance at the end of reporting period	**801**	**713**

NOTE 20. BORROWINGS (NON-CURRENT)

	30 June 2018 $'000	31 December 2017 $'000
Secured		
Loans payable	2,310	-
	2,310	**-**

Loans payable to a joint venture partner of $2.3 million. This loan is secured, carries an annual interest of 7% to 9% and will be payable upon completion of the development property projects.

NOTE 21. PROVISIONS NON-CURRENT

	30 June 2018 $'000	31 December 2017 $'000
Employee benefits	3,906	4,411
Decommissioning and restoration	58,218	56,795
	62,124	**61,206**

Movements in provision for decommissioning and restoration are set out below

	30 June 2018 $'000	31 December 2017 $'000
Balance at beginning of the year	56,795	52,949
Change in estimate	927	2,880
Unwinding of discount	651	1,326
Transfers to current provisions	(155)	(360)
Balance at the end of the year	**58,218**	**56,795**

NOTE 22. CONTRIBUTED EQUITY

	30 June 2018 Shares	31 December 2017 Shares	30 June 2018 $'000	31 December 2017 $'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**

(a) Movements in ordinary share capital	Number of shares	$'000
1 January 2018 - Opening Balance	**1,157,338,698**	**331,513**
Issue of shares under long term incentive plan	-	-
Closing balance at 30 June 2018	**1,157,338,698**	**331,513**

NOTE 23. RETAINED PROFITS ATTRIBUTABLE TO OWNERS OF GRANGE RESOURCES

	30 June 2018 $'000	31 December 2017 $'000
Retained profits		
Movements in retained profits were as follows:		
Balance at the beginning of the year	56,066	1,140
Profit for the year	67,463	60,713
Dividends paid	(11,574)	(5,787)
Balance at the end of reporting period	**111,955**	**56,066**

NOTE 24. DIVIDENDS

	30 June 2018 $'000	31 December 2017 $'000
Fully franked final dividend for the year ended 31 December 2017 – 1.0 cents per share	11,574	-
Fully franked final dividend for the year ended 31 December 2016 - 0.5 cents per share	-	5,787
Total dividends paid	**11,574**	**5,787**

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 26 September 2018.

Franked Dividends

The interim dividends recommended after 30 June 2018 will be fully franked out of existing franking credits, or out of franking credits arising from the payment of income tax in the year ending 31 December 2018.

	30 June 2018 $'000	31 December 2017 $'000
Franking credits available for subsequent reporting periods Based on a tax rate of 30% (2017 – 30%)	15,026	14,097

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

NOTE 25. 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 apartments.

As at 30 June 2018, there are two projects which are 100% owned by the joint venture:

i. Lumley Court which will construct a 3-level, 5 units prestige apartment. Planning approval to commence development and construction has been obtained. Demolition has been completed, and construction has commenced. Target date of project completion is in September 2019.

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

The joint venture 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 26. IMPAIRMENT OF NON-CURRENT ASSETS

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. The Group considers both internal and external factors when reviewing for indicators of impairment. Although the book value of net assets continues to exceed the Group's market capitalisation, indicators have moved in a positive direction since the December 2017 impairment assessment.

Impairment indicators continue to improve as demonstrated by China's continuous effort to reduce air pollution creating a strong demand for high-quality, low-impurity pellets thereby strengthening the premium pellet price.

NOTE 27. FAIR VALUE MEASUREMENT

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

	30 June 2018 $'000	31 December 2017 $'000
Dual currency investment	119	(189)
Electricity Fixed Forward	(12)	-
Diesel Commodity Swap	63	-
Fixed forward contract for purchase of US dollar	-	255
Derivative financial instruments	170	66

(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 2018.

NOTE 29. EVENTS OCCURRING AFTER THE REPORTING PERIOD

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect:

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

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 6 to 25 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 2018 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
28 August 2018

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 2018, 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, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Grange Resource Limited (the consolidated entity). The consolidated entity 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 consolidated entity's financial position as at 30 June 2018 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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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 consolidated entity's financial position as at 30 June 2018 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*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Amanda Campbell
Partner

Melbourne
28 August 2018