GRANGE RESOURCES

2015 ANNUAL REPORT

Australia's most experienced magnetite producer

Grange Resources Limited

BOARD OF DIRECTORS

Michelle Li *Non-executive Chairman*

Yan Jia *Non-executive Deputy Chairman*

Daniel Tenardi *Non-executive Director*

Liming Huang *Non-executive Director*

Honglin Zhao *Chief Executive Officer ("CEO") and Executive Director*

COMPANY SECRETARY

Piers Lewis

REGISTERED OFFICE

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Yarra Falls
452 Johnston Street, ABBOTSFORD, VIC 3067

AUDITORS

PricewaterhouseCoopers
Freshwater Place
2 Southbank Boulevard, SOUTHBANK, VIC 3006

STOCK EXCHANGE

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

WEBSITE

www.grangeresources.com.au

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About Grange

OUR BUSINESS

Grange Resources Limited (Grange or the Company), ASX Code: GRR, is Australia's most experienced magnetite producer with over 48 years of mining and production from its Savage River mine and has a projected mine life beyond 2030.

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

In addition, Grange is a majority joint venture partner in a major magnetite development project at Southdown, near Albany in Western Australia. The Southdown magnetite project, once developed, is expected to have the capacity to supply over four times the amount of iron ore produced at Savage River, at an annual production rate of 10 million tonnes of premium magnetite concentrate. The Company announced that it was significantly reducing its expenditure on the project from 2013 and continuing its search for an equity partner for a strategic share of the Company's interest in the project.

OUR VISION

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

OUR VALUES

At Grange we ALL will...

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

2015 Overview

In 2015 we delivered a record year with respect to production and safety, efficiently navigating through a very challenging market. We sustained consistent production and continue to see demand for our premium product.

OPERATIONAL OVERVIEW

- Achieved a Lost Time Injury (LTI) free record of 1,728 days in the first half of 2015
- Maintained good access to high grade ore and improved production results
- Concentrate production exceeded 2.6 million tonnes for the second year in a row
- Achieved a pellet production record of 2.53 million tonnes
- Continued to invest in the protection and progressive refurbishment of critical core process infrastructure with the change out of the first Autogenous Mill Shell
- Progressed construction of the South Deposit Tails Storage Facility
- Improved production and continued cost control disciplines to significantly reduce operating costs
- Preserved balance sheet strength with disciplined operational planning and execution enabling internal funding of critical mine re-development

FINANCIAL OVERVIEW

- Total sales of 2.36 million tonnes of iron ore products
- Reduction of C1 cash operating costs to AUD$77.18 per tonne
- Average realised product price of US$87.23 per tonne (FOB Port Latta)
- Underlying profit after tax was $50.9 million, after excluding significant non-cash items of $328.7 million arising from an impairment of the carrying value of Savage River assets
- Maintained strong Balance Sheet with cash and term deposits of $138.4 million

2016 Priorities

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

2016 PRIORITIES

- Maintain cost control disciplines and increase efficiencies
- Ensure the qualities of our premium product are realised
- Deliver into committed sales off-take agreements and develop new customers
- Formulate a valid alternate development model and seek to secure equity partners for a strategic share of the Company's interest in the Southdown project
- Continued investment in mine development – continue to deliver quality ore from South Deposit and progress the next phase of cutbacks in North Pit
- Continue to develop and implement "real time" operational scheduling and management processes to improve daily productivity
- Pursue opportunities to add value to our product such as producing a fluxed pellet
- Continue to invest in process infrastructure through disciplined capital management programmes
- Complete the installation of the second new Ball Mill Motor at the Savage River Concentrator
- Progress the implementation of the South Deposit Tailings Storage Facility which provides sufficient storage for the balance of the mine life at Savage River
- Maintain and develop Mine-to-Market quality management processes
- Look for investment opportunities to return shareholders' value

About the Grange Business

MAGNETITE

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

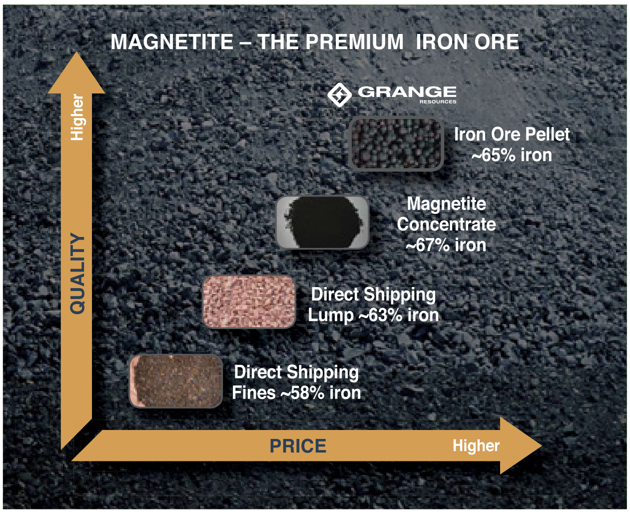
The Australian iron ore industry has traditionally been based on the mining, production and export of haematite ores, also referred to as 'Direct Shipping Ore' (DSO). Approximately 96 per cent of Australian iron ore production comes from DSO. While magnetite is an emerging industry in Australia, globally it accounts for approximately 50 per cent of iron ore production.

Smelting magnetite to iron involves agglomeration or 'clumping together' of the magnetite concentrate, and thermal treatment to produce iron ore pellets.

The pellets can be used directly in a blast furnace or at direct reduction iron-making plants.

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

Mining magnetite ore is a high volume business. It is capital intensive and requires significant downstream processing infrastructure including a beneficiation plant, a pellet plant and port facilities. As can be seen from the following graphic, magnetite products command a value premium above haematite ore products such as fines and lump. This premium is derived on two fronts, through additional iron content, and a quality premium.



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

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

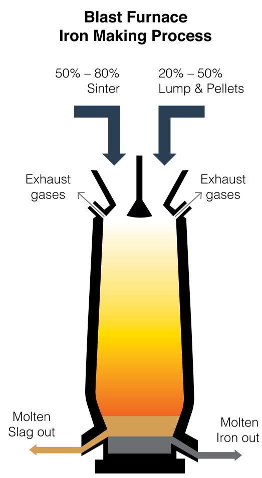
Until April 2010, iron ore prices were traditionally decided in closed-door negotiations between the small handful of "key" miners and steel makers which dominated both spot and contract markets. Traditionally, the first agreement on price reached between these two groups set a benchmark price that was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

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

Grange Resources Limited (Grange Resources) owns and operates Australia's largest integrated iron ore mining and pellet production business located in the northwest region of Tasmania. The Savage River magnetite iron ore mine, 100km southwest of the city of Burnie, is a long life mining asset set to continue operation to beyond 2030. At Port Latta, 70kms northwest of Burnie, is Grange Resources' wholly owned pellet plant and port facility producing more than 2 million tonnes of premium quality iron ore pellets annually with plans to increase annual production. Grange holds long term supply contracts for 1 million tonnes of its annual production and offers the balance of its production to market via a spot sales tendering and contracting process. All products are offered FOB and are shipped to major steel producers in the Asia Pacific region.

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

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



Chairman's & Chief Executive Officer's Review

Dear Shareholders, we are pleased to report that your Company delivered strong results this past financial year with improvements in operating performance and safety, supported by a continued focus on productivity. By maintaining a strong balance sheet, it gives us the best opportunity to perform in an iron ore market that has been affected by the mixed global economic environment of slower Chinese growth, recovery in the United States and continued weakness in the European Union.

The Board has been continuously reviewing our strategy against changes in the external environment and will continue to do so by analysing the risks and opportunities facing the natural resources sector and optimising our operations accordingly. We believe that the Board's approach to strategy and risk management positions us to plan and respond to changes and capture opportunities to grow shareholder value over time. We maintain a relentless focus on the health and safety of our people and the communities in which we operate. This culminated in a Lost Time Injury free record of 1,728 days achieved in the first half of 2015.

2015 REVIEW

2015 was a challenging year for the iron ore industry. In 2015 your Company has delivered a solid performance, despite an exceptional level of economic volatility. The continued deterioration in the macro environment has generated widespread market uncertainty which we have resisted by focusing on the fundamental importance of improving productivity, reducing costs and maintaining a strong balance sheet. The slower than expected growth in China has resulted in lower iron ore prices, however our Company remains resilient to generate free cash flow.

Access to high grade ore has been maintained throughout the year with mining operations focussed on mining ore from South Deposit and stripping material in the cutback of North Pit. Quality products and high processing rates were supported by the blending of ore from South Deposit with High Grade (HG) ore stockpiled from North Pit.

The construction of the South Deposit Tailings Storage Facility (SDTSF) progressed well throughout the year with completion of several lifts through the main structure and filter face. This is a significant project in terms of the ongoing viability of the Savage River operations as it will provide sufficient tailings storage capacity for the remaining life of the mine. This facility will also provide the ability for treatment of the legacy environmental issues arising from previous operations at Savage River.

The change out of the first of the 48 year old Autogenous Mills was completed ahead of schedule and under budget. The old shell was safely removed and the new shell was constructed and commissioned at the end of July. The successful completion of this project along with the installation of a new Ball Mill Motor has served to de-risk our production profile, improve our productivity, and increase our efficiency culminating in an all-time record pellet production of over 2.5 million tonnes.

We delivered an underlying profit after tax of $50.9 million (2014: $76.4 million), on revenues from mining operations of $205.6 million (2014: $297.2 million) despite significantly weaker iron ore prices and also lower sales volume. The strong results were underpinned by increased production and productivity-led cost efficiencies resulting in reducing C1 cash operating costs to $77.18 per tonne (2014: $86.51), a decrease of approximately 11% from the preceding 2014 year.

Our sustained strong cash position at $138.4 million after investment in the key capital expenditure projects during 2015 and low borrowings, has differentiated Grange from other mining companies.

Grange continued to maintain our unrelenting and disciplined management of personal safety in operations. This focus is evident in our performance by the continuous improvement in our safety performance statistics highlighted by a Lost Time Injury free record of 1,728 days in the first half of 2015.

Grange continued to seek a buyer for its equity interest in the Southdown joint venture project. The on-going strategy is to maintain the currency and good standing of all tenements, permits and project assets.

In May 2015, Mr Clement Ko stepped down as a non-executive director after many years of significant contribution to the board.

OUTLOOK

Global growth is expected to pick up slightly in 2016, but will remain modest and subject to ongoing financial market volatility. With Chinese authorities appearing to increase their focus on "supply-side reform" including State-Owned Enterprises, there will be some capacity reduction as industry consolidates over time. Over the longer term, economic reform and ongoing urbanisation will help to offset the impact of a declining workforce as growth converges to levels similar to developed economies.

The US economy should see a mild lift in growth driven by consumer demand, supported by low energy prices and an improved housing market. The Eurozone will likely see modest growth continue, supported by a lower Euro and stimulatory monetary policy. In Japan, better wages growth, increased business investment and a lower Yen should support mild economic improvement, though growth remains fragile. India's economy will continue to grow solidly, supported by infrastructure spend and lower commodity prices. In the longer term, growth will be sustained by rising domestic consumption and successful reform.

Outlook for Chinese crude steel production remains unchanged as China continues to urbanise and mature its manufacturing capability. In the short term, Chinese steel demand is expected to remain soft, with modest potential improvement if construction and infrastructure activity ramp-up in the first half of 2016. China's gross domestic product (GDP) growth slowed to just below seven percent as the transition to its "New Normal status" was further impacted by the industrial cycle. Consumption supported the economy but investment and exports weighed on growth. In particular, steel demand has been impacted by the slowing growth of China's construction and industrial sectors as the transition to a service-based economy takes place.

With iron ore prices at the lowest level since 2005, the economic environment represents significant challenges for industry margins during the year and this is likely to persist in 2016. The iron ore price will likely remain low, constrained by weak demand and abundant seaborne iron ore supply. Over time, additional low-cost seaborne supply will continue to displace higher-cost supply, and productivity gains will continue to be an industry feature. These factors will result in a period of market rebalancing.

Despite the uncertain conditions that we currently face, the long-term outlook for our sector remains positive. In the next 15 years, the world's population will increase by more than one billion people, half of which will be increases in China, India and the Association of Southeast Asian Nations (ASEAN) region due to moving from rural to urban environments. The demand for the minerals and metals are essential ingredients of this changing landscape.

While we are prepared for lower iron ore prices, the short to medium-term outlook for the resource sector remains challenging. It is expected that iron ore prices will take time to recover and are likely to remain volatile. We will continue to implement measures to both preserve our balance sheet strength and align our capital allocation framework with the cyclical nature of the industry. Our priorities for capital are to maintain safe and stable operations and a strong balance sheet throughout the cycle.

While the sector faces challenges in the short to medium term, we remain confident in the long-term outlook, which is supported by the ongoing urbanisation and industrialisation of emerging economies coupled with growing supply side challenges. With rising volatility, the strength of our unique company, positions us to take advantage of market conditions through the cycle.

Grange's prime focus is to remain competitive in a frequently changing iron ore market, where iron ore price is currently under pressure. The focus for the management team is to maintain a disciplined approach in managing its day to day activities while at the same time challenging itself to find better ways to do business.

The Group's current strategic priorities include:

SAVAGE RIVER AND PORT LATTA OPERATIONS

- Fluxed pellet capital project to convert the Group's major product, the iron ore pellet to a fluxed pellet from 2017 to attract a higher pellet premium.
- Securing majority of sales through off take agreements in soft market conditions
- Broadening our customer base for the longer term to take advantage of market opportunities and to diversify geographic customer risk
- Maintaining access to high grade ore by continuing to invest in mine development
- Continuing to invest in process infrastructure
- Optimising the Life of Mine Plan together with cost reduction strategies and projects

SOUTHDOWN PROJECT

- Continuing review and identifying the potential for alternative development models
- Continuing the search for new equity partners to take a strategic share of the Company's interest in the Project
- Ensuring that all tenements, permits and project assets remain in good standing
- Secure Commonwealth EPBC approval for the mine site, slurry pipeline, port facilities and desalination infrastructure
- Maintaining the currency of all the elements of the definitive feasibility study

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

THANK YOU

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

Michelle Li
Chairperson

Honglin Zhao
Chief Executive Officer

Operating and Financial Review

KEY HIGHLIGHTS

- Achieved a Lost Time Injury free record of 1,728 days in the first half of 2015
- Delivered underlying profit after tax of $50.9 million (2014: $76.4 million), on revenues from mining operations of $205.6 million (2014: $297.2 million)
- Statutory loss after tax of $277.8 million which included significant items of $328.7 million arising from an impairment of the carrying value of Savage River assets due to low iron ore price
- Grange's high quality, low impurity iron ore products continue to attract a premium with average product prices of $87.23 per tonne (2014: $118.77) (FOB Port Latta)
    - Strong premiums sustained during downward pressures on iron ore prices due to increased supply, a softening of the Chinese market and the discounting of lower quality iron ore products
    - Total iron ore product sales of 2.36 million tonnes (2014: 2.5 million)
    - Lower realised AUD:USD exchange rates have delivered stronger AUD revenues
    - Continued focus on selling cargoes to targeted customers and balancing opportunities in the spot market
- Maintained good access to high grade ore and improved production results
    - Continued mine development in North Pit whilst blending of ore from South Deposit with High Grade ore stockpiled from North Pit
    - Construction of South Deposit Tailings Storage Facility progressed well, which will provide sufficient tailings storage for the remaining life of mine
    - Successfully changed out the first of the 48 year old Autogenous Mills ahead of schedule and under budget
    - Concentrate production exceeded 2.6 million tonnes for the second year in a row whilst undertaking the change out of the Autogenous Mill
    - Achieved a pellet production record of 2.53 million tonnes, an increase of approximately 8% from the preceding 2014 year
    - Improved production and continued cost control disciplines have reduced C1 cash operating costs to $77.18 per tonne (2014: $86.51), a decrease of approximately 11% from the preceding 2014 year
- Sustained strong cash position at $138.4 million (2014: $153.6 million), made significant cash payments and invested capital expenditure in key projects including:
    - Rebuilding of the 789 Truck fleet (financed by $12.1 million loan as at 31 December 2015)
    - Purchasing 3 second hand 789 Trucks
    - Continued developing the South Deposit Tailings Storage Facility
    - Autogenous Mill Shell and Ball Mill Motor change out
    - Savage River main transformer change out
    - Continued deferred stripping investment in mine development

Operating and Financial Review (Cont.)

SAFETY PERFORMANCE

Grange operations achieved a record of 1,728 days Lost Time Injury free in 2015. Unfortunately an eye injury occurred in a workshop resulting in an infection and some lost time. While the operation nearly made 5 years LTI free, this incident serves to focus our resolve to maintain the safety of our workplace.

FULL YEAR RESULT

Grange recorded a statutory loss after tax of $277.8 million for the year ended 31 December 2015 (2014: $110.2 million). This result included the following significant non-cash after tax items which totalled $328.7 million:

- A non-cash impairment of the carrying value of Savage River assets of $284.7 million primarily as a result of lower than forecast iron ore prices; and
- Deferred tax assets write-off of $44.0 million

Underlying profit after tax for the period, after excluding these significant non-cash items, was $50.9 million (2014: underlying profit $76.4 million). A reconciliation of underlying profit to the statutory loss for the year ended 31 December 2015 is set out to the right:

	31 Dec 2015 $'000
Underlying profit after tax	**50,922**
Significant items	
Impairment of assets (including deferred tax assets write-off)	(328,736)
Statutory loss after tax	**(277,814)**

Key revenue metrics for the year ended 31 December 2015 and the preceding 2014 year were as follows:

	2015	2014
Iron Ore Pellet Sales (dmt)	**2,249,405**	2,422,093
Iron Ore Concentrate Sales (dmt)	**162**	171
Iron Ore Chip Sales (dmt)	**107,090**	79,702
Total Iron Ore Product Sales (dmt)	**2,356,657**	2,501,966
Average Realised Product Price (US$/t FOB Port Latta)	**$66.23**	$107.34
Average Realised Exchange Rate (AUD:USD)	**0.7593**	0.9038
Average Realised Product Price (A$/t FOB Port Latta)	**$87.23**	$118.77

Total sales for the year ended 31 December 2015 was 2.36 million tonnes of high quality, low impurity iron ore products (2014: 2.50 million tonnes).

The average iron ore product price received during the year was $87.23 per tonne of product sold (FOB Port Latta) (2014: $118.77 per tonne). The downward movement is consistent with the reduction in benchmark 62% Fe iron ore prices (CFR China) which was driven by the introduction of additional volume from major iron ore producers, ongoing softening in the Chinese market (from lower economic growth rate, higher port stockpiles and tightening of domestic credit availability) and discounting of lower quality iron ore products.

With soft market conditions the Company has made a strategic decision not to place a number of cargoes into a market driven by opportunistic bidders and will continue to supply targeted customers. Our iron ore products continue to enjoy a strong market demand despite current challenging market conditions. Please refer to Note 4 of the Financial Report for segment information for sales to different geographical markets. The sales from long term off take agreements with Jiangsu Shagang International Trade Co. Ltd (Shagang) represents 42.5% of total sales for 2015 (2014: 43.6%).

Key operating metrics for the year ended 31 December 2015 and the preceding 2014 year were as follows:

	2015	2014
Total BCM Mined	**15,299,080**	17,050,888
Total Ore BCM	**1,708,356**	1,480,126
Concentrate Produced (t)	**2,606,233**	2,626,096
Weight Recovery (%)	**46.1**	48.8
Pellets Produced (t)	**2,528,235**	2,341,121
Pellet Stockpile (t)	**430,261**	151,431
"C1" Operating Cost (A$/t Product Produced)(1)	**$77.18**	$86.51

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

Mining operations focussed on mining ore from South Deposit and stripping material in the cutback of North Pit. Blending of ore from South Deposit with High Grade (HG) ore stockpiled from North Pit supported high processing rates and quality production.

The construction of the South Deposit Tailings Storage Facility (SDTSF) progressed well throughout the year with completion of several lifts through the main structure and filter face. This is a significant project in terms of the ongoing viability of the Savage River operations as it will provide sufficient tailings storage capacity for the remaining life of the mine. This facility will also provide the ability for treatment of the legacy environmental issues arising from previous operations at Savage River.

The change out of the first of the 48 year old Autogenous Mills was completed ahead of schedule and under budget. The old shell was safely removed and the new shell was constructed and commissioned at the end of July, 5 days ahead of schedule. The successful completion of this project along with the installation of a new Ball Mill Motor has served to de-risk our production profile, improve our productivity, and increase our efficiency.

Expenditure on exploration and evaluation activities during the year was $1.7 million (2014: $1.9 million) and has been reflected in the income statement.

Operating and Financial Review (Cont.)

SOUTHDOWN MAGNETITE PROJECT

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

During 2015, market conditions for securing project investment funding did not improve. The joint venture partners continue to monitor all ongoing project requirements to ensure that the current status of the feasibility studies is such that the project can be fully recommenced as soon as an appropriate opportunity arises. The on-going strategy is to maintain the currency and good standing of all tenements, permits and project assets.

A number of key milestones were achieved through our strategic project development during 2015. These included:

- Extension of the term of the mining tenure.
- Secured extension of terms for several key State and Commonwealth environmental approvals.
- Maintained compliance with environmental and tenement conditions.
- Continued to liaise and maintain relationship with key government departments, including conclusion of negotiations with some key stakeholders along the slurry pipeline alignment.

This approach will continue into 2016, as we formulate a valid alternate development model and seek to secure equity partners for a strategic share of the Company's interest in the project.

FINANCIAL POSITION

Grange's net assets decreased during the year to $245.5 million (31 December 2014: $535.2 million) principally as a result of the following:

- A non-cash impairment of the carrying value of Savage River assets of $284.7 million as a result of lower than forecast iron ore prices arising from recent changes in the supply and demand dynamics of the market;
- Deferred tax assets write-off of $44.0 million; and
- An underlying profit after tax of $50.9 million.

The Group's market capitalisation as at 7 March 2016 is $121.5 million. As at the reporting date, the Group has conducted a carrying value analysis and recognised non-current asset impairments of the carrying value of Savage River assets of $123.1 million in addition to the half year impairment of $161.6 million. Please refer to Note 26 of the Financial Report for details.

STATEMENT OF CASH FLOWS

Net cash flows from operating activities

Net cash inflows from operating activities for the year were $91.1 million (2014: $177.1 million) and reflect a significant decrease in iron ore product prices throughout the year.

Interest received of $2.9 million (2014: $2.8 million) was on par with last year due to maintaining cash held in term deposits while operating cash was reduced when compared to the corresponding period last year.

Net cash flows from investing activities

Net cash outflows from investing activities for the period were $142.4 million (2014: outflows $145.2 million) and principally related to the rebuilding of the 789 Truck fleet, purchasing 3 second hand 789 Trucks, continued developing the South Deposit Tailings Storage Facility, Autogenous Mill Shell and Ball Mill Motor change out, Savage River main transformer change out and continued deferred stripping investment in mine development.

Net cash flows from financing activities

Net cash outflows from financing activities for the period were $0.3 million (2014 outflow: $50.5 million) and principally related to the payment of the final dividend for the year ended 31 December 2014 ($11.6 million) and net receipt of other borrowings ($11.2 million).

EXPLORATION AND EVALUATION

Exploration activity for 2015 has focussed on environmental development work for Long Plains. The Mineral Resource stands at 383.2MT @ 47.7%DTR. Design and modelling work on the deposit will continue in 2016, as we continually seek to maximise value in our Life of Mine Plan. For details on the Mineral Resource please refer to the ASX release made on 9 March 2016.

MINERAL RESOURCES AND ORE RESERVES STATEMENT - SAVAGE RIVER OPERATIONS

The following tables show the Mineral Resources and Ore Reserves for the Savage River operations as at 31 December 2015. The mining of ore throughout the year focussed on high grade supply from South Deposit blended with ore from North Pit. The Mineral Resource has decreased since the previous estimate dated 31 December 2014 as a result of depletion for mine production and an update to Centre Pit wireframes based on recent modelling work. Ore Reserves have also been depleted for mine production and a revision to the Centre Pit design during the last calendar year.

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

MINERAL RESOURCES

A summary of the total Mineral Resources for Savage River as at 31 December 2015 is as follows:

	As at December 2015		As at December 2014	
	Tonnes (Mt)	Grade % DTR*	Tonnes (Mt)	Grade % DTR*
Measured	71.8	52.7	76.1	52.9
Indicated	156.3	49.9	157.4	49.9
Inferred	155.1	42.6	156.6	42.6
Total	**383.2**	**47.7**	**390.1**	**47.7**

**Davis Tube Recovery – a measure of recoverable magnetite*

ORE RESERVE

A summary of the ore reserve for Savage River as at 31 December 2015 is as follows:

	As at December 2015		As at December 2014	
	Tonnes (Mt)	Grade % DTR*	Tonnes (Mt)	Grade % DTR*
Proved	32.7	51.7	40.7	51.5
Probable	58.0	51.1	59.4	51.6
Total	**90.7**	**51.3**	**100.1**	**51.5**

**Davis Tube Recovery – a measure of recoverable magnetite*

A detailed statement of the Mineral Resources and Ore Reserves can be found in the ASX announcement dated 9 March 2016. Grange confirms in reproducing the Mineral Resources and Ore Reserves in this subsequent report, that it is not aware of any new information or data that materially affects the information included and all the material assumptions and technical parameters underpinning the estimates in this report continue to apply and have not materially changed.

Operating and Financial Review (Cont.)

HEALTH AND SAFETY

OVERVIEW

Grange believe that responsible Occupational Health and Safety (OHS) and sound Environmental and Social Responsibility (ESR) practices are integral to an efficient and successful company. Grange's OHS and ESR Management Systems have been integrated to form the "Safety and Environment Management System" (SEMS) which supports OHS and ESR policies and defines the required standards to which any Grange facility must operate.

SEMS is an integral part of the Grange Management System (GMS), it is well supported by a management plan for sixteen (16) of the major hazards identified in our industry. The implementation and effective management of SEMS enables compliance with legislation, reduction of risk, increased efficiencies and provides the framework for continuous improvement. SEMS is aligned to ISO 14001 Environmental & OHSAS 18001 Quality Management Systems and is applicable to any existing and future national or international operation.

MISSION STATEMENT

Our mission is to drive a continuous improvement culture involving all managers, supervisors, employees and contractors. We strive to eliminate injury and minimise loss, create positive environmental outcomes and to add value to the communities in which we operate. This will be achieved through effective management systems, positive management, integrated risk management practices, risk aware culture, demonstrable leadership, maintaining standards, monitoring performance and looking after our people.

SAFETY PERFORMANCE

The Company is committed to providing a safe place of work and safe systems of work for all its workers at every site. We take this commitment seriously and expect those working for us to share the same level of commitment. We want our workers to return home as fit as when they left home each and every day.

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

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

HEALTH AND SAFETY

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

During 2014, the Savage River mine experienced a major rock fall in North Pit. The application of stringent risk management processes ensured the recovery from this rock fall and ensures other failures are safely managed into the future. Potential failures or rock falls are identified well in advance due to a robust Ground Control Principal Hazard Management Plan that includes radar monitoring, restriction and exclusion zones to ensure plant and people are removed from the hazard areas and a comprehensive consultation and communication process with the workforce which contains safe operating procedures, risk assessments, incident reporting and trigger action responses.

During 2015, we continued to refine and enhance our Safety and Environmental Management System (SEMS) ensuring continuous improvement and the delivery of superior safety performance. A multi-faceted health and safety strategy was adopted during the year and included:

- Forging ahead with our comprehensive governance framework which utilises leading positive performance indicators to assess performance, monitor compliance and identify opportunities for improvement. Lead indicators help identification and elimination of hazards and minimize risk to our employees and property.
- Continuing in-house auditing of our robust Safety, Environment and Social Responsibility system which communicates the individual behaviours required at all levels to drive, support and continually improve our overall performance.
- Amalgamating Safety Environment governance and reporting to produce a weekly HSE report for management.
- Providing frontline management training and development which focuses on the cultivation of safety leadership skills in addition to ensuring compliance with all statutory requirements.
- Incorporating risk management processes and systems into our SEMS as part of Grange's ongoing safety maturity journey.
- Introducing Business Continuity Planning to mitigate against major business losses should a known business risk eventuate.

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

The focus on positive performance (lead) indicators continued in 2015. These were further enhanced through the safety reviews of the various business streams which reinforce accountability for the delivery of safety critical functions and business improvement strategies.

Redefining how we use Lag Indicators will see Grange Resources commence tracking, reporting and better controlling Disabling Injuries in 2016.

Operating and Financial Review (Cont.)

HEALTH AND SAFETY (Cont.)

SHARING AND LEARNING

Grange adopts a philosophy of continuous learning and sharing of safety experiences. In addition to its highly successful on-line induction programs, Grange Resources conducts an extensive range of on-site safety training activities including energy isolations, site driving and pit driving permits, simulation training for new operators, fire warden and extinguisher training as well as refreshers on occupational first aid and road accident rescue entrapment release.

During the year Grange continued to work closely and openly with the Office of the Chief Inspector of Mines (OCIM), inviting them to participate in regular inspections, audits and organising forums sponsored by Grange for improving OHS in operating mines. These forums also have a positive impact on other Tasmanian operations including connected industries. Grange represent Tasmanian Mines on a Mines Legislation Steering Committee that is reviewing and enhancing the current Tasmanian Mining Supplementary Safety Act and Regulations.

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

In addition to training delivered at the operational level, the company rolled out a number of site-wide health and safety programs aimed at improving our employee's wellbeing, including cancer awareness, heart safety awareness and mental health awareness.

The Company has a fully functional and qualified emergency response team ("ERT") providing expert first aid and first response care to our sites and others in need including road accidents in the Savage River and Port Latta areas. During the year a combined Savage River and Port Latta team competed in the Tasmanian Mines Emergency Rescue Committee Mines Rescue Competition 2015 and were a close runner-up receiving plaudits from the other mines.

Grange also participated in the "World's Greatest Shave" to support the Leukaemia Foundation and were the top donation raising team in Tasmania accumulating over $11,400 for this community based charity.

The Grange Resources mapping program employed to ensure our SEMS aligns with all Work Health & Safety legislation was the guide offered to other Tasmanian mines and is now the basis of Worksafe Tasmania's OHS auditing program for all Tasmanian mines.

COMMITMENT TO SOCIAL RESPONSIBILITY

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

Grange is actively involved in the community in which we operate and regularly support local events throughout the region.

In 2015 our management and workers have again rolled up their sleeves and participated in 2015 Business Clean Up Australia Day, covering the long and winding 38 km road between Waratah and the Savage River Township, collecting roadside litter and rubbish to enhance our environment, an effort noted by our local newspaper.

LEGISLATIVE APPROVAL

Grange obtained environmental and planning approval in 1996 and 1997 allowing it to operate under the Tasmanian Land Use Planning and Approvals Act 1993 (LUPA), the Tasmanian Environmental Management and Pollution Control Act 1994 (EMPCA), the Tasmanian Goldamere Pty Ltd (Agreement) Act 1996 (Goldamere Act) and the Tasmanian Mineral Resources Development Act 1995. This approval covers an expected mine and processing life using open-cut mining at Savage River, gangue removal and concentrating at Savage River and pelletising at Port Latta. During 2014 Grange received relevant approvals for the South Deposit Tailings Storage Facility.

GOLDAMERE ACT

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

PLANNING APPROVALS

Grange obtained planning approval subject to a series of environmental permit conditions on 29 January 1997. Planning approval was issued by the Waratah Wynyard Council for Savage River and by the Circular Head Council for Port Latta. The approvals were conditional on the provision of an Environmental Management Plan (EMP) incorporating a Rehabilitation Plan (ERP) prior to the commencement of operations. Various other studies were also required. Grange received planning approvals from the Waratah Wynyard Council for the South Deposit Tailings Storage Facility during 2014, construction commenced in July 2014 and is expected to be completed in late 2016.

ENVIRONMENTAL MANAGEMENT PLANS

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

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

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

EMP and ERP reviews were submitted in December 2013 with the next revision due at the end of 2016. The revised EMPs reflect BPEM and current mine planning and focus on closure requirements and rehabilitation. The development of significant new projects such as a new pit will require additional planning approval and at a minimum an EMP amendment approval followed by issuance of an EPN from the EPA.

GOLDAMERE AGREEMENT

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

SAVAGE RIVER REHABILITATION PROJECT ("SRRP")

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

A strategic plan outlining the works required to achieve the objective and repay Grange's purchase price debt has been approved by the Tasmanian Environmental Protection Authority and is being implemented by the SRRP Committee. This plan was updated in 2012 to reflect the long term risks and Grange's latest mining plan.

ENVIRONMENTAL (Cont.)

PRINCIPAL ENVIRONMENTAL ISSUES

Waste Rock, Tailings and Water Management – Savage River

- Water, tailings and waste rock management at Savage River, including: development of waste rock dumps which exclude oxygen to minimise the formation of acid mine drainage and utilisation of these dumps to form seals on old waste rock dumps; subaqueous tailings deposition and maintenance of saturated tailings; providing a centralised water treatment system using a disused pit to eliminate turbidity from mine runoff. Appropriate management and monitoring systems are in place to ensure regulatory compliance in these areas.
- In 2013 Grange developed a Development and Environmental Management Plan (DPEMP) for the South Deposit Tails Storage Facility (SDTSF). Due to the size and nature of the tailings storage facility, the proposal required assessment under LUPA (1993), the State EMPC Act (1994) and the Commonwealth EPBC Act (1999), as the proposal has the potential to impact on matters of national environmental significance (Tasmanian Devil and Spotted Quoll).
- The DPEMP was submitted to the Waratah-Wynyard Council in May 2013 for assessment, the DPEMP was publically advertised through May and June with one submission received in relation to the development. A workshop in July with the Environmental Protection Authority (EPA) highlighted areas that needed further clarification. Toward the end of July the EPA formally requested a Supplementary submission, this submission provided an opportunity to address the issues raised in the public submission. Grange spent a number of months liaising with both the EPA and the Department of Environment in Canberra (DoE) addressing the Supplementary criteria. In early December, 2013 the EPA and the DoE were satisfied that all the required information had been provided which allowed the approvals process to recommence.
- Grange received final council approval under LUPA (1993) on 24 March 2014 for the construction of the South Deposit Tailings Storage Facility. A Permit Conditions Environment (PCE) was issued, outlining the conditions that must be met during construction and operation of the dam.
- Grange received approval from the Federal Environment Minister on 24 April 2014, due to the potential loss of habitat for the Tasmanian Devil and the Spotted Quoll, Grange is required to provide an offset for unavoidable impacts. This offset is in the form of a donation to the Save the Devil Program to a value of $160,000. Grange received further conditions from the federal approval under the EPBC Act (1999).
- Construction of the dam, including the downstream waste rock dump commenced in early July after a number of the approval conditions had been met. These included approval of a Devil and Quoll Management Plan, a Waste Rock Management Plan and a Water Quality and Remediation Plan. Grange also fulfilled its requirements to establish training and induction packages for threatened species and instigated an EPBC species register for sightings and incidents involving EPBC listed species. The EPBC Register and other relevant documents are available on the Grange Resources website. By December the waste rock dump was well established and work was commencing on the consolidated section of the dam.
- The SDTSF incorporates the ability to mix and co-treat legacy acid rock drainage (ARD) from the Old Tailings Dam and B-Dump using the excess alkalinity in tailings should Grange and the Crown agree to do so. The potential transfer of the ARD seeps from the Old Tailings Dam will also improve the long term integrity of the Main Creek Tails Dam (MCTD). The co-treatment of the ARD seeps within the SDTSF would improve water quality in Main Creek and the Savage River. Regardless of whether the ARD seeps are treated in the SDTSF, remediation of Main Creek will be further enhanced by the innovative design of the storage facility that will allow water to flow through alkaline rock prior to discharge downstream. The first stage involving the installation of pipework has been completed in 2014, allowing the ARD seeps from the OTD to be gravity feed away from the MCTD.
- Grange requested a variation to conditions 1 and 11 of the EPBC approval of the SDTSF to allow for a slightly larger pit perimeter and other minor operational changes. These variations were approved on 28 July 2015. No further offset was required for these variations.
- Grange submitted the required EPBC Compliance Report for the first year of the SDTSF project in October 2015 and its submission was noted by the DoE on 9 October 2015. This report is available on the Grange Resources website.

Air Emissions Reduction Program – Port Latta

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

REHABILITATION PLANS

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

SOUTHDOWN MAGNETITE PROJECT

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

2015 PROJECT OVERVIEW

- The Project continued on reduced expenditure while Grange seeks an equity partner for a strategic share in the Project
- Existing tenure and approvals have been maintained
- Project security has been enhanced by continuing to build land tenure and access, including:
    - Negotiations concluded on accessing Main Roads WA land for proposed pipeline and related infrastructure alignments.
    - Progressing negotiations with the State and landowners for access to key infrastructure areas.
- Progressed studies relating to project engineering and further environmental permitting, including:
    - Progression of the commonwealth environmental approval for mine, desalination and pipelines with the public review period planned for early 2016.
    - Groundwater exploration which identified deep water-bearing palaeo channels with potential to contribute to construction water supply.
    - Extensive botanical surveys.
    - Ongoing hydrogeological baseline studies.

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

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

During 2015, market conditions for securing project investment funding did not improve. The joint venture partners continue to monitor all ongoing project requirements to ensure that the current status of the feasibility studies is such that the project can be fully recommenced as soon as an appropriate opportunity arises. The on-going strategy is to maintain the currency and good standing of all tenements, permits and project assets. This approach will be continued into 2016, and at least until Grange is able to secure an equity partner for a strategic share of the Company's interest in the project or until a valid alternate development model can be successfully formulated.

Operating and Financial Review (Cont.)

SOUTHDOWN MAGNETITE PROJECT (Cont.)

2016 PROJECT PRIORITIES

- Continue to develop alternate development models which may see the Southdown Project move into construction and operation
- Continue search for new equity partner to take a strategic share of the Company's interest in the Project
- Maintain reduced expenditure for 2016 to approximately $1 million (Grange share)
- Maintain all tenements, permits and project assets in good order
- Progress environmental approvals and permits
- Grange has the in house skills, systems, capability and discipline to deliver Southdown's potential when the time is right

PROJECT OVERVIEW

Geology

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

Conventional Mining

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

Ore Crushing and Concentration

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

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

Transporting the Concentrate Slurry 110 km to the Port

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

Increasing Albany's Port Capacity

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

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

A new source of water and power supply

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

Operations Planning

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

Construction Planning & Schedule

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

Mineral Resources

The Mineral Resource estimate for the Southdown Project as at 31 December 2015 is as follows:

As at December 2015		
	Tonnes (Mt)	Grade %DTR*
Measured	423.0	37.8
Indicated	86.8	38.7
Inferred	747.1	30.9
Total	**1,256.9**	**33.7**

**Davis Tube Recovery – a measure of recoverable magnetite*
Mineral Resources are reported above a cut-off of 10% DTR

ORE RESERVES

The current Ore Reserve for the Southdown Project as at 31 December 2015 is based on the pit design and mining schedule developed during the Feasibility Study and includes modifying metallurgical factors and plant recovery.

As at December 2015			
	ROM (Mt)	DTR* (%)	Concentrate Fe (%)
Proven	384.6	35.6	69.6
Probable	3.1	41.7	69.9
Total	**387.7**	**35.6**	**69.6**

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

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

Corporate Governance Statement

Grange is committed to creating and building sustainable value for shareholders and protecting stakeholder interests. The Company recognises that high standards of corporate governance are essential to achieving that objective.

The Board has the responsibility for ensuring Grange is properly managed so as to protect and enhance shareholders' interests in a manner that is consistent with the Company's responsibility to meet its obligations to all stakeholders. For this reason, the Board is committed to applying appropriate standards of corporate governance across the organisation.

As part of its commitment to enhancing its corporate governance, and as a listed company, the Board has adopted relevant practices which are consistent with the Australian Securities Exchange ("ASX") Corporate Governance Principles.

Details of the Company's corporate governance practices are included in the Corporate Governance Statement and Appendix 4G which have been announced on the ASX and can be located on our Company's website www.grangeresources.com.au in the Corporate Governance and Policies section in the About us area. This facilitates transparency about Grange's corporate governance practices and assists shareholders and other stakeholders make informed judgments.

ASX BEST PRACTICE RECOMMENDATIONS

The following table lists the departures from the ASX Best Practice Recommendations applicable to the Company as at the date of its financial year end, being 31 December 2015. Where the Company considers that it is divergent from these recommendations, or that it is not practical to comply, there is an explanation of the Company's reasons set out following the table.

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

Australia's most experienced magnetite producer

FINANCIAL REPORT

For the Year Ended **31 December 2015**

CONTENTS

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

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

34A Alexander Street Burnie Tasmania 7320

A description of the nature of the consolidated entity's operations and its principal activities can be found on pages 1 to 20 of this report.

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

Directors' Report

The Directors present their report on the consolidated entity (the "Group") consisting of Grange Resources Limited ("Grange" or "the Company") and the entities it controlled at the end of, or during, the year ended 31 December 2015.

DIRECTORS

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

Michelle Li	Chairperson
Honglin Zhao	Executive Director, Chief Executive Officer
Daniel Tenardi	Non-Executive Director
Yan Jia	Non-Executive Director
Liming Huang	Non-Executive Director

Mr Clement Ko was Non-Executive Director of the Company until 12 May 2015.

Mr Zhao was appointed Chief Executive Officer of the Company from 6 March 2015.

INFORMATION ON DIRECTORS

Michelle Li, PhD, GAICD

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

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

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

Honglin Zhao

Executive Director, Chief Executive Officer

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

Mr Zhao has over 40 years' experience in the industry and was previously the Commander of Project Development Headquarters with Shagang. Mr Zhao has extensive project management and implementation experience and expertise.

Daniel Tenardi

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

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

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

Yan Jia, JM, GAICD

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

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

Liming Huang, JD, LLM, EMBA,

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

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

Mr Huang is the Vice President of Australia China Business Council Victoria Branch.

COMPANY SECRETARY

Mr Piers Lewis, BComm, CA, AGIA

Mr Lewis has more than 18 years' global corporate experience and is currently the Company Secretary and CFO for ASX listed companies Voyager Global Group Limited, Velpic Limited and Ultima United Limited. Mr Lewis also serves on the board of Ardiden Limited.

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

Michelle Li

Honglin Zhao

Clement Ko

Daniel Tenardi

Yan Jia

Liming Huang

Piers Lewis

PRINCIPAL ACTIVITIES

During the period, the principal continuing activities of the Group consisted of:

- the mining, processing and sale of iron ore; and
- the ongoing exploration, evaluation and development of mineral resources particularly, the Southdown Magnetite and associated Pellet Plant Projects.

DIVIDENDS

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

	2015 $'000	2014 $'000
Unfranked final dividend for the year ended 31 December 2014 –1.0 cent per share	11,575	-
Unfranked final dividend for the year ended 31 December 2013 – 1.0 cent per share and an additional special dividend of 1.0 cent per share	-	23,142
Total dividends provided for or paid	**11,575**	**23,142**

These dividends were declared NIL conduit foreign income. No dividends were proposed for the year ended 31 December 2015.

OPERATING AND FINANCIAL REVIEW

Information on the Company's operational and financial performance is set out on pages 7 to 19 of this annual report.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Other than the impairment of the Savage River assets at 30 June 2015 and 31 December 2015 (Refer Note 1(r) & 26 of the Financial Report), there was no significant change in the state of affairs of the Group that occurred during the year ended 31 December 2015. Commentary on the overall state of affairs of the Group is set out in the Operating and Financial Review.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Except as discussed above, no other matter or circumstance has arisen since 31 December 2015 that has significantly affected, or may significantly affect:

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

Savage River and Port Latta Operations

- Fluxed pellet capital project to convert the Group's major product, the iron ore pellet to Flux pellet from 2017 to attract a higher pellet premium
- Securing majority of sales through off take agreements in soft market conditions
- Broadening our customer base for the longer term to take advantage of market opportunities and to diversify geographic customer risk
- Maintaining access to high grade ore by continuing to invest in mine development
- Continuing to invest in process infrastructure
- Optimising the Life of Mine Plan together with cost reduction strategies and projects

Southdown Project

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

Risk Management

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

- Although the results from the laboratory tests for the Flux pellet project are positive, the Group has not commercially produced and sold Flux pellet previously
- Fluctuations in iron ore prices and movements in foreign exchange rates
- Potential opportunity cost for increased profit from spot sales when a majority of sales are locked through off take agreements
- Geotechnical risks including wall stability
- Production risks and costs associated with aging infrastructure
- Project evaluation and development
- Health, safety and environment

Risk mitigation strategies include the following:

- Close monitoring of the fluctuations in iron ore prices and demands from different markets
- Flexible strategy to determine the volume to be secured through off-take agreements
- Intense program of geotechnical wall monitoring, modelling and redesign work to mitigate potential stability issues
- Continue disciplined and rigorous review process regarding budget development and cost control to ensure investment directed to highest priority areas while reducing overall operating costs
- A well developed tool kit to ensure projects are adequately planned and peer reviewed prior to commitment and execution
- Outstanding safety record is supported by comprehensive safety system that enables management to develop a resilient safety culture and ensure our stewardship over the environment

ENVIRONMENTAL REGULATION

The mining and exploration tenements held by the Group contain environmental requirements and conditions that the Group must comply with in the course of normal operations. These conditions and regulations cover the management of the storage of hazardous materials and rehabilitation of mine sites.

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

Savage River and Port Latta Operations

The Group obtained approvals to operate in 1996 and 1997 under the Land Use Planning and Approvals Act (LUPA) and the Environmental Management and Pollution Control Act (EMPCA) as well as the Goldamere Act and Mineral Resources Development Act. The land use permit conditions for Savage River and Port Latta are contained in Environmental Protection Notices 248/2 and 302/2 respectively. The currently approved

Environmental Management Plans were submitted for Savage River and Port Latta on 21 December 2010. The extension of the project's life was approved by the Department of Tourism, Arts and the Environment on 12 March 2007 and together with the Goldamere Act and the Environmental Protection Notices, is the basis for the management of all environmental aspects of the mining leases. The Group has been relieved of any environmental obligation in relation to contamination, pollutants or pollution caused by operations prior to the date of the Goldamere Agreement (December 1996).

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

Southdown Joint Venture

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

Mount Windsor Joint Venture

The Group is a junior partner (30%) in the Mt Windsor project in North Queensland which is now being rehabilitated for future lease relinquishment. An ongoing Transitional Environment Program has been entered into voluntarily to identify and remediate various sources of pollution on site. A comprehensive plan has been developed and instigated to manage the leases with relinquishment expected in 2025.

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

National Greenhouse and Energy Reporting Act 2007

The National Greenhouse and Energy Reporting Act 2007 requires the Group to report its annual greenhouse gas emissions and energy use by 31 October each year. The Group has implemented systems and processes for the collection and calculation of the data required and has submitted its annual reports to the Greenhouse and Energy Data Officer by 31 October each year.

Clean Energy Act 2011 and the Clean Energy Legislation (Carbon Tax Repeal) Act 2014

The Group has complied with its obligations under the Clean Energy Act, the Clean Energy Legislation (Carbon Tax Repeal) Act and related legislation by completing True-up requirements with regard to assistance received through the Jobs and Competitiveness Program for the emissions-intensive trade-exposed activities of Production of Iron Ore Pellets and Production of Magnetite Concentrate in the moderately emissions-intensive category.

MEETINGS OF DIRECTORS

The numbers of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 31 December 2015, and the numbers of meetings attended by each Director were:

	Directors' meetings		**Meetings of Committees**			
			Audit		**Remuneration**	
Name	A	B	A	B	A	B
M Li	8	8	6	6	5	5
Y Jia	7	8	-	-	4	5
C Ko[(1)]	5	5	-	-	-	-
D Tenardi	8	8	6	6	5	5
L Huang	8	8	6	6	-	-
H Zhao	8	8	-	-	-	-

A = Number of meetings attended

B = Number of meetings held during the time the Director held office or was a member of the committee during the year ended 31 December 2015

(1) C Ko resigned as a Non-executive Director of the Company from 12 May 2015.

INTERESTS IN THE SHARES, RIGHTS AND OPTIONS OF THE COMPANY

The relevant interest of each Director in the share capital and options of the Company as at the date of this report is:

	Number of Fully Paid Ordinary Shares			
Director	**Beneficial**	**Non-Beneficial**	**Rights**	**Options**
M Li	13,507	-	-	-
Y Jia[(1)]	-	-	-	-
C Ko[(2)]	-	-		
D Tenardi	-	-	-	-
L Huang	-	-	-	-
H Zhao[(3)]	-	-	-	-

(1) Y Jia is an employee of Jiangsu Shagang International Trade Co. Ltd which is a subsidiary of the Jiangsu Shagang Group, ultimate shareholder of Shagang International Holdings Limited. Shagang International Holdings Limited and its subsidiaries hold 551,799,840 ordinary fully paid shares in the Company as at the date of this report.

(2) C Ko resigned as a Non-executive Director of the Company from 12 May 2015.

(3) H Zhao is a former Director on the Board of the Jiangsu Shagang Group, ultimate shareholder of Shagang International Holdings Limited. Shagang International Holdings Limited and its subsidiaries hold 551,799,840 ordinary fully paid shares in the Company as at the date of this report.

REMUNERATION REPORT

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

(i) Key management personnel disclosed in this report

Non-executive Directors

Michelle Li

Yan Jia

Clement Ko (until 12 May 2015)

Daniel Tenardi

Liming Huang

Executive Directors	Position
Honglin Zhao	Executive Director Chief Executive Officer (from 6 March 2015)

Other Key Management Personnel	Position
Bessie Zhang	Chief Financial Officer (from 19 December 2014 to 11 March 2016)
Ben Maynard	General Manager Operations

(ii) Remuneration governance

The Board has an established Remuneration and Nomination Committee to assist in overseeing the development of policies and practices which enables the Company to attract and retain capable Directors and employees, reward employees fairly and responsibly and meet the Board's oversight responsibilities in relation to corporate governance practices.

The Remuneration and Nomination Committee is composed of Mr Daniel Tenardi (Committee Chairperson), Ms Yan Jia (Non-Executive Deputy Chairperson) and Dr Michelle Li (Chairperson).

The responsibilities and functions for the Remuneration and Nomination Committee include reviewing and making recommendations on the following:

- equity based executive and employee incentive plans;
- recruitment, retention, succession planning, performance measurement and termination policies and procedures for Non-executive Directors, Executive Directors and Key Management Personnel;
- the remuneration of the Chief Executive Officer; Managing Director - Southdown; Chief Financial Officer; and General Manager Operations;
- periodically assessing the skills required by the Board;
- recommend processes to evaluate the performance of the Board, its Committees and individual Directors; and
- reviewing governance arrangements pertaining to remuneration matters.

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

As announced on 18 August 2014, the Board established an Executive Committee comprising Dr Michelle Li, Mr Honglin Zhao and Mr Daniel Tenardi to manage the Company on an interim basis until Mr Honglin Zhao was appointed Chief Executive Officer from 6 March 2015. The Chief Executive Officer manages the implementation of the approved people and performance strategies and ensures the policies and processes are "alive" in business operations.

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

(iii) Executive remuneration philosophy and framework

It is the Company's objective to provide maximum stakeholder benefit from the retention of a small high quality executive team by remunerating Executive Directors and executives fairly and appropriately with reference to relevant market conditions. To assist in achieving this objective, the Board attempts to link the nature and amount of executives' emoluments to the Company's performance. The remuneration framework aims to ensure that remuneration practices are:

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

Using external remuneration sector comparative data, the Group has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation. The framework is reviewed regularly along with the remuneration strategy review. The Board decided it was not necessary to use the services of independent remuneration consultants during the year ended 31 December 2015.

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

Fixed Remuneration

Fixed remuneration is reviewed annually by the Remuneration and Nomination Committee. The process consists of a review of Group and individual performance, relevant comparative remuneration externally and internally and, where appropriate, external advice on policies and practices.

Executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits. It is intended that the manner of payment chosen is optimal for the recipient without creating any undue cost for the Group.

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

Variable Remuneration – Short Term Incentive ("STI")

The objective of the STI is to link the achievement of the Company's annual operational targets (usually reflected in the approved budgets) and an individual's personal targets with the remuneration received by selected executive directors and senior employees responsible for meeting those targets. Payments are made as a cash incentive payable after the financial statements have been audited and released to the Australian Securities Exchange ("ASX"). 50% of the STI relates to the achievement of company performance goals and 50% relates to the attainment of agreed personal performance goals.

Variable Remuneration - Long Term Incentive ("LTI")

a) Deferred Cash

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

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

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

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

b) Rights to Grange Shares

The objective for the issue of Rights under the LTI program was similar to the objective for the issue of Deferred Cash as discussed above. The Company did not issue any Rights to employees in the 12 months ended 31 December 2015.

31 December 2013 Award

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

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

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

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

31 December 2012 Award

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

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

(iv) Relationship between remuneration and Grange Resources performance

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

		2011	2012	2013	2014	2015
Revenue from mining operations	$million	410.4	331.3	281.1	297.2	205.6
Net profit / (loss) after tax	$million	216.6	59.1	21.8	(110.2)	(277.8)
Basic earnings per share	Cents	18.78	5.12	1.89	(9.52)	(24.0)
Dividend payments	$million	57.7	23.1	34.7	11.6	-(1)
Share price (last trade day of financial year)	Cents	56.0	35.0	26.0	10.5	9.0

(1) The directors have recommended nil dividend for the year ended 31 December 2015.

(v) Non-executive director remuneration policy

Fees and payments to Non-executive Directors reflect the responsibilities and demands made on them. Non-executive Directors' fees and payments are reviewed periodically by the Board. The Board also considers comparative market data and if required the advice of independent remuneration consultants to ensure Non-executive Directors' fees and payments are appropriate and in line with the market. The Chairperson's fees are determined independently to the fees of Non-executive Directors based on comparative roles in the external market.

The current remuneration was last reviewed with effect from 1 November 2014. The Chairperson's remuneration is inclusive of committee fees while other Non-executive Directors who chair a Committee receive additional yearly fees. The Deputy Chairperson is also entitled to receive an additional yearly fee.

Non-executive Directors' fees are determined within an aggregate Directors' fee pool limit, which is periodically reviewed for adequacy. Any increase to the aggregate Directors' fee pool is submitted to shareholders for approval. The maximum currently stands at $800,000 per annum and was approved by shareholders at the Annual General Meeting on 26 November 2010. Non-executive Directors do not receive performance-based pay.

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

	From 1 November 2014
Board of Directors	
Chairperson (1)	$157,500
Deputy Chairperson	$89,250
Non-executive Director	$78,750
Audit and Risk Committee	
Chairperson	$15,750
Committee Member	$10,500
Remuneration and Nomination Committee	
Chairperson	$15,750
Committee Member	$7,500

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

(vi) Details of remuneration

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

Amounts of remuneration

Table 1: Remuneration for the year ended 31 December 2015

	Short-term employee benefits			Post-employment benefits	Long-term benefits		Long term incentive (LTI)		
	Salary & fees	Non-monetary benefits	Short term incentive (STI) (3)	Super-annuation	Long service leave	Termination benefits	Cash(5)	Rights(6)	Total
	$	$	$	$	$	$	$	$	$
Non-Executive Directors									
M Li	143,837	-	-	13,665	-	-	-	-	157,502
Y Jia	96,751	-	-	-	-	-	-	-	96,751
C Ko(1)	32,813	-	-	-	-	-	-	-	32,813
D Tenardi	86,302	-	-	8,199	-	-	-	-	94,501
L Huang	86,302	-	-	8,199	-	-	-	-	94,501
Sub-total Non-Executive Directors	**446,005**	**-**	**-**	**30,063**	**-**	**-**	**-**	**-**	**476,068**
Executive Directors									
H Zhao(2)	302,358	72,353	20,321	30,655	19,585	-	23,590	-	468,862
Other Key Management Personnel									
B Zhang(4)	250,005	-	-	23,751	1,349	-	4,422	-	279,527
B Maynard	300,004	-	28,146	31,174	29,132	-	25,335	(15,552)	398,239
Sub-total Key Management Personnel	**852,367**	**72,353**	**48,467**	**85,580**	**50,066**	**-**	**53,347**	**(15,552)**	**1,146,628**
TOTAL	**1,298,372**	**72,353**	**48,467**	**115,643**	**50,066**	**-**	**53,347**	**(15,552)**	**1,622,696**

(1) C Ko was Non-Executive Director of the Company until 12 May 2015.

(2) H Zhao was appointed Chief Executive Officer of the Company from 6 March 2015.

(3) Represents short term incentive payments for the year ended 31 December 2014. Variable remuneration amounts awarded to Executive Directors and Other Key Management Personnel are disclosed during the period in which the Remuneration and Nomination Committee approves the remuneration entitlement.

(4) B Zhang was appointed Chief Financial Officer of the Company from 19 December 2014 to 11 March 2016.

(5) Represents amounts expensed through the Company's income statement for cash issued under the Company's 2014 and 2015 Long Term Incentive Scheme. These amounts are recognised in the Company's income statement over the vesting period in accordance with AASB 137, Provisions, Contingent Liabilities and Contingent Assets.

(6) Represents amounts expensed through the Company's income statement for rights issued under the Company's Long Term Incentive Scheme. These amounts are recognised in the Company's income statement over the vesting period in accordance with AASB 2, Share Based Payments.

Amounts of remuneration

Table 2: Remuneration for the year ended 31 December 2014

	Short-term employee benefits			Post-employment benefits	Long-term benefits		Long term incentive (LTI)		
	Salary & fees	Non-monetary benefits	Short term incentive (STI)	Super-annuation	Long service leave	Termination benefits	Cash[13]	Rights[14]	Total
	$	$	$	$	$	$	$	$	$
Non-Executive Directors									
M Li	144,011	-	-	13,501	-	-	-	-	157,512
Y Jia[1]	42,376	-	-	-	-	-	-	-	42,376
C Ko	78,751	-	-	-	-	-	-	-	78,751
D Tenardi[2]	65,073	-	-	6,149	-	-	-	-	71,222
L Huang[3]	21,760	-	-	2,067	-	-	-	-	23,827
N Chatfield[4]	49,001	-	-	-	-	-	-	-	49,001
J Hoon[5]	119,874	-	-	-	-	-	-	-	119,874
Sub-total Non-Executive Directors	**520,846**	**-**	**-**	**21,717**		**-**	**-**	**-**	**542,563**
Executive Directors									
H Zhao	183,071	72,983	48,975[9]	21,693	3,821	-	15,035	-	345,578
W Bould[6]	315,479	-	37,808[10]	-	-	250,000[12]	56,712	-	659,999
Other Key Management Personnel									
D Corr[7]	377,622	-	94,565[11]	31,897	(13,235)	-	-	(15,519)	475,330
B Zhang[8]	10,753	-	-	1,021	-	-	-	-	11,774
B Maynard	228,836	-	19,185[9]	23,228	27,591	-	18,750	8,920	326,510
Sub-total Key Management Personnel	**1,115,761**	**72,983**	**200,533**	**77,839**	**18,177**	**250,000**	**90,497**	**(6,599)**	**1,819,191**
TOTAL	**1,636,607**	**72,983**	**200,533**	**99,556**	**18,177**	**250,000**	**90,497**	**(6,599)**	**2,361,754**

(1) Y Jia was appointed as a Non-Executive Director of the Company from 1 June 2014 and as Deputy Chairperson from 6 November 2014.
(2) D Tenardi was appointed a Non-Executive Director of the Company from 31 March 2014.
(3) L Huang was appointed an independent Non-Executive Director of the Company from 24 Sep 2014.
(4) N Chatfield was an independent Non-Executive Director and Deputy Chairperson of the Company until 15 April 2014.
(5) J Hoon was an independent Non-Executive Director of the Company until 31 December 2014.
(6) W Bould was Managing Director of the Company until 18 August 2014. He ceased being a Director of the Company on 22 August 2014.
(7) D Corr was Chief Financial Officer until 19 December 2014.
(8) B Zhang was appointed Chief Financial Officer from 19 December 2014 to 11 March 2016.
(9) Represents short term incentive payments for the year ended 31 December 2013. Variable remuneration amounts awarded to Executive Directors and Other Key Management Personnel are disclosed during the period in which the Remuneration and Nomination Committee approves the remuneration entitlement.
(10) Represents short term incentive payments for the year ended 31 December 2014 as approved by the Remuneration and Nomination Committee during the year. The variable remuneration payment to W Bould represents a pro-rata amount for the period in which he was contracted by the Company.
(11) Represents short term incentive payments paid to D Corr for the years ended 31 December 2013 and 31 December 2014 for the period in which he was employed by the Company as approved by the Remuneration and Nomination Committee during the year.
(12) W Bould received a payment of 6 months fees upon ceasing his contract with the Company in accordance with the terms of a Consultancy Agreement.
(13) Represents amounts expensed through the Company's income statement for cash issued under the Company's 2014 Long Term Incentive Scheme. These amounts are recognised in the Company's income statement over the vesting period in accordance with AASB 137, Provisions, Contingent Liabilities and Contingent Assets. The amount recognised for W Bould represents the pro-rata vesting period expense for the cash that was paid upon ceasing his contract with the Company as approved by the Remuneration and Nomination Committee during the year.
(14) Represents amounts expensed through the Company's income statement for rights issued under the Company's Long Term Incentive Scheme. These amounts are recognised in the Company's income statement over the vesting period in accordance with AASB 2, Share Based Payments.

Table 3: Relative proportions linked to performance

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

	Fixed Remuneration		At Risk - STI		At Risk - LTI	
Name	Dec-15	Dec-14	Dec-15	Dec-14	Dec-15	Dec-14
Executive Directors						
H Zhao(1)	77%	77%	14%	9%	9%	14%
W Bould(2)	-	77%	-	9%	-	14%
Other Key Management Personnel						
D Corr(3)	-	74%	-	11%	-	15%
B Zhang(4)	83%	83%	10%	10%	7%	7%
B Maynard	80%	77%	12%	9%	8%	14%

(1) H Zhao was appointed Chief Executive Officer from 6 March 2015. The percentages above represent the portion after this appointment.
(2) W Bould was Managing Director of the Company until 18 August 2014. He ceased being a Director of the Company on 22 August 2014.
(3) D Corr was Chief Financial Officer of the Company until 19 December 2014.
(4) B Zhang was appointed Chief Financial Officer of the Company from 19 December 2014 to 11 March 2016.

(vii) Service agreements

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

Remuneration and other terms of employment for the executives are formalised in service agreements. Each of the agreements provide for the provision of fixed pay, performance related variable remuneration and other benefits. The agreements with executives are ongoing and provide for termination of employment at any time by giving three months' notice or by the Company paying an amount equivalent to three months remuneration in lieu of notice.

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

Short term incentive

For each short term incentive benefit, the percentage of the available bonus was awarded and paid in the early coming year as follows. No part of the incentive is payable in future years after the awarded amount being paid.

At the date of this report, the performance criteria for the 2015 STI program had not yet been approved or awarded.

	2014 STI Program		
Name	Maximum possible incentive award	Awarded	Amount awarded
Executive Directors			
H Zhao	$24,056	92.5%	$22,252(1)
W Bould	$60,000	63%	$37,808
Other Key Management Personnel			
D Corr	$97,976	96.5%	$94,565
B Maynard	$30,820	100%	$30,820(1)

(1) Inclusive of superannuation.

Long term incentive

a) Deferred Cash

At the date of this report, the performance criteria for the 2015 LTI program had not yet been approved or awarded.

	2014 LTI Program		
Name	Maximum possible incentive award	Awarded	Amount awarded
Executive Directors			
H Zhao	$39,691	94%	$37,151(1)
W Bould	$90,000	63%	$56,712
Other Key Management Personnel			
B Zhang	$990	94%	$927
B Maynard	$49,500	94%	$46,332(1)

(1) Inclusive of superannuation.

b) Rights to Grange Shares

The Board will review regularly and reserves the right to vary from time to time the appropriate hurdles and vesting periods for Rights to Grange shares.

The objective for the issue of Rights under the LTI program is to reward selected senior employees in a manner that aligns this element of their remuneration package with the creation of long term shareholder wealth while at the same time securing the employee's tenure with the Company over the longer term. The LTI grants Rights to the Company's shares to selected senior employees.

The number of rights in shares in the Company offered to each Director of Grange Resources Limited and other key management personnel of the Group including their personally related parties, are set out below:

31 December 2015

	Balance 1 January 2015	Granted as remuneration	Issued on vesting of rights	Other	Balance 31 December 2015	Vested	Unvested
Other Key Management Personnel							
D Corr(1)(2)	23,936	-	(23,936)	-	-	-	-
B Maynard(1)	5,904	-	(5,904)	-	-	-	-

(1) The last tranche of the right to shares in relation to 2012 LTI was issued on 6 January 2015.

(2) D Corr resigned as Chief Financial Officer of the Company on 19 December 2014.

31 December 2014

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

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

Share holdings

The number of shares in the Company held during the period by each Director of Grange Resources Limited and other key management personnel of the Group, including their personally related parties, are set out below:

31 December 2015

	Balance 1 January 2015	On vesting of rights	On market purchases	On market disposals	Other	Balance 31 December 2015
Directors of Grange Resources Limited						
M Li	13,507	-	-	-	-	13,507
C Ko(1)	98,154,884	-	-	(3,000,000)	(95,154,884)	-
Other key management personnel of the Group						
B Maynard	62,217	5,904	-	-	-	68,121

(1) C Ko resigned as Director of the Company on 12 May 2015.

31 December 2014

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

(1) N Chatfield resigned as Director of the Company on 15 April 2014.

(2) W Bould resigned as Managing Director of the Company on 18 August 2014. He ceased being a Director of the Company on 22 August 2014.

(3) D Corr resigned as Chief Financial Officer of the Company on 19 December 2014.

(ix) Loans to key management personnel

There were no loans to key management personnel during the year (December 2014: Nil).

(x) Other transactions with key management personnel

Director (up to 12 May 2015), Mr Clement Ko, is also director of Pacific Minerals Limited. Pacific Minerals Limited also acted as sales agent in regards to sales agency agreements during 2015. All transactions were on terms equivalent to those that prevail in arm's length transactions and conducted with oversight from the Independent Directors of Grange.

A Director, Mr Honglin Zhao, is a former director of Jiangsu Shagang Group (Shagang) to which sales of iron ore products are made under long-term off-take agreements. As at 29 February 2016, Shagang holds 47.68% (27 February 2015: 46.87%) of the issued ordinary shares of Grange. Each transaction between Shagang and Grange must be either approved by non-associated Grange shareholders, or approved by the Grange Independent Directors.

A Director, Ms Yan Jia, is an employee of Shagang International Trade Co. Ltd., which is a wholly owned subsidiary of Jiangsu Shagang Group (Shagang) to which sales of iron ore products are made under long-term off-take agreements. As at 29 February 2016, Shagang holds 47.68% (27 February 2015: 46.87%) of the issued ordinary shares of Grange. Each transaction between Shagang and Grange must be either approved by non-associated Grange shareholders, or approved by the Grange Independent Directors.

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

	2015 $	2014 $
Sales of iron ore products		
Long term off-take agreement		
- Pellets	85,678,147	129,237,036
- Chips	1,732,487	2,157,061
Spot sales		
- Pellets	-	-
Agency commissions		
- Spot sales	(172,536)	(637,787)
Purchases		
- Equipment hire and freight	-	(682,867)
	87,238,098	**130,073,443**

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

	2015 $	2014 $
Trade receivables (sales or iron ore products)		
Long term off-take agreement		
- Pellets	(723,723)	1,949,265
- Chips	(123,835)	(5,594)
- Other	(75,346)	(119,911)
Spot sales (agency commissions)	-	(132,972)
- Other	-	-
	(922,904)	**1,690,788**

INSURANCE OF OFFICERS

During the financial period, the Company has paid premiums in respect of Directors' and Officers' Liability Insurance and Company Reimbursement policies, which cover all Directors and Officers of the Group to the extent permitted under the Corporations Act 2001. The policy conditions preclude the Group from any detailed disclosures.

INDEMNITY OF AUDITORS

The Company has entered into an agreement to indemnify its auditor, PricewaterhouseCoopers, against any claims or liabilities (including legal costs) asserted by third parties arising out of their services as auditor of the Company, where the liabilities arise as a direct result of the Company's breach of its obligations to the Auditors, unless prohibited by the Corporations Act 2001.

AUDIT AND NON-AUDIT SERVICES

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

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

- all non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

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

	2015 $'000	2014 $'000
(a) PwC - Australia		
Audit and review of financial reports	389	376
Other assurance services	11	51
Taxation services		
Taxation consulting and advice	-	49
Total remuneration of PwC - Australia	**400**	**476**
(b) Related practices of PwC - Australia		
Audit and review of financial reports	19	17
Taxation compliance	4	2
Total remuneration of related practices of PwC - Australia	**23**	**19**

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 34.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

AUDITOR

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

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

Michelle Li
Chairperson of the Board

Perth, Western Australia
29 February 2016

Auditor's Independence Declaration

Auditor's Independence Declaration

As lead auditor for the audit of Grange Resources Limited for the year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

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

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

John O'Donoghue	Melbourne
Partner	29 February 2016
PricewaterhouseCoopers	

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

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2015

		2015	2014
Consolidated	**Notes**	**$'000**	**$'000**
Revenues from mining operations	5	205,562	297,155
Cost of sales	6	(138,360)	(186,898)
Gross profit from mining operations		**67,202**	**110,257**
Administration expenses		(3,912)	(4,816)
Operating profit before other income / (expense)		**63,290**	**105,441**
Other income / (expenses)			
Revaluation of deferred consideration		-	(134)
Settlement of deferred consideration		-	20,757
Exploration and evaluation expenditure		(1,734)	(1,934)
Impairment of assets	26	(284,736)	(296,132)
Other income / (expenses)	7	(168)	281
Operating (loss) / profit before finance costs		**(223,348)**	**(171,721)**
Finance income	8	12,592	6,979
Finance expenses	8	(1,535)	(2,500)
(Loss) / Profit before tax		**(212,291)**	**(167,242)**
Income tax benefit/(expense)	9	(65,523)	57,078
(Loss) / profit for the year		**(277,814)**	**(110,164)**
Total comprehensive (loss) / income for the year		**(277,814)**	**(110,164)**
Profit /(loss) for the period attributable to:			
- Equity holders of Grange Resources Limited		(277,814)	(110,164)
		(277,814)	(110,164)
Total comprehensive income /(loss)for the period attributable to:			
- Equity holders of Grange Resources Limited		(277,814)	(110,164)
		(277,814)	(110,164)
Earnings per share for profit attributable to the ordinary equity holders of Grange Resources Limited			
Basic earnings per share (cents per share)	33	**(24.00)**	**(9.52)**
Diluted earnings per share (cents per share)	33	**(24.00)**	**(9.51)**

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

Statement of Financial Position

AS AT 31 DECEMBER 2015

Consolidated	Notes	31 December 2015 $'000	31 December 2014 $'000
ASSETS			
Current assets			
Cash and cash equivalents	10	94,698	138,650
Term deposits	10	43,732	15,000
Trade and other receivables	11	9,913	22,795
Inventories	12	79,124	54,788
Derivative financial instruments	2	2,055	-
Total current assets		**229,522**	**231,233**
Non-current assets			
Receivables	13	7,848	7,797
Property, plant and equipment	14	83,066	106,431
Mine properties and development	15	16,554	215,230
Deferred tax assets	16	4,304	67,558
Total non-current assets		**111,772**	**397,016**
Total assets		**341,294**	**628,249**
LIABILITIES			
Current liabilities			
Trade and other payables	17	16,072	24,294
Borrowings	18	4,990	333
Current tax liability		4,119	10,482
Provisions	19	12,309	12,071
Total current liabilities		**37,490**	**47,180**
Non-current liabilities			
Borrowings	20	7,393	320
Provisions	21	50,874	45,548
Total non-current liabilities		**58,267**	**45,868**
Total liabilities		**95,757**	**93,048**
Net assets		**245,537**	**535,201**
EQUITY			
Contributed equity	22	331,513	331,373
Reserves	23	-	415
Retained profits	24	(85,976)	203,413
Capital and reserves attributable to owners of Grange Resources Limited		245,537	535,201
Total equity		**245,537**	**535,201**

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

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2015

Consolidated	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	TOTAL $'000
Balance at 1 January 2015		**331,373**	**415**	**203,413**	**535,201**
Loss for the year		-	-	(277,814)	(277,814)
Total comprehensive loss for the year		-	-	(277,814)	(277,814)
Transactions with owners in their capacity as owners					
Dividends paid	25	-	-	(11,575)	(11,575)
Employee share options and rights	23	140	(415)	-	(275)
		140	(415)	(11,575)	(11,850)
Balance at 31 December 2015		**331,513**	**-**	**(85,976)**	**245,537**
Balance at 1 January 2014		**331,373**	**383**	**336,719**	**668,475**
Loss for the year		-	-	(110,164)	(110,164)
Total comprehensive income for the year		-	-	(110,164)	(110,164)
Transactions with owners in their capacity as owners					
Dividends paid	25	-	-	(23,142)	(23,142)
Employee share options and rights	23	-	32	-	32
		-	32	(23,142)	(23,110)
Balance at 31 December 2014		**331,373**	**415**	**203,413**	**535,201**

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

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2015

Consolidated	Notes	2015 $'000	2014 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		216,107	305,172
Payments to suppliers and employees (inclusive of goods and services tax)		(119,200)	(130,745)
		96,907	174,427
Interest received		2,947	2,794
Interest paid		(101)	(90)
Income taxes (paid) / received		(8,633)	-
Net cash inflow / (outflow) from operating activities	32	**91,120**	**177,131**
Cash flows from investing activities			
Payments for property, plant and equipment		(54,744)	(41,661)
Payments for mine properties and development		(58,930)	(93,467)
Proceeds from (payments for) term deposits		(28,732)	(10,057)
Net cash inflow / (outflow) from investing activities		**(142,406)**	**(145,185)**
Cash flows from financing activities			
Repayment of borrowings		(2,425)	(2,533)
Proceeds from borrowings		14,008	-
Payment of deferred consideration		-	(24,412)
Dividends paid to shareholders		(11,575)	(23,142)
Finance lease payments		(332)	(389)
Net cash inflow / (outflow) from financing activities		**(324)**	**(50,476)**
Net (decrease) / increase in cash and cash equivalents		**(51,610)**	**(18,530)**
Cash and cash equivalents at beginning of the year		138,650	154,881
Net foreign exchange differences		7,658	2,299
Cash and cash equivalents at end of the year	10	**94,698**	**138,650**

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

Notes to the Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

(a) Basis of preparation

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

Compliance with IFRS

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

Historical cost convention

These financial statements have been prepared under the historical costs convention, except for certain assets which, as noted, are at fair value.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Grange Resources Limited as at 31 December 2015 and the results of all subsidiaries for the year then ended. Grange Resources Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Details of subsidiaries are set out in Note 30.

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

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

(ii) Joint arrangements

Joint operations

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings. Details of the joint operations are set out in Note 31.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

Refer to Note 4 for further information on segment descriptions

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Grange Resources Limited's functional and presentation currency.

(ii) Transactions and balances

All foreign currency transactions during the financial period are translated into the functional currency using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,

Notes to the Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are reclassified to the income statement, as part of the gain or loss on sale where applicable. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(e) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the

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

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

The excess of the

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

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

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

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

(f) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that the economic benefits will flow to the Group and specific criteria have been met for each of the Group's activities described below. Amounts disclosed as revenue are net of agency commissions and amounts collected on behalf of third parties.

Revenue is recognised for the major business transactions as follows:

Sales of iron ore

Revenues from the sales of iron ore are recognised when the significant risks and rewards of ownership of the goods have passed to the customer and the amount of revenue can be measured reliably. Risks and rewards are considered passed to the buyer at the time when title passes to the customer.

The majority of the Group's sales arrangements specify that title passes when the product is transferred to the vessel on which the product will be shipped. Revenues are generally recognised on the bill of lading date. Sales arrangements allow for an adjustment to the sales price based on a survey of the goods by the customer (an assay for mineral content). Accordingly, sales revenue is initially recognised on a provisional basis using the most recently determined estimate of the product specifications and subsequently adjusted, if necessary, based on a survey of the goods by the customer.

Interest revenue

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

(g) Government Grants

Government grants are recognised at their fair value when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

(h) Leases

Leases are classified as either operating or finance leases at the inception of the leases based on the economic substance of their agreement so as to reflect the risks and rewards incidental to ownership.

Finance leases, which are those leases that transfer substantially all of the risks and rewards incidental to ownership of the leased item to the Group, are capitalised at the present value of the minimum lease payments and disclosed as property, plant and equipment. A lease liability of equal value is also recognised. Each lease payment is allocated between the liability and financing costs. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability over the period. The property, plant and equipment acquired under a finance lease is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Operating leases are those leases that do not transfer a significant portion of the risks and rewards of ownership to the Group as lessee. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(j) Trade and other receivables

Trade receivables are recognised and carried at the original invoice amount less provision for impairment. Trade receivables are generally due for settlement within 14 days.

Collectability of trade receivables are reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the impairment loss is recognised in the income statement within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(k) Inventories

Raw materials and stores, ore stockpiles, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost is determined primarily on the basis of weighted average costs and comprises of the cost of direct materials and the costs of production which include:

- labour costs, materials and contractor expenses which are directly attributable to the extraction and processing of ore;
- depreciation of property, plant and equipment used in the extraction and processing of ore; and
- production overheads directly attributable to the extraction and processing of ore.

Stockpiles represent ore that has been extracted and is available for further processing. If there is significant uncertainty as to when the stockpiled ore will be processed it is expensed as incurred. Where the future processing of the ore can be predicted with confidence because it exceeds the mine's cut-off grade, it is valued at the lower of cost and net realisable value. Work in progress inventory includes partly processed material. Quantities are assessed primarily through surveys and assays.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(l) Income tax

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

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

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

Notes to the Financial Statements (cont.)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

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

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

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

(m) Goods and Services Tax (GST)

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

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

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

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

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

(n) Property, plant and equipment

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

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

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

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

Buildings	10 years
Plant and Equipment	4 to 8 years
Computer Equipment	3 to 5 years

The assets residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, at each financial period end.

An item of property, plant and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the period the asset is derecognised.

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

(o) Exploration and evaluation

Exploration and evaluation expenditure comprises costs which are directly attributable to:

- research and analysing exploration data
- conducting geological studies, exploratory drilling and sampling
- examining and testing extraction and treatment methods
- compiling pre-feasibility and definitive feasibility studies

Exploration and evaluation expenditure also includes the costs incurred in acquiring rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

Exploration and evaluation expenditure is charged against profit and loss as incurred; except for expenditure incurred after a decision to proceed to development is made, in which case the expenditure is capitalised as an asset.

(p) Mine properties and development

Mine properties and development represent the accumulation of all exploration, evaluation and development expenditure incurred by, not on behalf of, the entity in relation to areas of interest in which mining of a mineral resource has commenced.

Where further development expenditure is incurred in respect of a production property after the commencement of production, such expenditure is carried forward as part of the cost of that production property only when substantial future economic benefits arise, otherwise such expenditure is classified as part of the cost of production.

Costs on production properties in which the Group has an interest are amortised over the life of the area of interest to which such costs relate on the production output basis. Changes to the life of the area of interest are accounted for prospectively.

The carrying value of each mine property and development are assessed annually for impairment in accordance with Note 1(r).

(q) Deferred stripping costs

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

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

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

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

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

(r) Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset, including capitalised development expenditure, may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement.

Recoverable amount is the greater of fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units).

Where there is no binding sale agreement or active market, fair value less costs of disposal is based on the best information available to reflect the amount the Group could receive for the cash generating unit in an arm's length transaction. In assessing fair value, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the pre-impairment value, adjusted for any depreciation that would have been recognised on the asset had the initial impairment loss not occurred. Such reversal is recognised in profit or loss.

After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(s) Investments and other financial assets

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit and loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition, and in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

Loans and receivables

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

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

Term deposits

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

(t) Derivatives

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

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

(u) Non-current assets held for sale

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

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

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

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

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

(v) Ore reserves

The Company estimates its mineral resources and ore reserves based on information compiled by Competent Persons as defined in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves of December 2012 (the JORC 2012 code). Reserves, and certain mineral resources determined in this way, are used in the calculation of depreciation, amortisation and impairment charges, the assessment of life of mine stripping ratios and for forecasting the timing of the payment of close down and restoration costs.

In assessing the life of a mine for accounting purposes, mineral resources are only taken into account where there is a high degree of confidence of economic extraction.

(w) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial period that are unpaid. Trade payables and other payables arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(x) Borrowings

All borrowings are initially recognised at the fair value of the consideration received, less transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(y) Provisions

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

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

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

Decommissioning and restoration

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

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

Onerous contracts

An onerous contract is considered to exist where the Company has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received.

Restructuring

A provision for restructuring is recognised when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by:

- starting to implement the plan; or
- announcing its main features to those affected by it.

(z) Employee entitlements

Wages, salaries and sick leave

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Annual leave

Liabilities for annual leave expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation funds
Contributions to defined contribution funds are recognised as an expense in the income statement as they become payable.

Share-based payment transactions
Share based compensation benefits are provided to Directors and eligible employees under various plans. Information relating to the plans operated by the Company is set out in Note 34.

The fair value of rights granted under the plans is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at the grant date and recognised over the period during which the Director or eligible employee become unconditionally entitled to the rights.

The fair value of rights is determined with reference to the fair value of rights issued, which includes the volume weighted average price of the Company's shares.

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

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

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

(aa) Contributed equity
Ordinary share capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction, net of tax, of the share proceeds received.

(ab) Dividends
Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial period but not distributed at balance date.

(ac) Earnings per share (EPS)

(i) Basic earnings per share
Basic earnings per share is calculated by dividing:

- the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares;
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the period and excluding treasury shares.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(ad) Parent entity financial information
The financial information for the parent entity, Grange Resources Limited, disclosed in Note 35 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries, associates and joint venture entities
Investments in subsidiaries and joint venture entities are accounted for at cost in the financial statements of Grange Resources Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

Financial guarantees
Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

(ae) Rounding of amounts
The Group is a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(af) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2015 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) **AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle (effective from 1 January 2016)**

AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle merely clarifies existing requirements and therefore does not affect the Group's Amendments to AASB 101.

(ii) **AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 (effective from 1 January 2016)**

AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 merely clarifies existing requirements and therefore does not affect the Group's Amendments to AASB 101.

(iii) **AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures (effective from 1 January 2018)**

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

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

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

(v) **IFRS 16 Leases (effective from 1 January 2019)**

IFRS 16 Leases will replace the current guidance in IAS 17 and require all operating leases to be recognised on the balance sheet. The Group intends to apply the standard from 1 January 2019. Application of this standard will not have a significant impact on the Group.

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2015:

- AASB 2014-1 Amendments to Australian Accounting Standards (including Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles and Part B: Defined Benefit Plans: Employee Contributions – Amendments to AASB 119)

The adoption of the improvements made in the 2010-2012 Cycle did not have any impact on the current period or any prior period and is not likely to affect future periods.

NOTE 2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group has used derivative financial instruments such as foreign exchange contracts and forward commodity contracts to manage certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risks to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and commodity price risks and aging analysis for credit risk.

Risk management is carried out by the management team following guidance received from the Audit and Risk Committee

The Group holds the following financial instruments:

	2015 $'000	2014 $'000
Financial Assets		
Cash and cash equivalents	94,698	138,650
Term deposits	43,732	15,000
Trade and other receivables	15,874	28,030
Derivative financial instruments	2,055	-
	156,359	**181,680**
Financial Liabilities		
Trade and other payables	16,072	24,294
Borrowings	12,383	653
	28,455	**24,947**

(a) Market Risk

(i) Foreign exchange risk

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

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

The Group entered into a few short-term AUD vs USD Dual Currency Investments during the year but there was no open currency hedges as at 31 December 2015 (2014: nil)

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

	2015 $'000	2014 $'000
Cash and cash equivalents	32,487	58,842
Term Deposits	34,218	-
Trade and other receivables	4,020	16,348
Trade and other payables	(1,247)	(726)
Net US dollar surplus	**69,478**	**74,464**

Group sensitivity

Based on the financial instruments held at 31 December 2015, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's post tax profit for the financial period would have been $4.4 million higher / $5.4 million lower (2014: $5.8 million higher / $4.7 million lower), mainly as a result of foreign exchange gains/losses on US dollar denominated cash and cash equivalents, term deposits and receivables as detailed in the above table.

(ii) Price risk

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

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

(iii) Cash flow and fair value interest rate risk

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

As at the reporting date, the Group has no variable rate borrowings outstanding. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk if the borrowings are carried at fair value. The Group's fixed rate borrowings are carried at amortised cost. As they are fixed rate borrowings, they are not subject to interest rate risk as defined by AASB 7, Financial Instruments: Disclosures.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging.

Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. No financial instruments are used to manage interest rate risk.

Group sensitivity

The Group's fixed rate borrowings are carried at amortised cost. As they are fixed rate borrowings, they are not subject to interest rate risk and are excluded from the interest rate sensitivity analysis.

At 31 December 2015, if interest rates had increased by 50 basis points (bps) or decreased by 50 basis points from the period end rates with all other variables held constant, post tax profit for the period would have been $0.6 million higher / $0.6 million lower (2014 changes of 50 bps / 50 bps: $0.7 million higher / $0.7 million lower).

(b) Credit Risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

The Group is exposed to a concentration of risk with sales of iron ore being made to a limited number of customers. The maximum exposure to credit risk at the reporting date is limited to the carrying value of trade receivables, cash and cash equivalents and deposits with banks and financial institutions.

As at 31 December 2015, there were no trade receivables (2014 $1.1m) past due but not impaired. The other classes within trade and other receivables do not contain impaired assets and are not past due.

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period as at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

2015 – Consolidated	Less than 6 months $'000	6-12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount liabilities $'000
Nonderivatives							
Non-interest bearing							
Trade and other payables	16,072	-	-	-	-	16,072	16,072
Fixed rate borrowings	2,819	2,728	4,959	2,773	-	13,279	12,383
Total nonderivatives	18,891	2,728	4,959	2,773	-	29,351	28,455
2014 – Consolidated							
Nonderivatives							
Non-interest bearing							
Trade and other payables	24,294	-	-	-	-	24,294	24,294
Fixed rate borrowings	179	180	329	-	-	688	653
Total nonderivatives	24,473	180	329	-	-	24,982	24,947

(d) Capital Risk Management

When managing capital, the Group's objective is to safeguard the ability to continue as a going concern so that the Group continues to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

Management is constantly reviewing and adjusting, where necessary, the capital structure. This involves the use of corporate forecasting models which enable analysis of the Group's financial position including cash flow forecasts to determine future capital management requirements. To ensure sufficient funding, a range of assumptions are modeled.

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

Secured and floating rate	2015 $'000	2014 $'000
Expiring within one year[1]	-	14,220

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

Notes to the Financial Statements (cont.)

NOTE 2. FINANCIAL RISK MANAGEMENT (cont.)

(e) Derivatives

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

	2015 $'000	2014 $'000
Electricity Fixed Forward	3,035	-
Diesel Commodity Swap	(980)	-
Derivative financial instruments	2,055	-

(i) Classification of derivatives

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

(f) Recognised fair value measurements

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. As at 31 December 2015, all the derivative financial instruments disclosed above are classified as fair value measurements level 2.

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.

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.

NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Net realisable value of inventories

The Group reviews the carrying value of its inventories at each reporting date to ensure that the cost does not exceed net realisable value. Estimates of net realisable value include a number of assumptions, including commodity price expectations, foreign exchange rates and costs to complete inventories to a saleable product. As at 31 December 2015 the net realisable value exceeded cost for all significant inventory balances.

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

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

Details in relation to the Group's impairment assessment are disclosed at Note 26.

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

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

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

(d) Determination of mineral resources and ore reserves

Mineral resources and ore reserves are based on information compiled by a Competent Person as defined in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC 2012 code). There are numerous uncertainties inherent in estimating ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of ore reserves and may, ultimately, result in the reserves being restated. Such changes in reserves could impact on depreciation and amortisation rates, asset carrying values and provisions for rehabilitation.

(e) Taxation

The Group's accounting policy for taxation requires management judgment in relation to the application of income tax legislation. There are many transactions and calculations undertaken during the ordinary course of business where the ultimate tax determination is uncertain. The Group recognises liabilities for tax, and if appropriate taxation investigation or audit issues, based on whether tax will be due and payable. Where the taxation outcome of such matters is different from the amount initially recorded, such difference will impact the current and deferred tax positions in the period in which the assessment is made.

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

In addition, certain deferred tax assets for deductible temporary differences have been recognised. In recognising these deferred tax assets assumptions have been made regarding the Group's ability to generate future taxable profits. Utilization of the tax losses also depends on the ability of the tax consolidated entities to satisfy certain tests at the time the losses are recouped. There is an inherent risk and uncertainty in applying these judgments and a possibility that changes in legislation or forecasts will impact upon the carrying amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet.

(f) Provision for decommissioning and restoration costs

Decommissioning and restoration costs are a normal consequence of mining, and the majority of this expenditure is incurred at the end of a mine's life. In determining an appropriate level of provision, consideration is given to the expected future costs to be incurred, the timing of these expected future costs (largely dependent on the life of the mine), and the estimated future level of inflation.

The ultimate cost of decommissioning and restoration is uncertain and costs can vary in response to many factors including changes to the relevant legal requirements, changes of the mine plan, and the emergence of new restoration techniques or experience at other mine sites. The expected timing of expenditure can also change, for example in response to changes in reserves or to production rates.

Changes to any of the estimates could result in significant changes to the level of provisioning required, which would in turn impact future financial results. These estimates are reviewed annually and adjusted where necessary to ensure that the most up to date data is used.

(g) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value for shares issued is determined by the volume weighted average trading price over a specified number of days.

(h) Revenue recognition - Provisional pricing

As at 31 December 2015 the Group did not recognise any revenue from the sale of iron ore products which requires quantity and quality verification by the customer (31 December 2014: $1.5 million).

NOTE 4. SEGMENT INFORMATION

(a) Description of segments

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

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

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

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

Segment revenues from sales to external customers

	2015 $'000	2014 $'000
Australia	17,627	21,974
China	144,462	157,265
India	-	9,425
Japan	254	38,144
Korea	43,214	55,638
Malaysia	5	14,709
TOTAL	**205,562**	**297,155**

Segment assets and capital are allocated based on where the assets are located. The consolidated assets of the Group were predominately located in Australia as at 31 December 2015 and 31 December 2014. The total costs incurred during the current and comparative periods to acquire segment assets were also predominately incurred in Australia.

Notes to the Financial Statements (cont.)

NOTE 5. REVENUE

	2015 $'000	2014 $'000
From mining operations		
Sales of iron ore products	205,562	297,155
	205,562	**297,155**

NOTE 6. COST OF SALES

	2015 $'000	2014 $'000
Mining costs	111,680	132,295
Production costs	88,770	94,873
Government royalties	2,580	7,171
Depreciation and amortisation expense	8,474	17,280
Property, Plant and Equipment		
- Amounts capitalised during the year	(32,752)	(18,886)
Mine properties and development		
- Amounts capitalised during the year	-	(43,750)
- Amortisation expense	29,622	12,951
Deferred stripping		
- Amounts capitalised during the year	(57,201)	(49,717)
- Amortisation expense	14,307	29,066
Changes in inventories	(23,410)	8,164
Foreign exchange gain	(3,710)	(2,549)
	138,360	**186,898**

Depreciation and amortisation		
Land and buildings	439	1,204
Plant and equipment	7,665	14,902
Computer equipment	370	1,174
	8,474	17,280

Profit before income tax includes the following specific expenses:

Employee benefits expense	59,097	57,854
Defined contribution superannuation expense	5,289	5,238

NOTE 7. OTHER INCOME / (EXPENSES)

	2015 $'000	2014 $'000
Other income / (expenses)		
Net loss on the disposal of property, plant and equipment	(16)	-
Other	(152)	281
	(168)	**281**

NOTE 8. FINANCE INCOME/(EXPENSES)

	2015 $'000	2014 $'000
Finance income		
Interest income received or receivable		
- Other entities	2,878	2,838
Gain on financial instruments	2,055	-
Exchange gains on foreign currency deposits / borrowings (net)	7,659	4,141
	12,592	**6,979**

Finance expenses		
Interest charges paid or payable		
- Other entities	(541)	(198)
Finance lease interest charges paid or payable	(40)	(90)
Provisions: unwinding of discount		
- Deferred consideration	-	(1,167)
- Decommissioning and restoration	(954)	(1,045)
	(1,535)	**(2,500)**

NOTE 9. INCOME TAX BENEFIT/ (EXPENSE)

(a) Income tax (benefit) / expense

	2015 $'000	2014 $'000
Current tax	2,269	9,816
Deferred tax	63,254	(66,894)
	65,523	**(57,078)**
Deferred income tax included in income tax (benefit) / expense comprises:		
(Increase)/decrease in deferred tax assets	66,585	(36,543)
Increase/(decrease) in deferred tax liabilities	(3,331)	(30,351)
	63,254	**(66,894)**

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

(b) Numerical reconciliation of income tax (benefit) / expense to prima facie tax payable

	2015 $'000	2014 $'000
(Loss) / profit from continuing operations before income tax (benefit) / expense	**(212,291)**	**(167,242)**
Tax (credit) / expense at the Australian tax rate of 30% (2014: 30%)	(63,687)	(50,173)
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Revaluation of deferred consideration	-	6
Settlement of deferred consideration	-	(6,227)
Unwind of discount on deferred consideration	-	350
Share based payments expense	(83)	10
Sundry items	(123)	(394)
	(63,893)	(56,428)
Deferred tax assets not recognised	68,011	-
De-recognition of previously recognised Deferred tax assets	63,254	-
Adjustments to current tax of prior periods	(1,849)	(650)
Income tax (benefit) / expense	**65,523**	**(57,078)**

(c) Taxation Losses

	2015 $'000	2014 $'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

	2015 $'000	2014 $'000
Temporary difference for which deferred tax assets have not been recognised during the year:	226,703	-
Temporary difference for which deferred tax assets were previously recognised:	210,847	-
	437,550	**-**
Unrecognised deferred tax assets relating to the above temporary differences	131,265	-

NOTE 10. CASH AND CASH EQUIVALENTS

	2015 $'000	2014 $'000
Cash at bank and in hand	49,698	63,971
Term deposits	45,000	74,679
	94,698	**138,650**

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

Cash at bank and in hand as per statement of cash flows	94,698	138,650
Add:		
Current term deposits	43,732	15,000
	138,430	**153,650**

Total cash is held in trading accounts or term deposits with major financial institutions under normal terms and conditions appropriate to the operation of the accounts. These deposits earn interest at rates set by these institutions. As at 31 December 2015 the weighted average interest rate on the Australian dollar accounts was 2.87% (31 December 2014: 3.36%) and the weighted average interest rate on the United States dollar accounts was 0.64% (31 December 2014: 0.60%).

(b) Risk exposure

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

NOTE 11. TRADE AND OTHER RECEIVABLES

	2015 $'000	2014 $'000
Trade receivables	4,234	16,753
Security deposits[1]	402	401
Other receivables	3,391	3,079
Prepayments	1,886	2,562
	9,913	**22,795**

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

(a) Impaired trade receivables

Information regarding the impairment of trade and other receivables is provided in Note 2. As at 31 December 2015, there were no trade receivables (2014 $1.1m) past due but not impaired.

(b) Foreign exchange and interest rate risk

Information about the Group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in Note 2.

(c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above. Refer to Note 2 for more information on the credit quality of the Group's trade and other receivables.

NOTE 12. INVENTORIES

	2015 $'000	2014 $'000
Stores and spares	24,740	23,814
Ore stockpiles	21,209	13,408
Work-in-progress	7,141	6,294
Finished goods	26,034	11,272
	79,124	**54,788**

NOTE 13. RECEIVABLES

	2015 $'000	2014 $'000
Security deposits[1]	7,848	7,797
	7,848	**7,797**

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

(a) Risk exposure

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

NOTE 14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings $'000	Plant and equipment $'000	Computer equipment $'000	Total $'000
At 1 January 2015				
Cost	42,193	338,266	6,948	387,407
Accumulated depreciation and impairment	(27,399)	(247,690)	(5,887)	(280,976)
Net book amount	**14,794**	**90,576**	**1,061**	**106,431**
Year ended 31 December 2015				
Opening net book amount	14,794	90,576	1,061	106,431
Additions	2,312	51,600	868	54,780
Disposals	(14)	(3)	(1)	(18)
Depreciation charge	(451)	(7,669)	(388)	(8,508)
Impairment losses (Note 26)	(9,241)	(58,964)	(1,414)	(69,619)
Closing net book amount	**7,400**	**75,540**	**126**	**83,066**
At 31 December 2015				
Cost	44,491	389,863	7,815	442,169
Accumulated depreciation and impairment	(37,091)	(314,323)	(7,689)	(359,103)
Net book amount	**7,400**	**75,540**	**126**	**83,066**
At 1 January 2014				
Cost	38,485	300,448	6,883	345,816
Accumulated depreciation	(13,136)	(165,907)	(3,026)	(182,069)
Net book amount	**25,349**	**134,541**	**3,857**	**163,747**
Year ended 31 December 2014				
Opening net book amount	25,349	134,541	3,857	163,747
Additions	3,709	37,860	93	41,662
Disposals	-	-	(1)	(1)
Depreciation charge	(1,219)	(14,908)	(1,213)	(17,340)
Impairment losses	(13,045)	(66,917)	(1,675)	(81,637)
Closing net book amount	**14,794**	**90,576**	**1,061**	**106,431**
At 31 December 2014				
Cost	42,193	338,266	6,948	387,407
Accumulated depreciation and impairment	(27,399)	(247,690)	(5,887)	(280,976)
Net book amount	**14,794**	**90,576**	**1,061**	**106,431**

(a) Assets under construction

The carrying amounts of the assets disclosed above includes expenditure of $69.0 million (2014: $54.7 million) recognised in relation to property, plant and equipment which is in the course of construction.

(b) Leased assets

Plant and equipment includes the following amounts where the Group is a lessee under a finance lease. The lessor is secured over the leased assets.

	2015 $'000	2014 $'000
Cost	999	999
Accumulated depreciation and impairment	(984)	(633)
Net book amount	**15**	**366**

Notes to the Financial Statements (cont.)

NOTE 15. MINE PROPERTIES AND DEVELOPMENT

	2015 $'000	2014 $'000
Mine properties and development (at cost)	466,846	463,680
Accumulated amortisation and impairment	(461,736)	(348,397)
Net book amount	5,110	115,283
Deferred stripping costs (net book amount)	11,444	99,947
Total mine properties and development	**16,554**	**215,230**

Movements in mine properties and development are set out below:

Mine properties and development	2015 $'000	2014 $'000
Opening net book amount	115,283	290,479
Current year expenditure capitalised	-	43,750
Change in rehabilitation estimate	3,170	8,499
Amortisation expense	(29,622)	(12,951)
Impairment losses (Refer Note 26)	(83,721)	(214,494)
Closing net book amount	**5,110**	**115,283**
Deferred stripping costs		
Opening net book amount	99,947	79,296
Current year expenditure capitalised	57,201	49,717
Amortisation expense	(14,307)	(29,066)
Impairment losses (Refer Note 26)	(131,397)	-
Closing net book amount	**11,444**	**99,947**

NOTE 16. DEFERRED TAX ASSETS

	2015 $'000	2014 $'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	2,206	41,422
Mine properties and development	1,571	13,931
Trade and other payables	1	66
Employee benefits	133	4,430
Decommissioning and restoration	393	10,214
Other	-	826
Total deferred tax assets	**4,304**	**70,889**
Set-off against deferred tax liabilities pursuant to set-off provisions	-	(3,331)
Net deferred tax assets	**4,304**	**67,558**

NOTE 17. TRADE AND OTHER PAYABLES

	2015 $'000	2014 $'000
Trade payables and accruals	15,204	23,317
Other payables	868	977
	16,072	**24,294**

(a) Risk exposure

Trade payables are non-interest bearing and are normally settled on repayment terms between 7 and 30 days. Information about the Group's exposure to foreign exchange risk is provided in Note 2.

NOTE 18. BORROWINGS (CURRENT)

	2015 $'000	2014 $'000
Secured		
Finance lease liabilities(1)	321	333
Other borrowings(2)	4,669	-
	4,990	**333**

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

(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.

NOTE 19. PROVISIONS (CURRENT)

	2015 $'000	2014 $'000
Employee benefits	11,728	11,276
Decommissioning and restoration	581	585
Other	-	210
	12,309	**12,071**

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

	Decommissioning and restoration	Other	Total
Balance at beginning of the year	585	210	**795**
Payments	(857)	(228)	**(1,085)**
Transfers from non-current provisions	853	18	**871**
Balance at the end of the year	581	**-**	**581**

NOTE 20. BORROWINGS (NON-CURRENT)

	2015 $'000	2014 $'000
Secured		
Finance lease liabilities(1)	-	320
Other borrowings(2)	7,393	-
	7,393	**320**

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

(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.

NOTE 21. PROVISIONS (NON-CURRENT)

	2015 $'000	2014 $'000
Employee benefits	4,245	3,492
Decommissioning and restoration	46,629	42,038
Other	-	18
	50,874	**45,548**

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

	Decommissioning and restoration	Other	Total
Balance at beginning of the year	42,038	18	42,056
Change in estimate	4,490	-	4,490
Unwinding of discount	954	-	954
Transfers to current provisions	(853)	(18)	(871)
Balance at the end of the year	**46,629**	**-**	**46,629**

NOTE 22. CONTRIBUTED EQUITY

	2015 Shares	2014 Shares	2015 $'000	2014 $'000
Issued and fully paid ordinary shares	1,157,338,698	1,157,097,869	331,513	331,373
	1,157,338,698	1,157,097,869	**331,513**	**331,373**

(a) Movements in ordinary share capital

	Number of Shares	$'000
1 January 2014 – Opening balance	1,157,097,869	331,373
31 December 2014 – Closing balance	**1,157,097,869**	**331,373**
6 January 2015 – Issue of shares under long term incentive plan	240,829	140
31 December 2015 – Closing balance	1,157,338,698	331,513

(b) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds of winding up of the Company in proportion to the number of and amounts paid on the shares held. Ordinary shares entitle their holder to one vote per share, either in person or by proxy, at a meeting of the Company. Ordinary shares have no par value and the Company does not have a limited amount of authorised share capital.

(c) Share options and rights

The Company has share based payment schemes under which rights for the Company's shares have been granted to certain executives and eligible employees (refer to Note 34).

NOTE 23. RESERVES

	2015 $'000	2014 $'000
Share-based payments reserve	-	415
	-	**415**

(a) Movements in share-based payments reserves

	2015 $'000	2014 $'000
Balance at beginning of the year	415	383
Share based payments expense	-	32
Issue of shares to employees	(140)	-
Rights forfeited	(275)	-
Balance at end of the year	**-**	**415**

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

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

NOTE 24. RETAINED PROFITS

	2015 $'000	2014 $'000
Retained profits		
Movements in retained profits were as follows:		
Balance at the beginning of the year	203,413	336,719
(Loss) / profit for the year	(277,814)	(110,164)
Dividends paid	(11,575)	(23,142)
Balance at the end of the year	**(85,976)**	**203,413**

NOTE 25. DIVIDENDS

	2015 $'000	2014 $'000
Unfranked final dividend for the year ended 31 December 2014 – 1.0 cent per share	11,575	-
Unfranked final dividend for the year ended 31 December 2013 – 1.0 cent per and an additional special dividend of 1.0 cent per share	-	23,142
Total dividends provided for or paid	**11,575**	**23,142**

(a) Ordinary shares

These dividends were declared NIL conduit foreign income. No dividends were proposed for the year ended 31 December 2015 (2014:1.0 cent per share was paid on 2 April 2015).

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 Company considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 31 December 2015, the market capitalisation of the Company was below the book value of its net assets and the iron ore prices substantially decreased since the end of 2014, indicating a potential trigger for impairment of assets.

(a) Impairment Testing

(i) Methodology

An impairment loss is recognised for a Cash Generating Unit (CGU) when the recoverable amount is less than the carrying amount. The recoverable amount of each CGU has been estimated using a fair value less costs of disposal basis. The costs of disposal have been estimated by management based on prevailing market conditions. The fair value assessment is categorised within level 3 in the fair value hierarchy.

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

(ii) Key assumptions

At the end of the reporting period the key assumptions used by the Directors in determining the recoverable amount for the Group's Savage River CGU were in the following ranges and for comparison purposes the table also provides the equivalent assumptions used as at 31 December 2014:

Assumptions	31 December 2015		
	2016	2017 – 2021	Long Term 2022+
Iron ore pellets (FOB Port Latta) (US$ per DMT)	US$55.19	US$63.58-US$76.73	US$75.65
AUD:USD exchange rate	$0.68	$0.73	$0.73
Post-tax real discount rate		9%	

Assumptions	31 December 2014	
	2015 – 2023	Long Term 2024+
Iron ore pellets (FOB Port Latta) (US$ per DMT)	US$84 – US$98	US$98
AUD:USD exchange rate	$0.75	$0.75
Post-tax real discount rate	9.5%	

NOTE 26. IMPAIRMENT OF NON-CURRENT ASSETS (CONT.)

Commodity prices and foreign exchange rates

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

The Board has decided to undertake a capital project to convert the Group's major product, the iron ore pellet to fluxed pellet from 2017 to attract a higher pellet premium. However, a discount has been applied to the higher pellet premium benefit included in the iron ore pellet price assumption above to reflect that although the results from the laboratory tests are positive, the Group has not commercially produced and sold fluxed pellet previously. The rates applied for the period to 2021 are based upon analysis performed by an external party over a five year period from 2017 which then transition to a long term market based assumption. Should the Group be unable to realise the anticipated higher premium, a further impairment would be likely.

Operating performance (production, operating costs and capital costs)

Life of mine production, operating cost and capital cost assumptions are based on the Group's most recent life of mine plan approved by the Board adjusted for expected improvements reflecting the Group's objective of maximising free cash flow (mainly operating and investing cash flows) by optimising production and improving productivity. Mineral resources and ore reserves not in the most recent life of mine plan are not included in the determination of recoverable amount.

In addition to the fluxed pellet project discussed above, the Board also decided to undertake a capital project – Pit Rim Crushing and Conveying in order to save operating cost. The capital investment and operating cost offset benefit have been included in the fair value model. Facing the unstable market conditions, following the Board's guidance, management is continuously working on different mining and production plans.

Discount rate

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

(iii) Impacts

As at the reporting date, the Group has conducted a carrying value analysis and recognised non-current asset impairments of the carrying value of Savage River assets of $123.1 million in addition to the half year impairment of $161.6 million, as totalled and summarised in the table below. The recoverable amount of the Savage River CGU is $152.3 million as at 31 December 2015.

	Total $'000
Impairments	
Property plant and equipment	69,619
Mine properties and development	215,117
Total asset impairments	**284,736**
Tax effect	-
Total asset impairments after tax	**284,736**

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

(iv) Sensitivity analysis

After recognising the asset impairments in respect of Savage River, the fair value of this asset is assessed as being equal to its carrying amount as at 31 December 2015.

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

It is estimated that changes in the following key assumptions would have the following approximate impact on the fair value of the Savage River CGU that has been subject to impairment as at 31 December 2015:

Decrease in fair value resulting from:

US$1 per dmt decrease in iron ore pellet prices (FOB Port Latta)	$21.0 million
$0.01 increase in the AUD:USD exchange rate	$23.2 million
1% increase in estimated operating costs	$13.3 million
25 bps increase in the discount rate	$6.3 million

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

NOTE 27. REMUNERATION OF AUDITORS

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

	2015 $'000	2014 $'000
(a) PwC - Australia		
Audit and review of financial reports	389	376
Other assurance services	11	51
Taxation services		
Taxation consulting and advice	-	49
Total remuneration of PwC - Australia	**400**	**476**
(b) Related practices of PwC - Australia		
Audit and review of financial reports	19	17
Taxation compliance	4	2
Total remuneration of related practices of PwC - Australia	**23**	**19**

NOTE 28. COMMITMENTS AND CONTINGENCIES

(a) Lease expenditure commitments

The Group leases various offices under non-cancellable operating leases expiring within 2 years. The leases have varying terms, escalation clauses and renewal rights.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2015 $'000	2014 $'000
Within one year	-	210
After one year but not more than five years	-	18
Minimum lease payments	**-**	**228**

(b) Finance lease expenditure commitments

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

	2015 $'000	2014 $'000
Within one year	5,549	359
After one year but not more than five years	7,722	329
	13,271	688
Future finance charges	(888)	(35)
Recognised as a liability	**12,383**	**653**

(c) Tenement expenditure commitments

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

	2015 $'000	2014 $'000
Within one year	970	959
After one year but not more than five years	4,717	4,524
	5,687	**5,483**

(d) Operating and capital expenditure commitments

In order to maintain and continue mining and pellet processing operations in Tasmania there are a number of commitments and ongoing orders to various contractors or suppliers going forward, these will be approximately:

Within one year	29,996	43,181
After one year but not more than five years	7,648	20,140
	37,644	**63,321**

(e) Bank Guarantees

Bank guarantees have been provided on the Group's behalf to secure, on demand by the Minister for Mines and Energy for the State of Queensland, any sum to a maximum aggregate amount of $2,012,963 (2014: $2,012,963), in relation to the rehabilitation of the Highway Reward project.

A Bank guarantee has been provided by Grange Resources (Tasmania) Pty Ltd, held by the Tasmanian Government, as required under Environmental Management and Pollution Control Act 1994 (EMPCA) for the amount of $3,034,956 (2014: $2,984,234). This amount is to guarantee the rehabilitation responsibilities under the mining lease at Savage River.

A Bank guarantee has been provided by Grange Resources (Tasmania) Pty Ltd, held by the National Australia Bank, as required under the Goldamere Agreement and applicable Deeds of Variation, for the amount of $2,800,000 (2014: $2,800,000). This amount is a guarantee against the purchase price outstanding with the Tasmanian government as specified in the Goldamere Agreement.

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

(f) Contingent Assets and Liabilities

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

NOTE 29. RELATED PARTY TRANSACTIONS

(a) Ultimate Parent

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

(b) Subsidiaries

Interests in subsidiaries are set out in Note 30.

(c) Key management personnel compensation

	2015 $	2014 $
Short-term employee benefits	1,394,568	1,910,123
Post-employment benefits	115,643	99,556
Long-term benefits	50,066	18,177
Termination benefits	-	250,000
Long-term incentives	37,795	83,898
	1,598,072	**2,361,754**

Detailed remuneration disclosures are provided in the remuneration report on pages 26 to 32.

(d) Transactions with related parties

During the year the following transactions occurred with related parties:

	2015 $	2014 $
Sales of iron ore products		
Long term off-take agreement (1)		
- Pellets	85,678,147	129,237,036
- Chips	1,732,487	2,157,061
Spot sales (2)		
- Pellets	-	-
Agency commissions		
- Spot sales (2)	(172,536)	(637,787)
Purchases		
- Equipment hire and freight(3)	-	(682,867)
	87,238,098	**130,073,443**

(1) Sales of iron ore products to Jiangsu Shagang International Trade Co., Ltd (Shagang), a wholly owned subsidiary of Jiangsu Shagang Group Co. Ltd, under long-term off-take agreements. During the year, 1,007,845 dry metric tonnes of iron ore products were sold to Shagang in accordance with the terms of the long term off-take agreements (2014: 1,098,719 dry metric tonnes)

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

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

(e) Outstanding balances arising from transactions with related parties

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

	2015 $	2014 $
Trade receivables (sales of iron ore products)		
Long term off-take agreement		
- Pellets	(723,723)	1,949,265
- Chips	(123,835)	(5,594)
- Other	(75,346)	(119,911)
Spot sales (agency commissions)	-	(132,972)
	(922,904)	**1,690,788**

Amounts outstanding under the long term off-take agreement with Shagang are unsecured whereas amounts outstanding in respect of spot sales are secured against an irrecoverable letter of credit. All outstanding balances will be settled in cash. The credit balance of the receivables represent the final price adjustments due to the quotation periods and final discharge port results.

There is no allowance account for impaired receivables in relation to any outstanding balances with related parties, and no expense has been recognised during the year in respect of impaired receivables due from related parties (2014: Nil).

Long term off-take agreement

Grange Resources (Tasmania) Pty Ltd (Grange Tasmania) is party to a long term off-take agreements (Pellets and Chips) with Jiangsu Shagang International Trade Co. Ltd (Shagang), a wholly owned subsidiary of Jiangsu Shagang Group Co. Ltd, who, as at 29 February 2016, holds 47.68% (27 February 2015: 46.87%) of the issued ordinary shares of Grange.

Pellets

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

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

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

NOTE 29. RELATED PARTY TRANSACTIONS (cont.)

Chips

The Chips long term off-take agreement was terminated on 17 September 2015 in order to achieve a better margin by selling chips to the local market as approved by the independent directors.

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

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

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

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

Agency agreements with related parties

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

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

NOTE 30. SUBSIDIARIES

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

	Percentage of equity interest held by the Group	
Name	2015 %	2014 %
Ever Green Resources Co., Limited (1)	100	100
Grange Tasmania Holdings Pty Ltd	100	100
Beviron Pty Ltd	100	100
Grange Resources (Tasmania) Pty Ltd	100	100
Grange Capital Pty Ltd	100	100
Grange Administrative Services Pty Ltd	100	100
Barrack Mines Pty Ltd	100	100
Bamine Pty Ltd	100	100
BML Holdings Pty Ltd	100	100
Horseshoe Gold Mine Pty Ltd	100	100
Grange Resources (Southdown) Pty Ltd	100	100
Southdown Project Management Company Pty Ltd	100	100
Grange Developments Sdn Bhd (2)	100	100

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

(2) Grange Developments Sdn Bhd is incorporated in Malaysia.

NOTE 31. INTERESTS IN JOINT OPERATIONS

Name of Joint Operation	% Interest 2015	% Interest 2014
Southdown Magnetite and Associated Pellet Project(s) – Iron Ore	70.00	70.00
Reward - Copper / Gold	31.15	31.15
Highway – Copper	30.00	30.00
Reward Deeps / Conviction - Copper	30.00	30.00
Mt Windsor Exploration - Gold / Base Metals	30.00	30.00
Durack / Wembley – Exploration Gold	15.00	15.00

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

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

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

	2015 $'000	2014 $'000
ASSETS		
Current assets		
Cash and cash equivalents	306	9,536
Term deposits	9,513	-
Trade and other receivables	100	114
Total current assets	**9,919**	**9,650**
Non-current assets		
Property, plant and equipment	6,650	6,469
Total non-current assets	6,650	6,469
Total assets	**16,569**	**16,119**
LIABILITIES		
Current liabilities		
Trade and other payables	198	88
Total current liabilities	198	88
Total liabilities	198	88
Net assets	**16,371**	**16,031**

The net contributions of joint operations (inclusive of resultant revenues) to the Group's operating profit before income tax was a loss of $1.3 million (2014: loss $1.8 million).

NOTE 32. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2015 $'000	2014 $'000
(Loss) / profit for the year	(277,814)	(110,164)
Revaluation of deferred consideration	-	134
Unwinding of discount	954	2,212
Depreciation and amortisation	8,474	17,340
Mine properties and development amortisation	43,926	33,518
Interest expense	480	43
Gain on deferred consideration settlement	-	(20,757)
(Profit) / loss on sale of property, plant and equipment	16	-
Share based payment expense	(275)	32
Impairment of assets	284,736	296,131
Gain on derivative financial instruments	(2,055)	-
Net unrealised foreign exchange (gain) / loss	(7,659)	(2,299)
Change in operating assets and liabilities		
(Increase) / decrease in trade and other receivables	12,157	6,481
(Increase) / decrease in inventories	(24,336)	5,193
(Increase) / decrease in intangible assets	-	3,063
(Increase) / decrease in deferred tax assets	63,254	(66,894)
Increase / (decrease) in trade and other payables	(5,815)	(3,877)
Increase / (decrease) in other provisions	1,441	7,160
Increase / (decrease) provision for income tax payable	(6,364)	9,815
Net cash inflow / (outflow) from operating activities	**91,120**	**177,131**

Notes to the Financial Statements (cont.)

NOTE 33. EARNINGS PER SHARE

	2015 Cents	2014 Cents
Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	(24.00)	(9.52)
Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	(24.00)	(9.51)

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

	2015 $'000	2014 $'000
Basic earnings per share		
Profit/(loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings per share from continuing operations	(277,814)	(110,164)
Diluted earnings per share		
Profit/(loss) attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share from continuing operations	(277,814)	(110,164)

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

	2015 Number	2014 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,157,335,399	1,157,097,869

Rights

Rights issued to eligible employees under the Long Term Incentive Plan are considered to be potential ordinary shares for the purposes of determining diluted earnings per share. Rights have not been included in the determination of basic earnings per share. Details relating to rights are set out in Note 34.

NOTE 34. SHARE BASED PAYMENTS

(a) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2015 $'000	2014 $'000
Rights issued to eligible employees under the LTIP	-	32
Rights forfeited	(275)	-
	(275)	**32**

The types of share-based payments are described below.

(b) Types of share-based payments

(i) Rights to Grange Shares

The Board will review regularly and reserves the right to vary from time to time the appropriate hurdles and vesting periods for Rights to Grange shares.

The objective for the issue of Rights under the LTI program is to reward selected senior employees in a manner that aligns this element of their remuneration package with the creation of long term shareholder wealth while at the same time securing the employee's tenure with the Company over the longer term. The LTI grants Rights to the Company's shares to selected senior employees.

31 December 2013 Award

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

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

The rights to shares for 2013 award is forfeited as a result of the attainment failure.

31 December 2012 Award

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

Rights awarded for performance leading up to and inclusive of 31 December 2012 vested in three equal tranches over 24 months, completing on 1 January 2015. The last tranche of shares was issued on 6 January 2015.

NOTE 34. SHARE BASED PAYMENTS (CONT.)

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

No expense was recognised during the year ended 31 December 2015.

The table below summaries rights issued to eligible employees:

31 December 2015

Performance Period	Balance 1 January 2015	Granted as remuneration	Issued on vesting of rights	Rights forfeited	Balance 31 December 2015	Vested	Unvested
31 December 2012	240,829	-	(240,829)	-	-	-	-
31 December 2013[(1)]	614,029	-	-	(614,029)	-	-	-
Total	**854,858**	**-**	**(240,829)**	**(614,029)**	**-**	**-**	**-**

31 December 2014

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

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

NOTE 35. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

	2015 $'000	2014 $'000
Balance sheet		
Current assets	11,013	10,491
Total assets	280,974	283,302
Current liabilities	3,335	11,268
Total liabilities	33,961	42,415
Shareholders' equity		
Contributed equity	392,475	392,335
Reserves		
Share-based payments	31,191	31,606
Retained (losses)	(176,653)	(183,054)
Total equity	**247,013**	**240,887**
Profit for the year	17,974	20,782
Total comprehensive income for the year	**17,974**	**20,782**

(b) Contingent liabilities of the parent entity

Other contingent liabilities

Pursuant to the terms of an agreement dated 21 November 2003, under which the Company purchased certain tenements comprising the Southdown project, the Company is required to make a further payment of $1,000,000 to MedAire, Inc upon commencement of commercial mining operations from those tenements.

NOTE 36. EVENTS OCCURRING AFTER THE REPORTING PERIOD

No matter or circumstance has arisen since 31 December 2015 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 35 to 66 are in accordance with the Corporations Act 2001, including:

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

(ii) giving true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the financial year ended on that date, and

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

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

The Directors have been given the declarations of the Interim Executive Committee and Chief Financial Officer required by section 295A of the Corporations Act 2001.

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

Michelle Li
Chairperson of the Board

Perth, Western Australia
29 February 2016

Independent auditor's report

TO THE MEMBERS OF GRANGE RESOURCES LIMITED

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

Report on the financial report

We have audited the accompanying financial report of Grange Resources Limited (the company), which comprises the statement of financial position as at 31 December 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Grange Resources Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
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Independence
In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion
In our opinion:

(a) the financial report of Grange Resources Limited is in accordance with the Corporations Act 2001, including:
   (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

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

Report on the Remuneration Report
We have audited the remuneration report included in pages 26 to 32 of the directors' report for the year ended 31 December 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion
In our opinion, the remuneration report of Grange Resources Limited for the year ended 31 December 2015, complies with section 300A of the Corporations Act 2001.

PricewaterhouseCoopers

PricewaterhouseCoopers

John O'Donoghue
Partner

Melbourne
29 February 2016

Tenement Schedule

as at 29 February 2016

PROSPECT	TENEMENT	INTEREST
Tasmania		
Savage River	2M/2001	100%(1)
	14M/2007	100%(1)
	11M/2008	100%(1)
	EL30/2003	100%(1)
	EL8/2014	100%(1)
Western Australia		
Southdown	M70/1309	70% (3) (4)
	G70/217	70% (4)
	G70/245	70% (2) (4)
	E70/2512	70% (4)
	E70/3073	70% (4)
	E70/3896	70% (4)
Wembley	M52/801	15% (5) (6)
	P52/1189-1193	15% (5) (6)
Horseshoe Lights	M52/743	0% (7)
	E52/2042	0% (7)
	P52/1203-1206	0% (7)
Abercromby Well	M53/336	0% (8)
Red Hill	M27/57	0% (9)
Freshwater	M52/278,279,299	0% (10)
	M52/295-296	0% (11)
	M52/300-301	0% (11)
	M52/305-306	0% (10)
	M52/369-370	0% (10)
Pilbara	E47/1846	0% (12)
	E47/2241	100%
Queensland		
Mt Windsor JV	ML 1571	30% (13)
	ML 1734	30% (13)
	ML 1739	30% (13)
	ML 10028	30% (13)
	ML 1758	30% (13)

PROSPECT	TENEMENT	INTEREST
Northern Territory		
Mt Samuel	MLC 49	0% (14)
	MLC 527	0% (15)
	MLC 599	0% (15)
	MLC 617	0% (15)
	MCC 174	0% (15)
	MCC 212	0% (15)
	MCC 287-288	0% (15)
	MCC 308	0% (15)
	MCC 344	0% (15)
True Blue	MCC 342	0% (15)
	MLC 619	0% (15)
Aga Khan	MLC 522	0% (15)
Black Cat	MCC 338-339	0% (15)
	MCC316-317	0% (15)
	MCC 340-341	0% (15)

Notes:

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

ASX Additional Information

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The shareholder information set out below was applicable as at 7 March 2016 except where otherwise indicated.

ORDINARY SHARES

Twenty Largest Shareholders as at 7 March 2016

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

Rank	Name	Number	% of Units
1.	Shagang Group	541,206,533	46.8%
2.	Pacific International Co	95,154,884	8.2%
3.	Realindex Investments	55,802,443	4.8%
4.	RGL Holdings Co	40,430,691	3.5%
5.	Bank Julius Baer	33,173,377	2.9%
6.	Dimensional Fund Advisors	24,226,083	2.1%
7.	ABN AMRO Bank	18,658,875	1.6%
8.	Mr Gao Yanling	12,842,527	1.1%
9.	Theodoor Gilissen Bankiers	12,425,152	1.1%
10.	Schroder Investment Mgt	12,268,029	1.1%
11.	Rabobank Nederland	11,748,583	1.0%
12.	BinckBank	8,610,592	0.7%
13.	LSV Asset Mgt	8,507,700	0.7%
14.	UBS	8,425,185	0.7%
15.	Mr Andreas Hadjipanayis	8,307,317	0.7%
16.	Mr Adam Garrigan	8,021,000	0.7%
17.	Mr Hans-Rudolf Moser	6,810,450	0.6%
18.	Mr & Mrs Lionel RD Moore	5,030,000	0.4%
19.	QS Batterymarch Financial	4,750,267	0.4%
20.	Mr Ray Hislop	3,881,548	0.3%
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)		**968,088,007**	**83.65**

Distribution of Equity Securities

Analysis of number of shareholders by size and holding:

	Ordinary Shares	Director Options	Employee Options	Other Options
1 - 1,000	478	-	-	-
1,001 - 10,000	1,867	-	-	-
10,001 - 100,000	1,666	-	-	-
100,001 - 1,000,000	372	-	-	-
1,000,001 - and over	36	-	-	-
Total	**4,409**	**0**	**0**	**0**

The number of shareholders holding less than a marketable parcel of Ordinary Shares at 7 March 2016 was 1,643.

Voting Rights

All shares carry one vote per share without restriction.

Substantial Shareholders

An extract of the Company's Register of Substantial Shareholders as at 7 March 2016 is set out below:

Name	Number of fully paid shares	Voting power
Shagang International (Australia) Pty Ltd Shagang International Holdings Limited Pacific International Co RGL Holdings Co Bank Julius Baer	765,767,928	66.2%

Securities Subject to Voluntary Escrow

The following securities are subject to voluntary escrow:

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

List of Significant ASX Announcements

From 1 January 2015 through to 17 March 2015

DATE	HEADLINE
09/03/2016	Updated Resource & Reserve Statement - Savage River
29/02/2016	Appendix 4G
29/02/2016	Grange Full Yr Statutory Accts 12 Months Ended 31 Dec 2015
29/02/2016	Grange Resources Limited Appendix 4E - 31 December 2015
17/02/2016	Potential asset impairment
22/01/2016	Market update
21/01/2016	GRR - Quarterly Report for 3 months ended 31 December 2015
06/01/2016	Market Update
16/11/2015	Ceasing to be a substantial holder from CBA
13/11/2015	Becoming a substantial holder from CBA
11/11/2015	Ceasing to be a substantial holder from CBA
22/10/2015	GRR - Quarterly Report for 3 months ended 30 September 2015
10/09/2015	Production update and revised guidance
28/08/2015	Half Yearly Report and Accounts
28/08/2015	Appendix 4D - Half Year Ending 30 June 2015
17/07/2015	GRR - Quarterly Report for 3 months ended 30 June 2015
20/05/2015	Becoming a substantial holder from CBA
18/05/2015	Final Director's Interest Notice
13/05/2015	Results of Meeting
13/05/2015	AGM Presentation
12/05/2015	Board Changes
20/04/2015	GRR - Quarterly Report for 3 months ended 31 March 2015
10/04/2015	Notice of Annual General Meeting/Proxy Form
08/04/2015	Change of Director's Interest Notice - C.Ko
31/03/2015	Annual Report to shareholders
27/03/2015	Change of Director's Interest Notice - C Ko
16/03/2015	Market Update
06/03/2015	Appointment of Chief Executive Officer
27/02/2015	Grange Full Yr Statutory Accts 12 Months Ended 31 Dec 2014
27/02/2015	Grange Resources Limited Appendix 4E - 31 December 2014
26/02/2015	Updated Resource & Reserve Statement - Savage River
19/01/2015	GRR - Quarterly Report for 3 months ended 31 Dec 2014
07/01/2015	Appendix 3B
05/01/2015	Final Director's Interest Notice

2015
ANNUAL REPORT
Australia's most experienced
magnetite producer

GRANGE RESOURCES

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