Grange Resources Limited

ABN 80 009 132 405
and Controlled Entities

GRANGE
RESOURCES

Australia's most experienced magnetite producer

INTERIM FINANCIAL REPORT

For the Half-Year Ended
30 June 2016

Contents

GRANGE RESOURCES LIMITED
ABN 80 009 132 405
INTERIM FINANCIAL REPORT

DIRECTORS' REPORT

The directors present their report on the consolidated entity (the "Group") consisting of Grange Resources Limited ("Grange" or "the Company") and the entities it controlled at the end of, or during, the half-year ended 30 June 2016.

Directors

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

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

Principal activities

During the six months ended 30 June 2016, the principal activities of the Group were as follows:

- Mining, processing and sale of iron ore from its operations in Tasmania; and
- The ongoing exploration and evaluation of mineral resources, principally the Southdown Magnetite Project near Albany, Western Australia.

Review of operations

Key Highlights

- Achieved over 448 days Lost Time Injury free as mining continued in South Deposit and North Pit.
- Statutory profit after tax of $32.8 million (2015 $79.8 million loss after tax). Net assets were $278.4 million, compared to $245.5 million as at 31 December 2015.
- Strong ongoing demand for Grange's magnetite pellets despite weaker underlying iron ore price. Pellet sales of 1.42 million tonnes, an increase of approximately 19% compared to 1.19 million tonnes in the preceding 2015 half year.
- Continued cost control disciplines have reduced C1 cash operating costs to $75.10 per tonne, a decrease of approximately 5% compared to $78.73 per tonne in the preceding 2015 half year.
- Strong cash and cash equivalents and term deposits balance of $150.4 million compared to $138.4 million as at 31 December 2015.
- Maintained focus on mine redevelopment in North Pit and continued production stripping in South Deposit using the waste in the construction of the South Deposit Tailings Storage Facility.
- Pellet production of 1.16 million tonnes compared to 1.25 million tonnes in the preceding 2015 half year.
- Cost reduction focus continues with streamlined workforce.
- South Deposit Tailings Storage Facility construction continues on plan for completion in spite of adverse weather conditions.

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Review of Results

Statement of Comprehensive Income

Grange achieved a statutory profit after tax of $32.8 million for the half-year ended 30 June 2016 (2015: $79.8 million loss after tax) on revenues from mining operations of $129.9 million (2015: $116.6 million).

Key revenue metrics for the 30 June 2016 half-year and preceding 2015 half-year were as follows:

	6 months to 30 June 2016	6 months to 30 June 2015
Iron Ore Pellet Sales (dmt)	1,414,551	1,187,634
Iron Ore Concentrate Sales (dmt)	41	81
Iron Ore Chip Sales (dmt)	51,587	65,475
TOTAL Iron Ore Product Sales (dmt)	1,466,179	1,253,190
Average Realised Product Price (US$/t FOB Port Latta)*	$63.73	$73.22
Average Realised Exchange Rate (AUD:USD)	$0.7380	$0.7871
Average Realised Product Price (A$/t FOB Port Latta)*	$86.35	$93.03

*In 2016, a portion of sales were made on CFR terms whereby the Group incurred shipping expenses to transport the shipments to the discharge ports. The above FOB Port Latta unit prices realised reflect prices net of shipping expenses. All 2015 sales were made on FOB terms.

The sales for the half-year ended 30 June 2016 totalled 1,466,179 tonnes of high quality, low impurity iron ore products (2015: 1,253,190 tonnes) reflecting strong ongoing demand for Grange's magnetite pellets.

The average pellet price received during the half-year was US$63.73 per tonne of product sold (FOB Port Latta) (2015: US$73.22 per tonne). Despite continued volatility and uncertainty as to the future direction of iron ore prices, the market continues to recognise the quality value in use premium for high quality, low impurity iron ore products sold by Grange.

Grange will continue to deliver into secured term offtake agreements for all products for 2016 and the majority production of 2017.

Key production metrics for the 30 June 2016 half-year and preceding 2015 half-year were as follows:

	6 months to 30 June 2016	6 months to 30 June 2015
Total BCM Mined	5,367,566	7,794,628
Total Ore BCM	532,003	1,127,249
Concentrate Produced (t)	1,225,578	1,297,832
Weight Recovery (%)	40.6	48.1
Pellets Produced (t)	1,160,042	1,253,090
Pellet Stockpile (t)	175,753	216,887
"C1" Cost (A$/tonne Product Produced)[1]	$75.10	$78.73

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

Grange operations achieved over 448 days lost time injury free as mining continued in South Deposit and North Pit.

Mining operations focused on mining ore from South Deposit and pre-stripping material in the next cutback of North Pit. South Deposit is delivering high quality feed for processing and the cutback in North Pit continues to develop access to the main ore zone for ore supply later in the year. Some remediation work was also required in the cutback to support the wall, causing some delays in bulk mining. Studies are being conducted on short term designs to improve access and working areas to increase movement rates. Severe weather conditions in the second quarter caused flooding in the region and impacted movement in the pits.

Annual planned maintenance was also completed safely in the first half of 2016 with the completion of the common equipment shutdown. This impacted production in the concentrator and pellet plant. A set of plant trials were completed for the fluxed pellet project to improve pellet quality. The analysis of the trials is in progress.

Development continues on construction of the filter face for the South Deposit Tails Storage Facility (SDTSF). This is a significant project for operations at Savage River as the SDTSF will provide sufficient tailings storage capacity for the remaining life of the mine and facilitate the treatment of legacy environmental issues from previous operations at Savage River.

Statement of Financial Position

Grange's net assets increased during the half-year period to $278.4 million (31 December 2015 $245.5 million) principally as a result of the following:

- Increase in cash and cash equivalents of $12.4 million arising from increase in sales revenue;
- Increased assets under construction of $16.6 million due to the construction of the South Deposit Tailings Storage Facility (SDTSF);
- Capitalisation of deferred stripping costs from North Pit has increased capitalised mine development by $21.2 million; and
- Offset by decreased inventory stockpiles of $30.0 million arising from lower stockpiles and decrease in production costs.

Statement of Cash Flows

Net cash flows from operating activities

Net cash inflows from operating activities for the period were $56.1 million (June 2015 inflow $46.2 million) which reflects higher iron ore product sales and income tax payments of $8.4 million (June 2015 $9.2 million).

Net cash flows from investing activities

Net cash outflows from investing activities for the period were $40.3 million (June 2015 outflow $66.9 million) and principally related to significant expenditure of $19.7 million (June 2015 $30.9 million) on property, plant and equipment mainly for the SDTSF, whilst mine development of $21.2 million (June 2015 $26.0 million) reduced as the business finalises ore production from South Pit.

Net cash flows from financing activities

Net cash outflows from financing activities for the period were $2.5 million (June 2015 inflow $2.3 million) and principally related to repayments of the secured loan facility for the rebuild of the 789 Trucks.

Dividends

Dividends provided for or paid during the half-year:

	30 June 2016 $'000	31 December 2015 $'000
Unfranked final dividend for the year ended 31 December 2014 – 1.0 cents per share	-	11,575
	-	11,575

These dividends were declared NIL conduit foreign income.

Since the end of the half-year the directors have recommended the payment of a fully franked dividend of $5.8 million (2015: $Nil). This represents an ordinary interim franked dividend of 0.5 cents per share for the period ended 30 June 2016 (2015: Nil cents per share). The interim dividend was declared NIL conduit foreign income and will be paid on 27 September 2016.

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 and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

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 6.

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

Michelle Li
Chairperson
Perth Western Australia
24 August 2016

Auditor's Independence Declaration

As lead auditor for the review of Grange Resources Limited for the half-year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

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

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

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

John O'Donoghue
Partner
PricewaterhouseCoopers

Melbourne
24 August 2016

GRANGE RESOURCES LIMITED
ABN 80 009 132 405
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 JUNE 2016

	Notes	Six months to 30 June 2016 $'000	Six months to 30 June 2015 $'000
Revenues from mining operations	3	129,892	116,579
Cost of sales	4	(96,504)	(72,877)
Gross profit / (loss) from mining operations		**33,388**	**43,702**
Administration expenses		(1,951)	(1,360)
Operating profit / (loss) before other income / (expenses)		**31,437**	**42,342**
Other income / (expenses)			
Exploration and evaluation expenditure		(609)	(862)
Impairment of assets	21	-	(161,557)
Other income / (expenses)	5	3,166	28
Operating profit / (loss) before finance income / (expenses)		**33,994**	**(120,049)**
Finance income	6	1,209	5,969
Finance expenses	6	(1,827)	(578)
Profit / (loss) before tax		**33,376**	**(114,658)**
Income tax (expense) / benefit	7	(532)	34,866
Profit / (loss) for the period		**32,844**	**(79,792)**
Total comprehensive income / (loss) for the period		**32,844**	**(79,792)**
Profit / (loss) for the period attributable to			
- Equity holders of Grange Resources Limited		32,844	(79,792)
		32,844	(79,792)
Total comprehensive income / (loss) for the period attributable to			
- Equity holders of Grange Resources Limited		32,844	(79,792)
		32,844	(79,792)
Earnings per share for profit attributable to the ordinary equity holders of Grange Resources Limited			
- Basic earnings per share (cents per share)		2.84	(6.90)
- Diluted earnings per share (cents per share)		2.84	(6.89)

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

GRANGE RESOURCES LIMITED
ABN 80 009 132 405
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Notes	30 June 2016 $'000	31 December 2015 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8	107,113	94,698
Term deposits		43,317	43,732
Trade and other receivables	9	11,210	9,913
Inventories	10	49,093	79,124
Current tax assets		3,724	-
Derivative financial instruments	22	4,840	2,055
Total current assets		**219,297**	**229,522**
Non-current assets			
Receivables	11	7,884	7,848
Property, plant and equipment	12	100,159	83,066
Mine properties and development	13	39,309	16,554
Deferred tax assets		4,304	4,304
Total non-current assets		**151,656**	**111,772**
Total assets		**370,953**	**341,294**
LIABILITIES			
Current liabilities			
Trade and other payables	14	16,922	16,072
Borrowings	15	4,817	4,990
Current tax liabilities		-	4,119
Provisions	16	10,815	12,309
Total current liabilities		**32,554**	**37,490**

GRANGE RESOURCES LIMITED
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Notes	30 June 2016 $'000	31 December 2015 $'000
Non-current liabilities			
Borrowings	17	5,059	7,393
Provisions	18	54,959	50,874
Total non-current liabilities		**60,018**	**58,267**
Total liabilities		**92,572**	**95,757**
Net assets		**278,381**	**245,537**
EQUITY			
Contributed equity	19	331,513	331,513
Accumulated losses		(53,132)	(85,976)
Total equity		**278,381**	**245,537**

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

GRANGE RESOURCES LIMITED
ABN 80 009 132 405
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 30 JUNE 2016

	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	TOTAL $'000
Balance at 1 January 2016		**331,513**	**-**	**(85,976)**	**245,537**
Profit for the period		-	-	32,844	32,844
Total comprehensive income for the period		-	-	32,844	32,844
Transactions with owners in their capacity as owners					
Dividends paid	20	-	-	-	-
		-	-	-	-
Balance at 30 June 2016		**331,513**	**-**	**(53,132)**	**278,381**
Balance at 1 January 2015		**331,373**	**415**	**203,413**	**535,201**
Loss for the period		-	-	(79,792)	(79,792)
Total comprehensive loss for the period		-	-	(79,792)	(79,792)
Transactions with owners in their capacity as owners					
Dividends paid	20	-	-	(11,573)	(11,573)
Employee share options and rights		140	(120)	-	20
		140	(120)	(11,573)	(11,553)
Balance at 30 June 2015		**331,513**	**295**	**112,048**	**443,856**

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

GRANGE RESOURCES LIMITED
ABN 80 009 132 405
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 30 JUNE 2016

	Notes	Six months to 30 June 2016 $'000	Six months to 30 June 2015 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		127,497	121,993
Payments to suppliers and employees (inclusive of goods and services tax)		(64,263)	(67,954)
		63,234	54,039
Insurance recovery relating to fire		345	-
Interest received		1,254	1,475
Interest paid		(406)	(90)
Income taxes paid		(8,375)	(9,200)
Net cash inflow / (outflow) from operating activities		**56,052**	**46,224**
Cash flows from investing activities			
Payments for property, plant and equipment		(19,696)	(30,860)
Proceeds on sale of property, plant and equipment		15	-
Payments for mine properties and development		(21,179)	(26,002)
Proceeds from / (payments for) term and security deposits		545	(9,996)
Net cash inflow / (outflow) from investing activities		**(40,315)**	**(66,858)**
Cash flows from financing activities			
Finance lease payments		(173)	(179)
Proceeds from borrowings		-	14,008
Repayment of borrowings		(2,335)	-
Payment of dividends to shareholders		-	(11,573)
Net cash inflow / (outflow) from financing activities		**(2,508)**	**2,256**
Net increase / (decrease) in cash and cash equivalents		**13,229**	**(18,378)**
Cash and cash equivalents at beginning of the period		94,698	138,650
Net foreign exchange differences		(814)	4,318
Cash and cash equivalents at end of the period	8	**107,113**	**124,590**

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation for the interim financial report

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2016 has been prepared in accordance with Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*.

The condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2015 and any public announcements made by Grange Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

(b) Accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below:

(i) New accounting standards and interpretations

A number of new or amended standards became applicable for the current reporting period. However, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) 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 is not expected to have a significant impact on the Group.

(ii) AASB 15 Revenue from Contracts with Customers – Mandatory Effective Date of AASB 15 *(effective from 1 January 2018)*

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 standard is not applicable until 1 January 2018. The Company is assessing the impact of the new rules on the Group's financial statements and intends to apply the standard from 1 January 2018.

(iii) 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 is not expected to have a significant impact on the Group.

(c) Critical accounting estimates and judgements

The preparation of this interim financial report requires the use of estimates and judgements. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within this interim financial report are consistent with those of the previous financial year as disclosed in the Annual Report for the year ended 31 December 2015.

Details in relation to the Group's impairment assessment as at 30 June 2016 are disclosed in Note 21 of this interim financial report.

NOTE 2. SEGMENT INFORMATION

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

The Group has one reportable segment, being the exploration, evaluation, development and exploitation 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.

	Six months to 30 June 2016 $'000	Six months to 30 June 2015 $'000
Segment revenues from sales to external customers		
Australia	12,931	8,771
China	97,007	84,691
Japan	13,595	254
Korea	6,359	22,858
Malaysia	-	5
TOTAL	129,892	116,579

Segment assets and capital are allocated based on where the assets are located. The consolidated assets of the Group were predominately located in Australia as at 30 June 2015 and 30 June 2016. The total costs incurred during the current and comparative periods to acquire segment assets were also predominately incurred in Australia.

NOTE 3. REVENUE

	Six months to 30 June 2016 $'000	Six months to 30 June 2015 $'000
From mining operations		
Sales of iron ore	129,892	116,579
	129,892	116,579

NOTE 4. COST OF SALES

	Six months to 30 June 2016 $'000	Six months to 30 June 2015 $'000
Mining costs	42,746	58,165
Production costs	49,400	43,378
Shipping expenses	3,291	-
Government royalties	4,811	4,173
Depreciation and amortisation expense	2,594	4,345
Property, plant and equipment		
- Amounts capitalised during the period	(17,188)	(19,058)
Mine properties and development		
- Amortisation expense	1,522	23,109
Deferred stripping		
- Amounts capitalised during the period	(21,179)	(26,006)
- Amortisation expense	371	12,703
Changes in inventories	29,082	(25,325)
Foreign exchange (gain) / loss	1,054	(2,607)
	96,504	72,877

NOTE 5. OTHER INCOME / (EXPENSES)

		Six months to 30 June 2016 $'000	Six months to 30 June 2015 $'000
Write off of assets destroyed by fire		(4)	-
Less insurance recovery		345	-
Net gain incurred in relation to fire		341	-
Gain on financial instruments	22	2,784	-
Net gain on the disposal of property, plant and equipment		15	2
Other income		26	26
		3,166	28

NOTE 6. FINANCE INCOME / (EXPENSES)

	Six months to 30 June 2016 $'000	Six months to 30 June 2015 $'000
Finance income		
Interest income received or receivable		
- Other entities	1,209	1,519
Exchange gains on foreign currency deposits / borrowings (net)	-	4,450
	1,209	5,969

NOTE 6. FINANCE INCOME / (EXPENSES) (continued)

	Six months to 30 June 2016 $'000	Six months to 30 June 2015 $'000
Finance expenses		
Interest charges paid or payable		
- Other entities	(388)	(74)
Finance lease interest charges paid or payable	(17)	(18)
Exchange loss on foreign currency deposits / borrowings (net)	(814)	-
Provisions: unwinding of discount		
- Decommissioning and restoration	(608)	(486)
	(1,827)	(578)

NOTE 7. INCOME TAX EXPENSE / (BENEFIT)

	Six months to 30 June 2016 $'000	Six months to 30 June 2015 $'000
(a) Income tax expense / (benefit)		
Current tax	532	9,233
Deferred tax	-	(44,099)
	532	(34,866)
Deferred income tax (benefit) / expense included in income tax expense / (benefit) comprises:		
(Increase) / decrease in deferred tax assets	-	(43,980)
Increase / (decrease) in deferred tax liabilities	-	(119)
	-	(44,099)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit / (loss) from continuing operations before income tax expense	33,376	(114,658)
Tax at the Australian tax rate of 30% (June 2015: 30%)	10,013	(34,398)
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Sundry items	1	(2)
	10,014	(34,400)
Movement in deferred tax asset not recognized	(9,176)	-
Adjustments to current tax of prior periods	(306)	(466)
Income tax expense / (benefit)	532	(34,866)
(c) Unrecognised taxation losses		
Unused taxation losses for which no deferred tax asset has been recognised	54,104	54,104
Potential tax benefit @ 30%	16,231	16,231

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

NOTE 7. INCOME TAX EXPENSE / BENEFIT (continued)

	Six months to 30 June 2016	Six months to 30 June 2015
	$'000	$'000
(d) Unrecognised temporary differences		
Unrecognised temporary differences at the beginning of the period	437,550	-
Temporary differences not recognised during the period	(30,587)	-
Unrecognised temporary differences at the end of the period	406,963	
Unrecognised deferred tax asset relating to the above temporary differences	122,089	-

NOTE 8. CASH AND CASH EQUIVALENTS

	30 June 2016	31 December 2015
	$'000	$'000
Cash at bank and in hand	67,113	49,698
Short term deposits	40,000	45,000
	107,113	94,698

NOTE 9. TRADE AND OTHER RECEIVABLES

	30 June 2016	31 December 2015
	$'000	$'000
Trade receivables	8,055	4,234
Security deposits	271	402
Other receivables	1,919	3,391
Prepayments	965	1,886
	11,210	9,913

NOTE 10. INVENTORIES

	30 June 2016	31 December 2015
	$'000	$'000
Stores and spares	23,791	24,740
Ore stockpiles (at cost)	5,371	21,209
Work-in-progress (at cost)	7,114	7,141
Finished goods (at cost)	12,817	26,034
	49,093	79,124

NOTE 11. RECEIVABLES

	30 June 2016	31 December 2015
	$'000	$'000
Security deposits	7,884	7,848
	7,884	7,848

NOTE 12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings $'000	Plant and equipment $'000	Computer equipment $'000	Total $'000
At 1 January 2016				
At 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
Period ended 30 June 2016				
Opening net book amount	7,400	75,540	126	83,066
Additions	175	19,521	-	19,696
Disposals	-	(9)	-	(9)
Depreciation charge	(114)	(2,425)	(55)	(2,594)
Closing net book amount	7,461	92,627	71	100,159
At 30 June 2016				
At cost	44,666	409,290	7,815	461,771
Accumulated depreciation and impairment	(37,205)	(316,663)	(7,744)	(361,612)
Net book amount	7,461	92,627	71	100,159

(a) Assets under construction

The carrying amounts of the assets disclosed above includes expenditures of $85.6 million (December 2015: $69.0 million) recognized in relation to property, plant and equipment which is in the course of construction.

NOTE 13. MINE PROPERTIES AND DEVELOPMENT

	30 June 2016 $'000	31 December 2015 $'000
Mine properties and development (net book amount)	7,057	5,110
Deferred stripping costs (net book amount)	32,252	11,444
Total mine properties and development	39,309	16,554
(a) Movements in mine properties and development:		
Opening net book amount	5,110	
Amortisation expense	(1,522)	
Changes in rehabilitation estimate	3,469	
Closing net book amount	7,057	
(b) Movements in deferred stripping costs:		
Opening net book amount	11,444	
Current period expenditure capitalised	21,179	
Amortisation expense	(371)	
Closing net book amount	32,252	

NOTE 14. TRADE AND OTHER PAYABLES

	30 June 2016 $'000	31 December 2015 $'000
Trade payables and accruals	16,578	15,204
Other payables	344	868
	16,922	16,072

NOTE 15. BORROWINGS (CURRENT)

	30 June 2016 $'000	31 December 2015 $'000
Secured		
Finance lease liabilities (1)	148	321
Other borrowings (2)	4,669	4,669
	4,817	4,990

(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 16. PROVISIONS (CURRENT)

	30 June 2016 $'000	31 December 2015 $'000
Employee benefits	10,239	11,728
Decommissioning and restoration	576	581
	10,815	12,309

(a) Movements in each class of provision during the period, other than employee benefits, are set out below:

	Decommissioning and restoration
Balance at the beginning of the period	581
Payments	(123)
Transfers from non-current provisions	118
Balance at the end of the period	576

NOTE 17. BORROWINGS (NON-CURRENT)

	30 June 2016 $'000	31 December 2015 $'000
Secured		
Other borrowings (1)	5,059	7,393
	5,059	7,393

(1) 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 18. PROVISIONS (NON-CURRENT)

	30 June 2016 $'000	31 December 2015 $'000
Employee benefits	4,233	4,245
Decommissioning and restoration	50,726	46,629
	54,959	50,874

(a) Movements in each class of provision during the period, other than employee benefits, are set out below:

	Decommissioning and restoration
Balance at the beginning of the period	46,629
Changes in estimate	3,607
Unwinding of discount	608
Transfers to current provisions	(118)
Balance at the end of the period	50,726

NOTE 19. CONTRIBUTED EQUITY

	30 June 2016 Shares	31 December 2015 Shares	30 June 2016 $'000	31 December 2015 $'000
Issued and fully paid shares	1,157,338,698	1,157,338,698	331,513	331,513
	1,157,338,698	1,157,338,698	331,513	331,513

NOTE 20. DIVIDENDS

Dividends provided for or paid during the half-year:

	30 June 2016 $'000	31 December 2015 $'000
Unfranked final dividend for the year ended 31 December 2014 – 1.0 cents per share	-	11,575
	-	11,575

(a) Ordinary shares

No dividends were paid or proposed for the year ended 31 December 2015 (2014: 1.0 cent per share was paid on 2 April 2015).

(b) Dividends not recognised at the end of the reporting period

Since the end of the half-year the directors have recommended the payment of a fully franked dividend of $5.8 million (2015: $Nil). This represents an ordinary interim franked dividend of 0.5 cents per share for the period ended 30 June 2016 (2015: Nil cents per share). The interim dividend was declared NIL conduit foreign income and will be paid on 27 September 2016.

NOTE 21. IMPAIRMENT OF NON-CURRENT ASSETS

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. The Group considers both internal and external factors when reviewing for indicators of impairment. The Group continues to improve its production, reduce its cash operating costs and exceeded its revenue target. Although the book value of net assets continues to exceed the Group's market capitalisation, the Group has not identified any changes to external or internal factors since its last assessment that may indicate further impairment to its book value of net assets. An impairment of $123.1 million was recognised at 31 December 2015.

The fair value of the Savage River Cash Generating Unit (CGU) is based on a number of significant assumptions as disclosed in the Annual Report for the year ended 31 December 2015. A key assumption is the capital project currently underway to convert the Group's major product, the iron ore pellet, to fluxed pellet to attract a higher premium. Although the Group has deferred the commencement of fluxed pellet production to 2018 compared to the anticipated 2017 start in its last impairment assessment, the impact on the fair value has been more than offset by the improvement in the iron ore price forecast assumption. Should the Group be unable to realise the anticipated higher premium in the future, or should any of the other reasonably possible unfavourable changes described in Note 26 (iv) of the Annual Report for the year ended 31 December 2015 occur, a further impairment would be likely.

NOTE 22. FAIR VALUE MEASUREMENT

Financial instruments are recognised and measured at fair value in the financial statements.

Derivatives

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

	30 June 2016 $'000	**31 December 2015 $'000**
Electricity Fixed Forwards	4,496	3,035
Diesel Commodity Swaps	344	(980)
Derivative financial instruments	4,840	2,055

(i) Classification of derivatives

Derivatives are classified as held for trading. 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. Changes in the fair value of derivative instruments 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.

In accordance with AASB 13, *Fair Value Measurement*, the Group did not measure any liabilities at fair value on a non-recurring basis as at 30 June 2016 and did not transfer any fair value amounts between the fair value hierarchy during the period ended 30 June 2016.

Due to their short-term nature, the carrying amounts of current receivables and current payables are assumed to approximate their fair value.

NOTE 23. CONTINGENT LIABILITIES

There were no significant changes to the contingent liabilities previously disclosed in the Annual Report for the year ended 31 December 2015.

NOTE 24. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Refer to note 20 for dividends recommended since the end of the reporting period. No other matter or circumstance has arisen since 30 June 2016 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 7 to 20 are in accordance with the *Corporations Act 2001*, including:

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

  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the half-year ended on that date, and

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

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

Michelle Li
Chairperson
Perth Western Australia
24 August 2016

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Grange Resources Limited (the company), which comprises the condensed consolidated statement of financial position as at 30 June 2016, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Grange Resources Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Grange Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the half-year ended on that date;

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

PricewaterhouseCoopers

PricewaterhouseCoopers

John O'Donoghue
Partner

Melbourne
24 August 2016