Grange Resources Limited

ABN 80 009 132 405
and Controlled Entities

Australia's most experienced magnetite producer

INTERIM
FINANCIAL REPORT

For the Half-Year Ended
30 June 2017

Contents

DIRECTORS' REPORT

The directors present their report on the consolidated entity (the "Group") consisting of Grange Resources Limited ("Grange" or "the Company") and the entities it controlled at the end of, or during, the half-year ended 30 June 2017.

Directors

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

Michelle Li	Chairperson
Honglin Zhao	Executive Director
Daniel Tenardi	Non-Executive Director
Yan Jia	Non-Executive Director, Deputy Chairperson
Liming Huang	Non-Executive Director – Retired 25 May 2017
Michael Dontschuk	Non-Executive Director – Appointed 6 June 2017

Principal activities

During the six months ended 30 June 2017, 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 100 days Lost Time Injury free as we restored access to the main ore zone in North Pit, following the incident in March.
- Statutory profit after tax of $14.3 million (2016 $32.8 million profit after tax). Net assets were $341.2 million, compared to $332.6 million as at 31 December 2016.
- Mining at South Deposit was completed in the first half of 2017 as planned.
- Pellet production of 671k tonnes compared to 1.2 million tonnes in the preceding 2016 half year as a result of delayed access to ore
- Pellet sales of 792k tonnes, a decrease of approximately 44% compared to 1.4 million tonnes in the preceding 2016 half year.
- Unit cash operating costs for the six months ended 30 June 2017 of $134.2 per tonne compared to $75.1 per tonne for the preceding 2016 half year. The significant increase in unit costs was due to significantly lower concentrate production as a result of delayed access to ore supply.
- Cash and cash equivalents of $153.7 million compared to $166.0 million as at 31 December 2016.
- Short term redesign and remediation in North Pit was completed, developing access to the main ore zone.
- Second Autogenous Mill Shell successfully commissioned ahead of plan.
- South Deposit Tailings Storage Facility (SDTSF) is in a near completion stage with final approval being sought.

Review of Results

Statement of Comprehensive Income

Grange achieved a statutory profit after tax of $14.3 million for the half year ended 30 June 2017 (2016: $32.8 million profit after tax) on revenues from mining operations of $99.8 million (2016: $129.9 million).

Key revenue metrics for the 30 June 2017 half year and preceding 2016 half year were as follows:

	6 months to 30 June 2017	6 months to 30 June 2016
Iron Ore Pellet Sales (dmt)	792,467	1,414,551
Iron Ore Concentrate Sales (dmt)	87	41
Iron Ore Chip Sales (dmt)	31,184	51,587
TOTAL Iron Ore Product Sales (dmt)	823,738	1,466,179
Average Realised Product Price (US$/t FOB Port Latta)*	$87.72	$63.73
Average Realised Exchange Rate (AUD:USD)	$0.7552	$0.7380
Average Realised Product Price (A$/t FOB Port Latta)*	$116.16	$86.35

*In 2016 and 2017, a portion of sales were made on CFR terms whereby the Group incurred shipping expenses to transport the shipments to the discharge ports. The above FOB Port Latta unit prices realised reflect prices net of shipping expenses

Sales for the half year ended 30 June 2017 totalled 823,738 tonnes of high quality, low impurity iron ore products compared to 1,466,179 tonnes for the preceding 2016 half year. This is due to delayed access to ore supply and running down of non-pellet stock piles.

The average pellet price received during the half year was US$87.72 per tonne of product sold (FOB Port Latta) (2016: US$63.73 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 2017.

Key production metrics for the 30 June 2017 half year and preceding 2016 half year were as follows:

	6 months to 30 June 2017	6 months to 30 June 2016
Total BCM Mined	5,332,573	5,367,566
Total Ore BCM	352,344	532,003
Concentrate Produced (t)	679,299	1,225,578
Weight Recovery (%)	42.2	40.6
Pellets Produced (t)	670,942	1,160,042
Pellet Stockpile (t)	49,615	175,753
"C1" Cost (A$/tonne Product Produced)[1]	$134.15	$75.10

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

As at 30 June 2017 the lost time injury free for Grange operations was recorded at 104 days.
Mining at South Deposit was completed in the first half of 2017 as planned. The focus moving ahead is on North Pit mining and continuing to redesign and implement changes as we develop access to the main ore zone. There have been some delays encountered as we have dealt with some complex structures and faults on the east wall. This has required additional wall support and clean up. These works have progressed well and we are on track to deliver sustainable high grade mill feed in Q3. Movement rates have been improved further and pre-stripping on the west wall of North Pit continues ahead of plan.

Annual planned maintenance, with the common equipment shutdown, was completed in the first half of 2017. The second Autogenous Mill Shell was replaced and commissioned successfully on plan. Opportune maintenance was undertaken during these shuts to support higher production rates in the second half of the year.

South Deposit Tailings Storage Facility (SDTSF) is in a near completion stage with final approval being sought. 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.

Statement of Financial Position

Grange's net assets increased during the half year period to $341.2 million (31 December 2016 $332.6 million) principally as a result of the following:

- Decrease in cash and cash equivalents of $12.3 million largely due to decrease in sales revenue;
- Decrease in trade and other receivables of $10.0 million largely due to decrease in sales revenue;
- Net increase in property, plant and equipment of $7.7 million due to continued development of South Deposit Tailings Storage Facility and installation of second Autogenous Mill Shell; and
- Net increase in mine properties and development of $23.5 million due to capitalisation of stripping costs for North Pit.

Statement of Cash Flows

Net cash flows from operating activities

Net cash inflows from operating activities for the period were $40.6 million (June 2016 net inflow of $56.1 million) which largely reflects lower iron ore product sales volumes partially offset by higher prices received.

Net cash flows from investing activities

Net cash outflows from investing activities for the period were $39.0 million (June 2016 net outflow of $40.3 million) and principally related to significant expenditure for mine development of $25.1 million (June 2016 $21.2 million).

Net cash flows from financing activities

Net cash outflows from financing activities for the period were $9.9 million (June 2016 net inflow of $2.5 million) and principally related to repayments of the secured loan facility for the rebuild of the 789 Trucks of $4.2 million and final dividend payment of $5.8 million for the 2016 financial year.

Dividends

Dividends provided for or paid during the half year:

	30 June 2017 $'000	31 December 2016 $'000
Fully franked interim dividend for the half year ended 30 June 2016 – 0.5 cents per share	-	5,787
Fully franked final dividend for half year ended 31 December 2016 – 0.5 cents per share	5,787	-
	5,787	5,787

These dividends were declared NIL conduit foreign income.

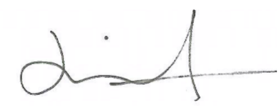
Rounding of amounts

The Group is of a kind referred to in ASIC Legislative Instrument 2016/191 Class, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

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



Michelle Li
Chairperson
Perth Western Australia
23 August 2017

Auditor's Independence Declaration

As lead auditor for the review of Grange Resources Limited for the half-year ended 30 June 2017, 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
23 August 2017

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GRANGE RESOURCES LIMITED
ABN 80 009 132 405
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 JUNE 2017

	NOTES	Six months to 30 June 2017 $'000	Six months to 30 June 2016 $'000
Consolidated			
Revenues from mining operations	3	99,784	129,892
Cost of sales	4	(81,687)	(96,504)
Gross profit from mining operations		**18,097**	**33,388**
Administration expenses	5	(1,917)	(1,951)
Operating profit before other income (expenses)		**16,180**	**31,437**
Other income (expenses)			
Exploration and evaluation expenditure		(312)	(609)
Other income	6	499	382
Operating profit before finance costs		**16,367**	**31,210**
Finance income	7	2,773	3,993
Finance expenses	7	(5,444)	(1,827)
Profit before tax		**13,696**	**33,376**
Income tax benefit (expense)	8	611	(532)
Profit for the year		**14,307**	**32,844**
Total comprehensive income for the year		**14,307**	**32,844**
Profit for the period attributable to:			
- Equity holders of Grange Resources Limited		14,307	32,844
		14,307	32,844
Total comprehensive income for the period attributable to:			
- Equity holders of Grange Resources Limited		14,307	32,844
		14,307	32,844
Earnings per share for profit attributable to the ordinary equity holders of Grange Resources Limited			
Basic earnings per share (cents per share)		**1.24**	**2.84**
Diluted earnings per share (cents per share)		**1.24**	**2.84**

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

GRANGE RESOURCES LIMITED
ABN 80 009 132 405
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

Consolidated	NOTES	30 June 2017 $'000	31 December 2016 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	153,647	165,958
Trade and other receivables	10	21,280	31,288
Inventories	11	32,139	35,541
Other financial assets	25	-	19
Total current assets		**207,066**	**232,806**
Non-current assets			
Receivables	12	7,905	7,864
Property, plant and equipment	13	127,983	120,259
Mine properties and development	14	82,866	59,330
Deferred tax assets	15	7,807	8,697
Total non-current assets		**226,561**	**196,150**
Total assets		**433,627**	**428,956**
LIABILITIES			
Current liabilities			
Trade and other payables	16	16,273	17,827
Borrowings	17	4,669	6,530
Provisions	18	11,377	11,828
Other financial liability	25	465	-
Total current liabilities		**32,784**	**36,185**
Non-current liabilities			
Borrowings	19	389	2,724
Provisions	20	59,281	57,394
Total non-current liabilities		**59,670**	**60,118**
Total liabilities		**92,454**	**96,303**
Net assets		**341,173**	**332,653**
EQUITY			
Contributed equity	21	331,513	331,513
Retained profits	22	9,660	1,140
Capital and reserves attributable to owners of Grange Resources Limited		341,173	332,653
Total equity		**341,173**	**332,653**

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
FOR THE HALF YEAR ENDED 30 JUNE 2017

	NOTES	Contributed equity $'000	Reserves $'000	Retained earnings $'000	TOTAL $'000
Balance at 1 January 2017		**331,513**	**-**	**1,140**	**332,653**
Profit for the period		-	-	14,307	14,307
Total comprehensive profit for the period		-	-	14,307	14,307
Transactions with owners in their capacity as owners					
Dividends paid	23	-	-	(5,787)	**(5,787)**
		-	-	(5,787)	**(5,787)**
Balance at 30 June 2017		**331,513**	**-**	**9,660**	**341,173**
Balance at 1 January 2016		**331,513**	**-**	**(85,976)**	**245,537**
Profit for the period		-	-	32,844	32,844
Total comprehensive profit for the period		-	-	32,844	32,844
Balance at 30 June 2016		**331,513**	**-**	**(53,132)**	**278,381**

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 FLOW
FOR THE HALF YEAR ENDED 30 JUNE 2017

Consolidated	NOTES	Six months to 30 June 2017 $'000	Six months to 30 June 2016 $'000
Cash flows from operating activities			
Receipts from customers and other debtors (inclusive of goods and services tax)		119,162	127,497
Payments to suppliers and employees (inclusive of goods and services tax)		(78,289)	(64,263)
		40,873	63,234
Proceeds from insurance claim		-	345
Interest received		2,713	1,254
Interest paid		(318)	(406)
Income taxes paid		(2,622)	(8,375)
Net cash inflow from operating activities		**40,646**	**56,052**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	15
Payments for property, plant and equipment	13	(9,681)	(19,696)
Payments for mine properties and development	14	(25,135)	(21,179)
(Payments) proceeds for security deposits		(4,189)	545
Net cash outflow from investing activities		**(39,005)**	**(40,315)**
Cash flows from financing activities			
Repayment of borrowings		(4,160)	(2,335)
Dividends paid to shareholders	23	(5,787)	-
Finance lease payments		-	(173)
Net cash outflow from financing activities		**(9,947)**	**(2,508)**
Net increase (decrease) in cash and cash equivalents		**(8,306)**	**13,229**
Cash and cash equivalents at beginning of the year		165,958	94,698
Net foreign exchange differences	7	(4,005)	(814)
Cash and cash equivalents at end of the half-year	9	**153,647**	**107,113**

The above condensed 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 2017 has been prepared in accordance with Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*.

The condensed consolidated interim financial report does not include all information and disclosures required in the annual financial statements. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2016 and any public announcements made by Grange Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

(b) Accounting policies

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of new standards effective as of 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

(i) 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 2017 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 introduces a new framework for accounting for revenue and will replace AASB 118 Revenue, AASB 111 Construction Contracts and IFRIC 13 Customer Loyalty Programs. AASB 15 establishes the principals for reporting for the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contract with customers. The new standard is based on the principle that revenue is recognised when control of a good or services transfers to customer, therefore the notion of control replaces the existing notion of risks and rewards.

The Group is currently assessing the effects of applying new standards on its financial statements and has identified the key area likely to be impacted is freight revenue. AASB 15 requires the individual components of revenue to be recognised separately and freight revenue is likely to be deferred until the product is delivered rather when the product is shipped. No other areas are expected to be significantly impacted.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosure about its revenue from contracts with customers and associated assets and particularly in the year of the adoption of new standard.

(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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

iv) ***Amendments to IFRS 2 Share-based Payment*** *(effective from 1 January 2018)*

The amendments to IFRS 2 Share-based payments provide requirements on the accounting for the classification and measurement of certain types of share-based payment transactions. The Group is still assessing the impact of the new amendments on the Group's financial statements. The Group intends to apply the standard from January 1, 2018.

v) ***AASB 2017-1 Amendments to AASB 128 Investment in Associates*** *(effective from 1 January 2018)*

The amendments clarify that an entity that is not an investment entity may elect to retain the fair value measurement applied by its associates and joint ventures that are investment entities when applying the equity method. The Group intends to apply the standard from 1 January 2018. Application of this standards is not expected to have a significant impact on the Group.

vi) ***AASB 2017-2 Amendment to AASB 12 Disclosure of Interests in Other Entities*** *(effective from 1 January 2018)*

The amendments specify the disclosure requirements apply to an entity's interests in other entities that are classified as held for sale, held for distribution to owners in their capacity as owners or discontinued operations in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*. The Group intends to apply the standard from 1 January 2018. Application of this standards is not expected to have a significant impact on the Group.

(ii) *New accounting standards and interpretations*

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2017:

i) AASB 2016 - 1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses

ii) AASB 2016 – 2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 (effective from 1 January 2017)

The adoption of these amendments did not have any impact on the current period or any period and is not likely to affect future periods.

(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 2016.

Details in relation to the Group's impairment assessment as at 30 June 2017 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.

NOTE 2. SEGMENT INFORMATION (CONTINUED)

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 2017 $'000	Six months to 30 June 2016 $'000
Segment revenues from sales to external customers		
Australia	12,320	12,931
China	86,602	97,007
Japan	10	13,595
Korea	852	6,359
TOTAL	99,784	129,892

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 2017 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 2017 $'000	Six months to 30 June 2016 $'000
From mining operations		
Sales of iron ore	99,784	129,892
	99,784	129,892

NOTE 4. COST OF SALES

	Six months to 30 June 2017 $'000	Six months to 30 June 2016 $'000
Mining costs	46,133	42,746
Production costs	44,969	49,400
Freight costs	4,102	3,291
Government royalties	3,680	4,811
Depreciation and amortisation expense	1,908	2,594
Property, Plant and Equipment		
- Amounts capitalised during the year	(1,155)	(17,188)
Mine properties and development		
- Amortisation expense	353	1,522
Deferred stripping		
- Amounts capitalised during the year	(25,135)	(21,179)
- Amortisation expense	2,742	371
Changes in inventories	1,629	29,082
Foreign exchange loss	2,461	1,054
	81,687	**96,504**

NOTE 5. ADMINISTRATION EXPENSES

	Six months to 30 June 2017 $'000	Six months to 30 June 2016 $'000
Provision for rehabilitation - Interest in joint operation	231	49
Salaries	971	1,227
Consultancy fees	548	464
Other	167	211
	1,917	**1,951**

NOTE 6. OTHER INCOME (EXPENSES)

	Six months to 30 June 2017 $'000	Six months to 30 June 2016 $'000
Net gain (loss) on the disposal of property, plant and equipment	(45)	15
Rent income	139	26
Other income	405	-
Insurance claim	-	341
	499	**382**

NOTE 7. FINANCE INCOME (EXPENSES)

	Six months to 30 June 2017 $'000	Six months to 30 June 2016 $'000
Finance Income		
Interest income received or receivable	2,773	1,209
Gain on financial instruments	-	2,784
	2,773	**3,993**
Finance expenses		
Interest charges paid or payable	(260)	(388)
Finance lease interest charges paid or payable	(21)	(17)
Loss on financial instruments	(485)	-
Exchange loss on foreign currency deposits / borrowings (net)	(4,005)	(814)
Provisions: unwinding of discount		
- Decommissioning and restoration	(673)	(608)
	(5,444)	**(1,827)**

NOTE 8. INCOME TAX BENEFIT (EXPENSES)

		Six months to 30 June 2017 $'000	Six months to 30 June 2016 $'000
(a)	**Income tax expense (benefit)**		
	Current tax	(4,545)	532
	Deferred tax	3,934	-
		(611)	**532**
	Deferred income tax included in income tax expense (benefit) comprises:		
	Increase in deferred tax assets	3,934	-
		3,934	**-**
(b)	**Numerical reconciliation of income tax (benefit) / expense to prima facie tax payable**		
	Profit from continuing operations before income tax (benefit) / expense	13,696	33,376
	Tax expense at the Australian tax rate of 30% (June 2016: 30%)	4,109	10,013
	Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
	Sundry items	20	1
		4,129	10,014
	Movement in previously unrealised deferred tax assets	(1,084)	(10,336)
	Deferred tax assets recognised on tax losses	(4,763)	-
	Movement in deferred tax assets recognised	5,652	-
	Adjustment to tax of prior period	(4,545)	854
		(611)	**532**

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

(c) Taxation Losses

	Six months to 30 June 2017 $'000	Six months to 30 June 2016 $'000
Unused taxation losses for which no deferred tax asset has been recognised	54,104	54,104
Potential tax benefit @ 30%	**16,231**	**16,231**

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

(d) Unrecognised temporary differences

Temporary difference for which deferred tax assets not recognised	324,833	406,963
Unrecognised deferred tax assets relating to above temporary differences	**97,450**	**122,089**

NOTE 9. CASH AND CASH EQUIVALENTS

	30 June 2017 $'000	31 December 2016 $'000
Cash at bank and in hand	31,341	101,177
Short-term deposits	122,306	64,781
	153,647	**165,958**
Cash at bank and in hand and short-term deposits as per statement of cash flows	**153,647**	**165,958**

NOTE 10. TRADE AND OTHER RECEIVABLES

	30 June 2017 $'000	31 December 2016 $'000
Trade receivables	7,023	26,102
Security deposits[(1)]	4,460	271
Other receivables	2,475	2,175
Prepayments	2,325	1,865
Income tax refund	4,997	875
	21,280	**31,288**

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

NOTE 11. INVENTORIES

	30 June 2017 $'000	31 December 2016 $'000
Stores and spares	18,726	20,500
Ore stockpiles	2,785	2,536
Work in progress	2,845	2,434
Finished goods	7,783	10,071
	32,139	**35,541**

Inventories are valued at the lower of weighted average cost and estimated net realisable value. An expense of $1.6 million in June 2017 and $29.1 million in June 2016 were recognised for the movements in ore stock piles, work in progress, and finished goods inventories (note 6). Net expense of $1.6 million for the half year includes write off of $5.3 million.

NOTE 12. NON-CURRENT RECEIVABLES

	30 June 2017 $'000	31 December 2016 $'000
Security deposits	7,905	7,864
	7,905	**7,864**

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

NOTE 13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings $'000	*Plant and equipment* $'000	*Computer Equipment* $'000	*Total* $'000
At 1 January 2017				
Cost	44,666	430,104	7,969	482,739
Accumulated depreciation and impairment	(37,264)	(317,451)	(7,765)	(362,480)
Net book amount	**7,402**	**112,653**	**204**	**120,259**
Half-year ended 30 June 2017				
Opening net book amount	7,402	112,653	204	120,259
Additions	-	9,681	-	9,681
Disposals - net book value	-	-	(45)	(45)
Depreciation charge	(49)	(1,843)	(20)	(1,912)
Closing net book amount	**7,353**	**120,491**	**139**	**127,983**
At 30 June 2017				
Cost	44,666	439,785	7,924	492,375
Accumulated depreciation and impairment	(37,313)	(319,294)	(7,785)	(364,392)
Net book amount	**7,353**	**120,491**	**139**	**127,983**

NOTE 14. MINE PROPERTIES AND DEVELOPMENT

	30 June 2017 $'000	31 December 2016 $'000
Mine properties and development (at cost)	469,636	468,140
Accumulated amortisation and impairment	(466,069)	(465,716)
Net book amount	3,567	2,424
Deferred stripping costs (net book amount)	79,299	56,906
Total mine properties and development	**82,866**	**59,330**

Movements in mine properties and development are set out below:

Mine properties and development		
Opening net book amount	2,424	5,110
Change in rehabilitation estimate	1,496	750
Amortisation expense	(353)	(3,436)
Closing net book amount	**3,567**	**2,424**
Deferred stripping costs		
Opening net book amount	56,906	11,444
Current year expenditure capitalised	25,135	46,300
Amortisation expense	(2,742)	(838)
Closing net book amount	**79,299**	**56,906**

NOTE 15. DEFERRED TAX ASSETS

	30 June 2017 $'000	31 December 2016 $'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	3,187	3,398
Mine properties and development	3,128	3,883
Trade and other payables	16	4
Employee benefits	363	359
Decommissioning and restoration	1,113	1,053
Total deferred tax assets	**7,807**	**8,697**

NOTE 16. TRADE AND OTHER PAYABLES

	30 June 2017 $'000	31 December 2016 $'000
Trade payables and accruals	15,569	16,886
Other payables	704	941
	16,273	**17,827**

NOTE 17. BORROWINGS (CURRENT)

	30 June 2017 $'000	31 December 2016 $'000
Insurance premium funding (1)	-	1,436
Other borrowings (2)	4,669	5,094
	4,669	**6,530**

(1) Insurance premium funding represents an unsecured loan which carries a fixed interest rate of 1% and was fully paid in March 2017.

(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 18. PROVISIONS (CURRENT)

	30 June 2017 $'000	31 December 2016 $'000
Employee benefits	10,695	11,148
Decommissioning and restoration	682	680
	11,377	**11,828**

Movements in provision for decommissioning and restoration are set out below

	30 June 2017 $'000	31 December 2016 $'000
Balance at beginning of the year	680	581
Payments	(645)	(356)
Transfers from non-current provisions	647	455
Balance at the end of reporting period	682	**680**

NOTE 19. BORROWINGS (NON-CURRENT)

	30 June 2017 $'000	31 December 2016 $'000
Secured		
Other borrowings	389	2,724
	389	**2,724**

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 20. PROVISIONS (NON-CURRENT)

	30 June 2017 $'000	31 December 2016 $'000
Employee benefits	4,481	4,445
Decommissioning and restoration	54,800	52,949
	59,281	**57,394**

Movements in provision for decommissioning and restoration are set out below

Balance at beginning of the year	52,949	46,629
Change in estimate	1,826	5,699
Unwinding of discount	672	1,076
Transfers to current provisions	(647)	(455)
Balance at the end of the year	**54,800**	**52,949**

NOTE 21. CONTRIBUTED EQUITY

	30 June 2017 Shares	31 December 2016 Shares	30 June 2017 $'000	31 December 2016 $'000
Shares	1,157,338,698	1,157,338,698	331,513	331,513
	1,157,338,698	**1,157,338,698**	**331,513**	**331,513**

(a) Movements in ordinary share capital	**Number of shares**	**$'000**
1 January 2017 - Opening Balance	**1,157,338,698**	**331,513**
Issue of shares under long term incentive plan	-	-
Closing balance at 30 June 2017	**1,157,338,698**	**331,513**

NOTE 22. RETAINED PROFITS

	30 June 2017 $'000	31 December 2016 $'000
Retained profits		
Movements in retained profits were as follows:		
Balance at the beginning of the year	1,140	(85,976)
Profit for the year	14,307	92,903
Dividends paid	(5,787)	(5,787)
Balance at the end of reporting period	**9,660**	**1,140**

NOTE 23. DIVIDENDS

	30 June 2017 $'000	30 June 2016 $'000
Fully franked interim dividend for half year ended 30 June 2016 - .5 cents per share	-	5,787
Fully franked final dividend for year ended 31 December 2016 - .5 cents per share	5,787	-
Total dividends paid	**5,787**	**5,787**

NOTE 24. 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 indicator for impairment. As at 30 June 2017, the market capitalisation of the Company was below the book value of its net assets indicating a potential trigger for impairment of assets.

(a) Impairment Testing

(i) Methodology

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

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

NOTE 24. IMPAIRMENT OF NON-CURRENT ASSETS (CONTINUED)

(ii) Key assumptions

The key assumptions used by the Directors in determining the recoverable amount for the Group's Savage River CGU were in the following ranges at 30 June 2017:

Assumptions	**30 June 2017**		
	2017	**2018 – 2022**	**Long Term 2023+**
Iron ore pellets (FOB Port Latta) (US$ per DMT)	US$78.86	US$70.19 – US$81.74	US$76.85
AUD:USD exchange rate	$0.7227	$0.7210	$0.7300
Post-tax real discount rate	9.10%		

Commodity prices and foreign exchange rates

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

Operating performance (production, operating costs and capital costs)

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

The Board has decided to undertake a capital project – Pit Rim Crushing and Conveying in order to save operating costs. 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

The Group has conducted a carrying value analysis and has not identified further impairment to its net assets carrying value as at 30 June 2017.

(iv) Sensitivity analysis

It is estimated that changes in the following key assumptions would have the following approximate impact on the fair value of the Savage River CGU as at 30 June 2017:

Decrease in fair value resulting from:

US$1 per dmt decrease in iron ore pellet prices (FOB Port Latta)	$17.19 million
$0.01 increase in the AUD:USD exchange rate	$20.67 million
1% increase in estimated operating costs	$11.38 million
25 bps increase in the discount rate	$5.73 million

NOTE 24. IMPAIRMENT OF NON-CURRENT ASSETS (CONTINUED)

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 25. FAIR VALUE MEASUREMENT

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

	30 June 2017 $'000	31 December 2016 $'000
Dual currency investment	(484)	(394)
Diesel commodity swap	19	413
Derivative financial instruments	(465)	19

(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.

NOTE 26. CONTINGENT LIABILITIES

There were no significant changes to the contingent liabilities previously disclosed in the Annual Report for the half year ended 30 June 2017.

NOTE 27. EVENTS OCCURING AFTER THE REPORTING PERIOD

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect:

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

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 6 to 22 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 2017 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
23 August 2017

Independent auditor's review report to the shareholders 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 2017, 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 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Grange Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Conclusion

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

1. giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the half-year ended on that date;

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

PricewaterhouseCoopers

PricewaterhouseCoopers

John O'Donoghue
Partner

Melbourne
23 August 2017