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 2015

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 2015.

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

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

Clement Ko was non-executive Director of the Company until 12 May 2015.

Principal activities

During the six months ended 30 June 2015, 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, evaluation and development of mineral resources, principally, the Southdown Magnetite Project near Albany, Western Australia.

Review of operations

Key Highlights

- Achieved a Lost Time Injury free record of 1,728 days into the half year
- Statutory loss after tax of $79.8 million which included significant non-cash losses of $161.6 million arising from an impairment of the carrying value of Savage River assets ($113.1 million after tax). Net assets moved from $557 million pre impairment to $443.9 million post impairment, compared to $535.2 million as at 31 December 2014
- Underlying profit after tax of $33.3 million, on revenues from mining operations of $116.6 million
- Strong ongoing demand for Grange's magnetite pellets despite weaker underlying iron ore price
- Replacement of the first of the 48 year old Autogenous Mill Shells proceeded safely and ahead of schedule
- Maintained good access to higher grade ore in South Deposit and improved production results including:
    - 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
    - Average weight recovery of approximately 48% for the period
    - Sustained concentrate production at annualised rates of approximately 2.6 million tonnes per annum
    - Pellet production of 1.25 million tonnes, an increase of approximately 12% from the preceding 2014 half-year

- Continued cost control disciplines have reduced C1 cash operating costs to $78.73 per tonne. While concentrate production was reduced during the Mill Shell replacement, a cost decrease of approximately 16% was achieved from the preceding 2014 half year

- South Deposit Tailings Storage Facility construction continues to plan in spite of adverse weather conditions

Review of Results

Statement of Comprehensive Income

Grange recorded a statutory loss after tax of $79.8 million for the half-year ended 30 June 2015 (2014 $162.2m loss after tax). This result included a non-cash impairment of the carrying value of Savage River assets of $161.6 million ($113.1 million after tax) primarily as a result of lower than forecast iron ore prices arising from recent changes in the supply and demand dynamics of the maket.

Underlying profit after tax for the half year period, after excluding these significant non-cash items, was $33.3 million (2014 $24.4m profit after tax). A reconciliation of underlying profit to the statutory loss for the half year ended 30 June 2015 is set out below:

	6 months to 30 June 2015 $'000
Underlying profit after tax	**33,298**
Significant items (net of tax)	
Impairment of assets	(113,090)
Statutory loss after tax	**(79,792)**

Key revenue metrics for the 30 June 2015 half-year and preceding 2014 half-year were as follows:

	6 months to 30 June 2015	**6 months to 30 June 2014**
Iron Ore Pellet Sales (dmt)	1,187,634	945,185
Iron Ore Concentrate Sales (dmt)	81	79
Iron Ore Chip Sales (dmt)	65,475	35,910
TOTAL Iron Ore Product Sales (dmt)	1,253,190	981,174
Average Realised Product Price (US$/t FOB Port Latta)	$73.22	$121.13
Average Realised Exchange Rate (AUD:USD)	$0.7871	$0.9165
Average Realised Product Price (A$/t FOB Port Latta)	$93.03	$132.16

Total sales for the half-year ended 30 June 2015 totalled 1,253,190 tonnes of high quality, low impurity iron ore products (2014: 981,174 tonnes) and reflects stronger production from maintaining good access to high grade ore.

The average pellet price received during the half-year was US$73.22 per tonne of product sold (FOB Port Latta) (2014: US$121.13 per tonne). The downward movement is consistent with a reduction of 46% in benchmark 62% Fe iron ore prices (CFR China) which was driven by the ongoing pressures in the Chinese market and the slower than expected recovery of the global economy. However, the market continues to recognise the quality value in use premium for high quality, low impurity iron ore products sold by Grange which only incurred a 29.6% price decline.

Key operating metrics for the 30 June 2015 half-year and preceding 2014 half-year were as follows:

	6 months to 30 June 2015	6 months to 30 June 2014
Total BCM Mined	7,794,628	8,823,122
Total Ore BCM	1,127,249	726,717
Concentrate Produced (t)	1,297,832	1,228,783
Weight Recovery (%)	48.1	49.6
Pellets Produced (t)	1,253,090	1,118,415
Pellet Stockpile (t)	216,887	405,633
"C1" Operating Cost (A$/tonne Product Produced)[1]	$78.73	$93.38

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 exclude royalties, depreciation and amortisation costs.

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

Grange operations achieved a record of 1,728 days Lost Time Injury free. Unfortunately an eye injury occurred in a workshop resulting in an infection and some lost time. This was closely managed with the fitter's recovery progressing well. While the operation nearly made 5 years LTI free, this incident serves to focus our resolve to maintain the safety of our workplace.

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 resulting from previous operations at Savage River.

The change out of the first of the 48 year old Autogenous Mills progressed ahead of schedule. 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.

Statement of Financial Position

Grange's net assets decreased during the half-year period to $443.9 million (31 December 2014 $535.2 million) principally as a result of the following:

- Increased inventory stockpiles of $22.4 million arising from improved concentrate and pellet production;
- Increased assets under construction of $22.5 million due to the construction of the South Deposit Tailings Storage Facility (SDTSF), Mill Shell replacement project and the 789 Truck Rebuild project;
- Amortisation of completed mine development in both North Pit and South Deposit has decreased capitalised mine development by $23 million; and
- A non-cash impairment of the carrying value of Savage River assets of $113.1 million (net of tax) primarily as a result of lower than forecast iron ore prices arising from recent changes in the supply and demand dynamics of the market.

Statement of Cash Flows

Net cash flows from operating activities

Net cash inflows from operating activities for the period were $46.2 million (June 2014 inflow $64.9 million) which reflects lower iron ore product sales prices and an income tax payment of $9.2 million in relation to the December 2014 income tax year (June 2014 Nil).

Net cash flows from investing activities

Net cash outflows from investing activities for the period were $66.9 million (June 2014 outflow $58.4 million) and principally related to significant expenditure of $30.9 million (June 2014 $6.4 million) on property, plant and equipment mainly for the SDTSF, Mill Shell replacement, and the 789 Truck Rebuild project, whilst mine development of $26 million (June 2014 $57 million) significantly reduced as the business transitioned into new ore production.

Net cash flows from financing activities

Net cash inflows from financing activities for the period were $2.2 million (June 2014 outflow $49.9 million) and principally related to the draw down of a secured loan facility of $14 million to finance the rebuild program of the 789 Trucks. This was partially offset by the payment of the final dividend for the year ended 31 December 2014 ($11.6 million).

The Directors have resolved not to pay an interim dividend. The decision will provide the Directors with additional time to assess the downward pressure of the current iron ore market and Company cash flow position.

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
Hong Kong
28 August 2015

Auditor's Independence Declaration

As lead auditor for the review of Grange Resources Limited for the half-year ended 30 June 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 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
28 August 2015

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GRANGE RESOURCES LIMITED
ABN 80 009 132 405
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 JUNE 2015

	Notes	Six months to 30 June 2015 $'000	Six months to 30 June 2014 $'000
Revenues from mining operations	3	116,579	129,668
Cost of sales	4	(72,877)	(87,665)
Gross profit / (loss) from mining operations		**43,702**	**42,003**
Administration expenses		(1,360)	(2,188)
Operating profit / (loss) before other income / (expenses)		**42,342**	**39,815**
Other income / (expenses)			
Revaluation of deferred consideration		-	(134)
Settlement of deferred consideration		-	20,757
Exploration and evaluation expenditure		(862)	(761)
Impairment of assets	24	(161,557)	(296,132)
Other income / (expenses)	5	28	58
Operating profit / (loss) before finance income / (expenses)		**(120,049)**	**(236,397)**
Finance income	6	5,969	1,408
Finance expenses	6	(578)	(5,894)
Profit / (loss) before tax		**(114,658)**	**(240,883)**
Income tax (expense) / benefit	7	34,866	78,730
Profit / (loss) for the period		**(79,792)**	**(162,153)**
Total comprehensive income / (loss) for the period		**(79,792)**	**(162,153)**
Profit / (loss) for the period attributable to			
- Equity holders of Grange Resources Limited		(79,792)	(162,153)
		(79,792)	(162,153)
Total comprehensive income / (loss) for the period attributable to			
- Equity holders of Grange Resources Limited		(79,792)	(162,153)
		(79,792)	(162,153)
Earnings per share for profit attributable to the ordinary equity holders of Grange Resources Limited			
- Basic earnings per share (cents per share)		(6.90)	(14.01)
- Diluted earnings per share (cents per share)		(6.89)	(14.00)

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

GRANGE RESOURCES LIMITED
ABN 80 009 132 405
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

	Notes	30 June 2015 $'000	31 December 2014 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8	124,590	138,650
Term deposits		25,000	15,000
Trade and other receivables	9	18,437	22,795
Inventories	10	79,802	54,788
Total current assets		**247,829**	**231,233**
Non-current assets			
Receivables	11	7,793	7,797
Property, plant and equipment	12	101,354	106,431
Mine properties and development	13	72,932	215,230
Deferred tax assets	14	111,657	67,558
Total non-current assets		**293,736**	**397,016**
Total assets		**541,565**	**628,249**
LIABILITIES			
Current liabilities			
Trade and other payables	15	17,820	24,294
Borrowings	16	5,011	333
Current tax liabilities		10,515	10,482
Provisions	17	11,731	12,071
Total current liabilities		**45,077**	**47,180**

GRANGE RESOURCES LIMITED
ABN 80 009 132 405
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

	Notes	30 June 2015 $'000	31 December 2014 $'000
Non-current liabilities			
Borrowings	18	9,486	320
Deferred tax liabilities	19	-	-
Provisions	20	43,146	45,548
Total non-current liabilities		**52,632**	**45,868**
Total liabilities		**97,709**	**93,048**
Net assets		**443,856**	**535,201**
EQUITY			
Contributed equity	21	331,513	331,373
Reserves	22	295	415
Retained earnings		112,048	203,413
Total equity		**443,856**	**535,201**

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

GRANGE RESOURCES LIMITED
ABN 80 009 132 405
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 30 JUNE 2015

	Notes	Contributed equity $'000	Reserves $'000	Retained earnings (Restated) $'000	TOTAL (Restated) $'000
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	23	-	-	(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**
Balance at 1 January 2014		**331,373**	**383**	**417,320**	**749,076**
Change in accounting policy[1]		-	-	(80,601)	(80,601)
Restated balance at 1 January 2014		**331,373**	**383**	**336,719**	**668,475**
Loss for the period		-	-	(162,153)	(162,153)
Total comprehensive loss for the period		-	-	(162,153)	(162,153)
Transactions with owners in their capacity as owners					
Dividends paid	23	-	-	(23,142)	(23,142)
Employee share options and rights		-	36	-	36
		-	36	(23,142)	(23,106)
Balance at 30 June 2014		**331,373**	**419**	**151,424**	**483,216**

[1] The Group made a voluntary change to its accounting policy relating to exploration and evaluation expenditure. The new accounting policy was adopted for the year ended 31 December 2014 and was applied retrospectively. Details in relation to the impact of this change in accounting policy on comparative financial information were disclosed in the Annual Report for the year ended 31 December 2014.

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

GRANGE RESOURCES LIMITED
ABN 80 009 132 405
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 30 JUNE 2015

	Notes	Six months to 30 June 2015 $'000	Six months to 30 June 2014 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		121,993	137,056
Payments to suppliers and employees (inclusive of goods and services tax)		(67,954)	(73,473)
		54,039	63,583
Interest received		1,475	1,389
Interest paid		(90)	(70)
Income taxes paid		(9,200)	-
Net cash inflow / (outflow) from operating activities		**46,224**	**64,902**
Cash flows from investing activities			
Payments for property, plant and equipment		(30,860)	(6,400)
Payments for mine properties and development		(26,002)	(56,974)
Proceeds from / (payments for) term deposits		(9,996)	4,942
Net cash inflow / (outflow) from investing activities		**(66,858)**	**(58,432)**
Cash flows from financing activities			
Finance lease payments		(179)	(209)
Proceeds from borrowings		14,008	-
Repayment of borrowings		-	(2,170)
Payment of deferred consideration		-	(24,412)
Payment of dividends to shareholders		(11,573)	(23,142)
Net cash inflow / (outflow) from financing activities		**2,256**	**(49,933)**
Net increase / (decrease) in cash and cash equivalents		**(18,378)**	**(43,463)**
Cash and cash equivalents at beginning of the period		138,650	154,881
Net foreign exchange differences		4,318	(1,955)
Cash and cash equivalents at end of the period	8	**124,590**	**109,463**

The above 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 half-year financial report

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2015 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 2014 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 principal accounting policies adopted in the preparation of the consolidated interim financial report are consistent with those of the previous financial year and corresponding interim period, except for the following:

(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. There will be some changes to the disclosures in the 31 December 2015 annual report as a consequence of these amendments.

(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 2014.

Details in relation to the Group's impairment assessment as at 30 June 2015 are disclosed in Note 24 of this interim financial report.

(d) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 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 will not 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 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.

NOTE 2. SEGMENT INFORMATION

Management has determined and presented operating segments 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 2015 $'000	Six months to 30 June 2014 $'000
Segment revenues from sales to external customers		
Australia	8,771	6,568
China	84,691	103,075
Japan	254	20,025
Korea	22,858	-
Malaysia	5	-
TOTAL	116,579	129,668

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 2014 and 30 June 2015. The total costs incurred during the current and comparative periods to acquire segment assets were also predominately incurred in Australia.

NOTE 3. REVENUE

From mining operations		
Sales of iron ore	116,579	129,668
	116,579	129,668

NOTE 4. COST OF SALES

Mining costs	58,165	67,769
Production costs	43,378	46,848
Government royalties	4,173	5,154
Depreciation and amortisation expense	4,345	10,803
Property, plant and equipment		
- Amounts capitalised during the period	(19,058)	-
Mine properties and development		
- Amounts capitalised during the period	-	(40,496)
- Amortisation expense	23,109	6,846
Deferred stripping		
- Amounts capitalised during the period	(26,006)	(15,988)
- Amortisation expense	12,703	21,081
Changes in inventories	(25,325)	(14,677)
Foreign exchange (gain) / loss	(2,607)	325
	72,877	87,665

NOTE 5. OTHER INCOME / (EXPENSES)

	Six months to 30 June 2015 $'000	Six months to 30 June 2014 $'000
Net gain on the disposal of property, plant and equipment	2	-
Other income	26	58
	28	58

NOTE 6. FINANCE INCOME / (EXPENSES)

Finance income		
Interest income received or receivable		
- Other entities	1,519	1,408
Exchange gains on foreign currency deposits / borrowings (net)	4,450	-
	5,969	1,408
Finance expenses		
Interest charges paid or payable		
- Other entities	(74)	(159)
Finance lease interest charges paid or payable	(18)	(52)
Exchange loss on foreign currency deposits / borrowings (net)	-	(3,984)
Provisions: unwinding of discount		
- Deferred consideration	-	(1,167)
- Decommissioning and restoration	(486)	(532)
	(578)	(5,894)

NOTE 7. INCOME TAX EXPENSE / (BENEFIT)

(a) Income tax expense / (benefit)

Current tax	9,233	(667)
Deferred tax	(44,099)	(78,063)
	(34,866)	(78,730)
Deferred income tax (revenue) / expense included in income tax expense / (benefit) comprises:		
(Increase)/decrease in deferred tax assets	(43,980)	(46,827)
Increase/(decrease) in deferred tax liabilities	(119)	(31,236)
	(44,099)	(78,063)

NOTE 7. INCOME TAX EXPENSE / BENEFIT (continued)

	Six months to 30 June 2015 $'000	Six months to 30 June 2014 $'000
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit / (loss) from continuing operations before income tax expense	(114,658)	(240,883)
Tax at the Australian tax rate of 30% (June 2014: 30%)	(34,398)	(72,265)
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Revaluation of deferred consideration	-	40
Settlement of deferred consideration	-	(6,227)
Unwind of discount on deferred consideration	-	350
Sundry items	(2)	22
	(34,400)	(78,080)
Adjustments to current / deferred tax of prior periods	(466)	(650)
Income tax expense / (benefit)	(34,866)	(78,730)
(c) Taxation losses		
Unused taxation losses for which no deferred tax asset has been recognised	54,104	54,104
Potential tax benefit @ 30%	16,231	16,231

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

NOTE 8. CASH AND CASH EQUIVALENTS

	30 June 2015 $'000	31 December 2014 $'000
Cash at bank and in hand	52,661	63,971
Short term deposits	71,929	74,679
	124,590	138,650

NOTE 9. TRADE AND OTHER RECEIVABLES

Trade receivables	12,340	16,753
Security deposits	401	401
Other receivables	2,981	3,079
Prepayments	2,715	2,562
	18,437	22,795

NOTE 10. INVENTORIES

	30 June 2015 $'000	31 December 2015 $'000
Stores and spares	23,502	23,814
Ore stockpiles (at cost)	35,791	13,408
Work-in-progress (at cost)	7,224	6,294
Finished goods (at cost)	13,285	11,272
	79,802	54,788

NOTE 11. RECEIVABLES

Security deposits	7,793	7,797
	7,793	7,797

NOTE 12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings $'000	Plant and equipment $'000	Computer equipment $'000	Total $'000
At 1 January 2015				
At cost	42,193	338,266	6,948	387,407
Accumulated depreciation	(27,399)	(247,690)	(5,887)	(280,976)
Net book amount	14,794	90,576	1,061	106,431
Period ended 30 June 2015				
Opening net book amount	14,794	90,576	1,061	106,431
Additions	37	30,205	620	30,862
Disposals	-	-	-	-
Depreciation charge	(267)	(3,907)	(196)	(4,370)
Impairment losses (refer Note 24)	(5,219)	(25,417)	(933)	(31,569)
Closing net book amount	9,345	91,457	552	101,354
At 30 June 2015				
At cost	42,230	368,372	7,568	418,170
Accumulated depreciation and impairment	(32,885)	(276,915)	(7,016)	(316,816)
Net book amount	9,345	91,457	552	101,354

NOTE 13. MINE PROPERTIES AND DEVELOPMENT

	30 June 2015 $'000	31 December 2014 $'000
Mine properties and development (at cost)	461,176	463,680
Accumulated amortisation and impairment	(428,947)	(348,397)
Net book amount	32,229	115,283
Deferred stripping costs (net book amount)	40,703	99,947
Total mine properties and development	72,932	215,230
(a) Movements in mine properties and development:		
Opening net book amount	115,283	
Change in rehabilitation estimate	(2,504)	
Amortisation expense	(23,109)	
Impairment losses (refer Note 24)	(57,441)	
Closing net book amount	32,229	
(b) Movements in deferred stripping costs:		
Opening net book amount	99,947	
Current period expenditure capitalised	26,006	
Amortisation expense	(12,703)	
Impairment losses (refer Note 24)	(72,547)	
Closing net book amount	40,703	

NOTE 14. DEFERRED TAX ASSETS

	30 June 2015 $'000	31 December 2014 $'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	45,388	41,422
Mine properties and development	54,454	13,931
Trade and other payables	201	66
Employee benefits	4,493	4,430
Decommissioning and restoration	9,573	10,214
Other	760	826
Total deferred tax assets	114,869	70,889
Set-off against deferred tax liabilities pursuant to set-off provisions (Note 19)	(3,212)	(3,331)
Net deferred tax assets	111,657	67,558

NOTE 15. TRADE AND OTHER PAYABLES

	30 June 2015 $'000	31 December 2014 $'000
Trade payables and accruals	16,798	23,317
Other payables	1,022	977
	17,820	24,294

NOTE 16. BORROWINGS (CURRENT)

	30 June 2015 $'000	31 December 2014 $'000
Secured		
Finance lease liabilities(1)	342	333
Other borrowings (2)	4,669	-
	5,011	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 17. PROVISIONS (CURRENT)

Employee benefits	11,024	11,276
Decommissioning and restoration	584	585
Other	123	210
	11,731	12,071

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

	Decommissioning and restoration	Other	Total
Balance at the beginning of the period	585	210	795
Payments	(757)	(105)	(862)
Transfers from non-current provisions	756	18	774
Balance at the end of the period	584	123	707

NOTE 18. BORROWINGS (NON-CURRENT)

Secured		
Finance lease liabilities(1)	147	320
Other borrowings(2)	9,339	-
	9,486	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 19. DEFERRED TAX LIABILITIES

The balance comprises temporary differences attributable to:		
Trade and other receivables	80	46
Inventory	3,132	3,285
Total deferred tax liabilities	3,212	3,331
Set-off against deferred tax assets pursuant to set-off provisions (Note 14)	(3,212)	(3,331)
Net deferred tax liabilities	-	-

NOTE 20. PROVISIONS (NON-CURRENT)

	30 June 2015 $'000	31 December 2014 $'000
Employee benefits	3,952	3,492
Decommissioning and restoration	39,194	42,038
Other	-	18
	43,146	45,548

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

	Decommissioning and restoration	Other	Total
Balance at the beginning of the period	42,038	18	42,056
Changes in estimate	(2,574)	-	(2,574)
Unwinding of discount	486	-	486
Transfers to current provisions	(756)	(18)	(774)
Balance at the end of the period	39,194	-	39,194

NOTE 21. CONTRIBUTED EQUITY

	30 June 2015 Shares	31 December 2014 Shares	30 June 2015 $'000	31 December 2014 $'000
Issued and fully paid 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

NOTE 22. RESERVES

Share-based payments reserve	295	415
	295	415

NOTE 23. DIVIDENDS

Unfranked final dividend for the year ended 31 December 2014 – ordinary final dividend of 1 cent per share (2013: 1.0 cent per share) and an additional special dividend of nil per share (2013:1.0 cent per share)	11,573	23,142
	11,573	23,142

The Directors have resolved not to pay an interim dividend. The decision will provide the Directors with additional time to assess the downward pressure of the current iron ore market and Company cash flow position.

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 indicators of impairment. As at 30 June 2015, 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.

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. For comparison purposes the table also provides the equivalent assumptions used as at 31 December 2014:

Assumptions	30 June 2015		31 December 2014	
	2015 – 2023	Long Term 2024+	2015 – 2023	Long Term 2024+
Iron ore pellets (FOB Port Latta) (US$ per DMT)	US$73/t – US$83/t	US$79/t	US$84/t – US$98/t	US$98/t
AUD:USD average exchange rate	$0.72	$0.72	$0.75	$0.75
Post-tax real discount rate	9.25%		9.5%	

Commodity prices and foreign exchange rates

Commodity prices and foreign exchange rates are estimated with reference to analysis performed by external parties and are updated at least once every six months, in-line with the Group's reporting dates. The rates applied for the period to 2019 are based upon analysis performed by an external party which then transition to a long term market based assumption over a five year period from 2019.

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 (LOMP) (preliminary LOMP 2016) and budget (approved by Board in 2014 financial year and adjusted to be in line with the new preliminary LOMP). The assumptions include expected improvements reflecting the Group's objective of maximising free cash flow by optimising production and capital expenditure and improving productivity. Mineral resources and ore reserves not in the most recent LOMP are not included in the determination of recoverable amount.

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.

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

(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 $113.1 million after tax, as summarised in the table below:

	Total $'000
Impairments	
Property plant and equipment	31,569
Mine properties and development	129,988
Total asset impairments	161,557
Tax effect	(48,467)
Total asset impairments after tax	113,090

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 30 June 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 30 June 2015:

Decrease in fair value resulting from:

US$1 per dmt decrease in iron ore pellet prices (FOB Port Latta)	$20.2 million
$0.01 increase in the AUD:USD exchange rate	$25.7 million
1% increase in estimated operating costs	$14.3 million
25 bps increase in the discount rate	$7.1 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.

In addition to the sensitivities disclosed above, as noted above the impairment assessment has been prepared using the 2016 preliminary LOMP, as the directors consider that it provides the most up to date view of the future operations of the CGU. However, as the company has an annual planning process which requires significant technical studies to be performed, the final LOMP was not available for the purposes of the impairment assessment. As a result, there is a possibility that, as the 2016 preliminary LOMP is finalised in line with the annual planning process, there will be a requirement to further assess the carrying value of the CGU, and that in certain circumstances, there may be a change in the fair value. At the date of this report, it is not possible to calculate any potential impact.

NOTE 25. FAIR VALUE MEASUREMENT

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 2015 and did not transfer any fair value amounts between the fair value hierarchy during the period ended 30 June 2015.

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

NOTE 26. CONTINGENT LIABILITIES

There were no significant changes to the contingent liabilities previously disclosed in the Annual Report for the year ended 31 December 2014.

NOTE 27. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There has been no subsequent events that have arisen since 30 June 2015 to the date of this report.

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the interim financial statements and notes set out on pages 7 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 2015 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
Hong Kong
28 August 2015

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

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of Grange Resources Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Grange Resources Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim 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 interim 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 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 2015 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 an interim 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 interim 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 2015 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

John O'Donoghue
Partner

Melbourne
28 August 2015