Grange Resources Limited

ABN 80 009 132 405
and Controlled Entities

Australia's most experienced magnetite producer

FINANCIAL REPORT

For the Year Ended
31 December 2021

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 year ended 31 December 2021.

Directors

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

Michelle Li	Chairperson
Yan Jia	Non-Executive Director, Deputy Chairperson
Honglin Zhao	Executive Director
Michael Dontschuk	Non-Executive Director
David Woodall	Non-Executive Director (resigned 30 April 2021)
Ajanth Saverimutto	Non-Executive Director (appointed 1 June 2021)

Information on Directors

Michelle Li, PhD, GAICD

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

Dr Li has more than 30 years of international mining experience, including senior executive roles with mining companies such as Citic Pacific, Rio Tinto and Iluka Resources.

Dr Li has a PhD from the University of Queensland and was previously a non-executive Director of Ardiden Limited, Orion Metals Limited and Sherwin Iron Limited.

Yan Jia, GAICD

Non-executive Deputy Chairperson

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

Honglin Zhao

Executive Director, Chief Executive Officer

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

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

Michael Dontschuk BSc(Hons), FFTP, GAICD

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

Mr Dontschuk is a finance professional with over 35 years' experience in investment, finance, treasury and financial risk management. He currently is a professional NED and sits on a number of company boards including Eticore, Public Trustee (Tasmania) and Australia Ratings.

Previously Mr Dontschuk has been Group Treasurer of Grange Resources, Group Treasurer of ANZ Bank, Managing Director of Treasury Corporation Victoria, President and Director of the Finance and Treasury Association of Australia and has worked extensively in corporate financial advisory and investment banking including with Oakvale Capital and Bankers Trust.

David Woodall, MSc, BSc, GAICD

Independent Non-executive Director and member of the Remuneration and Nomination Committee and Audit and Risk Committee. Mr Woodall resigned from the board on 30 April 2021.

Ajanth Saverimutto, BEng (Mining) Hons, BBus (Accounting)

Independent Non-executive Director and Member of the Audit and Risk Committee

Mr Saverimutto is a Mining Engineer and Accountant with over 25 years' experience in the resources industry. Mr Saverimutto has extensive Corporate and Senior Management experience in a number of ASX-listed and private companies. Currently Mr Saverimutto is President and Director of Black Mountain Metals, a private, natural resources company. Mr Saverimutto's previous positions include Managing Director of ASX listed Venturex Resources, Managing Director and Founder of privately held Australian company Salt Lake Mining.

Mr Saverimutto has held senior operational roles including Mining Manager for leading international copper producer Freeport McMoRan (NYSE: FCX), Chief Operating Officer of ASXlisted gold miner Unity Mining and Mining Manager for BHP Billiton – Stainless Steel Materials.

Mr Saverimutto was appointed to the board on 1 June 2021.

Company Secretary

Mr Piers Lewis, BComm, CA, AGIA

Mr Lewis has more than 20 years' global corporate experience and is currently the Company Secretary for ASX listed companies Cycliq Group Limited and Ultima United Limited. Mr Lewis also serves as Chairman of Digital Wine Ventures Limited and eSense-Lab Ltd and on the Board of Cycliq Group Limited.

In 2001 Mr Lewis qualified as a Chartered Accountant with Deloitte (Perth) he has extensive and diverse financial and corporate experience from previous senior management roles with Credit Suisse (London), Mizuho International and NAB Capital. Mr Lewis is also a Chartered Company Secretary.

Principal Activities

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

- the mining, processing and sale of iron ore; and
- the ongoing exploration, evaluation and development of mineral resources.

Dividends

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

	2021 $'000	2020 $'000
Fully franked special dividend for year ended 31 December 2021 - 10.0 cents per share	115,734	-
Fully franked interim dividend for half year ended 30 June 2021 - 2.0 cents per share	23,147	-
Fully franked final dividend for the year ended 31 December 2020 - 2.0 cents per share	23,147	-
Fully franked interim dividend for half year ended 30 June 2020 - 1.0 cents per share	-	11,574
Fully franked final dividend for the year ended 31 December 2019 - 1.0 cents per share	-	11,574
Total dividends paid	**162,028**	**23,148**

Since the end of the financial year the directors have recommended the payment of a 10.0 cent per share final dividend of $115.7 million. This represents a total of $254.6 million (22.0 cents per share) fully franked dividend for the year-end 31 December 2021. The final dividend was declared NIL conduit foreign income and will be paid on 29 March 2022.

Operating and Financial Review

Key Highlights

Mining operations

- Achieved a major milestone of over 1,750 days Lost Time Injury free.
- Pellet production of 2.60 million tonnes for the year compared to 2.35 million tonnes for the prior year.
- Total iron ore product sales of 2.62 million tonnes for the year compared to 2.49 million tonnes for the prior year.
- Profit after tax of $321.6 million for the year compared to $203.2 million for the prior year, on revenues from operations of $781.7 million compared to $526.3 million for the prior year.
- Average realised product price (FOB Port Latta) of $276.17 per tonne for the year compared to $196.77 for the prior year.
- Unit C1 cash operating costs of $99.73 per tonne for the year compared to $99.77 for the prior year.
- Cash and cash equivalents position of $443.9 million at the end of year compared to $183.4 million at the end of the prior year. Increase largely due to higher sales price on shipments and higher sales volume.

Safety performance

A focus on safety has been maintained across the business with over 1,750 days Lost Time Injury Free achieved.

Covid-19 Business Response

To date, the Company has had no material production impact due to COVID-19. The impact of the pandemic continues to be well managed across our operations. We remain ready to respond promptly and accordingly in the event of any required precautionary measures and reinstatement of government restrictions. The Company has rapidly adapted to a new mode of operation in order to ensure the health, safety and wellbeing of our people through the course of the pandemic. Business continuity plans have been implemented and operations have instigated multiple layers of controls. These have centred around our 4 simple steps to Sanitise, Separate, Self-care and Support each other, including temperature checks onsite as we continue our operation and protect our people at work and at home.

Key revenue metrics for the year ended 31 December 2021 and the preceding 2020 year were as follows:

	2021	**2020**
Iron Ore Pellet Sales (dmt)	2,507,201	2,376,029
Iron Ore Concentrate Sales (dmt)	42	-
Iron Ore Chip Sales (dmt)	108,130	113,611
Total Iron Ore Product Sales (dmt)	2,615,373	2,489,640
Average Realised Product Price (US$/t FOB Port Latta) *	208.08	136.85
Average Realised Exchange Rate (AUD:USD)	0.7535	0.6955
Average Realised Product Price (A$/t FOB Port Latta)	276.17	196.77

**adusted for the costs of freight and final pricing settlements on provisional settlements as per sales agreements. Pricing is typically finalised in one to three months after shipment month.*

Total sales for the year ended 31 December 2021 was 2.62 million tonnes of high quality, low impurity iron ore products (2020: 2.49 million tonnes) and reflects sustained production from maintaining access to high grade ore.

The average iron ore product price received during the year was $276.17 per tonne of product sold (FOB Port Latta) (2020: $196.77 per tonne).

Please refer to Note 4 of the Financial Report for segment information for sales to different geographical markets. The sales from long term off take agreements with Jiangsu Shagang International Trade Co. Ltd represents 27.7% of total sales for 2021 (2020: 34.6%).

Key operating metrics for the year ended 31 December 2021 and the preceding 2020 year were as follows:

	2021	**2020**
Total BCM Mined	13,667,044	14,567,158
Total Ore BCM	2,804,234	1,384,744
Concentrate Produced (t)	2,559,987	2,531,759
Weight Recovery (%)	44.4	46.1
Pellets Produced (t)	2,597,428	2,348,274
Pellet Stockpile (t)	210,193	119,966
"C1" Operating Cost (A$/t Product Produced)(1)	99.73	99.77

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

Mining activities in North Pit have focused on wall remediation and sustained access to the Main Ore Zone. The installation of additional safety controls on the east wall to reduce the risk of small rockfalls were completed. This was attained with the implementation of a rock fence on a catchment berm to improve the retention of any fallen material and was undertaken utilizing remote equipment and innovations to allow the placement of fencing and structure via remote excavator. Access to high grade ore from the Main Ore Zone in North Pit has been sustained throughout the year. Concentrate production again exceeded 2.5 million tonnes of concentrate with consistent high grade ore supply supporting high production rates.

The pre-stripping of waste material from Centre Pit continued throughout the year, with some delays experienced due to weather events. Small volumes of ore have been provided from adjacent lenses with access to the main ore zone in Centre Pit scheduled for later in 2022.

North Pit Underground Development Project

The North Pit Underground Prefeasibility Study was completed during the year. The PFS presented a standalone underground case that informs the decision to transition from open pit to an underground mine in the future with demonstrated ore continuity at depth with a 30% (approximately 120 million tonne) increase in Mineral Resources. This outlined the potential for 6 million tonne per annum production rate with an underground mine life of more than 10 years, utilising underground caving methods. Finalised schedules are being analysed as part of the Enterprise Optimisation to determine the most effective mining sequence and the potential transition for the integration Open Pit and Underground mining. The scope for the Definitive Feasibility Study is being prepared and will proceed in 2022 subject to Board approval.

Port Latta Improvement Projects

The restoration of the Furnace is well progressed. Furnace Line 4 construction and commissioning is on plan as we continue with the rebuilding and refractory installation. Long lead items including new main blowers are now on track for installation in the common equipment shut planned for Q1 2022. This redesign will improve the airflow and ensure ease of maintenance for the lifecycle of the furnace.

Financial Position

Grange's net assets increased during the year to $871.2 million (31 December 2020: $712.1 million). The key movements in net assets during the year are a result of the following:

- An increase in cash of $260.5 million with higher sales prices and volume achieved
- A reduction in trade debtors by $70.3 million
- An increase in tax payable by $79.0 million

Statement of Cash Flows

Net cash flows from operating activities

Net cash inflows from operating activities for the year were $498.2 million (2020: inflows $202.6 million) and reflect higher iron ore product sales and decrease in unit operating costs.

Net cash flows from investing activities

Net cash outflows from investing activities for the period were $79.6 million (2020: outflows $125.1 million) and principally related to expenditures for mine properties and development 40.1 million and property, plant and equipment $40.0 million.

Net cash flows from financing activities

Net cash outflows from financing activities for the period were $165.3 million (2020 outflow: $26.9 million) and principally related to the payment of 2020 final dividend ($23.1 million), 2021 interim dividend ($23.1 million) and a special dividend of $115.7 million.

Adopting an ESG Framework

Grange is pleased to announce that the Company has adopted an Environmental, Social, and Governance (ESG) framework with 21 core metrics and disclosures as created by the World Economic Forum (WEF).

Developments in global markets for directing investment capital have shifted with traditional profit only focus being challenged when assessing companies' performance. Grange is committed to aligning the business, where applicable, to the sustainable development goals that provide a roadmap to sustainability and resilience.

The Board has resolved to adopt the WEF ESG framework and instructed management to set up an impact measurement plan for each sustainability area which includes, but is not limited to, governance, anti-corruption practices, ethical behaviour, human rights, carbon emissions, land use, ecological sensitivity, water consumption, diversity and inclusion, pay equality and tax payments.

To ensure that Grange can measure, monitor, and report on its ESG disclosure progress, the Company has engaged impact monitoring technology platform Socialsuite to streamline the disclosure and ongoing ESG reporting process. The Company's goal is to demonstrate commitment and progress on making ESG disclosures, but more broadly, aims to progress a range of ESG benchmarks as set out by the WEF's ESG White Paper.

Southdown Magnetite Project

The Southdown Magnetite Project, situated 90km from the city of Albany in Western Australia, is a joint venture between Grange (70%) and SRT Australia Pty Ltd (SRTA) (30%). SRTA is jointly owned by Sojitz Corporation and Kobe Steel. This advanced project has 1.2 billion tonnes of high quality resource and has access to established infrastructure.

During 2021, the Company commenced to carry out an updated prefeasibility study on a 5 Mtpa development case with new technology and additional testwork which is expected to be completed in coming months.

All tenements, permits and project assets continue to be maintained in good order. Budgeting and cost control over expenditure on this project continues to secure the investment.

The Joint Venture Partners continue to monitor all ongoing project requirements.

Significant Changes in State of Affairs

There was no significant change in the state of affairs of the Group that occurred during the year ended 31 December 2021. Commentary on the overall state of affairs of the Group is set out in the Operating and Financial Review.

Matters Subsequent to the End of the Financial Year

Since the end of the financial year the directors have recommended the payment of a 10.0 cent per share final dividend of $115.7 million.

At 31 January 2022 the Brookville land was settled for $11.3m.

There were no other matters or circumstances arising since 31 December 2021 that has significantly affected, or may significantly affect:

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

Likely Developments and Expected Results of Operations

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

Savage River and Port Latta Operations

- Optimising the Life of Mine Plan together with cost reduction strategies
- Completing Definitive Feasibility Study into the ability to access the ore body in North Pit through underground development
- Optimising the mine design for Centre Pit
- Delivering on secured off take agreements
- Maintaining access to high grade ore by continuing to invest in mine development
- Continuing to invest in process infrastructure
- Continuing focus on improving productivity and implementing cost control projects

Southdown Project

- Completing feasibility study on a 5 Mtpa development case with new technology and additional testwork
- Ensuring that all tenements, permits and project assets remain in good standing

Risk Management

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

- Fluctuations in iron ore market and movements in foreign exchange rates
- Volatility in the energy prices and availability
- Geotechnical risks including wall stability
- Production risks and costs associated with aging infrastructure
- Project evaluation and development
- Health, safety and environment
- Impacts of climate change on our business

Risk mitigation strategies include the following:

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

Environmental Regulation

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

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

Savage River and Port Latta Operations

The Group obtained approvals to operate in 1996 and 1997 under the Land Use Planning and Approvals Act (LUPA) and the Environmental Management and Pollution Control Act (EMPCA) as well as the Goldamere Act and Mineral Resources Development Act. The land use permit conditions for Savage River and Port Latta are contained in Environmental Protection Notices 248/2 and 302/2 respectively. The currently approved Environmental Management Plans were submitted for Savage River and Port Latta on 21 December 2010. The extension of the project's life was approved by the Department of Tourism, Arts and the Environment on 12 March 2007 and together with the Goldamere Act and the Environmental Protection Notices, is the basis for the management of all environmental aspects of the mining leases. The Group has been relieved of any environmental obligation in relation to contamination, pollutants or pollution caused by operations prior to the date of the Goldamere Agreement (December 1996).

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

Southdown Joint Venture

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

Mount Windsor Joint Venture

The Group is a junior partner (30%) in the Mt Windsor project in North Queensland which is now being rehabilitated for future lease relinquishment. An ongoing Transitional Environment Program has been entered into voluntarily to identify and remediate various sources of pollution on site. A comprehensive plan has been developed and instigated to manage the leases with relinquishment expected in 2045.

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

National Greenhouse and Energy Reporting Act 2007

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

National Greenhouse and Energy Reporting (Safeguard Mechanism) Rule 2015

The Safeguard Mechanism applies to designated large facilities and is triggered when the facility exceeds 100,000 t CO2-e as per Division 8 of NEGR (Safeguard Mechanism) Rule 2015. The entity with operational control of a designated large facility is responsible for meeting safeguard requirements, including that the facility must keep net emissions at or below baseline emission levels. Grange has two facilities which have or may trigger the Safeguard Mechanism. The Savage River Mine Site and the Port Latta Pelletising Plant are currently operating on three-year monitoring periods and Port Latta has moved to a Production Adjusted Baseline and Savage River has applied for a Transitional Calculated Baseline.

Renewable Energy (Electricity) Act 2000

In recognition that the Renewable Energy Targets scheme may increase costs to Companies that carry on Emissions Intensive Trade Exposed (EITE) activities, the exemption provisions under the Renewable Energy (Electricity) Act 2000 as amended allow a prescribed person to apply for an exemption certificate in relation to the electricity supplied to an EITE activity carried on at a site. Subject to agreement from the prescribed person an exemption certificate may be traded to the liable entity for the electricity supplied, and provides the liable entity with exemption from liability for a certain amount of megawatt-hours of electricity in the given calendar year. Grange has received exemption certificates under this scheme.

Climate Change Risk and Opportunities

Physical Risks
- Concentrated rainfall event causing flooding
- Rising sea levels and reduced rainfall causing groundwater scarcity

Risk related to transition to a low carbon economy
- Policy and legal risks as a result of government regulation of carbon emissions, resulting in higher energy prices and other production costs or restricted energy availability.
- Technology, market and reputation risk as a result of change in consumer expectations and demand for low carbon goods and services.

The Group identifies and monitors these risks through the enterprise risk assessment process and continues to identify opportunities for improvement. The Group acknowledges that the world is moving to a low-carbon future. The steel market is already starting to value ‘green steel’ and while our pellets reduce emissions in the production of steels, the Group will continue to explore opportunities to reduce carbon emissions in its production processes.

Meetings of Directors

The numbers of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 31 December 2021, and the numbers of meetings attended by each Director were:

Name	Directors' meetings		Meetings of Committees			
			Audit		Remuneration	
	A	B	A	B	A	B
M Li	6	6	6	6	4	4
Y Jia	6	6			4	4
H Zhao	5	6				
M Dontschuk	6	6	6	6	2	2
D Woodall	2	3	2	2	1	1
A Saverimutto	3	3	3	3		

A = Number of meetings attended

B = Number of meetings held during the time the Director held office or was a member of the committee during the year ended 31 December 2021

Interests in the Shares, Rights and Options of the Company

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

Director	Number of Fully Paid Ordinary Shares	Rights	Options
M Li	13,507	-	-
Y Jia(1)	-	-	-
M Dontschuk	13,000	-	-
D Woodall	-	-	-
H Zhao(2)	1,727,702	-	-
A Saverimutto	-	-	-

(1) Y Jia is an employee of Jiangsu Shagang International Trade Co. Ltd which is a subsidiary of the Jiangsu Shagang Group, ultimate shareholder of Shagang International Holdings Limited. Shagang International Holdings Limited and its affiliates hold 554,762,656 ordinary fully paid shares in the Company as at the date of this report.

(2) H Zhao is a former Director on the Board of the Jiangsu Shagang Group, ultimate shareholder of Shagang International Holdings Limited. Shagang International Holdings Limited and its affiliates hold 554,762,656 ordinary fully paid shares in the Company as at the date of this report.

Remuneration Report

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

(i) Key management personnel disclosed in this report

Non-executive directors
Michelle Li
Yan Jia
Michael Dontschuk
David Woodall – resigned 30 April 2021
Ajanth Saverimutto – appointed 1 June 2021

Executive directors	**Position**
Honglin Zhao	Executive Director Chief Executive Officer

Other key management personnel	**Position**
Steven Phan	Chief Financial Officer
Ben Maynard – appointed 1 September 2021	Chief Operating Officer

(ii) Remuneration governance

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

The Remuneration and Nomination Committee is composed of Mr Michael Dontschuk (Independent Non-executive Director and Committee Chairperson)and Dr Michelle Li (Independent Non-executive Chairperson).

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

- Equity based executive and employee incentive plans;
- Recruitment, retention, succession planning, performance measurement and termination policies and procedures for Non-executive Directors, Executive Directors and Key Management Personnel;
- The remuneration of the Chief Executive Officer, Chief Financial Officer and the Chief Operating Officer;
- Periodically assessing the skills required by the Board;
- Recommend processes to evaluate the performance of the Board, it's Committees and individual Directors; and
- Reviewing governance arrangements pertaining to remuneration matters.

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

(iii) Executive remuneration philosophy and framework

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

- acceptable to shareholders, transparent and easily understood;
- competitive and reasonable, enabling the company to attract and retain key talents who share the same values with Grange Resources; and

- aligned to the Company's strategic and business objectives and the creation of shareholder value.

Using external remuneration sector comparative data, the Group has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation. The framework is reviewed regularly along with the remuneration strategy review.

During the year, the Committee engaged remuneration consultants Godfrey Remuneration Group to provide advice and market insights in relation to executive remuneration arrangements. The remuneration consultants' advice and feedback are under review by the Committee.

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

Fixed Remuneration

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

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

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

Variable Remuneration – Short Term Incentive ("STI")

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

Variable Remuneration - Long Term Incentive ("LTI")

a) *Deferred Cash*

The Board determined that it was appropriate to simplify the Company LTI plan and introduce a 3 year deferred cash incentive scheme with immediate effect from 1 January 2019.

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

- Development of mineral assets (weighting 35%)
- Mine development (weighting 20%)
- Downstream process improvement (weighting 15%)
- Financial returns (weighting 20%)
- Safety and sustainability (weighting 10%)

The deferred cash component is determined based on the Company's performance for the year ended 31 December, with 33.3% payable on 31 December the first following year, 33.3% payable on 31 December the second following year, and the balance payable on the following 31 December (i.e. 3 years after the relevant calculation date). Payment of deferred cash is subject to continuing employment with Grange at the scheduled date of the payment.

b) Rights to Grange Shares

The objective for the issue of Rights under the LTI program was replaced with Deferred Cash from 1 January 2014. The Company did not issue any Rights to employees in the 12 months ended 31 December 2021.

(iv) Relationship between remuneration and Grange Resources performance

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

		2017	2018	2019	2020	2021
Revenue from operations	$ million	247.9	368.2	368.6	526.3	781.7
Net profit/(loss) after tax	$ million	60.7	112.94	77.3	203.19	321.60
Basic earnings per share	Cents	5.25	9.79	6.71	17.64	27.84
Dividend payments	$ million	11.6	23.1	23.1	23.1	162.0
Share price (last trade day of financial year)	Cents	21.5	20.0	25.0	29.5	75.5

(v) Non-executive director remuneration policy

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

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

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

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

Board of Directors	
Chairperson (1) (effective 1 June 2021)	$210,000
Deputy Chairperson	$92,000
Non-executive Director	$81,000
Audit and Risk Committee	
Chairperson	$15,750
Committee Member	$10,500
Remuneration and Nomination Committee	
Chairperson	$15,750
Committee Member	$7,500

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

vi) Details of remuneration

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

Table 1: Remuneration for the year ended 31 December 2021

	Short-term employee benefits				Post employment benefits	Long-term benefits		Long term incentive (LTI)		Total
	Salary & fees	Non-monetary benefits	Annual leave	Short term incentive (STI)	Super-annuation	Long service leave	Termin-ation benefits	Earned	Rights	
Non-Executive Directors	$	$	$	$	$	$	$		$	$
M Li	193,333	-	-	-	-	-	-	-	-	193,333
Y Jia	107,749	-	-	-	-	-	-	-	-	107,749
D Woodall[1]	30,137	-	-	-	2,863	-	-	-	-	33,000
M Dontschuk[2]	96,752	-	-	-	-	-	-	-	-	96,752
A Saverimutto[3]	53,375	-	-	-	-	-	-	-	-	53,375
Sub-total Non-Executive Directors	**481,346**	**-**	**-**	**-**	**2,863**	**-**	**-**	**-**	**-**	**484,209**
Executive Directors										
H Zhao	541,934	72,943	30,068	121,443	52,839	20,879	-	94,751	-	934,857
Key Management										
S Phan	350,295	-	8,141	72,036	34,154	12,192	-	48,996	-	525,814
B Maynard	389,428	-	738	80,469	37,969	16,919	-	54,651	-	580,174
Sub-total Key Management Personnel	**1,281,657**	**72,943**	**38,947**	**273,948**	**124,962**	**49,990**	**-**	**198,398**	**-**	**2,040,845**
TOTAL	**1,763,003**	**72,943**	**38,947**	**273,948**	**127,825**	**49,990**	**-**	**198,398**	**-**	**2,525,054**

(1) Mr Woodall resigned on 30 April 2021
(2) Mr Dontschuk was appointed Chairperson of the Remuneration and Nomination Committee effective 1 December 2021
(3) Mr Saverimutto was appointed on 1 June 2021

Table 2: Remuneration for the year ended 31 December 2020

	Short-term employee benefits				Post employment benefits	Long-term benefits		Long term incentive (LTI)		Total
	Salary & fees	Non-monetary benefits	Annual leave[1]	Short term incentive (STI)	Super-annuation	Long service leave	Termin-ation benefits	Earned	Rights	
Non-Executive Directors	$	$	$	$	$	$	$		$	$
M Li	155,256	-	-	-	14,748	-	-	-	-	170,004
Y Jia	104,313	-	-	-	-	-	-	-	-	104,313
D Tenardi	40,820	-	-	-	3,875	-	-	-	-	44,695
M Dontschuk	88,356	-	-	-	8,400	-	-	-	-	96,756
M Woodall	83,563	-	-	-	7,942	-	-	-	-	91,505
Sub-total Non-Executive Directors	**472,308**	**-**	**-**	**-**	**34,965**	**-**	**-**	**-**	**-**	**507,273**
Executive Directors										
H Zhao	526,656	93,012	(12,917)	115,337	50,029	30,626	-	72,152	-	874,895
Key Management										
S Phan	340,427	-	14,089	67,098	32,340	10,286	-	37,567	-	501,807
B Maynard	378,453	-	(9,186)	74,593	35,953	15,359	-	42,032	-	537,204
Sub-total Key Management Personnel	**1,245,536**	**93,012**	**(8,014)**	**257,028**	**118,322**	**56,271**	**-**	**151,751**	**-**	**1,913,906**
TOTAL	**1,717,844**	**93,012**	**(8,014)**	**257,028**	**153,287**	**56,271**	**-**	**151,751**	**-**	**2,421,179**

(1) 2020 updated to include annual leave comparative

Table 3: Relative proportions linked to performance

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

Name	Fixed Remuneration		At Risk - STI		At Risk - LTI	
	Dec-21	Dec-20	Dec-21	Dec-20	Dec-21	Dec-20
Executive Directors						
H Zhao	77%	79%	13%	13%	10%	8%
Key Management Personnel						
S Phan	77%	79%	14%	13%	9%	7%
B Maynard	77%	78%	14%	14%	9%	8%

(***vii) Service agreements***

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

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

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

Short term incentive

For each short term incentive benefit, the percentage of the available bonus to be awarded will be paid early in the year subsequent to the year of assessment.

Name	2021 STI Program		
	Maximum possible incentive award	%	Amount
Executive Directors			
H Zhao	$143,070	85%	$121,443 (1)
Key Management Personnel			
S Phan	$83,230	87%	$ 72,036 (1)
B Maynard	$92,528	87%	$ 80,469 (1)

(1) Inclusive of superannuation.

Long term incentive

a) Deferred Cash

Name	2021 LTI Program		
	Maximum possible incentive award	**%**	**Amount**
Executive Directors			
H Zhao	$178,838	74%	$132,638(1)
Key Management Personnel			
S Phan	$92,478	74%	$68,588(1)
B Maynard	$102,809	74%	$76,250(1)

(1) Inclusive of superannuation.

b) Rights to Grange Shares

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

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

There were no Rights to Grange shares issued to directors or senior employees in the years 2021 and 2020.

Share holdings

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

31 December 2021

	Balance 1 January 2021	On vesting of rights	On market purchases	On market disposals	Other	Balance 31 December 2021
Directors of Grange Resources Limited						
M Li	13,507	-	-	-	-	13,507
M Dontschuk	13,000	-	-	-	-	13,000
H Zhao	1,287,702	-	440,000	-	-	1,727,702
Key Management Personnel						
B Maynard	68,122	-	-	-	-	68,122

31 December 2020

	Balance 1 January 2020	On vesting of rights	On market purchases	On market disposals	Other	Balance 31 December 2020
Directors of Grange Resources Limited						
M Li	13,507	-	-	-	-	13,507
M Dontschuk	13,000	-	-	-	-	13,000
H Zhao	-	-	1,287,702	-	-	1,287,702
Key Management Personnel						
B Maynard	68,122	-	-	-	-	68,122

(ix) Loans to key management personnel

There were no loans to key management personnel during the year (December 2020: Nil).

(x) Other transactions with Directors and key management personnel

A director, Mr Honglin Zhao, is a former director of Jiangsu Shagang Group (Shagang) to which sales of iron ore products are made under long-term off-take agreements. As at 25 February 2022, Shagang holds 47.93% (28 February 2021: 47.93%) of the issued ordinary shares of Grange. Transactions between Shagang and Grange must be approved by non-associated shareholders of Shagang or approved by the Grange independent directors.

A director, Ms Yan Jia, is an employee of Shagang International Trade Co. Ltd., which is a wholly owned subsidiary of Jiangsu Shagang Group (Shagang) to which sales of iron ore products are made under long-term off-take agreements. Transactions between Shagang and Grange must be approved by non-associated shareholders of Shagang, or approved by the Grange independent directors.

Aggregate amounts of each of the above types of other transactions:

	2021 $	2020 $
Sales of iron ore products		
Pellets	216,292,463	182,146,622

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

	2021	2020
Trade receivables (sales of iron ore products)	**$**	**$**
Pellets	19,095,808	32,350,066
Others	(62,961)	(10,187)
	19,032,847	**32,339,879**

Insurance of Officers

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

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of *the Corporations Act 2001*.

Indemnity of Auditors

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

Audit and Non-audit Services

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

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

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

	2021 $'000	2020 $'000
Assurance Services		
PwC Australia		
Audit and review of financial reports	313	325
Other assurance services	102	26
Network firms of PwC Australia	17	18
Total assurance services	**432**	**369**
Non-Assurance Services		
PwC Australia		
Taxation compliance services	8	1
Total remuneration paid	**440**	**370**

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 22.

Rounding of amounts

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

Auditor

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

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

Michelle Li
Chairperson of the Board of Directors

Perth, Western Australia
25 February 2022

CORPORATE GOVERNANCE STATEMENT

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

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

As part of its commitment to enhancing its corporate governance, and as a listed company, the Board has adopted relevant practices which are consistent with the Australian Securities Exchange ("ASX") Corporate Governance Principles. The 2021 corporate governance statement was approved by the Board on 25 February 2022.

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

Grange considers that its governance practices comply with the majority of the ASX Best Practice Recommendations.

ASX Best Practice Recommendations

The following table lists the departures from the ASX Best Practice Recommendations applicable to the Company as at the date of its financial year end, being 31 December 2021. Where the Company considers that it is divergent from these recommendations, or that it is not practical to comply, there is an explanation of the Company's reasons set out in the following table.

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

Auditor's Independence Declaration

As lead auditor for the audit of Grange Resources Limited for the year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Amanda Campbell
Partner
PricewaterhouseCoopers

Melbourne
25 February 2022

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

GRANGE RESOURCES

Australia's most experienced magnetite producer

FINANCIAL STATEMENTS

For the Year Ended
31 December 2021

Contents

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

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

34A Alexander Street
Burnie Tasmania 7320

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' Report on pages 2 to 20, which is not part of these financial statements.

The financial statements were authorised for issue by the directors on 25 February 2022. The directors have the power to amend and reissue the financial statements.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTES	2021 $'000	2020 $'000
Consolidated			
Revenues from operations	4, 5	781,662	526,324
Cost of sales	6	(337,269)	(295,506)
Gross profit from operations		**444,393**	**230,818**
Administration expenses	7	(3,883)	(5,218)
Operating profit before other income		**440,510**	**225,600**
Exploration and evaluation expenditure		(12,611)	(1,414)
Other income	8	11,141	386
Operating profit before finance costs		**439,040**	**224,572**
Finance income	9	23,060	5,344
Finance expenses	9	(1,210)	(21,037)
Profit before tax		**460,890**	**208,879**
Income tax expense	10	(139,275)	(5,693)
Profit for the year		**321,615**	**203,186**
Total comprehensive income for the year		**321,615**	**203,186**
Total comprehensive income/(loss) for the period attributable to:			
- Equity holders of Grange Resources Limited		322,260	204,179
- Non-controlling Interests		(645)	(993)
		321,615	**203,186**
Earnings per share for profit attributable to the ordinary equity holders of Grange Resources Limited			
Basic earnings per share (cents per share)	34	**27.84**	**17.64**
Diluted earnings per share (cents per share)	34	**27.84**	**17.64**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

Consolidated	NOTES	31 December 2021 $'000	31 December 2020 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	2, 11	443,890	183,385
Trade and other receivables	12	24,119	94,469
Inventories	13	162,001	123,010
Other financial assets	2	20,799	19,539
Total current assets		**650,809**	**420,403**
Non-current assets			
Receivables	14	7,984	8,484
Property, plant and equipment	15	137,180	113,994
Right of Use Assets	16	18,540	2,311
Mine properties and development	17	262,377	269,297
Deferred tax assets	18	43,345	59,291
Total non-current assets		**469,426**	**453,377**
Total assets		**1,120,235**	**873,780**
LIABILITIES			
Current liabilities			
Lease liability	16	16,920	1,109
Trade and other payables	2, 19	120,836	39,879
Borrowings	2, 20	-	14,044
Provisions	21	22,290	24,584
Other financial liabilities	2	-	3,890
Total current liabilities		**160,046**	**83,506**
Non-current liabilities			
Lease liability	16	535	1,299
Provisions	22	88,435	72,616
Other financial liabilities	2	-	4,268
Total non-current liabilities		**88,970**	**78,183**
Total liabilities		**249,016**	**161,689**
Net assets		**871,219**	**712,091**
EQUITY			
Contributed equity	23	331,513	331,513
Other reserves	26	(2,273)	-
Retained earnings	24	541,979	381,747
Capital and reserves attributable to owners of Grange Resources Limited		871,219	713,260
Non-Controlling Interests	26	-	(1,169)
Total equity		**871,219**	**712,091**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTES	Contributed equity $'000	Other Reserves $'000	Non-Controlling Interests $'000	Retained earnings $'000	TOTAL $'000
Balance at 1 January 2021		**331,513**		**(1,169)**	**381,747**	**712,091**
Profit for the period attributable to owners of Grange Resources Limited		-	-	-	322,260	322,260
Loss attributable to non-controlling interests		-	-	(645)	-	(645)
Total comprehensive profit/(loss) for the year		-	-	(645)	322,260	321,615
Transactions with owners in their capacity as owners						
Transactions with non-controlling interests	26		(2,273)	1,814	-	**(459)**
Dividends paid	25	-	-	-	(162,028)	**(162,028)**
Balance at 31 December 2021		**331,513**	**(2,273)**	**-**	**541,979**	**871,219**
Balance at 1 January 2020		**331,513**	**-**	**(176)**	**200,716**	**532,053**
Profit for the period attributable to owners of Grange Resources Limited		-	-	-	204,179	204,179
Loss attributable to non-controlling interests		-	-	(993)	-	(993)
Total comprehensive profit/(loss) for the year		-	-	(993)	204,179	203,186
Transactions with owners in their capacity as owners						
Dividends paid	25	-	-	-	(23,148)	**(23,148)**
Balance at 31 December 2020		**331,513**	**-**	**(1,169)**	**381,747**	**712,091**

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

Consolidated	NOTES	2021 $'000	2020 $'000
Cash flows from operating activities			
Receipts from customers and other debtors (inclusive of goods and services tax)		841,849	478,540
Payments to suppliers and employees (inclusive of goods and services tax)		(305,541)	(234,585)
		536,308	243,955
Interest received		6,442	5,408
Interest paid		(304)	(327)
Income taxes paid		(44,286)	(46,468)
Net cash inflow from operating activities		**498,160**	**202,568**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	21
Payments for property, plant and equipment	15	(39,996)	(41,092)
Payments for mine properties and development	17	(40,074)	(86,652)
Proceeds from loan receivable		-	2,626
Proceeds / (payments) for term deposits		504	(23)
Net cash outflow from investing activities		**(79,566)**	**(125,120)**
Cash flows from financing activities			
Repayments of borrowings		-	(2,711)
Dividends paid to shareholders	25	(162,028)	(23,148)
Lease payments	16	(3,222)	(1,027)
Net cash outflow from financing activities		**(165,250)**	**(26,886)**
Net increase in cash and cash equivalents		**253,344**	**50,562**
Cash and cash equivalents at beginning of the year		183,385	142,143
Net foreign exchange differences		7,161	(9,320)
Cash and cash equivalents at end of the year	11	**443,890**	**183,385**

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Grange Resources Limited is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

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

Historical cost convention

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

New and amended standards adopted by the group

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021:

- AASB 2020-4 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions [AASB 16], and
- AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform- Phase 2 (AASB 4, AASB 7, AASB 9, AASB 16 & AASB 139).

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Comparative figures
Where necessary, comparative figures have been adjusted to conform to changes in the presentation in the current period.

Critical accounting estimates

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Grange Resources Limited as at 31 December 2021 and the results of all subsidiaries for the year then ended. Grange Resources Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Details of subsidiaries are set out in note 31.

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

(ii) Joint arrangements

Joint operations

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings. Details of the joint operations are set out in note 32.

(c) Segment reporting

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

Refer to note 4 for further information on segment descriptions.

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(iii) Group companies

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

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

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

(e) Business combinations

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

(f) Revenue recognition

Revenue is recognised for the major business transactions as follows:

Sale of ore and the related freight revenue

Sales revenue is recognised on individual sales when control transfers to the customer. In most instances, control passes and sales revenue is recognised when the product is delivered to the vessel on which it will be transported. There may be circumstances when judgment is required when recognising revenue based on the five-step model below:

i. Identify the contract(s) with a customer
ii. Identify the performance obligations in the contact
iii. Determine the transaction price
iv. Allocate the transactions price to the performance of obligations in the contract.
v. Recognise revenue when (or as) the entity satisfies the performance obligation.

The Group sells a portion of its product on Cost and Freight (CFR). This means that the Group is responsible for providing shipping services. Using the 5-step model above, the Group has determined that freight services is a separate performance obligation. Therefore, the revenue for shipping services is recognised as the Group satisfies the performance obligation over time rather than at point when product is transferred to the vessel on which the product will be shipped.

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

Interest revenue

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sale of apartments

Revenue is recognised when control of a good or service transfers to a customer therefore the notion of control replaces the existing notion of risks and rewards. In most instances, control passes, and sales revenue is recognised when legal title of the property is transferred to the buyer. There may be circumstances when judgment is required based on the five indicators of control below:

i. The buyer has the significant risks and rewards of ownership and has the ability to direct the use of, and obtain substantially all of the remaining benefits from the good or service;
ii. The buyer has a present obligation to pay in accordance with the terms of the sales contract. For property disposed of, this is generally on transfer of legal title, at which time settlement of the remaining contract price occurs;
iii. The buyer has accepted the asset;
iv. The buyer has legal title to the asset; and
v. The buyer has physical possession of the asset

AASB 15 requires the Group to identify deliverables in contracts with customers that qualify as 'performance obligations'. The transaction price receivable from customers must be allocated between the Group's performance obligations under the contracts on a relative stand-alone selling price basis. Revenue will be recognised at a point in time when the performance obligations are met.

Distribution Income

Distribution income from short term managed funds is recognised when the right to receive the income has been established.

(g) Government Grants

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

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

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

(h) Leases

i. The group's leasing activities and how these are accounted for

The group leases office spaces, mobile radars, forklifts, and motor vehicles with lease terms between 3 to 8 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period as to produce a constant periodic rate of interest on the remaining balance of the liability for each period – refer to Note 9. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease payments included in the measure of the lease liability comprise:

- fixed payments less any lease incentives
- variable lease payments that are based on an index or rate
- amounts expected to be payable under residual value guarantees
- purchase option exercise price where lessee is reasonably certain to exercise
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option
- penalties for termination of lease

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of a similar value in a similar economic environmental with similar terms and conditions.

The Group presents lease liabilities in the statement of financial position (note 16).

Right-of-use assets are initially measured at cost comprising of the following:
- the amount of the initial measurement of the lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and an
- restoration costs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of less than 12 months and leases of low-value assets. The Group recognises lease payments associated with these types of leases as an expense in the profit or loss.

ii. Extension options

Options for a new lease are stipulated in the office space and mobile radars lease and are only exercisable by the Group, not the lessor. Exercising the option will contain similar terms as the initial lease. In determining the lease term under AASB 16, management considers all facts and circumstances that create an economic incentive to exercise the extension option or not exercise a termination option. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in the circumstances within its control.

iii. Variable lease payments

The group is exposed to potential future increases in variable lease payments based on an index or rate. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right of use asset. The forklift hire lease contains variable lease payments that are subject to CPI adjustments, effective on an annual basis.

(i) Cash and cash equivalents

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

As permitted by AASB 9, the Group applies the 'simplified approach' to trade receivable balances and the 'general approach' to all other financial assets. The simplified approach requires expected lifetime credit losses to be recognised from initial recognition of the receivables. The general approach incorporates a review for any significant increase in counterparty credit risk since inception.

The expected credit losses (ECL) review include assumptions about the risk of default and expected credit loss rates. In determining the recoverability of a trade or other receivable using the ECL model, the Group performs a risk analysis considering the type and age of the outstanding receivables, the creditworthiness of the counterparty, contract provisions, letter of credit and timing of payment.

(k) Inventories

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

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

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

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

Development work in progress pertains to development and construction of housing units and comprises expenditures relating to:

- Cost of acquisition
  The cost of acquisition comprises the purchase price of the land along with any direct costs incurred as part of the acquisition including legal, valuation and stamp duty costs.
- Development and other costs
  Cost includes variable and fixed costs directly related to specific contracts, costs related to general contract activity which can be allocated to specific projects on a reasonable basis, and other costs specifically chargeable under the contract.
- Interest capitalised
  Financing costs on the purchase and development of housing units are also included in the cost of inventory.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) Income tax

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

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

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

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Goods and Services Tax (GST)

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

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

- receivables and payables, which are stated with the amount of GST included.

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

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

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

(n) Property, plant and equipment

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

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

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

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

(o) Exploration and evaluation

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

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

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

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

(p) Mine properties and development

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

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

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

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

(q) Deferred stripping costs

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

(r) Impairment of assets

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

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

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Investments and other financial assets

(i) Classification

The group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments.

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment
The group assesses on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

(t) Derivatives

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

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

(u) Ore reserves

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Trade and other payables

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

(w) Borrowings

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

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

Borrowing costs

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

(x) Provisions

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

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

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

Decommissioning and restoration

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

Changes in cost of goods or services required for restoration activity as a result of future changes to the legal and regulatory framework, for example, surrounding climate change, may result in future actual expenditure differing from the amounts currently provided.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(y) Employee entitlements

Wages, salaries and sick leave

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

Annual leave

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

Long service leave

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

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

Defined contribution superannuation funds

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

(z) Contributed equity

Ordinary share capital is recognised at the fair value of the consideration received by the Company.

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

(aa) Dividends

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ab) Earnings per share (EPS)

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(ii) Diluted earnings per share

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

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

(ac) Parent entity financial information

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

Investments in subsidiaries, associates and joint venture entities

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

Financial guarantees

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

(ad) 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.

NOTE 2. FINANCIAL RISK MANAGEMENT

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

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

The Group holds the following financial instruments:

	2021	2020
	$'000	$'000
Financial Assets		
Cash and cash equivalents	443,890	183,385
Short Term Managed Funds	19,592	19,539
Trade and other receivables	31,604	101,900
Other financial assets	1,207	-
	496,293	**304,824**
Financial Liabilities		
Trade and other payables	120,836	39,879
Other financial liabilities	-	8,158
Borrowings	-	14,044
	120,836	**62,081**

The carrying amount and movement in Short Term Managed Funds are set out below:

	2021	2020
	$'000	$'000
Short Term Managed Funds		
Balance at the beginning of the year	19,539	19,783
Movement in Short Term Managed Funds	53	(244)
Carrying amount at the end of the year	**19,592**	**19,539**

NOTE 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	2021 $'000	2020 $'000
Net debt reconciliation		
Cash and cash equivalents	443,890	183,385
Liquid investments	19,592	19,539
Borrowings - repayable within one year	-	(14,044)
Net asset	**463,482**	**188,880**
Cash and liquid investments	463,482	202,924
Gross debt - fixed interest rates	-	(14,044)
Net asset	**463,482**	**188,880**

Financial assets/(liabilities) at fair value through profit or loss

Classification

The group classifies the following financial assets/(liabilities) at fair value through profit or loss (FVPL)

- short term managed funds
- derivative financial instruments

	2021 $'000	2020 $'000
Current Assets / Liabilities		
Short Term Managed Funds	19,592	19,539
Derivative financial instruments	1,207	(8,158)
	20,799	**11,381**

Amounts recognised in profit or loss

During the year, the following gains/(losses) were recognised in profit or loss:

	2021 $'000	2020 $'000
Fair value gain(loss) on short term managed funds held at FVPL recognised in Gain/(loss) on financial instruments	53	(243)
Fair value gain(loss) on derivative financial instruments at FVPL recognised in Gain/(loss) on financial instruments	9,366	(7,214)
	9,419	**(7,457)**

NOTE 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market Risk

(i) Foreign exchange risk

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

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

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

Market risk

	2021	**2020**
	$'000	**$'000**
Cash and cash equivalents	131,360	99,117
Trade and other receivables	18,464	78,694
Trade and other payables	56	(125)
Net US dollar surplus	**149,880**	**177,686**

Group sensitivity

Based on the financial instruments held at 31 December 2021, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's post tax profit for the financial period would have been $7.5 million higher / $9.21 million lower (2020: $11.3 million higher / $13.8 million lower), mainly as a result of foreign exchange gains/losses on US dollar denominated cash and cash equivalents, term deposits and receivables as detailed in the above table.

(ii) Price risk

The Group is exposed to commodity price risk. During current and prior years, the price of iron ore pellets is based on a price index used in the market. At this time, the Group does not manage its iron ore price risk with financial instruments.

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

Short term managed funds are exposed to price risk arising from investments held by the fund for which the future prices are uncertain. The investment manager moderates this risk through a careful selection of securities within specified limits. The fund actively maintains a high level of diversification in its holdings, thus potentially reducing the amount of risk in the fund.

NOTE 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Cash flow and fair value interest rate risk

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

For short term managed funds, the interest-bearing financial assets in each of the Funds expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The main interest rate risk arises from the Fund's investments in bonds.

As at the reporting date, the Group has no variable rate borrowings outstanding. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk if the borrowings are carried at fair value. The Group's fixed rate borrowings are carried at amortised cost.

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

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

(b) Credit Risk

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

The Group is exposed to a concentration of risk with sales of iron ore being made to a limited number of customers. The maximum exposure to credit risk at the reporting date is limited to the carrying value of trade receivables, cash and cash equivalents and deposits with banks and financial institutions. As at 31 December 2021, there are $0.18m in trade receivables (2020 $8.76m) that are past due. The other classes within trade and other receivables do not contain impaired assets and are not past due.

(c) Liquidity Risk

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

NOTE 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

Maturities of financial liabilities

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

2021 - Consolidated	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount liabilities
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Non-derivatives							
Trade and other payables	120,836	-	-	-	-	120,836	120,836
Lease liabilities	16,912	212	261	306	-	17,691	17,455
Total non-derivatives	**137,748**	**212**	**261**	**306**	**-**	**138,527**	**138,291**
Derivatives							
Trading derivatives	995	212	-	-	-	1,207	1,207
Total derivatives	**995**	**212**	**-**	**-**	**-**	**1,207**	**1,207**

2020 - Consolidated	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount liabilities
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Non-derivatives							
Trade and other payables	39,879	-	-	-	-	39,879	39,879
Fixed rate borrowings	-	14,044	-	-	-	14,044	14,044
Lease liabilities	603	654	812	513	-	2,582	2,408
Total non-derivatives	**40,482**	**14,698**	**812**	**513**	**-**	**56,505**	**56,331**
Derivatives							
Trading derivatives	2,015	1,875	4,275	(7)	-	8,158	8,158
Total derivatives	**2,015**	**1,875**	**4,275**	**(7)**	**-**	**8,158**	**8,158**

NOTE 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Capital Risk Management

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

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

(e) Derivatives

The Group entered into derivative financial instruments (commodity and foreign currency options) with counterparties, principally financial institutions. These derivatives are reported at fair value at 31 December 2021 using valuation techniques which employs the use of market observable inputs. The change in fair value of these derivatives has been recognised in the statement of profit or loss.

(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.

The Group has the following derivative financial instruments:

	2021 $'000	2020 $'000
Electricity fixed forward	500	(3,859)
Diesel commodity swap	461	(4,163)
Foreign currency options	246	228
Foreign currency forward	-	(364)
Derivative financial instruments	**1,207**	**(8,158)**

(f) Recognised fair value measurements

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

NOTE 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value the derivative financial instruments mainly include determining the fair value of forward contracts using forward rates at the balance sheet date provided by the dealers.

The following table presents the group's assets and liabilities measured and recognised at fair value at 31 December 2021 and 31 December 2020.

2021	**Level 1**	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Financial Assets				
Short Term Managed Funds	-	19,592	-	19,592
Derivative financial instruments	-	1,207	-	1,207
	-	**20,799**	**-**	**20,799**

2020	**Level 1**	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Financial Assets				
Short Term Managed Funds	-	19,539	-	19,539
Financial Liabilities				
Derivative financial instruments	-	(8,158)	-	(8,158)
	-	**11,381**	**-**	**11,381**

NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Net realisable value of inventories

The Group reviews the carrying value of its inventories at each reporting date to ensure that the cost does not exceed net realisable value. Estimates of net realisable value include a number of assumptions, including commodity price expectations, foreign exchange rates and costs to complete inventories to a saleable product. As at 31 December 2021 the net realisable value exceeded cost for all significant inventory balances.

Development Properties

Property acquired for development and sale in the ordinary course of business is carried at the lower of cost and Net Realisable Value (NRV). The cost of development properties includes expenditure incurred in acquiring the property, preparing it for sale and borrowing costs incurred.

NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

The NRV is the estimated selling price, less the estimated costs of completion and selling expenses. Management considers the estimation of both selling prices and costs of completion to be an area of estimation uncertainty, as these estimations take into consideration market conditions affecting each property and the underlying strategy for selling the property.

The recoverable amount of each property is assessed at each balance date and accounting judgement is required to assess whether a provision is raised where cost (including costs to complete) exceeds NRV.

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

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

Significant judgements and assumptions are required in making estimates of Fair Value. The CGU valuations are subject to variability in key assumptions including, but not limited to, long-term iron ore pellet prices, currency exchange rates, and discount rates. An adverse change in one or more of the assumptions used to estimate Fair Value could result in a reduction in a CGU's recoverable value. This could lead to the recognition of impairment losses in the future. At 31 December 2021, the Group determined that there were no indicators of impairment.

To identify any indications of impairment, Management considers both external and internal sources as summarised below:

External Sources

i. The carrying amount of the net assets more than its market capitalisation
ii. Market interest rate have increased during the period
iii. Significant changes with an adverse effect on the entity have taken place or will take place in the future
iv. Observable indications that an asset market value has declined significantly more than that would be expected because of the passage of time and used

Internal Sources

i. Significant changes have taken place or expected to take place in the near future which an asset is used or expected to be used
ii. Internal reporting suggests that the economic performance of an asset is or will be worse than expected
iii. Obsolescence or physical damage of an asset

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

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

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

NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(d) Determination of mineral resources and ore reserves

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

(e) Taxation

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

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

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

(f) Provision for decommissioning and restoration costs

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

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

Certain rehabilitation activities are undertaken as part of the mining operations included in the life of mine plan. Should the life of mine plan be amended in the future to exclude these activities, the provision for rehabilitation would increase correspondingly.

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

NOTE 4. SEGMENT INFORMATION

(a) Description of segments

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

The Group has two reportable segments:

i. Exploration, evaluation, and development of mineral resources and iron ore mining operations; and
ii. Development and construction of housing units

The Chief Executive Officer allocates resources and assesses performance, in terms of revenues earned, expenses incurred, and assets employed, on a consolidated basis in a manner consistent with that of the measurement and presentation in the financial statements.

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.

<u>Segment information</u>

	Ore Mining		Property Development		Total	
	2021 $'000	**2020 $'000**	**2021 $'000**	**2020 $'000**	**2021 $'000**	**2020 $'000**
Revenue from external customers	775,481	510,985	6,181	15,339	781,662	526,324
Timing of revenue recognition						
At a point in time	722,283	489,882	6,181	15,339	728,464	505,221
Over time - Freight	53,198	21,103	-	-	53,198	21,103

	2021 $'000	**2020 $'000**	**2021 $'000**	**2020 $'000**	**2021 $'000**	**2020 $'000**
Total Assets	1,095,526	836,968	24,709	36,812	1,120,235	873,780
Total Liabilities	247,891	148,589	1,125	13,100	249,016	161,689

In August 2021, the Group acquired the 49% non-controlling interest in the property development segment (refer to note 26).

NOTE 4. SEGMENT INFORMATION (CONTINUED)

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

Segment revenues from sales to external customers

	2021 $'000	2020 $'000
Ore Mining		
Australia	46,314	41,667
China	551,330	469,318
Korea	177,837	-
Total Mining	**775,481**	**510,985**
Property Development		
Australia	6,181	15,339
Total Property Development	**6,181**	**15,339**
TOTAL REVENUE	**781,662**	**526,324**

Segment assets and capital are allocated based on where the assets are located. The consolidated assets of the Group were predominately located in Australia as at 31 December 2021 and 31 December 2020. The total costs incurred during the current and comparative periods to acquire segment assets were also predominately incurred in Australia.

NOTE 5. REVENUE

Disaggregation of revenue from contracts with customers

Revenue from contracts with provisional pricing is recognised based on the estimated forward prices where available which the Group expects to receive at the end of the quotation period. Where an estimated forward price is not available, spot prices are applied as management's best estimate of the provisional prices. The quotation period exposure is considered to be an embedded derivative and forms part of trade receivables. The subsequent changes in the fair value are recognised in the statement of profit or loss and other comprehensive income as other revenue (loss). Changes in fair value over, and until the end of the quotation period, are estimated by reference to updated forward market prices.

NOTE 6. COST OF SALES

	2021	2020
	$'000	$'000
Cost of sales - mining		
Mining costs	137,837	139,992
Production costs	117,370	114,971
Changes in inventories	(45,485)	(11,010)
Mining & Production Costs	**209,722**	**243,953**
Freight costs	53,199	21,103
Government royalties	24,752	19,646
Depreciation and amortisation expense	18,300	21,056
Mine properties and development		
- Amortisation expense	9,472	7,035
Deferred stripping		
- Amounts capitalised during the year	(38,941)	(69,308)
- Amortisation expense	54,899	31,127
Foreign exchange (loss)/gain	(1,202)	4,554
Total cost of sales - mining	**330,201**	**279,166**
Cost of sales - property development		
Property costs	6,396	13,771
Inventory provision	672	2,569
Total cost of sales - property development	**7,068**	**16,340**
Total cost of sales	**337,269**	**295,506**

Depreciation and amortisation expense		
Land and buildings	991	920
Plant and equipment	17,010	19,666
Computer equipment	299	470
	18,300	**21,056**

NOTE 7. ADMINISTRATIVE EXPENSES

	2021 $'000	2020 $'000
Salaries	2,629	3,348
Consultancy fees	930	675
Provision for rehabilitation - change in estimate	-	269
Other	324	926
	3,883	**5,218**

NOTE 8. OTHER INCOME

	2021 $'000	2020 $'000
Rent income	230	188
Other income	237	178
Provision for rehabilitation - change in estimate	5,954	-
Unwind of net borrowings for the joint venture (Note 26)	2,561	-
Gain on the disposal of property, plant and equipment	2,159	20
	11,141	**386**

NOTE 9. FINANCE INCOME/(EXPENSES)

	2021 $'000	2020 $'000
Finance Income		
Interest income received or receivable	5,541	4,428
Distribution Income	940	916
Gain on financial instruments	9,418	-
Exchange gains on foreign currency deposits / borrowings (net)	7,161	-
	23,060	**5,344**
Finance expenses		
Provisions: unwinding of discount		
- Decommissioning and restoration	(885)	(774)
Interest charge on lease liabilities	(304)	(132)
Other interest charges	(21)	(224)
Loss on financial instruments	-	(7,457)
Exchange loss on foreign currency deposits / borrowings (net)	-	(9,320)
Borrowing costs	-	(326)
Credit losses	-	(2,804)
	(1,210)	**(21,037)**

NOTE 10. INCOME TAX EXPENSE

		2021 $'000	2020 $'000
(a)	**Income tax expense**		
	Current tax	123,329	32,694
	Total current tax expense	**123,329**	**32,694**
	Deferred income tax		
	Decrease in deferred tax assets	15,946	30,827
	Previously unrecognised deferred tax assets for temporary differences now recognised	-	(57,828)
	Total deferred tax expense	**15,946**	**(27,001)**
	Total income tax expense	**139,275**	**5,693**
(b)	**Numerical reconciliation of income tax expense to prima facie tax payable**		
	Profit from continuing operations before income tax / expense	460,890	208,879
	Tax expense at the Australian tax rate of 30% (2020: 30%)	138,267	62,664
	Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
	Sundry items	412	90
		138,679	62,754
	Movement in current year net deferred tax assets relating to temporary differences	39	(205)
	Deferred tax recognised for previously unrecognised temporary differences	-	(57,828)
	Adjustments to tax of prior period	557	972
	Income tax expense	**139,275**	**5,693**
(c)	**Taxation Losses**		
	Unused taxation losses for which no deferred tax asset has been recognised	3,733	4,855
	Potential tax benefit @ 30%	**1,120**	**1,457**
(d)	Unrecognised temporary differences		
	Temporary difference for which deferred tax assets not recognised	-	1,339
	Potential tax benefit @ 30%	**-**	**402**
	Unrecognised deferred tax assets relating to above temporary differences	**-**	**402**

In 2020 the Group has recognised all previously unrecognised deductible temporary differences for the mining operation.

NOTE 11. CASH AND CASH EQUIVALENTS

	2021 $'000	2020 $'000
Cash at bank and in hand	5,240	9,508
Short-term deposits	438,650	173,877
	443,890	**183,385**
Cash at bank and in hand as per statement of cash flows	443,890	183,385
	443,890	**183,385**

Total cash is held in trading accounts or term deposits with major financial institutions under normal terms and conditions appropriate to the operation of the accounts. These deposits earn interest at rates set by these institutions. As at 31 December 2021 the weighted average interest rate on the Australian dollar accounts was 0.31% (31 December 2020: 0.47%) and the weighted average interest rate on the United States dollar accounts was 1.94% (31 December 2020: 2.44%).

(a) Risk exposure

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

NOTE 12. TRADE AND OTHER RECEIVABLES

	2021 $'000	2020 $'000
Trade receivables	18,822	79,323
Security deposits	370	374
Loan receivable	-	11,483
Other receivables	4,429	2,235
Prepayments	498	1,054
	24,119	**94,469**

Trade receivables include provisionally priced receivables relating to sales contracts where the selling price is determined after delivery to the customers, based on the market price at the relevant quotation point stipulated in the contract (note 5 – Revenue). The quotation period exposure is considered to be an embedded derivative and not separated from the entire balance. The entire balance is accounted for as one instrument and measured at fair value.

On 2 August 2021, Grange Resources Investments Pty Ltd agreed with its joint venture partner an exit arrangement. Refer to Note 26 for further information.

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

(a) Impaired trade receivables

Information regarding the impairment of trade and other receivables is provided in note 2.

(b) Foreign exchange and interest rate risk

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

(c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to be their fair value. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above. Refer to note 2 for more information on the credit quality of the Group's trade and other receivables.

NOTE 13. INVENTORIES

	2021 $'000	2020 $'000
Stores and spares	34,986	34,975
Ore stockpiles	91,667	38,551
Work in progress	970	11,420
Finished goods (at lower of cost and net realisable value)	22,163	19,344
Properties developed for sale	12,215	18,720
	162,001	**123,010**

Ore stockpiles, work in progress, finished goods and stores and spares are valued at the lower of weighted average cost and estimated net realisable value. A credit of $45.5 million in 2021 and a credit of $11.01 million in 2020 were recognised for the movements in inventories (note 6).

Properties developed for sale pertains to property acquired for development and sale and are valued at lower of cost and estimated net realisable value. Sale of these properties is expected to occur within the next 12 months.

NOTE 14. NON-CURRENT RECEIVABLES

	2021 $'000	2020 $'000
Security deposits	7,984	8,484
	7,984	**8,484**

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

(a) Risk exposure

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

NOTE 15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings $'000	*Plant and equipment* $'000	*Computer Equipment* $'000	*Total* $'000
At 1 January 2021				
Cost	54,284	454,083	9,741	518,108
Accumulated depreciation and impairment	(39,015)	(356,361)	(8,738)	(404,114)
Net book amount	**15,269**	**97,722**	**1,003**	**113,994**
Year ended 31 December 2021				
Opening net book amount	15,269	97,722	1,003	113,994
Additions	648	39,334	14	39,996
Disposals - net book value	-	(448)	(1)	(449)
Depreciation charge	(992)	(15,063)	(306)	(16,361)
Transfer to MP&D	-	-	-	-
Closing net book amount	**14,925**	**121,545**	**710**	**137,180**
At 31 December 2021				
Cost	54,932	492,969	9,754	557,655
Accumulated depreciation and impairment	(40,007)	(371,424)	(9,044)	(420,475)
Net book amount	**14,925**	**121,545**	**710**	**137,180**
At 1 January 2020				
Cost	49,818	434,387	9,085	493,290
Accumulated depreciation and impairment	(38,093)	(349,181)	(8,260)	(395,534)
Net book amount	**11,725**	**85,206**	**825**	**97,756**
Year ended 31 December 2020				
Opening net book amount	11,725	85,206	825	97,756
Additions	4,466	35,968	658	41,092
Disposals - net book value	-	(1)	-	(1)
Depreciation charge	(922)	(18,808)	(480)	(20,210)
Transfer to MP&D	-	(4,643)	-	(4,643)
Closing net book amount	**15,269**	**97,722**	**1,003**	**113,994**
At 31 December 2020				
Cost	54,284	454,083	9,741	518,108
Accumulated depreciation and impairment	(39,015)	(356,361)	(8,738)	(404,114)
Net book amount	**15,269**	**97,722**	**1,003**	**113,994**

(a) Assets under construction

The carrying amounts of the assets disclosed above includes expenditure of $68.2 million (2020: $43.01 million) recognised in relation to property, plant and equipment which is in the course of construction.

NOTE 16. LEASES

This note provides information for leases where the group is a lessee.

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2021	2020
	$'000	**$'000**
Right-of-use assets		
Land and buildings	255	330
Plant and equipment	18,285	1,981
	18,540	**2,311**

Lease liabilities		
Current	16,920	1,109
Non-current	535	1,299
Total lease liabilities	**17,455**	**2,408**

Additions to the right of use assets during the 2021 financial year were $18,268,097 (2020-$380,057)

	2021	2020
	$'000	**$'000**
Depreciation charge of right of use assets		
Land and buildings	(75)	(75)
Plant and equipment	(1,964)	(878)
	(2,039)	**(953)**
Interest expense (included finance cost)	304	132
Expense relating to short-term leases (included in cost of sales)	315	6

Additions to the right-of-use assets during the 2021 financial year were $18,268,097 (2020 - $380,057).

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

Interest expense (including finance cost)	304	132
Expense relating to short-term leases (included in cost of sales)	315	6

The total cash outflow for leases in 2021 was $3,221,573 (2020 - $1,027,102)

NOTE 17. MINE PROPERTIES AND DEVELOPMENT

	2021 $'000	2020 $'000
Mine properties and development (at cost)	670,898	652,389
Accumulated amortisation and impairment	(491,276)	(481,805)
Net book amount	179,622	170,584
Deferred stripping costs (net book amount)	82,755	98,713
Total mine properties and development	**262,377**	**269,297**

Movements in mine properties and development are set out below:	2021 $'000	2020 $'000
Mine properties and development		
Opening net book amount	170,584	146,415
Current year expenditure capitalised	1,134	17,344
Change in rehabilitation estimate	21,913	4,325
Change in discount rate	(4,537)	5,518
Transfer from PPE	-	4,643
Amortisation expense	(9,472)	(7,661)
Closing net book amount	**179,622**	**170,584**
Deferred stripping costs		
Opening net book amount	98,713	59,906
Current year expenditure capitalised	38,941	69,308
Amortisation expense	(54,899)	(30,501)
Closing net book amount	**82,755**	**98,713**

NOTE 18. DEFERRED TAX ASSETS

	2021 $'000	2020 $'000
The balance comprises temporary differences attributable to:		
Deferred Tax Assets		
Property, plant and equipment	17,972	21,895
Mine properties and development	816	10,131
Decommissioning and restoration	24,224	20,585
Employee benefits	7,174	6,620
Prepayments	1	-
Trade Receivables	53	841
Derivatives	-	2,447
Foreign exchange	-	1,131
Trade payables	-	205
Total deferred tax assets	**50,240**	**63,855**
Deferred Tax Liabilities		
Inventory	(5,133)	(4,503)
Foreign exchange	(1,104)	-
Derivatives	(363)	-
Trade Payables	(295)	-
Prepayments	-	(61)
Total deferred tax liabilities	**(6,895)**	**(4,564)**
Total net deferred tax assets	**43,345**	**59,291**

NOTE 19. TRADE AND OTHER PAYABLES

	2021 $'000	2020 $'000
Trade payables and accruals	36,613	34,037
Contract Liabilities	3,793	4,238
Tax payable	79,110	66
Other payables	1,320	1,538
	120,836	**39,879**

(a) Risk exposure

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

NOTE 20. BORROWINGS (CURRENT)

	2021 $'000	2020 $'000
Other borrowings	-	14,044
	-	**14,044**

On 2 August 2021, Grange Resources Investments Pty Ltd agreed with its joint venture partner an exit arrangement. Refer to Note 26 for further information.

NOTE 21. PROVISIONS (CURRENT)

	2021 $'000	2020 $'000
Leave Obligations	17,630	15,449
Employee benefits	3,093	2,780
Property settlement related provision	80	405
Decommissioning and restoration	1,487	5,950
	22,290	**24,584**

The leave obligations cover the group's liabilities for long service leave and annual leave which are classified as either current or non-current benefits. The current portion of this liability includes all of the accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required period of service and also for those employees that are entitled to pro-rata payments in certain circumstances. The entire amount of the provision of $17.6 million (2020 $15.45 million) is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.

	2021 $'000	2020 $'000
Current leave obligations expected to be settled after 12 months	10,476	9,700

Movements in provision for decommissioning and restoration are set out below

	2021 $'000	2020 $'000
Balance at beginning of the year	5,950	7,378
Payments	(177)	(2,101)
Transfers (to)/from non-current provisions	(4,286)	673
Balance at the end of the year	**1,487**	**5,950**

NOTE 22. PROVISIONS (NON-CURRENT)

	2021 $'000	2020 $'000
Leave obligations	2,895	3,643
Employee benefits	305	302
Decommissioning and restoration	85,235	68,671
	88,435	**72,616**

Movements in provision for decommissioning and restoration are set out below

	2021 $'000	2020 $'000
Balance at beginning of the year	68,671	58,311
Change in estimate	11,422	10,337
Unwinding of discount	906	696
Transfers (from)/to current provisions	4,236	(673)
Balance at the end of the year	**85,235**	**68,671**

The main component of the provision for decommissioning and restoration costs is for the Group's obligation to rehabilitate the Savage River and Port Latta sites for the disturbance caused by its operations. The rehabilitation provision also includes an obligation under the Tasmanian Goldamere Pty Ltd Act 1996 to repay the Tasmanian Government for part of the purchase of the mine through expenditure on remediation.

NOTE 23. CONTRIBUTED EQUITY

Ordinary shares

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

(a) Movements in ordinary share capital	**Number of shares**	**$'000**
Balance at 1 January 2021 / 31 December 2021	**1,157,338,698**	**331,513**

NOTE 24. RETAINED EARNINGS ATTRIBUTABLE TO OWNERS OF GRANGE RESOURCES

	2021 $'000	2020 $'000
Retained earnings		
Movements in retained profits were as follows:		
Balance at the beginning of the year	**381,747**	**200,716**
Profit for the year	322,260	204,179
Dividends paid	(162,028)	(23,148)
Balance at the end of the year	**541,979**	**381,747**

NOTE 25. DIVIDENDS

	2021 $'000	2020 $'000
Fully franked special dividend for year ended 31 December 2021 - 10.0 cents per share	115,734	-
Fully franked interim dividend for half year ended 30 June 2021 - 2.0 cents per share	23,147	-
Fully franked final dividend for the year ended 31 December 2020 - 2.0 cents per share	23,147	-
Fully franked interim dividend for half year ended 30 June 2020 - 1.0 cents per share	-	11,574
Fully franked final dividend for the year ended 31 December 2019 - 1.0 cents per share	-	11,574
Total dividends paid	**162,028**	**23,148**

Since the end of the financial year the directors have recommended the payment of a 10.0 cent final dividend of $115.7 million. This represents a total of $254.6 million (22.0 cents per share) fully franked dividend for the year-end 31 December 2021. The final dividend was declared NIL conduit foreign income and will be paid on 29 March 2022.

Franked Dividends

The final dividends recommended after 31 December 2021 will be fully franked out of existing franking credits, or out of franking credits arising from the payment of income tax in the year ending 31 December 2021.

	31 December 2021 $'000	31 December 2020 $'000
Franking credits available for subsequent reporting periods Based on a tax rate of 30% (2020 – 30%)	**126,937**	**74,505**

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

NOTE 26. NON-CONTROLLING INTEREST

Grange ROC Property Pty Ltd (the Joint Venture) was involved in the development and construction of apartments. On 2 August 2021, Grange Resources Investments Pty Ltd agreed with its joint venture partner an exit arrangement. The net effect of the arrangement in the income statement in the current year is $2.5m income as a result of the unwind of the net borrowings to the Joint Venture.

The effect on the equity attributable to owners of the parents during the year is summarised as follows:

	2021 $'000	2020 $'000
Carrying amount of non-controlling interests acquired	(1,814)	-
Consideration paid to non-controlling interests	(459)	-
Excess of consideration paid recognised in the transaction with non-controlling interests reserve within equity	**(2,273)**	**-**

The Group is currently focused on undertaking sales campaigns to sell the remaining 2 unsold units at the Carter Toorak project and the land at the Brookville project.

NOTE 27. CARRYING VALUE 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 (Note 3(b)).

At 31 December 2021, the Group determined that there were no indicators of impairment for Property Plant and Equipment, Mine Property & Development and Right of Use of Assets due to improved market capitalisation, strong spot and consensus forecast iron ore prices, foreign exchange rates, reserves and resources, and asset performance at 31 December 2021.

In addition to this, the Group is currently undertaking an underground project to extend the life of mine, reduce the operating costs and minimise the future capital expenditures.

NOTE 28. REMUNERATION OF AUDITORS

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

	2021 $'000	2020 $'000
Assurance Services		
PwC Australia		
Audit and review of financial reports	313	325
Other assurance services	102	26
Network firms of PwC Australia	17	18
Total assurance services	**432**	**369**
Non-Assurance Services		
PwC Australia		
Taxation compliance services	8	1
Total remuneration paid	**440**	**370**

NOTE 29. COMMITMENTS AND CONTINGENCIES

(a) Tenement expenditure commitments

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

	2021 $'000	2020 $'000
Within one year	492	532
Later than one year but not later than five years	1,567	1,691
Later than five years	2,445	2,876
	4,504	**5,099**

(b) Capital expenditure commitments

Capital expenditure obligations at the end of the reporting period but not recognised as liabilities are as follows:

	2021 $'000	2020 $'000
Within one year	17,739	7,131
After one year but not more than five years	9,218	10,000
Later than five years	-	-
	26,957	**17,131**

NOTE 29. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(c) Contractual operating expenditure commitments

Obligations to external parties which arise with respect to legal supply contracts made by the company (other than lease agreements).

	2021 $'000	2020 $'000
Within one year	26,177	13,870
After one year but not more than five years	26,909	212
Later than five years	-	-
	53,086	**14,082**

(d) Bank Guarantees

Bank guarantees have been provided on the Group's behalf to secure, on demand by the Minister for Mines and Energy for the State of Queensland, any sum to a maximum aggregate amount of $2,012,963 (2020: $2,517,424), in relation to the rehabilitation of the Highway Reward project.

A Bank guarantee has been provided by Grange Resources (Tasmania) Pty Ltd, held by the Tasmanian Government, as required under Environmental Management and Pollution Control Act 1994 (EMPCA) for the amount of $3,170,622 (2020: $3,166,540). This amount is to guarantee the rehabilitation responsibilities under the mining lease at Savage River.

A Bank guarantee has been provided by Grange Resources (Tasmania) Pty Ltd, held by the National Australia Bank, as required under the Goldamere Agreement and applicable Deeds of Variation, for the amount of $2,800,000 (2020: $2,800,000). This amount is a guarantee against the purchase price outstanding with the Tasmanian government as specified in the Goldamere Agreement.

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

(e) Contingent Assets and Liabilities

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

NOTE 30. RELATED PARTY TRANSACTIONS

(a) Ultimate Parent

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

(b) Subsidiaries

Interests in subsidiaries are set out in note 32.

(c) Key management personnel compensation

	2021 $	2020 $
Short term employee benefits	1,667,495	1,587,562
Post-employment benefits	124,962	118,322
Long-term benefits	49,990	56,271
Long-term incentives	198,398	151,751
	2,040,845	**1,913,906**

Detailed remuneration disclosures are provided in the remuneration report on pages 12 to 18.

NOTE 30. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Transactions with related parties

During the year the following transactions occurred with related parties:

	2021	2020
	$	$
Sales of iron ore products	216,292,463	182,146,622

Sales of iron ore products to Jiangsu Shagang International Trade Co., Ltd, a wholly owned subsidiary of Jiangsu Shagang Group, under long-term off-take agreements.

During the year, 783,010 dry metric tonnes of iron ore products were sold to Shagang in accordance with the terms of the long term off-take agreements (2021 contract year (1 April 2020 to 31 March 2021): 860,542 dmt) (2020: 1,012,503 dry metric tonnes, 2020 contract year (1 April 2019 to 31 March 2020): 923,284 dmt).

(e) Outstanding balances arising from transactions with related parties

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

	2021	2020
Trade receivables (sales of iron ore products)	**$**	**$**
Pellets	19,095,808	32,350,066
Others	(62,961)	(10,187)
	19,032,847	**32,339,879**

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

There is no allowance account for impaired receivables in relation to any outstanding balances with related parties, and no expense has been recognised during the year in respect of impaired receivables due from related parties (2020: Nil).

Long term off-take agreement

Grange Resources (Tasmania) Pty Ltd (Grange Tasmania) is party to a long term off-take agreement (Pellets and Chips) with Jiangsu Shagang International Trade Co. Ltd (Shagang), a wholly owned subsidiary of Jiangsu Shagang Group Co. Ltd, who, as at 25 February 2022, holds 47.93% (26 February 2021: 47.93%) of the issued ordinary shares of Grange.

Pellets

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

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

As set out in the Grange Notice of Meeting dated 5 November 2008, transactions between Shagang and Grange must be approved by non-associated shareholders of Grange, or approved by the Grange independent directors.

NOTE 31. SUBSIDIARIES

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

	Percentage of equity interest held by the Group	
	2021	2020
Name	%	%
Ever Green Resources Co., Limited [(1)]	**100**	**100**
Grange Tasmania Holdings Pty Ltd	**100**	**100**
Beviron Pty Ltd	**100**	**100**
Grange Resources (Tasmania) Pty Ltd	**100**	**100**
Grange Capital Pty Ltd	**100**	**100**
Grange Administrative Services Pty Ltd	**100**	**100**
Barrack Mines Pty Ltd	**100**	**100**
Bamine Pty Ltd	**100**	**100**
BML Holdings Pty Ltd	**100**	**100**
Horseshoe Gold Mine Pty Ltd	**100**	**100**
Grange Resources (Southdown) Pty Ltd	**100**	**100**
Southdown Project Management Company Pty Ltd	**100**	**100**
Grange Resources Investments Pty Ltd	**100**	**100**
Grange ROC Property Pty Ltd	**100**	**51**

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

NOTE 32. INTEREST IN JOINT OPERATIONS

	% Interest	% Interest
Name of Joint Operation	2021	2020
Southdown Magnetite and Associated Pellet Project(s) – Iron Ore	70.00	70.00
Reward - Copper / Gold	31.15	31.15
Highway – Copper	30.00	30.00
Reward Deeps / Conviction - Copper	30.00	30.00
Mt Windsor Exploration - Gold / Base Metals	30.00	30.00
Durack / Wembley – Exploration Gold	15.00	15.00

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

Southdown Magnetite and Associated Pellet Project(s) is a joint venture between Grange Resources Limited and SRT Australia Pty Ltd. The joint venture proposes to mine and export premium iron ore pellets and concentrates. The principal place of business of the joint venture is at 34a Alexander Street, Burnie, Tasmania, 7320.

Mt Windsor Exploration is a joint venture between BML Holdings Pty Limited, a subsidiary of Grange Resources Limited, and Thalanga Copper Mines Pty Ltd. The joint venture was engaged in ore mining and is now being rehabilitated for future lease relinquishment. The principal place of business of the joint venture is at 1 Penghana Road, Queenstown, Tasmania, 7326.

NOTE 33. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2021 $'000	2020 $'000
Profit for the year	321,615	203,186
Unwinding of discount	885	774
Depreciation and amortisation	18,400	21,163
Mine properties and development amortisation	64,370	38,162
Other non-cash (income) / expenses	(9,196)	2,804
Interest expense	21	356
Inventory provision	672	2,569
Proceeds from sale of property, plant and equipment	-	(21)
Profit on disposal of property, plant and equipment	447	1
Loss (gain) on financial instruments	(9,418)	7,457
Net unrealised foreign exchange loss (gain)	(7,161)	9,320
Change in operating assets and liabilities		
(Increase) decrease in trade and other receivables	58,863	(41,080)
Increase in inventories	(39,664)	(5,778)
Decrease (increase) in deferred tax assets	15,946	(26,437)
Increase in trade and other payables (excluding tax payable)	1,914	7,849
Increase in other provisions	1,424	1,451
Decrease (increase) in provision for income tax payable	79,042	(19,208)
Net cash inflow from operating activities	**498,160**	**202,568**

NOTE 34. EARNINGS PER SHARE

	2021 Cents	2020 Cents
Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the Group	27.84	17.64
Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the Group	27.84	17.64

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

	2021 $'000	2020 $'000
Profit attributable to the ordinary equity holders of the Group used in calculating basic earnings per share from continuing operations	322,260	204,179
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the Group used in calculating diluted earnings per share from continuing operations	322,260	204,179

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

	2021 Number	2020 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,157,338,698	1,157,338,698

NOTE 35. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

	2021 $'000	2020 $'000
Balance Sheet		
Current assets	36,222	1,269
Total assets	489,115	313,825
Current liabilities	82,241	2,450
Total liabilities	113,983	34,810
Shareholders' equity		
Contributed equity	392,475	392,475
Reserves		
- Share-based payments	31,191	31,191
Retained losses	(48,534)	(144,651)
Total equity	**375,132**	**279,015**
Profit for the year	259,972	39,230
Total comprehensive income for the year	**259,972**	**39,230**

(b) Contingent liabilities of the parent entity

Other contingent liabilities

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

NOTE 36. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Since the end of the financial year the directors have recommended the payment of a 10.0 cent per share final dividend of $115.7 million.

At 31 January 2022 the Brookville land was settled for $11.3m.

There were no other matters or circumstances arising since 31 December 2021 that has significantly affected, or may significantly affect:

- The Group's operations in future 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 23 to 75 are in accordance with the *Corporations Act 2001*, including:

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

   (ii) giving true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the financial year ended on that date, and

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

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

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

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

Michelle Li
Chairperson of the Board of Directors

Perth, Western Australia
25 February 2022

pwc

Independent auditor’s report

To the members of Grange Resources Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Grange Resources Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 31 December 2021
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the financial statements, which include significant accounting policies and other explanatory information
- the directors’ declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if

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

individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality	Audit scope	Key audit matters
• For the purpose of our audit we used overall Group materiality of $12.4 million, which represents approximately 5% of the Group's average profit before tax over the past 3 years. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose Group average profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. Due to fluctuations in profit and loss from year to year, we chose a three year average. • We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: – Assessing the carrying value of mining assets – Accounting for the cost of rehabilitation • These are further described in the *Key audit matters* section of our report

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	How our audit addressed the key audit matter
Assessing the carrying value of mining assets ***(Refer to note 15, 16, 17 and 27)*** At 31 December 2021, the Group had carrying values for property, plant and equipment of $137.2 million mine properties and development of $262.4 million and right of use assets of $18.5 million (the 'mining assets'). In line with AASB 116 Property Plant and Equipment, the Group is required to assess whether there is any indication that an asset may be impaired at each reporting period. At 31 December 2021, the Group concluded that there were no indicators of impairment in relation to the carrying value of mining assets. The assessment for the carrying value of mining assets was a key audit matter due to the financial significance of the balances.	To assess the carrying value of mining assets we performed the following procedures, amongst others: • Evaluated the Group's assessment of whether there were any indicators of mining asset impairment, including consideration of iron ore prices, foreign exchange rates, reserves and resources and asset performance over the year. • Compared the value of net assets of the Group at year ended 31 December 2021 to the market capitalisation.
Accounting for the cost of rehabilitation ***(Refer to note 21 and 22)*** The main component of the provision for decommissioning and restoration costs is for the Group's obligation to rehabilitate the Savage River and Port Latta sites for the disturbance caused by its operations. The rehabilitation provision also includes an obligation under the Tasmanian Goldamere Pty Ltd Act 1996 to repay the Tasmanian Government for part of the purchase of the mine through expenditure on remediation. The net present value of the cost of rehabilitation is recorded as a provision of $85.2 million (non-current) and $1.5 million (current), for a total of $86.7 million.	To assess the accounting for the cost of rehabilitation, we performed the following procedures, amongst others: • Obtained the Group's calculation of the rehabilitation provision. We checked the mathematical accuracy on a sample of calculations and whether the timing of the cash flows in the rehabilitation models was consistent with the life of mine plans. • Assessed whether the discount rates used in the rehabilitation models were reasonable by comparing them to market data. • Where external and internal experts were used by the Group to estimate remediation costs, we assessed our ability to use their estimates, considering their objectivity, competency and

Key audit matter	How our audit addressed the key audit matter
Given the financial significance of this balance and the judgments involved in accounting for the cost of rehabilitation, this was a key audit matter.	capability and assessing that the scope of work they performed was appropriate for the purposes of the estimate. • We compared the Group's significant assumptions on rehabilitation costs to other similar costs in the business or external quotes where appropriate.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2021, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Directors' Report and the Corporate Governance Statement. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 12 to 18 of the directors' report for the year ended 31 December 2021.

In our opinion, the remuneration report of Grange Resources Limited for the year ended 31 December 2021 complies with section 300A of the *Corporations Act 2001.*

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Amanda Campbell
Partner

Melbourne
25 February 2022