Grange Resources Limited and its Controlled Entities

ABN 80009132405

Interim Report for the Half Year Ended - 30 June 2022

Grange Resources Limited and its Controlled Entities
Directors' report
30 June 2022

The directors present their report on the consolidated entity (the "Group") consisting of Grange Resources Limited ("Grange" or "the Company") and the entities it controlled at the end of, or during, the half-year ended 30 June 2022.

Directors
The following persons were directors of Grange Resources Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Michelle Li	Chairperson
Yan Jia	Non-Executive Director, Deputy Chairperson
Honglin Zhao	Executive Director
Michael Dontschuk	Non-Executive Director
Ajanth Saverimutto	Non-Executive Director

Principal activities
During the six months ended 30 June 2022, the principal activities of the Group were as follows:

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

Review of operations
Key Highlights

Mining operations

- Achieved over 1930 days Lost Time Injury free
- Statutory profit after tax for the six months ended 30 June 2022 of $132.2 million compared to the same period in 2021 of $205.3 million profit after tax. Net assets as at 30 June 2022 of $887.7 million, compared to $871.2 million as at 31 December 2021.
- Pellet production of 1.27 million tonnes, compared to 1.27 million tonnes in the preceding 2021 half year.
- Pellet sales of 1.18 million tonnes, compared to 1.21 million tonnes in the preceding 2021 half year.
- Unit cash operating costs for the six months ended 30 June 2022 of $113.66 per tonne compared to $100.23 per tonne for the preceding 2021 half year principally due to higher energy costs.
- Cash and cash equivalents and liquid investments of $369.5 million compared to $443.9 million as at 31 December 2021.
- The next stage of underground feasibility study commenced with the initial focus on the revised footprint that will support transition from the NP Stage 7 open cut.

COVID-19 Business Response

The COVID-19 pandemic continues to be highly active in the local community as public controls have been reduced. Grange have sustained the operation through this time and ensured the health, safety and wellbeing of our people throughout the course of the pandemic. Business continuity plans remain in place and are centred around our 4 simple steps to Sanitise, Separate, Self-care and Support each other as we continue our operation and protect our people at work and at home.

Due to the escalation of COVID19 locally, there has been some impact to activity and operations due to increased absenteeism resulting from isolation requirements for people who have contracted the virus or have been a close contact.

Statement of Comprehensive Income

Grange achieved a statutory profit after tax of $132.2 million for the half year ended 30 June 2022 (2021: $205.3 million profit after tax) on revenues from mining operations of $329.8 million (2021: $449.6 million).

Key revenue metrics for the 30 June 2022 half year and preceding 2021 half year were as follows:

	6 months to 30 June 2022	6 months to 30 June 2021
Iron Ore Pellet Sales (dmt)	1,183,728	1,209,809
Iron Ore Concentrate Sales (dmt)	-	22
Iron Ore Chip Sales (dmt)	34,185	60,174
TOTAL Iron Ore Product Sales (dmt)	**1,217,913**	**1,270,005**
Average Realised Product Price (US$/t FOB Port Latta)*	174.96	260.54
Average Realised Exchange Rate (AUD:USD)	0.7242	0.7681
Average Realised Product Price (A$/t FOB Port Latta)*	241.59	339.21

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

The average pellet price received during the half year was US$174.96 per tonne of product sold (FOB Port Latta) (2021: US$260.54 per tonne). Despite continued volatility and uncertainty as to the future direction of iron ore prices, the market continues to recognise the quality value in use premium for high quality, low impurity iron ore products sold by Grange.

Grange will continue to deliver into secured term offtake agreements for all products for 2022.

	6 months to 30 June 2022	6 months to 30 June 2021
Total BCM Mined	7,448,992	6,825,324
Total Ore BCM	1,156,928	874,813
Concentrate Produced (t)	1,301,904	1,206,721
Pellet Produced (t)	1,271,556	1,271,103
Pellet Stockpile (t)	298,021	181,260
Weight Recovery (%)	45.5	41.40
"C1" Costs (A$/tonne Product Produced)	113.66	100.23

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

As at 30 June 2022 Grange operations achieved over 1,930 days lost time injury free.

Mining in the bottom of North Pit was completed safely during the first half of the year, with additional ore delivered from the Stage 6 design. The focus now turns to accelerating the cutback on top of the east wall as the Stage 7 cutback continues. Pre-stripping in Centre Pit also continues as that pit progresses towards the main ore zone. Environmental approvals were obtained for utilising the South Deposit Pit as a backfill dumping location. This provides a shorter haul option for material mined from Centre Pit.

Downstream processing rates were down in the first quarter due to the scheduled maintenance works carried out for the annual common equipment shutdown. Concentrate and pellet production rates improved in the second quarter along with higher head grade being presented to the mill and target production rates were achieved.

North Pit Underground Development Project

The next stage of Feasibility Study commenced at the end of Q2 with the initial focus on the revised footprint that will support transition from the NP Stage 7 open cut. This includes the update of the geotechnical model, the flow and recovery model and the footprint finder. The diamond drilling program continued with both underground and surface holes focused on definition of the northern part of the ore zone.

Port Latta Improvement Projects

Furnace Line 4 rebuild is nearing completion. The mechanical installation has been completed and final electrical work is well progressed. This project is on track to commence commissioning and heat-up early in Q3. The addition of intermediate air injection will be developed in Q4 once the commissioned furnace has completed commission and production testing.

Statement of Financial Position

Grange's net assets increased by $16.5 million during the six months ended 30 June 2022 to $887.7 million from $871.2 million as at 31 December 2021 principally as a result of the following:

- Net Increase in property, plant and equipment of $14.5m
- Increase in inventories $33.3 million
- Increase in other financial assets $57.9 million
- Decrease in income tax payable $47.8 million and;
- Decrease in cash of $144.0 million.

Statement of Cash Flows

Net cash flows from operating activities

Net cash inflows from operating activities for the six months ended 30 June 2022 were $89.8 million (six months ended 30 June 2021: net inflow of $278 million) which largely reflects lower iron ore product sales price and higher energy costs.

Net cash flows from investing activities

Net cash outflows from investing activities for the six months ended 30 June 2022 were $119.9 million (six months ended 30 June 2021: net outflow of $46.1 million), principally related to movement of $60.0 million of funds to term deposits (June 2021: Nil), expenditure for mine development of $46.5 million (June 2021: $25.0 million), and purchase of property plant equipment of $23.4 million (June 2021: $21.0 million). $9.9 million was redeemed from short term managed funds (June 2021: Nil)

Net cash flows from financing activities

Net cash outflows from financing activities for the six months ended 30 June 2022 were $119.7 million (six months ended 30 June 2021: net outflow of $23.9 million) and principally related to payment of final dividend payment of $115.7 million for the 2021 financial year.

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

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Michelle Li
Chairperson of the Board of Directors

29 August 2022

Auditor's Independence Declaration

As lead auditor for the review of Grange Resources Limited for the half-year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Chris Dodd
Partner
PricewaterhouseCoopers

Melbourne
29 August 2022

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Condensed Consolidated Statement of Comprehensive Income
For the half-year ended 30 June 2022

	Note	Six months to 30 June 2022 $'000	Six months to 30 June 2021 $'000
Revenue from Operations	3,2	341,051	450,572
Cost of Sales	4	**(157,361)**	**(168,807)**
Gross profit from operations		**183,690**	**281,765**
Administrative Expenses	5	(2,221)	(2,021)
Operating profit before other income		**181,469**	**279,744**
Other income (expenses)			
Exploration and evaluation expenditure		(4,900)	(1,336)
Other Income/(Expenses)	6	224	132
Total expenses		(4,676)	(1,204)
Operating profit before finance costs		**176,793**	**278,540**
Finance Income	7	16,648	15,917
Finance Expenses	8	(1,547)	(445)
Profit before income tax expense		**191,894**	**294,012**
Income tax expense	9	(59,706)	(88,750)
Profit after income tax expense for the half-year		**132,188**	**205,262**
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year		**132,188**	**205,262**
Profit for the half-year is attributable to:			
Non-controlling interest		-	(652)
Owners of Grange Resources Limited	23	132,188	205,914
		132,188	**205,262**
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		-	(652)
Owners of Grange Resources Limited		**132,188**	**205,914**
		132,188	**205,262**
		Cents	**Cents**
Basic earnings per share		**11.42**	**17.79**
Diluted earnings per share		**11.42**	**17.79**

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

Grange Resources Limited and its Controlled Entities
Condensed Consolidated Statement of Financial Position
As at 30 June 2022

	Note	30 June 2022 $'000	31 December 2021 $'000
Assets			
Current assets			
Cash and cash equivalents	10	299,864	443,890
Trade and other receivables	11	15,273	24,119
Inventories	13	195,339	162,001
Other financial assets	12,26	78,702	20,799
Total current assets		**589,178**	**650,809**
Non-current assets			
Property, plant and equipment	15	151,662	137,180
Right-of-use assets	16	26,884	18,540
Mine properties and development	17	269,933	262,377
Deferred tax assets	18	29,246	43,345
Receivables	14	7,988	7,984
Total non-current assets		**485,713**	**469,426**
Total assets		**1,074,891**	**1,120,235**
Liabilities			
Current liabilities			
Trade and other payables	19	70,888	120,836
Lease liability	16	23,434	16,920
Provisions	20	21,010	22,290
Total current liabilities		**115,332**	**160,046**
Non-current liabilities			
Lease liability	16	224	535
Provisions	20	71,646	88,435
Total non-current liabilities		**71,870**	**88,970**
Total liabilities		**187,202**	**249,016**
Net assets		**887,689**	**871,219**
Equity			
Contributed Equity	21	331,513	331,513
Reserves		(2,257)	(2,273)
Retained earnings	23	558,433	541,979
Total equity		**887,689**	**871,219**

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

Grange Resources Limited and its Controlled Entities
Condensed Consolidated Statement of Changes in Equity
For the half-year ended 30 June 2022

	Issued capital $'000	Other Reserves $'000	Retained profits $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 January 2022	**331,513**	**(2,273)**	**541,979**	-	**871,219**
Profit for the period attributable to the owners of Grange Resources Limited	-	-	132,188	-	**132,188**
Loss attributable to non-controlling interests	-	-	-	-	-
Total comprehensive profit for the half-year	-	-	132,188	-	**132,188**
Transactions with owners in their capacity as owners:					
Share-based payments (note 22)	-	16	-	-	**16**
Dividends paid (note 24)	-	-	(115,734)	-	**(115,734)**
Balance at 30 June 2022	**331,513**	**(2,257)**	**558,433**	-	**887,689**

	Contributed equity $'000	Other Reserves $'000	Retained earnings $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 January 2021	**331,513**	-	**381,747**	**(1,169)**	**712,091**
Profit for the period attributable to the owners of Grange Resources Limited	-	-	205,914	-	**205,914**
Loss attributable to non-controlling interests	-	-	-	(652)	**(652)**
Total comprehensive profit for the half-year	-	-	205,914	(652)	**205,262**
Transactions with owners in their capacity as owners:					
Dividends paid (note 24)	-	-	(23,147)	-	**(23,147)**
Balance at 30 June 2021	**331,513**	-	**564,514**	**(1,821)**	**894,206**

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

Grange Resources Limited and its Controlled Entities
Condensed Consolidated Statement of Cash Flows
For the half-year ended 30 June 2022

	Note	Six months to 30 June 2022 $'000	Six months to 30 June 2021 $'000
Cash flows from operating activities			
Receipts from customers and other debtors (inclusive of goods and services tax)		349,916	445,908
Payments to suppliers and employees (inclusive of goods and services tax)		(169,190)	(146,137)
		180,726	**299,771**
Interest received		2,863	3,352
Interest paid		(423)	-
Income taxes paid		(93,387)	(25,080)
Net cash inflow from operating activities		**89,779**	**278,043**
Cash flows from investing activities			
Payments for mine, properties and development		(46,533)	(25,031)
Payments for property, plant and equipment		(23,394)	(21,034)
Payments for investment in term deposits		(60,000)	-
Proceeds from managed funds		9,901	-
Proceeds/(payments) from security and term deposit		82	(4)
Proceeds from sales of property, plant and equipment		1	4
Net cash used in investing activities		**(119,943)**	**(46,065)**
Cash flows from financing activities			
Dividends paid to shareholders	24	(115,734)	(23,147)
Lease payments		(3,988)	(778)
Net cash used in financing activities		**(119,722)**	**(23,925)**
Net decrease in cash and cash equivalents		**(149,886)**	**208,053**
Cash and cash equivalents at the beginning of the financial half-year		443,892	183,385
Net foreign exchange difference		5,858	5,596
Cash and cash equivalents at the end of the financial half-year	10	**299,864**	**397,034**

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

Note 1. Summary of Significant Accounting Policies

(a) Basis of preparation for the interim financial report

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2022 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The condensed consolidated interim financial report does not include all information and disclosures required in the annual financial statements. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2021 and any public announcements made by Grange Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

(b) Accounting policies

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021.

Where required, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

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

(c) Critical accounting estimates and judgements

The preparation of this interim financial report requires the use of estimates and judgements. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within this interim financial report are consistent with those of the previous financial year as disclosed in the Annual Report for the year ended 31 December 2021.

(d) 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. 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.

Segment assets and capital are allocated based on where the assets are located. The consolidated assets of the Group were predominantly located in Australia as at 30 June 2022 and 31 December 2021. The total costs incurred during the current and comparative periods to acquire segment assets also predominantly incurred in Australia.

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

Note 2. Segment Information (continued)

	Ore Mining		Property Development		Total	
	Six months to 30 June 2022 $'000	**Six months to 30 June 2021 $'000**	**Six months to 30 June 2022 $'000**	**Six months to 30 June 2021 $'000**	**Six months to 30 June 2022**	**Six months to 30 June 2021**
Revenue from external customers	329,751	449,556	11,300	1,016	**341,051**	**450,572**
Timing of Revenue Recognition						
At a point in time	294,239	430,795	11,300	1,016	**305,539**	**431,811**
Over time	35,512	18,761	-	-	**35,512**	**18,761**
	329,751	**449,556**	**11,300**	**1,016**	**341,051**	**450,572**
Total Assets	1051,115	1,095,526	23,776	24,709	1,074,891	1,120,235
Total Liabilities	187,013	247,891	189	1,125	187,202	249,016

	Six months to 30 June 2022 $'000	**Six months to 30 June 2021 $'000**
Sales by Destination		
Ore Mining		
Australia	11,994	31,630
China	199,717	333,920
Korea	118,040	84,006
Total Mining	**329,751**	**449,556**
Property Development		
Australia	11,300	1,016
Total Revenue	**341,051**	**450,572**

Note 3. Revenue from Operations

	Six months to 30 June 2022			**Six months to 30 June 2021**		
	$'000 Revenue from Contracts with Customers	**$'000** Other Revenue/ Loss	**$'000** Total Revenues	**$'000** Revenue from Contracts with Customers	**$'000** Other Revenue /Loss	**$'000** Total Revenues
From Mining Operations						
Sales of Iron Ore	308,502	21,249	**329,751**	406,660	42,896	**449,556**
From Property Development						
Sales of property	11,300	-	**11,300**	1,016	-	**1,016**
	319,802	**21,249**	**341,051**	**407,676**	**42,896**	**450,572**

Certain of the Group's products may be provisionally priced at the date revenue is recognised. The change in value of the provisionally priced receivables (note 11 – Trade and Other Receivables) is based on relevant forward market prices and is included in "Other revenue". Where an estimated forward price is not available, spot prices are applied as management's best estimate of the provisional prices.

Note 3. Revenue from Operations (continued)

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 were 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 4. Cost of Sales

	Six months to 30 June 2022 $000	Six months to 30 June 2021 $000
Cost of sales - mining		
Mining costs	79,875	65,221
Production costs	68,330	56,252
Changes in inventories	(28,752)	1,431
Freight Costs	35,512	18,761
Government Royalties	9,971	15,513
Depreciation and amortisation expense	10,705	7,747
Mine properties and development		
- Amortisation expense	4,760	5,453
Deferred Stripping		
- Amounts capitalised during the period	(46,182)	(23,868)
- Amortisation expense	16,533	19,011
Foreign exchange gain (loss)	(3,349)	1,594
Total Cost of Sales - Mining	**147,403**	**167,115**
Cost of Sales - Property Development		
Property Costs	9,958	1,020
Inventory Provision	-	672
Total Cost of Sales - Property and Development	**9,958**	**1,692**
Total Cost of Sales	**157,361**	**168,807**

Note 5. Administrative Expenses

	Six months to 30 June 2022 $'000	Six months to 30 June 2021 $'000
Salaries	1,371	1,245
Consultancy fees	587	432
Provision for rehabilitation - interest in joint operation	(13)	(132)
Other	276	476
	2,221	**2,021**

Note 6. Other Income/(Expenses)

	Six months to 30 June 2022 $'000	Six months to 30 June 2021 $'000
Rent Income	82	114
Other Income	159	18
Gain/(loss) on the disposal of property, plant and equipment	(17)	-
	224	**132**

Note 7. Finance Income

	Six months to 30 June 2022 $'000	Six months to 30 June 2021 $'000
Interest income received or receivable	2,558	2,965
Distribution Income	428	723
Gain on financial instruments	7,804	6,633
Exchange gain on foreign currency deposits/borrowings (net)	5,858	5,596
	16,648	**15,917**

The Group uses foreign currency, electricity and diesel forward and option contracts for economic hedging purposes. The gain and loss on financial instruments is the differences between forward rates and spot price at the end of the reporting period.

Note 8. Finance Expenses

	Six months to 30 June 2022 $'000	Six months to 30 June 2021 $'000
Other interest charges	807	33
Provisions: unwinding of discount		
- Decommissioning and restoration	740	412
	1,547	**445**

Note 9. Income Tax Expense

	Six months to 30 June 2022 $'000	Six months to 30 June 2021 $'000
(a) Income Tax Expense		
Current Tax	**45,601**	**80,025**
Deferred income tax included in income tax expense comprises:		
Decrease in deferred tax assets	14,099	8,725
Previously unrecognised deferred tax assets for temporary differences now recognised	6	-
	14,105	**8,725**
Total Income Tax Expense	**59,706**	**88,750**
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense (benefit)	191,894	294,012
Tax expense at the Australian tax rate of 30% (June 2021: 30%)	57,568	88,204
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Sundry Items	115	554
	57,683	**88,758**
Movements in previously unrealised deferred tax assets	6	-
Adjustment to tax of prior period	2,017	(8)
	59,706	**88,750**
(c) Taxation Losses		
Unused taxation losses for which no deferred tax assets has been recognised	5,625	4,312
Potential tax benefit @ 30%	**1,688**	**1,294**

Note 10. Cash and cash equivalents

	30 June 2022 $'000	31 December 2021 $'000
Cash at bank and in hand	5,611	5,240
Short-term deposits	294,253	438,650
	299,864	**443,890**

Note 11. Trade and other receivables

	30 June 2021 $'000	31 December 2021 $'000
Trade receivables	8,520	18,822
Security deposits	284	370
Other receivables	4,714	4,429
Prepayments	1,755	498
	15,273	**24,119**

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 3 – 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.

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

Note 12. Other financial assets

	30 June 2022 $'000	31 December 2021 $'000
Current assets		
Short term managed funds	9,599	19,592
Derivatives	9,103	1,207
Investment in term deposit	60,000	-
	78,702	**20,799**

The Group holds investment in term deposits with 183 to 365 day terms and carries an annual interest of 3.4% to 3.97%.

Note 13. Inventories

	30 June 2022 $'000	31 December 2021 $'000
Stores and spares	49,198	34,986
Ore stockpiles	107,716	91,667
Work in progress	2,042	970
Finished goods (at lower of cost and net realisable value)	33,795	22,163
Properties developed for sale	2,588	12,215
	195,339	**162,001**

Inventories are valued at lower of weighted average and estimate net realisable value.

Properties developed for sale pertains to property acquired for development and sale and are valued at lower of cost and estimated net realisable value. These properties were sold in July 2022.

Note 14. Receivables

	30 June 2022 $'000	31 December 2021 $'000
Non-current assets		
Security deposits	7,988	7,984

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

Note 15. Property, plant and equipment

	Land and Building $'000	Plant and Equipment $'000	Computer Equipment $'000	Total $'000
At 1 January 2022				
Cost	54,932	492,969	9,754	557,655
Accumulated	(40,007)	(371,424)	(9,044)	(420,475)
Net book amount	**14,925**	**121,545**	**710**	**137,180**
Half-year ended 30 June 2022				
Opening net book amount	14,925	121,545	710	137,180
Additions	2,922	20,218	254	23,394
Disposals - net book value	-	-	(15)	(15)
Depreciation charge	(807)	(7,911)	(179)	(8,897)
Closing net book amount	**17,040**	**133,852**	**770**	**151,662**
At 30 June 2022				
Cost	57,854	513,187	9,993	581,034
Accumulated depreciation and Impairment	(40,814)	(379,335)	(9,223)	(429,372)
Net book amount	**17,040**	**133,852**	**770**	**151,662**

a) Assets under construction

The carrying amounts of the assets disclosed includes expenditure of $74.0 million (December 2021: $68.2 million) recognised in relation to property, plant and equipment which is in the course of construction.

Note 16. Right-of-use assets

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:

Note 16. Right-of-use assets (continued)

The balance sheet shows the following amounts relating to leases:	30 June 2022 $'000	31 December 2021 $'000
Right-of-use assets		
Land and buildings	-	255
Plant and equipment	26,884	18,285
	26,884	**18,540**
Lease liabilities		
Current	23,434	16,920
Non-current	224	535
Total lease liabilities	**23,658**	**17,455**

Additions to the right of use assets during the 2022 HY were $10.41m (2021 FY $18.27m)

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

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

	30 June 2022 $'000	30 June 2021 $'000
Depreciation charge of right of use assets		
Land and buildings	(31)	(37)
Plant and equipment	(1,815)	(531)
	(1,846)	(568)
Interest expense (included in finance cost)	423	47
Expense relating to short-term leases (included in cost of sales)	138	5

The total cash outflow for leases in HY 2022 was $3.98m (2021 FY - $3.22m)

Note 17. Mine properties and development

	30 June 2022 $'000	31 December 2021 $'000
Mine properties and development (at cost)	653,565	670,898
Accumulated amortisation and impairment	(496,036)	(491,276)
Net book amount	**157,529**	**179,622**
Deferred Stripping Costs (Net Book Amount)	112,404	82,755
Total mine properties and developments	**269,933**	**262,377**

Note 17. Mine properties and development (continued)

Movements in mine properties and development are set out below:	30 June 2022 $'000	31 December 2021 $'000
Mine properties and development		
Opening net book amount	179,622	170,584
Current year expenditure capitalised	419	1,134
Change in rehabilitation estimate	-	21,913
Change in discount rate	(17,684)	(4,537)
Transfer to PPE	(68)	-
Amortisation expense	(4,760)	(9,472)
	157,529	**179,622**
Deferred stripping costs		
Opening net book amount	82,755	98,713
Current year expenditure capitalised	46,182	38,941
Amortisation expense	(16,533)	(54,899)
Closing net book amount	**112,404**	**82,755**

Note 18. Deferred tax assets

	30 June 2022 $'000	31 December 2021 $'000
The balance comprises temporary differences attributable to:		
Deferred Tax Assets		
Property, plant and equipment	16,884	17,972
Mine properties and development	-	816
Decommissioning and restoration	19,120	24,224
Employee benefits	6,791	7,174
Prepayments	-	1
Trade Receivables	53	53
Total deferred tax assets	**42,848**	**50,240**
Deferred Tax Liabilities		
Inventory	(6,020)	(5,133)
Foreign exchange	(948)	(1,104)
Derivatives	(2,731)	(363)
Trade Payables	(968)	(295)
Mine Properties and Development	(2,935)	-
Total deferred tax liabilities	**(13,602)**	**(6,895)**
Total net deferred tax assets	**29,246**	**43,345**

Note 19. Trade and other payables

	30 June 2022 $'000	31 December 2021 $'000
Trade payables and accruals	36,280	36,613
Contract Liabilities	2,662	3,793
Tax payable	31,328	79,110
Other payables	618	1,320
	70,888	**120,836**

Note 20. Provisions

Provisions (Current)	30 June 2022 $'000	31 December 2021 $'000
Leave Obligations	17,839	17,630
Employee benefits	1,620	3,093
Other provision	80	80
Decommissioning and restoration	1,471	1,487
	21,010	**22,290**

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

Current leave obligations expected to be settled after 12 months	8,958	10,476
Movements in provision for decommissioning and restoration are set out below		
Balance at beginning of the year	1,487	5,950
Change in estimate	(55)	(177)
Transfers to current provisions	39	(4,286)
	1,471	**1,487**

	30 June 2022 $'000	31 December 2021 $'000
Provisions (non-current)		
Leave obligations	2,719	2,895
Employee benefits	380	305
Decommissioning and restorations	68,547	85,235
	71,646	**88,435**

Note 20. Provisions (continued)

Movements in provision for decommissioning and restoration are set out below

	30 June 2022 $'000	31 December 2021 $'000
Balance at beginning of the year	85,235	68,671
Change in estimate	-	11,422
Change in discount rate	(17,390)	906
Unwinding of discount	741	4,236
Transfers to current provisions	(39)	-
Balance at the end of the year	**68,547**	**85,235**

The change in estimate reflects a change in valuation of the decommissioning and restoration liability due to a change in discount rate.

Note 21. 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.

	30 June 2022 Shares	31 December 2021 Shares	30 June 2022 $'000	31 December 2021 $'000
Shares	1,157,338,698	1,157,338,698	331,513	331,513

Note 22. Share-Based Payment

On 11 May 2022 Grange Resources Limited (Parent Company) granted performance rights in three tranches and to be settled by issuance of shares to three key management personnel. Each right is entitled to a one equity share with a vesting date of 31 December 2024.

Tranche 1 requires a total share return (TSR) hurdle while Tranche 2 and Tranche 3 requires a series of non-market-based business objectives.

Note 22. Share-Based Payment (continued)

The performance rights granted was determined to be an equity settled shared-based payment transactions. The fair value at the date at grant date for tranche 1 is estimated using a Monte Carlo model, adjusted to take account of the Shareholder Return ("TSR") target required for the Performance Rights to vest while for tranche 2 and 3 using Black Scholes Option Pricing. The fair value at the grant date was estimated using the following assumptions:

The life of the option (years)	2.6
The current price of the underlying shares	$1.23
Expected volatility	55%
Dividend yield	3.3%
Risk free interest rate	1.90%
TSR at measurement date (tranche 1 only and relative to index)	63.5%

Total fair value of the performance rights at grant date is $308,791and is amortised over the life of the option. For the six-month ended 30 June 2022, the Group has recognised employee benefits expense of $16,000.

Note 23. Retained earnings

Retained earnings attributable to owners of Grange Resources

	30 June 2022 $'000	31 December 2021 $'000
Retained profits		
Balance at the beginning of the year	541,979	381,747
Profit for the year	132,188	322,260
Dividends paid	(115,734)	(162,028)
Balance at the end of the year	**558,433**	**541,979**

Note 24. Dividends

	Six months to 30 June 2022 $'000	Six months to 30 June 2021 $'000
Fully franked final dividend for the year ended 31 December 2021 - 10.0 cents per share	115,734	-
Fully franked final dividend for the year ended 31 December 2020 – 2.0 cents per share	-	23,147
Total dividends paid	**115,734**	**23,147**

Since the end of the half-year, the Board of Directors have recommended the payment of a fully franked dividend of 2.0 cents per share or $23.147 million. The interim dividend was declared NIL conduit foreign income and will be paid on 30 September 2022.

Franked Dividends

The interim dividends recommended after 30 June 2022 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.

Note 24. Dividends (continued)

	30 June 2022 $'000	31 December 2021 $'000
Franking credits available for subsequent reporting periods		
Based on a tax rate of 30% (2021 - 30%)	138,739	126,937

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 25. Fair value measurement

Fair value hierarchy
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-the1counter 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.

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 financial assets and financial liabilities measured and recognised at fair value at 30 June 2022 and 31 December 2021 on a recurring basis:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Condensed Consolidated - 30 June 2022	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets				
Short term managed funds	-	9,599	-	9,599
Derivative financial instruments	-	9,373	-	9,373
Total assets	**-**	**18,972**	**-**	**18,972**
Liabilities				
Derivative financial instruments	-	(270)	-	(270)
Total liabilities	**-**	**(270)**	**-**	**(270)**

Note 25. Fair value measurement (continued)

Condensed Consolidated - 31 December 2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Short Term Managed Funds	-	19,592	-	19,592
Derivative financial instruments	-	1,207	-	1,207
Total assets	**-**	**20,799**	**-**	**20,799**

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

	30 June 2022 $'000	31 December 2021 $'000
Electricity fixed forward	9,373	500
Diesel commodity swap	-	461
Foreign currency options	-	246
Foreign currency forward	(270)	-
Derivative financial instruments	**9,103**	**1,207**

The Company uses forward contracts to manage the price-risk of energy and fuel consumption. This table represents the mark to market revaluation of these forward contracts.

(i) Classification of derivatives

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

Note 26. Contingent liabilities

There were no significant changes to the contingent liabilities previously disclosed in the Annual Report for the half year ended 30 June 2022.

Note 27. Events Occurring After the Reporting Period

The Company sold the remaining two units at Carter Toorak in July 2022 and will be discontinuing its property segment operations.

Management made the decision to not exercise the option to purchase the 4 trucks on lease. These trucks were recognised as a right of use asset and lease liability of $16.4m and $13.9m respectively at the half year ended 30 June 2022. As a result, these leases will be derecognised from the statement of financial position in August 2022.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect:

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

Grange Resources Limited and its Controlled Entities
Directors' Declaration
30 June 2022

In the opinion of the Directors:

(a) The interim financial statements and notes of Grange Resources Limited set out on pages 7 to 24 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the half-year ended on that date;
(ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

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

This declaration has been made after receiving the declaration made to the directors for the half year ended 30 June 2022 in accordance with the 4th Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

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

Michelle Li
Chairperson of the Board of Directors

29 August 2022

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

Report on the financial report

Conclusion

We have reviewed the financial report of Grange Resources Limited (the Company) and the entities it controlled during the year (together the Group), which comprises the Condensed consolidated statement of financial position as at 30 June 2022, the Condensed consolidated statement of comprehensive income, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

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

1. giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the year ended on that date

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

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report.

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 the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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.

Auditor's responsibilities for the review of the financial report

Our responsibility is to express a conclusion on the financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view

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of the Group's financial position as at 30 June 2022 and of its performance for the year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

PricewaterhouseCoopers

Chris Dodd
Partner

Melbourne
29 August 2022