



18 July 2014  
ASX: GRR

# GRANGE RESOURCES LIMITED

*Australia's most experienced magnetite producer*

REPORT FOR THE QUARTER ENDED 30 JUNE 2014

## QUARTERLY HIGHLIGHTS

- Outstanding safety performance continues with no Lost Time Injuries recorded during the quarter. Over 1,435 days Lost Time Injury free.
- Continued delivery of strong quarterly production results as planned
  - Maintained focus on mine redevelopment in North Pit and continued pre-production stripping in South Deposit targeting ore supply in Q4 2014.
  - Average weight recovery 50% for the quarter, consistent with March 2014 quarter and almost double the recovery attained in the June 2013 quarter.
  - Sustained production at annualised rates of approximately 2.5 million tonnes per annum.
  - Pellet production of 614,245 tonnes, an increase of approximately 22% from the March 2014 quarter and 51% above the June 2013 quarter.
  - Improved production and cost control disciplines continue to deliver competitive unit operating costs.
- Downward pressures on iron ore prices continue due to increased volume in the market, ongoing stockpile and credit pressures in the Chinese market and the discounting of lower quality iron ore products.
  - Grange's high quality, low impurity iron ore pellets continue to attract a premium with average product prices of US\$110.77 (A\$118.33) per tonne (FOB Port Latta) for the quarter.
  - Continued focus on selling cargoes to premium customers.
- Maintained strong cash position of A\$109.4 million at 30 June 2014, after
  - Settling the pre-merger deferred consideration obligation for a cash payment of US\$21 million.
  - Paying a final dividend of 1.0 cent per share (unfranked) plus a 1.0 cent per share (unfranked) special dividend.
- Gained approval for the construction of the South Deposit Tailings Storage Facility.



“The team has continued to deliver its plan in full, on time and at competitive unit costs during a period of significant market volatility” Grange Managing Director, Mr Wayne Bould said.

“Strong quarterly production of high grade ore has allowed annualised production rates in excess of 2.5 million tonnes per annum. The disciplined placement of cargoes to premium customers has allowed Grange to successfully retain its strong cash position in a market where pellet prices fell as low as US\$117 per dmt (CFR China) during the quarter.”

“The continued focus on maintaining the lowest possible cost of production without a reduction in productivity, the pragmatic deferral of non-essential capital expenditure and the judicious maintenance of attaining a quality value premium for pellet sales saw Grange end the quarter with a net operating cash inflow of approximately \$8 million.”

“The business is well positioned to leverage any recovery and/or stabilisation in the iron ore market during the second half of 2014. The team is actively pursuing sales opportunities in new markets and continuing to optimise production at competitive unit rates whilst always remaining conscious of the requirement to maintain the day-to-day focus on the business basics.”

## SAVAGE RIVER OPERATIONS

### SHIPPING AND SALES

	June Quarter 2014	March Quarter 2014	June Quarter 2013
Iron Ore Pellet Sales (dmt)	609,427	335,758	361,635
Iron Ore Concentrate Sales (dmt)	39	40	36
Iron Ore Chip Sales (dmt)	9,306	26,604	18,619
<b>TOTAL Iron Ore Product Sales (dmt)</b>	<b>618,772</b>	<b>362,402</b>	<b>380,290</b>
Average Realised Product Price (US\$/t FOB Port Latta)	110.77	138.82	136.34
Average Realised Exchange Rate (AUD:USD)	0.9361	0.8913	0.9847
Average Realised Product Price (A\$/t FOB Port Latta)	118.33	155.75	138.46

The average price received during the quarter was US\$110.77 (A\$118.33) per tonne of product sold (FOB Port Latta), down 20% from the March 2014 quarter of US\$138.82 (A\$155.75) per tonne (FOB Port Latta).

This downward movement is consistent with the reduction in benchmark 62% fe iron ore prices (CFR China) which was driven by the introduction of additional volume from major iron ore producers, ongoing pressures in the Chinese market (from higher port stockpile holdings and tightening of domestic credit availability) and deep discounting of lower quality iron ore products. The market did however continue to recognise the quality value in use premium for high quality, low impurity iron ore products sold by Grange during the quarter.



During the quarter the Company has seen a growing interest from alternative markets such as Japan, Malaysia and the Middle East and has commenced negotiating sales into these markets consistent with our risk diversification strategy of marketing and selling to customers across a number of geographic locations.

With a continuation of soft market conditions the Company has maintained its strategic decision not to place a number of cargoes into a market driven by opportunistic bidders. It is expected that these spot shipments will now be placed to the market during the third quarter to premium buyers.

## PRODUCTION

	June Quarter 2014	March Quarter 2014	June Quarter 2013
<b>Total BCM Mined</b>	4,106,241	4,716,881	4,248,393
<b>Total Ore BCM</b>	456,744	269,973	520,750
<b>Concentrate Produced (t)</b>	670,446	558,337	397,075
<b>Weight Recovery (%)</b>	49.4	49.8	25.4
<b>Pellets Produced (t)</b>	614,245	504,170	406,719
<b>Pellet Stockpile (t)</b>	405,633	400,810	248,320
<b>Concentrate Stockpile (t)</b>	81,036	40,998	2,905

Grange's exceptional safety performance was maintained with no Lost Time Injuries recorded during the quarter.

Mining operations continue to focus efforts on the North Pit main ore zone, as well as pre-stripping at South Deposit. It is planned that South Deposit will commence delivering ore during Q4 2014 thereby mitigating reliance on North Pit as a single source of high quality ore.

Material movement continues as planned and good access to high grade ore (delivering weight recoveries of approximately 50%) has been sustained, in spite of the harsher weather and ground conditions which are part and parcel of mining on Tasmania's west coast during winter.

Pre-production stripping at South Deposit is now a key focus with State and Federal approvals obtained for the construction of the South Deposit Tails Storage Facility (SDTSF). This is a significant project in terms of the ongoing viability of the Savage River operations as it will provide sufficient tailing storage capacity for the remaining life the mine. It will also facilitate the treatment of the legacy environmental issues resulting from previous operations at Savage River.



## SOUTHDOWN MAGNETITE PROJECT

(Grange 70%, SRT Australia Pty Ltd 30%)

All tenements, permits and project assets continue to be maintained in good order.

The Joint Venture Partners continue to monitor all ongoing project requirements to ensure that the current status of the feasibility studies is such that the project can be fully recommenced once Grange is able to secure an equity partner for a strategic share of the Company's interest in the project.

Management's internal review of the operating model generated as part of the Southdown definitive feasibility studies remains on schedule for consideration by the Grange Board in the second half of the year.

## CORPORATE

### *Annual General Meeting*

The Company's Annual General Meeting was held in Burnie, Tasmania in May and all resolutions were successfully passed.

### *Managing Director Remuneration*

The Board has put in place both a short term and long term performance incentive for the Managing Director with effect from 1 January 2014. Under the Short Term Incentive Mr Bould is eligible to be awarded up to 12% of his fixed contract fee (equating to \$60,000 cash) subject to the attainment of the Board approved Company and personal performance objectives for the 2014 financial year.

A long term cash incentive of up to 18% of Mr Bould's fixed contract fee (equating to \$90,000 cash) is payable to Mr Bould on a deferred basis over two years (with 50% of the Board approved payout figure being paid on 31 December 2015 and the remaining 50% paid on 31 December 2016) subject to the attainment of the Board approved corporate shareholder value performance hurdles for the 2014 financial year.

### *Executive Director Remuneration*

The Board has determined to put in place a long term incentive for Executive Director and Southdown Project Managing Director, Mr Honglin Zhao. The Board is presently determining the quantum of the arrangement.

### *Board Changes*

During the quarter the Company announced the appointment of Ms Yan Jia as a non-independent non-executive Director to fill a vacancy as a major shareholder (Jiangsu Shagang) nominee.

The Board advises that it is continuing its search for a third independent Director and expects to make an announcement shortly.



In addition, the Company announces that Ms Pauline Carr has tendered her resignation as Company Secretary, effective from 7 October 2014. The Board acknowledges Ms Carr's professionalism, commitment and outstanding contributions as the group's Company Secretary over the past four years.

The Board advises that it is considering the appointment of an appropriate replacement for Ms Carr and expects to make an announcement shortly.

#### *Shareholders*

As at 30 June 2014 there were approximately 5,100 shareholders. The Company will undertake a range of investor relations activities in the second half of 2014 and will release its interim results for the half year ended 30 June 2014 at the end of August 2014.

Substantial shareholder, RGL, has continued with its strategic sell down of its Grange holding during the quarter from 5.36% to 4.25% as at 30 June 2014. As at 11 July 2014, RGL holds 3.98% of Grange's issued capital.

-ENDS-

For further information, please contact:

**Investors:**

Wayne Bould

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## ANNEXURE 1

### SHIPPING AND SALES

	Quarter Ended		2014 YTD
	Mar 14	Jun 14	
Iron Ore Pellet Sales (dmt)	335,758	609,427	945,185
Iron Ore Concentrate Sales (dmt)	40	39	79
Iron Ore Chip Sales (dmt)	26,604	9,306	35,910
<b>TOTAL Iron Ore Product Sales (dmt)</b>	<b>362,402</b>	<b>618,772</b>	<b>981,174</b>
Average Realised Product Price (US\$/t FOB Port Latta)	138.82	110.77	121.13
Average Realised Exchange Rate (AUD:USD)	0.8913	0.9361	0.9165
Average Realised Product Price (A\$/t FOB Port Latta)	155.75	118.33	132.16

	Quarter Ended		2013 YTD
	Mar 13	Jun 13	
	369,451	361,635	731,086
	-	36	36
	18,751	18,619	37,370
<b>TOTAL</b>	<b>388,202</b>	<b>380,290</b>	<b>768,492</b>
Average Realised Product Price (US\$/t FOB Port Latta)	144.71	136.34	140.57
Average Realised Exchange Rate (AUD:USD)	1.0359	0.9847	1.0107
Average Realised Product Price (A\$/t FOB Port Latta)	139.70	138.46	139.08

### PRODUCTION

	Quarter Ended		2014 YTD
	Mar 14	Jun 14	
Total BCM Mined	4,716,881	4,106,241	8,823,122
Total Ore BCM	269,973	456,744	726,717
Concentrate Produced (t)	558,337	670,446	1,228,783
Weight Recovery (%)	49.8	49.4	49.6
Pellets Produced (t)	504,170	614,245	1,118,415
Pellet Stockpile (t)	400,810	405,633	405,633
Concentrate Stockpile (t)	40,998	81,036	81,036

	Quarter Ended		2013 YTD
	Mar 13	Jun 13	
Total BCM Mined	4,859,868	4,248,393	9,108,261
Total Ore BCM	349,046	520,750	869,796
Concentrate Produced (t)	453,410	397,075	850,485
Weight Recovery (%)	31.9	25.4	28.5
Pellets Produced (t)	442,896	406,719	849,615
Pellet Stockpile (t)	203,244	248,320	248,320
Concentrate Stockpile (t)	17,245	2,905	2,905