



September 10th, 2015

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Production update and revised guidance

Grange set to reap strong production and cost benefits from successful mill refurbishments

Despite weakness in the iron ore price, Grange posted an underlying profit of after tax \$33.3 million in the six months to June 30, 2015. Grange Resources (ASX: GRR) is pleased to advise that it is on track to match its total 2014 production in 2015 despite one of its two 48-year-old mills being shut for 65 days earlier this year.

Due to the highly successful refurbishment of the mill, Grange is on track to produce ~2.5 million tonnes of high-grade magnetite concentrate in the year to December 31, 2015 at its Savage River mine. This production, which will be pumped to the pellet plant at Port Latta in Tasmania, is in line with the 2.6Mt it produced last year.

The mill refurbishment has delivered increased production rates and greater efficiency. Grange intends to proceed with the refurbishment of its second mill in the June Quarter, 2016. This shutdown is expected to take 55 days.

The potential cost reductions which could result from the more efficient refurbished mills have been highlighted by the fact that C1 costs in the month of August were under A\$70.0 a tonne. This compares with A\$78.7 a tonne in the six months to June 30, 2015.

Most of the mill refurbishment was undertaken in July, though production rates, and therefore costs, were adversely impacted in the first week of August.

The completion of the two mill upgrades will underpin an increase in total production capacity to 2.7Mtpa and will significantly reduce the operating risks.

However, depending on the results of mine scheduling work, Grange may elect to optimise mining rates to the level needed to sustain pellet production around current rates. This would mean keeping concentrate production at around the 2.6Mtpa level.

This optimisation strategy, which is expected to be completed late this year, is part of Grange's overarching strategy to continue reducing costs, maximising margins and growing free cashflow rather than merely increasing production.

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Note: "C1" costs are the cash costs associated with producing iron ore products without allowance for mine development, deferred stripping and stockpile movements, and also exclude royalties, depreciation and amortisation costs.

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