



## Grange Resources Limited Australia's leading magnetite producer

HALF YEARLY REPORT FOR PERIOD ENDING 31 DECEMBER 2009

### HIGHLIGHTS

- Grange announces a first half profit of \$50.0 million, on revenues of \$111.1m, compared to a \$54.3 million profit on revenues of \$181.2m for the corresponding period last year.
- Company capital restructure completed, raising a total of \$153.3 million cash (before costs), resulting in a stronger balance sheet and a positive net cash position. Cash reserves at 31 December were \$95.9 million.
- Business Improvement Plan results in significant operating cost reductions and productivity improvements at Savage River.
- Combined restructure and improvement initiatives leave Grange highly leveraged to iron ore prices, with expected future increases to substantially enhance operating margins.
- Southdown project environmental permitting significantly progressed.

### COMPANY SUMMARY

#### Half Year Result:

Grange Resources Limited (**Grange** or **Company**) is pleased to announce its first half yearly report since the successful merger with Australian Bulk Minerals (**ABM**) in 2009. The merger with ABM, a privately held company that owned the Savage River operations in north west Tasmania, transformed Grange from a development company into Australia's largest magnetite producer.

The reported net profit after tax of \$50.0 million for the first half compares to a profit of \$54.3 million in the previous corresponding half year and resulted from the sale of 1.2 million tonnes of iron ore pellets to Shagang and Bluescope Steel.

The result includes the following non-recurring items:

- an \$84.1 million gain from the restructuring of deferred consideration obligations through a change in the calculation parameters to a 2% gross receipts royalty from 2012 and;
- a \$15.4 million write down of inventories to net realisable value as a consequence of the planned delivery of pellets into a legacy supply contract during the first three months of 2010. This will discharge this contractual commitment prior to the widely predicted increase in iron ore prices in April 2010.

During the first half the company successfully completed a capital restructure, which included a capital raising, through a rights issue to all shareholders, a share placement to the Cornerstone Shareholders (Shagang International Holdings Limited, RGL Holdings Co. Pty Ltd and Pacific International Co. Pty Ltd) (**Cornerstone Shareholders**) and a placement of shares to the previous owners of the Savage River business as part of a restructure to the group's deferred consideration obligations. A total of \$153.3 million cash (before costs) was raised. The Cornerstone Shareholders fully participated in the rights issue and further subscribed for a total of 99.8 million ordinary shares at \$0.29, showing a strong ongoing commitment to the success of the Company.

The capital restructure provides Grange with a platform from which to grow. The Company has completed 2009 as a more focused organisation with cash reserves of \$95.9 million at 31 December 2009 and a working capital surplus of \$85.9 million. This, coupled with a \$38.0 million reduction in borrowings and a \$135.6 million reduction in onerous deferred consideration obligations since 30 June 2009, leave Grange with a strong balance sheet, no hedged positions and the ability to leverage off the widely predicted increase in iron ore prices in April 2010.

As announced in the December quarterly report, operating costs have continued to be reduced and production increased as a comprehensive business improvement program, introduced early last year, has taken effect.

**Commenting on the result, Grange Managing Director Russell Clark said:**

**“Given the difficult economic conditions generally prevalent in 2009 this is a very pleasing result and one which positions Grange very well going forward. We have restructured the Company and have a healthy cash position with no net debt. Legacy issues have been worked through and we now have total exposure to the attractive iron ore prices that are widely predicted in April.**

**Exploration success at Savage River will provide an opportunity to produce more at that operation and to continue to drive unit costs down.**

**Permitting at Southdown has been significantly advanced with the issuance of the mine permit last October and the Bulletin for the Albany Port expansion more recently, and the Joint Venture partners now have the confidence to progress this project aggressively.**

**As one of the few pure iron ore businesses with a sustained profitable production profile listed on the ASX, we believe that Grange offers an attractive opportunity particularly with expected rises in iron ore prices.**

**In short – Grange is in a strong position from which to grow, both from increased production and enhanced prices.”**

For further information, please contact:

**Russell Clark  
Managing Director & CEO  
Grange Resources Limited  
+ 61 8 9321 1118**

Or visit [www.grangeresources.com.au](http://www.grangeresources.com.au)

For personal use only

**Competent Person Statement**

*The information in this release that relates to Exploration Results or Mineral Resources in relation to the Savage River Project is based on information compiled by Mr Ben Maynard, who is a Member of The Australasian Institute of Mining and is a full time employee of Grange Resources Limited. Mr Maynard has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Maynard consents to the inclusion in the release of the matters based on his information in the form and context in which it appears.*

For personal use only