



17 January 2014

ASX: GRR

# GRANGE RESOURCES LIMITED

*Australia's most experienced magnetite producer*

REPORT FOR THE QUARTER ENDED 31 DECEMBER 2013

## HIGHLIGHTS

- Outstanding safety performance continues with no Lost Time Injuries recorded during the quarter. Over 1,260 days Lost Time Injury free.
- Strong cash position of A\$159.9 million at 31 December 2013.
- Access to higher grade ore delivering strong quarterly results as planned
  - Continued focus on mine redevelopment in North Pit and South Deposit. Commenced replenishment of run of mine stockpiles.
  - Weight recovery averaged 46% during the quarter, an increase of approximately 50% from the September quarter.
  - Pellet production of 619,414 tonnes for the quarter, an increase of 39% from the September quarter.
  - Improved production and continued cost control disciplines have delivered competitive unit operating costs.
- Stronger pellet prices with a return of quality premiums delivering average product prices of US\$149.39 (A\$161.42) per tonne (FOB Port Latta) for the quarter.
- Planning and approvals for South Deposit continue to progress and run to schedule.
- A significant increase in the magnetite resource at Long Plains announced in December 2013 potentially increasing the life of the mine at Savage River.
- Interim dividend of 1.0 cent per share (unfranked) paid to shareholders on 2 October 2013. This represents an annual dividend yield of ~10% at current share prices.
- Search for an equity partner in the Southdown Project continues.

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"I am very pleased to report that the Grange team has delivered Q4 production to target in full and on time", Grange Managing Director, Mr Wayne Bould said.

"During the quarter, we continued to leverage our return to higher grade ore in the North Pit to mine and produce 632,906 tonnes of iron ore products at an annualised rate in excess of 2.5mtpa with grade averaging 46%. This was achieved while maintaining our unwavering focus on workplace safety and holding true to our promise in June 2013 to get back to the basics of disciplined planning, focussed operational management and execution processes to produce products at cost levels which will remain competitive in the long term.

We also saw the return of stronger interest in quality high grade pellet products from our core Chinese market. This supported the return of a more realistic pellet premium resulting in Grange achieving an average sale price of US\$149.39 (A\$161.42) per tonne (FOB Port Latta). There is strong sentiment in the market that this situation will prevail in 2014.

Grange's performance in Q4 caps off a difficult transitional year from an operational perspective, and positions us to move into 2014 on a more positive note. The Grange team has delivered on the "promises" made in June 2013 when we announced the closure of the group's Perth office and the transfer of the Company's headquarters and all functions to Tasmania - with a very clear strategy to focus directly on the long term viability and competitiveness of our Savage River operations, its cost effective development through the optimisation of production and reductions in operating costs and the preservation of the underlying financial strength and net cash position of the Company. The significance of Grange's performance in Q4 relative to other quarters is evidenced in Annexure 1.

As we move into 2014, Grange has recovered from the June 2012 wall failure, regained access to the high grade main ore zone in the North Pit and returned production to planned annualised rates. In addition, we have returned unit operating costs to competitive annualised rates in a sales market which is currently supporting a return of quality product premiums. At current operating levels we expect to generate solid cash flows through 2014. Grange has provided consistent dividends to its loyal shareholders and maintained its strong cash position with cash and term deposits of A\$159.9 million at 31 December 2013. We have also announced a significant increase in reserves at Long Plains which has the potential to extend the mine life at Savage River beyond 2030."



## SAVAGE RIVER OPERATIONS

### SHIPPING AND SALES

	December Quarter 2013	September Quarter 2013	December Quarter 2012
Iron Ore Pellet Sales (dmt)	565,816	517,884	494,697
Iron Ore Concentrate Sales (dmt)	61	39	38,288
Iron Ore Chip Sales (dmt)	28,414	18,580	27,670
<b>TOTAL Iron Ore Product Sales (dmt)</b>	<b>594,291</b>	<b>536,503</b>	<b>560,595</b>
Average Realised Product Price (US\$/t FOB Port Latta)	149.39	133.85	123.84
Average Realised Exchange Rate (AUD:USD)	0.9255	0.9176	1.0399
Average Realised Product Price (A\$/t FOB Port Latta)	161.42	145.87	119.09

The average price received during the quarter was US\$149.39 (A\$161.42) per tonne of product sold (FOB Port Latta) and reflects the quality premium which the market continues to attach to our quality iron ore products. The continued strengthening in iron ore product prices and improved sales have delivered strong AUD quarterly revenues.

Grange is well positioned to extract positive leverage from the expanding iron-ore lump and pellet premiums likely to prevail in 2014. Over the last three months lump and pellet premiums in China have nearly doubled.

The renewed value apparent in the current pellet premiums has been caused by the Chinese Government penalising many steel mills producing with higher sulphur dioxide emissions. In order to reduce sulphur emissions and reduce the likelihood of paying the penalties, the steel mills generally build a "shandy" using their usual input of lower grade raw material and blending it with premium grade (lower impurities) materials such as lump and Grange's premium pellet – effectively reducing the ratio of pollution generating impurities.

There is a very strong sentiment in the market that this situation is likely to prevail in 2014 and accordingly, indications are quality iron ore pellet prices are likely to remain similar to current levels through the next year.

Discussions continue with a number of customers in relation to Grange securing longer term contracts for the supply of iron ore pellets.

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## PRODUCTION

	December Quarter 2013	September Quarter 2013	December Quarter 2012
<b>Total BCM Mined</b>	4,528,208	4,031,266	3,490,008
<b>Total Ore BCM</b>	619,180	489,814	435,136
<b>Concentrate Produced (t)</b>	632,906	472,108	517,581
<b>Weight Recovery (%)</b>	46.0	31.5	35.6
<b>Pellets Produced (t)</b>	619,414	446,937	496,469
<b>Pellet Stockpile (t)</b>	232,402	174,198	131,223
<b>Concentrate Stockpile (t)</b>	3,050	7,580	8,777

Grange's exceptional safety performance was maintained with no Lost Time Injuries recorded during the quarter, as we continue to develop and refine our safety management system.

North Pit mining operations continue ahead of schedule with the main ore zone returning high grade ore for increased head grade to the concentrator and facilitating the replenishment of the run of mine stockpiles.

Strong material movement rates have continued throughout the quarter and provided for ramp development to enable shorter hauls to the run of mine stockpiles. Mining rates at South Deposit have increased in preparation for development of future ore sources.

The timing of non-critical capital works continues to be rescheduled to align with our condition monitoring and preventative management processes. Preparation is in progress for the annual concentrator common equipment shutdown in February 2014. This will prepare the main mills for the sustained production rates going forward to achieve planned production of approximately 2.3 million tonnes of iron ore products in 2014.

Development plans for the construction of the South Deposit Tails Storage Facility and the planned expansion of mining operations in this area continue to progress through the approvals process, with the Tasmanian Environmental Protection Agency (EPA) completing their assessment report this month.

## 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 recommended once Grange is able to secure an equity partner for a strategic share of the Company's interest in the project.

Market conditions for securing project investment funding have not improved and continue to remain challenging.

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Grange's Board has commissioned management to conduct an internal review of the operating model generated as part of the Definitive Feasibility Study. The internal review is chartered to determine if changes in market outlook, project construction conditions (including regional infrastructure development) and operating methodologies learned 'hands on' from our operations at Savage River may suggest that the overall Southdown concept can be pragmatically reworked to reduce initial capital requirements and overall life of mine operating costs. It is expected that this review will be completed for the Grange Board to consider in mid 2014.

## CORPORATE

During the quarter the Company announced the retirement of Mr Xi Zhiqiang as a Director and the appointment of Ms Michelle Li as a non-executive Director and Chairman. The Board has commenced its search for an additional independent non-executive Director, and has engaged a specialist recruitment firm to assist with this process. The Board expects to announce an appointment during the first quarter of 2014.

A total of 605,674 shares were issued to employees under the Long Term Incentive Plan during the quarter.

Shareholder numbers as at 31 December 2013 were approximately 5,100

During the quarter the Company hosted several key investment analysts to a site visit and briefing and also presented at the Mines and Money Conference in Melbourne and the UBS Iron Ore and Coal Conference in Sydney.

Further investor engagement is targeted to continue in 2014.

-ENDS-

For further information, please contact:

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## ANNEXURE 1

### SHIPPING AND SALES

	Quarter Ended				Full Year	
	Mar 13	Jun 13	Sept 13	Dec 2013	Dec 12	Dec 13
Iron Ore Pellet Sales (dmt)	369,451	361,635	517,884	565,816	2,220,679	1,814,786
Iron Ore Concentrate Sales (dmt)	-	36	39	61	63,940	136
Iron Ore Chip Sales (dmt)	18,751	18,619	18,580	28,414	84,280	84,364
<b>TOTAL Iron Ore Product Sales (dmt)</b>	<b>388,202</b>	<b>380,290</b>	<b>536,503</b>	<b>594,291</b>	<b>2,368,899</b>	<b>1,899,286</b>
Average Realised Product Price (US\$/t FOB Port Latta)	144.71	136.34	133.85	149.39	144.84	141.43
Average Realised Exchange Rate (AUD:USD)	1.0359	0.9847	0.9176	0.9255	1.0356	0.9557
Average Realised Product Price (A\$/t FOB Port Latta)	139.70	138.45	145.87	161.42	139.86	147.99

### PRODUCTION

	Quarter Ended				Full Year	
	Mar 13	Jun 13	Sept 13	Dec 2013	Dec 12	Dec 13
Total BCM Mined	4,859,868	4,248,393	4,031,266	4,528,208	14,637,773	17,667,735
Total Ore BCM	349,046	520,750	489,814	619,180	1,773,636	1,978,790
Concentrate Produced (t)	453,410	397,075	472,108	632,906	2,122,757	1,955,499
Weight Recovery (%)	31.9	25.4	31.5	46.0	35.9	33.4
Pellets Produced (t)	442,896	406,719	446,937	619,414	2,004,526	1,915,966
Pellet Stockpile (t)	203,244	248,320	174,198	232,402	131,223	232,402
Concentrate Stockpile (t)	17,245	2,905	7,580	3,050	8,777	3,050