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**GRANGE**  
RESOURCES

Australia's most experienced magnetite producer



**CLSA Iron Ore Access Day, Sydney**  
**David Corr, Chief Financial Officer**

6 February 2014

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# Company Highlights

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## Most **EXPERIENCED** magnetite producer

Over 45 years of operational experience at Savage River

## **STRONG** Safety Culture

Over 1,260 days LTI free

## **LONG LIFE** producer of **PREMIUM** iron ore pellets

High quality ore reserves (52% DTR) producing 65.5% Fe BF pellets  
Supporting operations at Savage River to 2030 and beyond

## **STRONG** balance sheet

\$160m cash and equivalents at 31 December 2013

## Advanced **GROWTH** Project

Search for a quality equity partner in the Southdown Project continues

## Established **STRONG DIVIDEND** pay-out

Commenced in 2011 and continues in 2013

Annual dividend yield of ~10% at current share prices

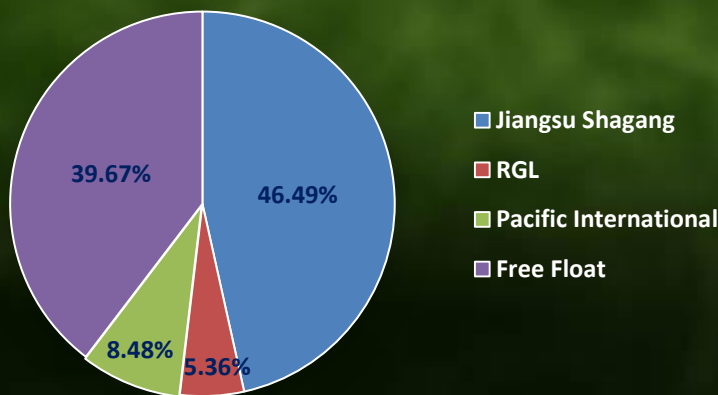


# Company Snapshot

## Capital Structure (A\$)

Ordinary Shares on issue	31 Jan 2014	1,157m
Share Price	31 Jan 2014	\$0.27
Market Capitalisation	31 Jan 2014	\$312m
Cash and Term Deposits	31 Dec 2013	\$160m

## Current Ownership Structure



## Share Price and Volume



## Research Coverage

- JP Morgan
- UBS
- Macquarie

# Company Assets

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## **Australia's Most Experienced Magnetite Producer**

**Savage River (100%)**



**Southdown Project (70%)**



**Quality assets in Tasmania and Western Australia.**

# Focusing on the fundamentals

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## **Our fundamentals are very sound**

- Experienced magnetite producer with a long life project close to the Asian market
- Producer of a high quality iron ore product (65.5% Fe) that receives a premium price
- Strong balance sheet
- Stable work force with minimal turnover who know the intricacies of the business and are adding value

## **We are taking action:**

- Focusing on day to day operational planning and execution to drive productivity
- Cutting costs wherever we can to achieve our priority goal of driving C1 costs lower
- Timing of capital projects continue to be rescheduled so that they are aligned with effective condition monitoring and preventative maintenance management processes
- Ensuring short term decisions align with long term strategic priorities

# Focusing on the fundamentals – 2014

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## 1. *Maintain access to high grade ore through continued investment in mine development*

- Regained access to North pit high grade ore in September 2013 and delivered strong quarterly results in December 2013
  - 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 for the quarter, an increase of 39% from the September quarter
  - Improved production and continued cost control disciplines have delivered competitive unit costs
- Progressing South Deposit mine development and tailings storage facility approval

# Focusing on the fundamentals – 2014

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## 2. Take advantage of iron ore market prices

- December 2013 quarter average product price of US\$149.39 per tonne (FOB Port Latta)
- Quality premiums have returned for premium grade (lower impurity) iron ore – Grange is well positioned to capitalise on this market opportunity
- Strong market interest in available spot cargoes and longer term contracts delivering upside and diversifying customer and geographic risk

## 3. Drive C1 costs lower

- Maintain cost control disciplines
- Sustain higher weight recoveries (> 45%) and concentrate production to drive unit operating costs to levels which will remain competitive in the long term



# 2013 Quarterly Results – Production

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	December Quarter 2013	September Quarter 2013	June Quarter 2013	March Quarter 2013
<b>Production</b>				
<b>Total BCM Mined</b>	4,528,208	4,031,266	4,248,393	4,859,868
<b>Total Ore BCM</b>	619,180	489,814	520,750	349,046
<b>Weight Recovery (%)</b>	46.0	31.5	25.4	31.9
<b>Concentrate Produced (t)</b>	632,906	472,108	397,075	453,410
<b>Pellets Produced (t)</b>	619,414	446,937	406,719	442,896

## 2014 Priorities:

- Maintain focus on mining movements to rebalance our ROM stockpiles and progress North Pit and South Deposit mine development strategies
- Sustain current production rates to achieve planned production of approximately 2.3 million tonnes of iron ore products in 2014 – delivered concentrate production of 222,253 tonnes in January 2014

# Focusing on the fundamentals Marketing & Pricing

Referenced on Metal Bulletin Iron Ore Pellet Index

## Shagang Commitment

- Long term FOB (Port Latta) contract to 2023
- 1 million tonnes (+/- 10%) of iron ore pellets per year

## Un-contracted "Spot Market" Tonnage

- > 1 million tonnes of iron ore pellets per year, sold "@ Spot" on an FOB basis (Port Latta)
- Diversifying customer and geographic risk

## Negotiating to secure medium term off-take agreements with new quality customers

## Iron Ore Prices (CFR China)



***Our customers recognise the value of our premium product***

# 2013 Quarterly Results – Shipping and Sales

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	December Quarter 2013	September Quarter 2013	June Quarter 2013	March Quarter 2013
<b>Shipping and Sales</b>				
<b>Total Iron Ore Product Sales (dmt)</b>	<b>594,291</b>	<b>536,503</b>	<b>380,290</b>	<b>388,202</b>
<b>Avg Realised Product Price (US\$/t FOB)</b>	<b>149.39</b>	<b>133.85</b>	<b>136.34</b>	<b>144.71</b>
<b>Avg Realised Exchange Rate (AUD:USD)</b>	<b>0.9255</b>	<b>0.9176</b>	<b>0.9847</b>	<b>1.0359</b>
<b>Avg Realised Product Price (A\$/t FOB)</b>	<b>161.42</b>	<b>145.87</b>	<b>138.45</b>	<b>139.70</b>

## 2014 Priorities:

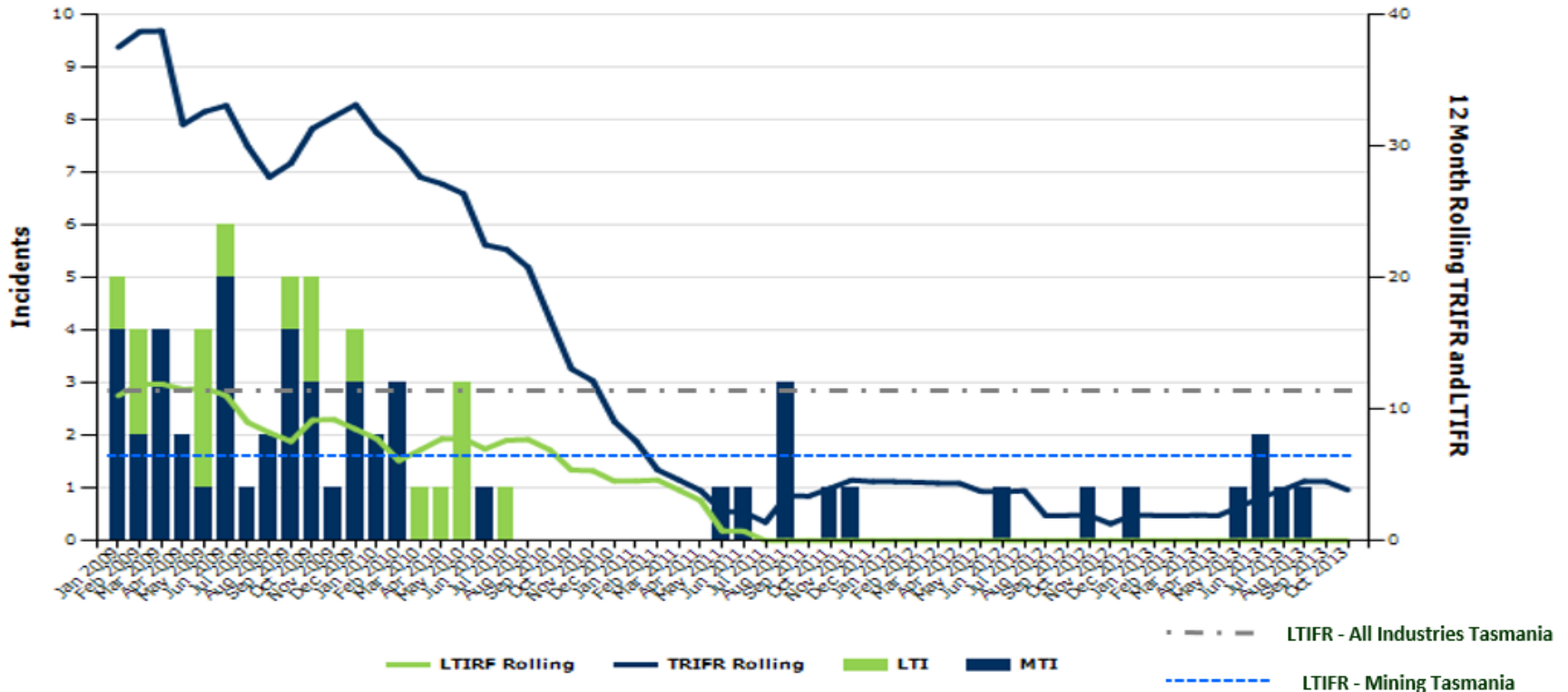
- Quality premiums have returned for premium grade (lower impurity) iron ore – there is strong sentiment in the market that this is likely to prevail in 2014
- Improving production to approximately 2.3 million tonnes in 2014 will allow for an increase in iron ore product sales

# 2013 - Exceptional Safety Performance



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**Safety Incidents**  
Rolling Average Trends



**Our focus on safety will continue to be unrelenting**

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# LOM Strategies

## Grow Reserves & Develop Multiple Mining Locations

### North Pit

- High quality, long life resources
- Supporting operations to 2030 and beyond

### Centre Pit South

- Alternative reserve
- Drilling in progress to further develop reserve

### South Deposit

- Defined reserve
- Supporting LOM tailings infrastructure development

### Long Plains

- Developing resources of ~107m tonnes
- Potential addition to mine life

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**Total resources exceeding 340m tonnes which support s operations to 2030 and beyond**

# LOM Strategies

## Developing Multiple Mining Locations



Reducing risk associated with a single pit operation



### → North Pit Production Stripping

- Ore supply for 2013/14

### North Pit Mine Development

- East wall cut-back



### → South Deposit Mine Development

- Ore supply for 2014/15
- Provides ore and material for construction of a South Deposit Tailings Storage Facility

# LOM Strategies

## Value Adding Downstream Infrastructure

### Concentrator



- Autogenous milling and magnetic separation process

Progressing the phased upgrade of the original autogenous mills and associated infrastructure

#### Strategic Production Priorities

- Continuous improvement in product quality (via TQM processes)
- Approval of South Deposit Tailings Storage Facility

### Pipeline



- 85km pipeline connecting Savage River to Port Latta
- Low cost mode of transportation using pipeline pumps and gravity fed technologies
- Naturally occurring properties of the slurry protect the pipeline and reduce sustaining capital and maintenance costs

### Pellet Plant & Port



- Four furnace lines capable of producing 2.4mtpa of iron ore pellets
- Dedicated port facility providing access to Panamax vessels (80k tonnes)

#### Strategic Production Priorities

- Develop market driven bulk production output capabilities (concentrate & pellets offering)
- Re-commission fifth furnace (ore availability)

# LOM Strategies

## Iron Ore Pellet or Magnetite Concentrate

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# Southdown Project

Southdown Project (GRR Share: 70%)

5x

bigger than Savage River



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# Southdown Project Achievements

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- **Completed a definitive feasibility study** in April 2012 which improved the projects level of accuracy to +/- 15%

- **Advanced project** in terms of project engineering, land acquisition, permitting, drilling and test work

- **Initial capital expenditure** estimated at **A\$2.885 billion** (including EPCM; owners' costs and contingency of \$0.535 billion) – April 2012

- **Operating costs** estimated at **A\$58.5 per tonne** of premium quality concentrate (69.6% Fe) containing low contaminants (excl. royalties) – April 2012

- Received submissions for **EPC contract tenders for major construction** works

# Southdown Project Strategy

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- **Continue the search for a new equity partner** to take a strategic share of the Company's interest
  - **Significantly reduce project expenditure for 2013** to approx. \$2.5 million (GRR Share) during a period of difficult market conditions for new capital projects
  - Maintain all tenements, permits and project assets in good order
  - **Conduct internal review of definitive feasibility study operating model** to determine if changes in the following parameters could reduce initial capital or operating costs
    - Market outlook
    - Project construction conditions (incl. regional infrastructure development)
    - Methodologies learned from our operations at Savage River

# Grange – LOM Strategies Recapped

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- **Broaden customer base** to take advantage of market opportunities **and to diversify geographic customer risk**
- Drive **operating costs down further** and maintain access to high grade ore
  - Continue investment in mine development - progress next phase of North Pit development and unlock South Deposit to provide an alternative source of ore
- **Continue to invest** in process infrastructure
  - Complete preparatory works for installation of new autogeneous mills at Savage River
  - Progress approval for South Deposit tailings storage facility which is sufficient for the balance of life of mine
- Focus on capital management
  - Maintain **regular dividend**
  - **Target growth opportunities** to complement existing business

# Primary Contact

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## Primary Contact:

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### Notes:

- A lower cut-off grade of 15% DTR was used in the calculation of both the Mineral Resources and Ore Reserves
- For details of Resources and Reserves, see 2012 Annual Report