



17 April 2014
ASX: GRR

GRANGE RESOURCES LIMITED

Australia's most experienced magnetite producer

REPORT FOR THE QUARTER ENDED 31 MARCH 2014

HIGHLIGHTS

- Outstanding safety performance continues with no Lost Time Injuries recorded during the quarter. Over 1,345 days Lost Time Injury free.
- Strong cash position of A\$146.1 million at 31 March 2014.
- Successful completion of the annual common equipment shutdown in February 2014 with production downtime minimised to 12 days.
- Delivered improved quarterly production results as planned
 - Maintained focus on mine redevelopment in North Pit and continued pre-production stripping in South Deposit.
 - Weight recovery averaged 50% during the quarter, an increase of approximately 56% from the March 2013 quarter.
 - Pellet production of 504,170 tonnes for the quarter, an increase of approximately 14% from the March 2013 quarter.
 - Improved production and cost control disciplines have continued to deliver competitive unit operating costs.
- Despite downward market pressures on iron ore pricing, pellets continue to attract a quality premium with average product prices of US\$138.82 (A\$155.75) per tonne (FOB Port Latta) for the quarter.
- State approvals received for the South Deposit Tailings Storage Facility. Federal Minister's decision for final approval is imminent.
- Successfully negotiated a crystallisation of the pre-merger deferred consideration obligation for an immediate cash payment of US\$21 million during April 2014, delivering an estimated non-cash gain of approximately A\$20 million.
- Final dividend of 1.0 cent per share (unfranked) plus a 1.0 cent per share (unfranked) special dividend paid on 4 April 2014.
- Internal review of Southdown Project concept is underway.



“Once again, the team has delivered strong quarterly production and maintained unit costs at competitive long term rates”, Grange Managing Director, Mr Wayne Bould said.

“The mining team ended the quarter approximately 2% ahead of scheduled mine plan movements, and the downstream processing teams completed the annual common equipment shutdown in full and on time with production downtime minimised to 12 days.

The equipment shutdown was optimised this year to progress preparatory work for the planned replacement of the autogenous mills in coming years. The processing team managed the shutdown and start up process very effectively to deliver overall daily downstream production at annualised rates of approximately 2.5 million tonnes.

As a result of very open and proactive bilateral communications with local authorities, the required State approvals were granted for the construction of the South Deposit Tailings Storage Facility and the continuation of pre-production stripping at South Deposit. Grange is also engaged in similar open and proactive bilateral communications with Federal authorities and is confident that the Minister will provide his approval in the near future.

Iron ore market conditions softened through and after Chinese New Year and were subject to further downward pressure for the remainder of the quarter. Iron ore prices slipped and the spot market slowed considerably as port and mill stockpiles were wound back and the availability of credit in China tightened. Quality premiums also came under pressure as opportunistic agents hunted the market for “deals”. Grange adopted a strategic approach to sell product for value rather than volume under these market conditions, with a plan to review this thinking on a regular basis going forward.

The team is continuing its work on assessing opportunities which optimise existing operations and enhance our portfolio should opportunities arise. In the meantime, it’s very much the disciplines of business as usual.”



SAVAGE RIVER OPERATIONS

SHIPPING AND SALES

	March Quarter 2014	December Quarter 2013	March Quarter 2013
Iron Ore Pellet Sales (dmt)	335,758	565,816	369,451
Iron Ore Concentrate Sales (dmt)	40	61	-
Iron Ore Chip Sales (dmt)	26,604	28,414	18,751
TOTAL Iron Ore Product Sales (dmt)	362,402	594,291	388,202
Average Realised Product Price (US\$/t FOB Port Latta)	138.82	149.39	144.71
Average Realised Exchange Rate (AUD:USD)	0.8913	0.9255	1.0359
Average Realised Product Price (A\$/t FOB Port Latta)	155.75	161.42	139.70

The average price received during the quarter was US\$138.82 (A\$155.75) per tonne of product sold (FOB Port Latta) and continues to reflect the quality premium which the market is prepared to attach to our quality iron ore products.

The spot iron ore market and prevailing product prices post Chinese new year were subject to considerable downward pressure on both iron ore value and quality premiums. This was driven by a mix of issues evident in the Chinese market including raw material stockpile holdings at ports and plants and a general tightening domestic credit availability. In response to these softer market conditions a strategic decision was made to defer the placement of cargoes in a market driven by opportunistic bidders.

It is expected that these spot shipments will be placed to the market during the second quarter when premium buyers restock and iron ore prices and quality premiums improve.



PRODUCTION

	March Quarter 2014	December Quarter 2013	March Quarter 2013
Total BCM Mined	4,716,881	4,528,208	4,859,868
Total Ore BCM	269,973	619,180	349,046
Concentrate Produced (t)	558,337	632,906	453,410
Weight Recovery (%)	49.8	46.0	31.9
Pellets Produced (t)	504,170	619,414	442,896
Pellet Stockpile (t)	400,810	232,402	203,244
Concentrate Stockpile (t)	40,998	3,050	17,245

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

North Pit mining operations continued to deliver high grade ore during the quarter as we progressed from Stage 2 into the development of Stage 3 which effectively places Grange ahead of planned material movement at the end of the quarter.

This has facilitated the continued supply of high grade ore fed to the concentrator with weight recovery averaging approximately 50% which was an increase of 56% when compared with March 2013 quarter. This improved grade delivered quarterly production at rates in excess of plan and establishes a strong platform to deliver production of approximately 2.3 million tonnes of iron ore products in 2014.

Pre-production stripping at South Deposit has continued during the quarter and works are on schedule to commence construction of the South Deposit Tailings Storage Facility once Federal approval is received.

The annual common equipment shutdown for the concentrator and pellet plant was completed in full and on time during February 2014. This shutdown was staged such that production downtime was limited to 10 days with full production achieved on time after 12 days. The shutdown provided the production team with an opportunity to continue with the phased refurbishment and replacement of critical process infrastructure for a planned future replacement of the autogenous mills at the concentrator.



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 mid year.

CORPORATE

Capital Management

On 4 April 2014, the Company paid a final dividend of 1.0 cent per share (unfranked) plus a 1.0 cent per share special dividend for the year ended 31 December 2013. The Company has now returned in excess of \$115 million to shareholders since it commenced paying dividends in mid-2011.

In addition, the Company also announces that it has successfully negotiated a crystallisation of the pre-merger deferred consideration obligation for an immediate cash payment of US\$21 million in April 2014. The terms of this obligation entitled the previous owners to 2% of the gross receipts of Grange Resources (Tasmania) Pty Ltd until 31 December 2023. This settlement is expected to deliver an estimated non-cash gain of approximately A\$20 million and further strengthens the Company's balance sheet.

Board Changes

During the quarter the Company announced the resignation of its Deputy Chairman, Mr Neil Chatfield, effective from 15 April 2014. The Board would like to thank him for his outstanding leadership, commitment and diligent contribution over the past five years.

The Board also announced the appointment of Mr Daniel Tenardi as a non-executive independent Director and advised that it was considering a nominee put forward by the group's major shareholder, Shagang, to fill a non-independent Director vacancy. In addition, the Board reported that it was well advanced in its search for a third independent Director and expects to make an announcement shortly.

Shareholders

The Annual Report for the year ended 31 December 2013 and the Notice of Meeting for the Company's Annual General Meeting to be held in Burnie, Tasmania on 7 May 2014 were released to the market and have been despatched to shareholders. Shareholder numbers as at 31 March 2014 were approximately 5,100.

-ENDS-

For further information, please contact:

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or visit www.grangeresources.com.au