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Grange Resources Limited  
ABN 80 009 132 405

34a Alexander Street  
Burnie Tasmania 7320

PO Box 659  
Burnie Tasmania 7320 Australia

T +61 3 6430 0222  
F +61 3 6432 3390

info@grangeresources.com.au

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

## Market Update

### **Grange continues to enjoy robust margins and cashflow amid strong demand for high-grade iron ore pellets**

Grange Resources (**ASX: GRR**) ("**Grange**" or "**the Company**") is pleased to advise that despite the fall in the global iron ore prices, the Company continues to trade strongly, enjoying robust demand and profit margins so far this year.

In the two months to February 28, 2015, Grange has received an average price of A\$105.40 a tonne for the high-grade iron ore pellets produced at its Savage River mine and pellet plant at Port Latta in Tasmania.

Cash operating costs (C1) during this period were ~A\$68/t, generating an operating margin of ~A\$38/t.

The market for Grange's high-grade pellets has remained firm in the face of falling iron ore prices. At the start of calendar 2014, Grange was receiving A\$168/t for its pellets and the benchmark price for 62%Fe iron ore was ~A\$155/t at that time. The benchmark 62% Fe fines price has since fallen by ~63% to below A\$58/t while the price being received by Grange for its pellets has fallen by 37% to ~A\$105/t.

During this time, Grange's Cash operating (C1) costs have been reduced to A\$68/t.

### ***Operations***

The Savage River project is continuing to perform strongly. Production is being sustained at an annualised rate of above 2.5 million tonnes, which was reached late last year.

	<b>YTD 2015</b>	<b>Feb YTD 2014</b>
Total BCM Mined (M)	2.56	3.28
Concentrate Produced ('000t)	468	334
Pellets Produced ('000t)	413	301
C1 Cash operating Cost of Production	A\$67.5	A\$119.1

## Marketing

Grange has been in discussions to secure a second long-term sales contract as part of its strategy to provide greater certainty regarding its offtake.

Late last year, Grange undertook an extensive review of its marketing strategy to ensure contracted product sales were aligned with its increased production profile.

As a result of the review, two significant actions were put in place:

- Grange is currently securing Sales Agency agreements with three companies to sell up to 1.2Mt tonnes of product.

The sales agents will arrange to sell Grange's product to third parties, acting as agents between Grange and the purchaser with no agency fee.

This arrangement opens up the potential for global customers to be introduced to Grange by the Sales Agencies, after which Grange can deal directly with the customers. Grange believes this will help ensure that its offtake is guaranteed to match production.

- During 2015, Grange will embark on a technical marketing campaign targeting existing and potential customers as part of a plan to develop a mutual understanding of the Company's product and its customers' needs.

Grange believes that the outlook for the pellet market is strong. It also believes that there is significant scope for further innovation and increased productivity and strengthening Grange's competitive position.

Grange's confidence in the strength of the pellet market is in part underpinned by the increasing environmental restrictions being placed in China.

For further information, contact:

**Company:**

Piers Lewis  
Company Secretary  
+61 409 374 893

**Media:**

Paul Armstrong  
Read Corporate  
+61 8 9388 1474 / 0421 619 0846

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