GRANGE RESOURCES

Australia’s most experienced magnetite producer

# Annual General Meeting

**Wayne Bould, Managing Director**

7 May 2014

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# Company Highlights

- ✓ ***Most EXPERIENCED magnetite producer***
  *Over 45 years of operational experience at Savage River*
- ✓ ***STRONG* Safety Culture**
  *Over 1,380 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**
  *$146m cash and equivalents at 31 March 2014*
- ✓ **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*



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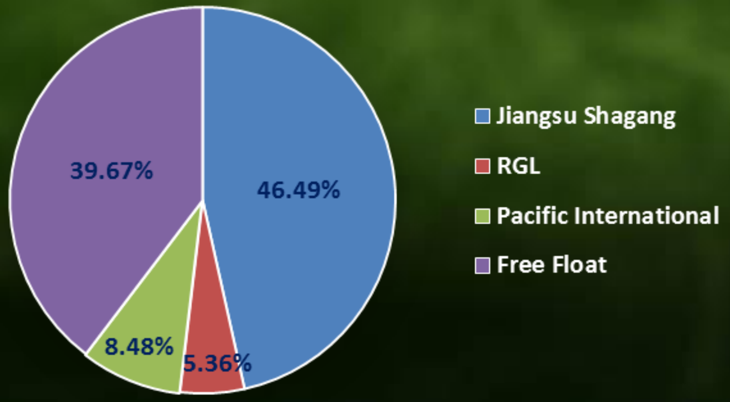
# Company Snapshot

## Capital Structure (A$)

| | | |
|---|---|---|
| Ordinary Shares on issue | 6 May 2014 | 1,157m |
| Share Price | 6 May 2014 | $0.245 |
| Market Capitalisation | 6 May 2014 | $283m |
| Cash and Term Deposits | 31 March 2014 | $146m |

## Share Price and Volume


## Current Ownership Structure




## Research Coverage

- JP Morgan
- UBS
- Macquarie

# 2013 – A Transitional Year

## BACK TO THE BASICS

- ***Exceptional safety record continued***
  - No Lost Time Injuries
- ***Successfully delivered mine re-development strategies***
  - Re-established access to higher grade ore ahead of schedule in September 2013
  - Strong focus on reducing operating costs to maintain competitive unit operating costs
  - Announced an upgraded high grade resource at Long Plains
- ***Market conditions improved in H2 2013***
  - Improving premiums for higher quality, lower impurity products
- ***Focused on good old fashioned TQM disciplines***
  - Planning, scheduling, follow up….and follow up AGAIN
  - Cash costs
  - Innovation
- ***Maintained our focus on the Southdown Project***
  - Maintained all project tenements, permits and assets in good standing
  - Commenced an internal review of the definitive feasibility study to identify alternative development models
- ***Focused on capital management***
  - Continued strong dividend pay-out with total unfranked dividends of 3.0 cents per share for the 2013 year

# 2013 - Results Overview

- ***Revenues*** from mining operations of ***$281.1 million*** (down 15% from $331.3 million)
  - Sales volumes down 20% to 1.9 million tonnes of iron ore products
  - Average realised price down 2% to US$141.43 per tonne but offset by an 8% reduction in the average AUD:USD exchange rate.
  - Stronger AUD revenues delivered in 2013 of A$147.99 per tonne (up from A$139.86 per tonne in 2012).
- ***Net profit after tax*** of ***$25.6 million*** (down 57% from a restated $59.1 million)
- ***Net cash inflows*** from operating activities of ***$115.8 million*** (down 35% from a restated $179.3 million)
- ***Cash and term deposits*** of ***$159.9 million*** as at 31 December 2013
- No net debt and reduced gearing levels with ***borrowings of $3.5 million*** (down 75% from a restated $13.9 million)
- ***Final dividend*** of **1.0 cent per share** (unfranked) ***plus*** a ***1.0 cent per share special dividend*** (unfranked)

# 2014 - Continuing to Focus on the Basics

- ***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 over lump and fines
  - Strong balance sheet
  - Stable work force  with minimal turnover who know the intricacies of the business and are adding value

- ***We will continue our disciplined management:***
  - 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

# 2014 - Year To Date Highlights

## *STAYING WITH THE BASICS*

- ***Exceptional safety record continues***
  - Over 1,380 days Lost Time Injury Free
- ***Successfully completed an expanded annual common equipment shutdown***
  - Completed additional preparatory work for AG Mill replacement
  - Minimised production downtime to 12 days
- ***Delivered improved quarterly production results***
  - Maintained focus on mine redevelopment in North Pit and South Deposit
  - Delivering production at annualised rates of approximately 2.5 million tonnes
  - Improved production and continued cost control disciplines are delivering competitive unit operating costs
- ***Successfully negotiated crystallisation of pre-merger deferred consideration obligation***
  - Immediate cash payment of US$21 million in April 2014 delivering an estimated non-cash gain of approximately A$20 million

# 2014 - Year To Date Highlights

- ***Maintained access to high grade ore through continued investment in mine development***
  - Weight recovery averaged 50% during the March 2014 quarter, an increase of approximately 56% from the March 2013 quarter
  - Pellet production of 504,170 for the March 2014 quarter, an increase of 14% from the March 2013 quarter
  - Improved production and continued cost control disciplines have delivered competitive unit costs
- ***Final approval for the South Deposit Tailings Storage Facility***
  - Final approvals granted on 30 April 2014
  - New facility to replace the current tailings storage facility (reaches capacity in 2016)
  - Facilitates the mining of ore from South Deposit and ensures sufficient tailings storage capacity to accommodate operations at Savage River until at least 2030
  - New facility is a key component to our life of mine strategy and construction is expected to commence in Q4 2014

# 2014 - Year To Date Highlights

- ***Taking advantage of iron ore market prices***
  - March 2014 quarter average product price of US$138.82 per tonne (FOB Port Latta)
  - Continue to attract a quality premium for high grade, lower impurity iron ore products
  - Continual downward pressure on prices and premiums as world markets react to economic trends - Grange is well positioned to adapt to volatile market conditions
  - Adopted a strategic approach to sell product for value rather than volume in the March 2014 quarter
- ***Driving C1 costs lower***
  - Maintaining cost control disciplines
  - Sustaining higher weight recoveries (> 45%) and concentrate production to drive unit operating costs to levels which will remain competitive in the long term

# Assets Strategy

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

## Savage River (100%)


## Southdown Project (70%)


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

# Savage River 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


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



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# Savage River LOM Strategies
# Developing Multiple Mining Locations

**North Pit Production Stripping**
- Ore supply for 2014

**North Pit Mine Development**
- East wall cut-back

**Reducing risk associated with a single pit operation**

**South Deposit Mine Development**
- Ore supply for 2014/15
- Provides ore <u>and</u> material for construction of a South Deposit Tailings Storage Facility

# Savage River 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)

## 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)



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# Southdown Project Strategy

- **Continue the search for a new equity partner** to take a strategic share of the Company's interest
- **Maintain reduced project expenditure** during 2014
- 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 – "Basics" Strategies Recapped

- **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
- **Redefine strategies and outcomes** to leverage our investment in the Southdown project
- Focus on capital management
  - Maintain **regular dividend**
  - **Target growth opportunities** to complement existing business

# Primary Contact

**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*
- *A detailed statement of Mineral Resources and Ore Reserves can be found in an ASX announcement dated 28 February 2014*