



Australia's most experienced magnetite producer



**Investor Presentation - China**

4 July 2014

# Disclaimer

The material in this presentation (“material”) is not and does not constitute an offer, invitation or recommendation to subscribe for, or purchase, any security in Grange Resources Limited (“GRR”) nor does it form the basis of any contract or commitment. GRR makes no representation or warranty, express or implied, as to the accuracy, reliability or completeness of this material. GRR, its directors, employees, agents and consultants, shall have no liability, including liability to any person by reason of negligence or negligent misstatement, for any statements, opinions, information or matters, express or implied, arising out of, contained in or derived from, or for any omissions from this material except liability under statute that cannot be excluded.

Statements contained in this material, particularly those regarding possible or assumed future performance, costs, dividends, production levels or rates, prices, resources, reserves or potential growth of GRR or, industry growth or other trend projections are, or may be, forward looking statements. Such statements relate to future events and expectations and, as such, involve known and unknown risks and uncertainties. Actual results and developments may differ materially from those expressed or implied by these forward looking statements depending on a variety of factors.



# Company Highlights

- ✓ **Most EXPERIENCED magnetite producer**  
*Over 45 years of operational experience at Savage River*
- ✓ **STRONG Safety Culture**  
*Over 1,430 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*

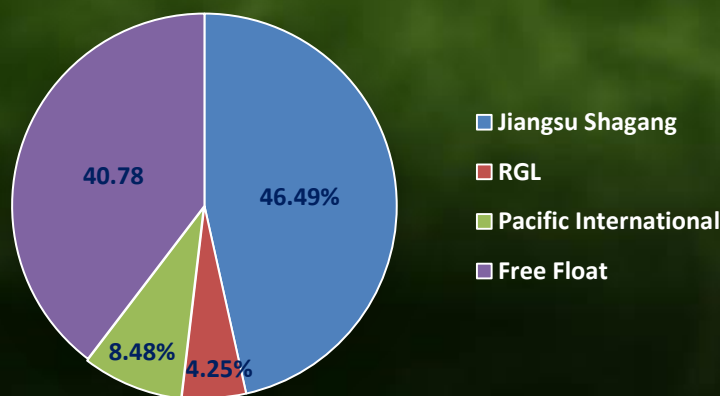


# Company Snapshot

## Capital Structure (A\$)

|                          |               |        |
|--------------------------|---------------|--------|
| Ordinary Shares on issue | 30 June 2014  | 1,157m |
| Share Price              | 30 June 2014  | \$0.16 |
| Market Capitalisation    | 30 June 2014  | \$185m |
| Cash and Term Deposits   | 31 March 2014 | \$146m |

## Current Ownership Structure (30 June 2014)



## Share Price and Volume



## Research Coverage

- JP Morgan
- UBS
- Macquarie



# 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 1,430 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

## ■ *Navigating through a challenging iron ore market*

- We are seeing growing interest from alternate markets such as Japan, India, Malaysia and the Middle East, and actively negotiating sales into these markets
- Continue to attract a quality premium for high grade, lower impurity iron ore products however this is under strong pressure from the Chinese market
- Continual downward pressure on prices and premiums as world markets react to economic trends and discounting by marketers of lower quality iron ore products

## ■ *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 380m tonnes which support s operations to 2030 and beyond**



# 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 and 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)



# 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:

---

**Wayne Bould**

*Managing Director*

+61 3 6430 0222

managingdirector@grangeresources.com.au

### 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