



30 August 2012

ASX: GRR

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# Grange Resources Limited

*Australia's leading magnetite producer*

## REPORT FOR THE HALF YEAR ENDED 30 JUNE 2012

### HIGHLIGHTS

Grange Resources ("Grange" or "the Company") has delivered another substantial half year to shareholders. The Savage River operations continued to provide strong cash generation and the Southdown magnetite project near Albany in Western Australia continued to progress on schedule.

Highlights for the half year ended 30 June 2012 include:

- **Continued excellent safety performance at Savage River with no Lost Time Injuries recorded**
- **Interim dividend of 1.0 cent per share (unfranked) declared**
- **Net profit after tax of \$55.4 million, on revenues from mining operations of \$193.6 million and a gross profit from mining operations of \$59.8 million**
- **Net cash inflow from operating activities of \$91.9 million.**
- **Average pellet price of A\$157.64 per tonne (US\$162.84 per tonne) and C1 cash operating costs of A\$102.66 per tonne of pellets produced, supporting continued cash margins**
- **Cash, term deposits and trade receivables position of \$235.0 million as at 30 June 2012. No net debt.**
- **Southdown Project definitive feasibility study completed, showing the project to have robust economics**
- **Appointment of global specialist, Deutsche Bank, as a corporate advisor to assist in a partial sell down of Grange's share of Southdown.**
- **Southdown ore reserve restated with improved confidence levels**
- **Advancement of land purchases to secure the necessary land for the Southdown mine, slurry pipelines and associated infrastructure**
- **Received the final major environmental permit required for the Southdown Project with the approval of the permit for the desalination plant**

Commenting on the results for the half year Grange Resources Managing Director and Chief Executive Officer, Mr Richard Mehan, said:

“Grange is very pleased to announce an interim unfranked dividend of 1.0 cent per share, highlighting the cash generation and consequent cash reserves at its Savage River operations. Grange continues to deliver positive results to the market and this half year result demonstrates the strength of our operations and strong balance sheet.”

“As one of the few ASX listed pure iron ore businesses with a sustained and profitable production profile, we believe that Grange offers investors an attractive opportunity.”

“This half year has seen mining return to the North Pit, with better ore grades, greater pellet production and lower unit costs of production resulting. Work on re-sequencing the Life of Mine Plan (following a rock slide on the eastern wall of the North Pit in July 2012) is progressing according to schedule and at this stage we do not anticipate any material adverse impact on our 2012 production target.”

“The Definitive Feasibility Study (DFS) for our growth project, Southdown, has been completed and continues to show a robust project. Engineering studies have been further advanced, additional land easements have been acquired and the project’s final major environmental permit for the desalination plant was received in July 2012.”

“Grange is in a strong position from which to grow, from increased production, operating cash inflows and a great development project.”

## Half Year Result

Grange recorded a consolidated profit after tax of \$55.4 million for the half year ended 30 June 2012. The result was achieved on pellet sales of 1.2 million tonnes (2011: 0.7 million tonnes) and revenues from mining operations of \$193.6 million (2011: \$208.9 million). Prior period revenues included \$52.1 million associated with sales made under interim price arrangements during 2010.

The average pellet price received during the half year was US\$162.84 per tonne of pellets sold FOB Port Latta (2011: US\$221.57 per tonne). The reduction in pellet prices from the preceding 2011 half year were off-set by below budget costs and a weaker AUD:USD exchange rate on sales.

Key operating metrics for the 30 June 2012 half year and preceding 2011 half year were as follows:

	<b>6 months to 30 June 2012</b>	<b>6 months to 30 June 2011</b>
<b>Total BCM Mined</b>	7,935,709	8,202,615
<b>Total Ore BCM</b>	965,289	758,767
<b>Concentrate Produced (t)</b>	1,180,554	851,076
<b>Weight Recovery (%)</b>	42.2	34.5
<b>Pellets Produced (t)</b>	1,097,080	840,018
<b>Pellets Shipped (t)</b>	1,162,147	727,202
<b>Concentrate Shipped (t)</b>	23,525	164
<b>Pellet Stockpile (t)</b>	284,613	180,856
<b>Average Pellet Price (US\$/tonne Pellet Sold)</b>	162.84	221.57
<b>“C1” Operating Cost (A\$/tonne Pellet Produced)<sup>1</sup></b>	102.66	132.49

*Note: “C1” costs are the cash costs associated with producing iron ore pellets without allowance for deferred mining and stockpile movements, and also exclude royalties, depreciation and amortisation costs. “C1” costs provide an insight to current margins.*

Phase One of the East Wall remediation work was completed and access to the main ore zone of the North Pit was re-established during Q4 2011. Re-establishing this access has resulted in a C1 unit cost of \$102.66 per tonne of pellets produced during the 30 June 2012 half year (a 22.5 per cent improvement from the preceding 2011 half year) due to improved ore grades and consequent concentrate and pellet production.

The rock slide on the eastern wall of the North Pit in July 2012 has bought forward part of the Phase Two remediation works for the East Wall. This remediation work was planned to be completed as part of the 2015 operating plan and is now being rescheduled into the 2013 operating plan. This will require ore to be sourced from other deposits on the mine site on several occasions during the remediation work. It is expected that the redesign and rescheduling plans will be finalised by early September. Grange does not anticipate any material adverse impact on its 2012 production target at this stage.

## Capital Management

Grange has announced an unfranked interim dividend of 1.0 cent per share as a result of the continued cash generation at its Savage River operations. The reduced dividend amount provides the Company with additional time to assess the business impact of recent reductions in the global price for iron ore, softening demand for iron ore from China and confirm the impact of re-sequencing of the Life of Mine Plan following the rock slide on the eastern wall of the North Pit in July 2012. Grange's equity contribution strategy for the Southdown Project is also undergoing detailed review following the appointment of Deutsche Bank as a corporate advisor to assist in the sell down of at least 30 per cent of the project to a strategic partner.

At 30 June 2012, Grange had \$235.0 million in cash, term deposits and trade receivables (31 December 2011: \$232.9 million) and \$39.6 million in debt (31 December 2011: \$44.9 million).

The continued cash generation from Savage River allowed the Company to maintain its cash reserves whilst continuing to fund:

- sustaining capital expenditure at Savage River and Port Latta (\$15.4 million)
- ongoing investment in the Southdown Project feasibility studies (\$8.0 million)
- dividend payments to shareholders of \$34.6 million (representing 3 cents per share as announced with the full year 2011 results)

With a strong cash position and no net debt, Grange is well positioned with increased production, operating cash inflows and an advanced development project.

## Mineral Resources Rent Tax

The Mineral Resources Rent Tax ("MRRT") was enacted in the reporting period ended 30 June 2012 and commenced on 1 July 2012. The MRRT represents an additional tax on profits generated from the mining operations of iron ore and coal miners in Australia.

As at 30 June 2012, there is no impact of the MRRT on the Company's results based on a number of assumptions and estimates including commodity prices, foreign exchange rates, reserves and resources and the future performance of operations.

## Resources and Reserves – Savage River

Grange is pleased to announce a Mineral Resource at Long Plains, a magnetite deposit located 10 kilometres south of Savage River, following the completion of a \$2 million drilling program.

### Long Plains Mineral Resources <sup>(1)</sup>

	Tonnes (Mt)	Grade (% DTR)
<b>Measured</b>	-	-
<b>Indicated</b>	5.6	51.1
<b>Inferred</b>	43.2	43.8
<b>Total</b>	<b>48.8</b>	<b>44.6</b>

The drilling program at Long Plains consisted of 2,485 metres of diamond drilling and 2,053 metres of reverse circulation drilling for a total advance of 5,029 metres and allowed for the definition of a Mineral Resource on the North and South Zones of the deposit. The potential tonnage and grade of this deposit provides Grange with an opportunity to extend the mine life at Savage River by between three and five years.

The Mineral Resource for Savage River, incorporating the Mineral Resources at Long Plains, is now as follows:

### Savage River Mineral Resources <sup>(1)</sup>

	As at June 2012		As at June 2011	
	Tonnes (Mt)	Grade (% DTR)	Tonnes (Mt)	Grade (% DTR)
<b>Measured</b>	78.2	54.4	81.4	54.2
<b>Indicated</b>	135.6	53.5	131.5	53.5
<b>Inferred</b>	129.8	47.2	86.9	48.8
<b>Total</b>	<b>343.6</b>	<b>51.3</b>	<b>299.8</b>	<b>52.3</b>

## Condolences

The Company was saddened to hear about the passing of its former Chairman, Mr Anthony Bohnenn. Mr Bohnenn recently passed away in Holland after a long illness. Mr Bohnenn was Grange's Chairman prior to the January 2009 merger with Australian Bulk Minerals and was instrumental in getting market support for Grange as it advanced the Southdown Project. The Company has expressed its sympathies on behalf of Grange's employees, shareholders and the Board to Mr Bohnenn's widow in Holland.

-ENDS-

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**(1) Qualifying Statement**

*The resource estimate was classified in accordance with the guidelines provided in the JORC Code, 2004. The classification of Mineral Resources was considered appropriate on the basis of drill hole spacing, sample interval, geological interpretation and representativeness of assay data and was based on a number of factors:*

- *The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce the Ore Reserves. The Inferred Mineral Resources are, by definition, additional to the Ore Reserves.*
- *The estimation was constrained within the interpreted geological domain.*
- *The Ordinary Kriging and Inverse Distance interpolation methods were carried out on drilling data composited to 2m with composites to 1m for Long Plains*
- *Oxidised material was not included in this statement of Mineral Resources*
- *Tonnages were estimated on a dry basis.*
- *Bulk density for samples taken from diamond drill core has been physically determined by the weight-in-air/weight-in-water method. Samples are unsealed during this process as most material is competent and/or of low porosity.*
- *A lower cut-off grade of 15% DTR was used in the calculation of both the Mineral Resources and Ore Reserves.*
- *The Ore Reserve was calculated using a 1.087 dilution factor and a mining recovery factor of 0.939. These factors are based on periodic reconciliation specific to mining areas.*
- *The survey surface used for reporting was the end-of-month June 2012 surface.*

**Competent Person Statement:**

*The information in this release that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Ben Maynard, who is a Member of The Australasian Institute of Mining and is a full time employee of Grange Resources Limited. Mr Maynard has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Maynard consents to the inclusion in the release of the matters based on his information in the form and context in which it appears.*