



24 October 2018
ASX: GRR

REPORT FOR THE QUARTER ENDED 30 September 2018

HIGHLIGHTS

- Mining activities for Q3 continued to be hampered by rainfall and pit water levels. Dewatering of the pit was achieved towards the end of the quarter. Ore production resumed at the beginning of October.
- Record pellet premiums resulted in a 31% increase in average received prices for the quarter of US\$132.41/t (A\$181.96/t) (FOB Port Latta) compared to US\$101.11/t (A\$134.00/t) for June 2018 quarter.
- Cash and liquid investments of A\$209.28 million and trade receivables of A\$24.46 million compared to cash and cash equivalents of A\$194.38 million and trade receivables of A\$23.42 million as at June 2018 quarter.
- An interim dividend payment of \$11.57 million was made during the quarter.
- Pellet production decreased for the quarter of 437kt compared to 609kt in the June 2018 quarter, due to the delayed access to ore supply.
- Unit cash operating cost increased for the quarter of A\$148.15/t compared with A\$82.10/t for June 2018 quarter. This was largely due to a significant reduction in concentrate production to 399kt from 705kt in the last quarter as a result of delayed access to ore.
- Pellets sales decreased for the quarter of 499kt compared to 688kt in the June 2018 quarter.
- Diamond drilling programs progressed well in North Pit and Centre Pit.



“Due to record levels of rain fall early in Q3, the North Pit had an extremely large amount of water flowing in through the West wall, which prevented access to the ore zone areas. Although this impacted production in the quarter, the teams have done well to dewater the pit and to minimise the overall impact for the year.” said CEO Mr. Honglin Zhao.

“The iron ore prices continue to be strong with the premium for high grade pellets reaching record levels. We continue to focus on optimising our long-term mining plans and the execution of our feasibility studies in the North Pit underground and Centre Pit are progressing as planned.”

“Construction of the first project in the property joint venture has commenced with pre-sale of the first unit achieved in the quarter.”

SAVAGE RIVER OPERATIONS

PRODUCTION

	September Quarter 2018	June Quarter 2018	March Quarter 2018
Total BCM Mined	2,787,928	4,191,006	4,634,437
Total Ore BCM	20,259	226,883	388,483
Concentrate Produced (t)	399,357	705,408	646,540
Weight Recovery (%)	53.4	64.1	52.0
Pellets Produced (t)	437,336	608,816	622,753
Pellet Stockpile (t)	138,464	199,842	279,212
Concentrate Stockpile (t)	5,278	58,511	18,509

Safety focus has been maintained across the business with over 560 days Lost Time Injury Free achieved.

Mining rates were lower in Q3 compared with Q2 due to high levels of rainfall and managing activities in North Pit with increased water levels. Additional pumps and pipework were installed to deal with the abnormally high level of water ingress into the pit. Plans were implemented to divert water from the west wall to minimize inflow and a pontoon pumping system was installed to expedite dewatering from the lower levels of the pit. While disruption to mining occurred, the issue has been rectified and access to the ore zone has been restored to support Q4 production.

The common equipment shutdown planned for Q4 was brought forward to align concentrator and pellet plant downtime and key maintenance activities with the delay in ore supply.



SHIPPING AND SALES

	September Quarter 2018	June Quarter 2018	March Quarter 2018
Iron Ore Pellet Sales (dmt)	498,714	688,186	605,753
Iron Ore Concentrate Sales (dmt)	0	10,042	0
Iron Ore Chip Sales (dmt)	14,961	32,942	26,146
TOTAL Iron Ore Product Sales (dmt)	513,675	731,170	631,899
Average Realised Product Price (US\$/t FOB Port Latta)	132.41	101.11	107.22
Average Realised Exchange Rate (AUD:USD)	0.7277	0.7545	0.7853
Average Realised Product Price (A\$/t FOB Port Latta)	181.96	134.00	136.54

Record pellet premiums resulted in the average price received during the quarter of US\$132.41/t (A\$181.96/t) (FOB Port Latta), increased by 30.96% (increased by 35.8%) from US\$101.11/t (A\$134.00/t) in the June 2018 Quarter.

As a result of continued demand in China for higher-quality, low impurity products following ongoing environmental restrictions and strong steel margins, Grange has received record pellet premiums above the 62% Fe fines lower quality products.

Grange will deliver into secured term offtake agreements for the remainder of 2018 and expects the market to remain strong and continue to receive high pellet premiums.

MINE DEVELOPMENT PROJECTS

North Pit Underground

Phase 1 of the diamond drilling program to investigate the ability to access the ore body in North Pit through underground development continued in Q3. The first part of the program has been focused on the open pit slopes to inform slope stability, potential subsidence zones, ground water modelling and to provide information into the structural model. Seven holes have been drilled for an advance of approximately 1,785m. The nine planned deep diamond holes commenced in Q3 and combine downhole geophysics, hydrogeological assessment, laboratory testing of diamond drill core and modelling for input into feasibility studies. The primary objective for phase 1 is to demonstrate geological continuity ahead of phase 2, which will be designed to inform the geological model. Three holes have been completed and 4 are in progress for an advance of 5,552m. The Board has approved further expenditure of \$15 million to establish an exploration decline alongside the open pit. This will be implemented in 2019 and will allow further testing of the orebody at depth and progression of the feasibility study.



Centre Pit

Work is progressing on the feasibility study for Centre Pit. The surface diamond drilling program has also been progressed with the drilling of twelve holes for a total advance of approximately 2,760m. These holes have focussed on geotechnical data collection informing slope stability and increasing confidence in the geological model. Samples are undergoing analysis. A further \$720K will be invested in the program for geotechnical drilling around Centre Pit to define stability of the north western wall.

South Deposit Tails Storage Facility (SDTSF)

Pre-commissioning work is nearing completion for transition to the SDTSF in Q4. An investment of \$3.2 million will be made to close out the Main Creek Tails Dam over the next 2 years. This will involve a raise of the dam wall to final height to provide adequate water cover and construction of the final spillway.

SOUTHDOWN MAGNETITE PROJECT **(Grange 70%, SRT Australia Pty Ltd 30%)**

The process of seeking a strategic investor(s) for the project is ongoing.

All tenements, permits and project assets continue to be maintained in good order. Budgeting and cost control over expenditure on this project continues to secure the investment.

The Joint Venture Partners continue to monitor all ongoing project requirements to ensure that the current status of the feasibility studies allow the full recommencement of the project once Grange is able to secure an equity partner for a strategic share of the Company's interest in the project.



GRANGE ROC PROPERTY

Lumley Court

The Joint Venture has commenced construction and pre-sales of the project. As of the date of this report, one of the five units have been sold. The unit sold has achieved the budgeted sale price, further supporting the confidence in the market for the joint venture's business model and quality projects.

	EVENT	EXPECTED TIMING
1.	Appoint Consultant team	<i>Completed</i>
2.	Building design and planning application	<i>Completed</i>
3.	Planning Approval	<i>Completed</i>
4.	Commence Construction	<i>Commenced</i>
5.	Commence Pre-sales	<i>Commenced</i>
6.	Construction Complete	August 2019
7.	Settlement on All Sales	September 2019
8.	Project Completion	October 2019

Malvern Road

During the quarter, the Joint Venture acquired the Malvern Road project in the suburb of Toorak, Melbourne for \$4.7 million. This apartment project consists of eight luxury residences over three levels with basement. The project is well advanced with planning approved, and a full set of construction documentation, allowing construction to commence in November 2018. Presales on this site are also reinforcing the demand in the owner occupier / downsizer market, with two of the eight apartments sold off the plan. We expect this project to be fully constructed and sold within a 14-month time period.

CORPORATE

The company declared and paid a fully-franked interim dividend of 1.0 cent per share in the quarter.

Shareholders

As at 30 September 2018 there were approximately 4,150 shareholders.

-ENDS-

For further information, please contact:
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