As Australia’s largest integrated magnetite mining and pellet production company, Grange Resources Limited has quite the tale to tell. Russell Clark, Managing Director, joined the company in March of 2008, lured by the fantastic opportunities offered by Grange Resources and the strong iron ore market.

“At that time, Grange had a very large development project in Western Australia called the Southdown project. Through the course of last year, we did a deal with the Chinese owners of a very large operating mine in Tasmania,” Clark recalls.
This operating mine Clark speaks of is the Savage River project, 100 kilometres southwest of Burnie on the North West coast of Tasmania. It is Grange’s flagship project: a magnetite iron ore mine with current reserves estimated to last up to 2028.

“The Savage River Mine was privately held by a number of Chinese companies, the major one being Shagang (Shagang International Holdings Limited). Shagang is the largest private steel maker in China and the fourth largest steel maker overall, producing in excess of 23 million tonnes per annum of steel. We merged their operation into Grange,” Clark says.

“It was effectively a reverse takeover and the total Chinese shareholding became 68 per cent of Grange. We did that in January of this year and it has transformed our company. We started out as a junior company with a very large development project and became Australia’s leading magnetite producer with a very large operation in Tasmania and cash flow to help support the development of the new project (Southdown).”

Today Savage River and Southdown continue to grow from strength to strength. IRJ caught up with Clark to hear the latest news on these exciting projects.

The Savage River project
The first thing which sets both Savage River and the Southdown project apart from the pack is that they are magnetite projects.

“In Australia, magnetite projects are generally less well-regarded, primarily because the bulk of iron ore mined in Australia is haematite. That’s a lot easier to mine and deal with, and with a little work the magnetite product is actually a far better quality product that you get a better price with,” Clark explains.

“The Savage River mine has been in operation for about 40 years. It’s a large-scale open pit mine moving about 65 million tonnes per year and we have a very modern set-up there. We invested about $100 million dollars in new equipment in the past year and we have a very modern maintenance facility for the trucks. The workforce there is highly experienced and many of them have been there for a long time. We produce about two and a half million tonnes of quality iron ore product a year.”
The Savage River workforce is a 600 person strong team based in Tasmania with an annual cost base of about A$200 million dollars. “Last year the revenue stream was about A$350 million, and profits for the company totalled A$87 million,” Clark says.

“When the iron ore prices are as good as they were last year, it makes for a very profitable operation. This year we have seen the iron ore prices fall following an 88 per cent increase last year, but we’re still seeing great prices in what can probably be classed as some of the toughest economic conditions.”

The entire product from the Savage River operation is underwritten by two primary contracts. “One is to our largest shareholder, Shagang, who will take 1.7 million tonnes this year. We also sell 800,000 tonnes to BlueScope Steel in New South Wales,” Clark explains. “Basically we sell all of our product. We know what we’re going to get for it and we don’t sell any of it on the spot market. Savage River is certainly has leveraged to any increase in iron ore price.”
In addition to the strong team, contract covered product and market flexibility, the infrastructure in place at Savage River offers huge benefits. This includes the mine site, the pipeline to Port Latta, 70 kilometres west of Burnie, the pelletizing plant and dedicated facilities at the port.

“These are all there and paid for. The replacement cost of this infrastructure would be around about a billion dollars,” Clark says. “Savage still has a mine life of at least 15 years, and reserves for 20 years, so while it’s been around for a long time, and it still has plenty of time left.”

The Southdown development project
Southdown, a large magnetite project 100 kilometres from Albany in the southwest of Western Australia, is a joint venture between Grange and Sojitz Corporation, a Japanese trading house.

“We’ve recently increased and augmented the resource base here by 37 per cent to over 650 million tonnes, a third of which is in the measured category, a third of which is indicated and a third of which is inferred,” Clark says. “We have the potential and desire to grow that resource by another 25 per cent in due course. The mine has a potential and expected life
in excess of 30 years, producing about seven million tonnes of magnetite product a year.”

In operation, Southdown will comprise a similar set-up to that at Savage River; a large open pit mine with a crushing plant and concentrator producing concentrate which will be pumped 100km to the city of Albany through a buried pipeline. The company has an abundance of options in place for the pipeline corridor. Clark explains that just as the location of Port Latta is beneficial for Savage River, the port of Albany is a huge plus in terms of infrastructure for Southdown.

“The port of Albany currently exports about three million tonnes a year of wheat and wood chips. To that, we would be adding around seven million tonnes,” he says. “We’re looking to deepen the channel into Albany and add another berth, but, other than that, we will fall into the existing operations of what is a commercial port.”

“The power facilities that are already in place are ideal and beneficial for operations too. We will have to build a transmission
line from the major coal-fired power station to the site,” Clark explains.

“Water is another critical issue for this project, and will be transported in to the site. Accordingly, it will come from the Albany wastewater treatment plant. As an additional benefit, we will be recycling the water that the town uses, thereby reducing waste, as well as cost.”

**Future goals at Grange**

Clark says that Grange’s short-term goal is to further integrate the Savage River operations into the company.

“We’re focused on implementing the systems and processes that go with being a public company. We will also finalise the permits for Southdown so that we can get on with the detailed engineering and start to really create that future for Grange,” he says.

The Southdown permitting process which Clark speaks of is well underway. “We have two main permits that we require for this project. One is for the mine, one is for the port. The initial permit for the mine was granted about 15 months ago

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**Blasting services provider to Grange Resources**

Downer EDI Mining Blasting Services’ state-of-the-art emulsion plant is now up and running at Grange Resources Savage River mine site, producing our high-energy, single-salt emulsion, unique to the Australian market.

Complete with new large-capacity, high-tech, configurable-load trucks, featuring unique safety and performance features, we combine engineering and blasting industry expertise with cutting-edge technology to deliver flexible and tailored solutions for Grange Resources at Savage River.

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and we expect the final one to be issued within the next couple of months. The initial port permit should be issued within a month too,” he explains.

“Once these permits have been received, we can concentrate on detailed engineering and move towards the bankable feasibility study, so we’d probably be looking to start this mine in about 2013.”

Looking further down the line, Clark says that there is great scope for Grange to build upon its successful international shareholder relationships. “Our largest shareholder is a Chinese company, and there’s certainly an opportunity for it to use us as a vehicle to acquire other projects, which may be easier than acquiring from within China,” he says. “We as a company are looking to be a provider of steel making feedstock to the likes of our Chinese shareholders and others.”

As the leading magnetite producer in the Australian region, Grange Resources is certainly a strong, established and extremely promising one.

Fortuitous commoditiy prices in the foreseeable future bode well for Grange Resources. The development of Southdown and the Savage River operation are evidence that smart geological management is thriving at Grange.