



## **REPORT FOR THE QUARTER ENDED 31 DECEMBER 2003**

### **HIGHLIGHTS**

#### **Financial**

- Cash and receivables at the end of the quarter totalling \$10.17 million.

#### **Mt Windsor Joint Venture**

- 34,235 tonnes of copper concentrate containing 26.11% copper and 0.8 g/t gold produced from the Reward Deeps project.
- The Company's third shipment (10,730 tonnes) of copper concentrate from the Reward Deeps project exported from Townsville on 29 December 2003.
- Proceeds of \$5.43 million received during early January 2004 from the sale of the December 2003 shipment of copper concentrates.
- Ore reserves of 788,000 tonnes @ 3.8% copper established as at 31 December 2003 and project life extended to October 2004.
- The Company's share of concentrate production from the project increased by 20% from 53,600 tonnes to 64,500 tonnes.
- Mineral resources of 879,000 tonnes @ 4.1% copper established as at 31 December 2003.

#### **Freshwater**

- Mining undertaken from the Plutonic East underground mine and the Piranha open pit during the quarter.
- Royalty payments of \$102,763 generated during the quarter.
- Encouraging drill results (including 2.2m @ 136.13g/t Au, 3.5m @ 21.09g/t Au, 3.6m @ 20.00g/t Au and 2.9m @ 14.10g/t Au) recorded from the Plutonic East underground mine in the Freshwater leases.
- Encouraging drill results (including 5m @ 14.09g/t Au, 4m @ 13.25g/t Au 7m @ 7.55g/t Au, 7m @ 6.47g/t Au and 4m @ 10.60g/t Au) recorded from the Salmon gold prospect in the Freshwater leases.

#### **Red Hill**

- 295,979 tonnes of ore grading 1.55g/t gold mined from M27/57.
- 12,943 ounces of gold recovered from the processing of 278,404 tonnes of ore grading 1.53g/t.
- Royalty payments due to commence during the September 2004 quarter.

#### **Southdown Magnetite Project**

- Grange has acquired the rights to purchase the Southdown magnetite project located 90km from the Port of Albany.
- Previous drilling and evaluation reported a resource of 53.6mt at a 30% magnetite cut-off grade, sufficient to maintain production of concentrate containing 64.6%Fe of 2mtpa for over 12 years.
- Evaluation of the project has commenced.

## MINING & EXPLORATION ACTIVITIES

### MT WINDSOR JOINT VENTURE

#### **Reward Deeps and Conviction Project (Grange Resources Limited (“Grange”) 30% Thalanga Copper Mines Pty Ltd (“TCM”) 70%)**

During the December 2003 quarter 228,265 tonnes of ore grading 4.60% copper were processed through the Thalanga plant for the production of 34,235 tonnes of copper concentrate containing 26.11% copper and 0.8 g/t gold. Copper recovery and concentrate grade were below budget for the quarter primarily due to variable head grade and process water quality.

Ore production for the quarter was 228,517 tonnes with approximately 70% of the ore being mined from Reward Deeps and 30% from Conviction.

Full mining production was achieved during September 2003 and this has been readily maintained throughout the December 2003 quarter.

Development of access to the Lower Reward Deeps ore body was completed during October 2003 and development within the ore was completed in November 2003. During December 2003 development access to a small ore body, referred to as the Hanging Lens, was commenced.

A summary of the production statistics for the Reward Deeps project for the December 2003 quarter and project to 31 December 2003 is presented in Table 1.

	<b>March 2003 Quarter</b>	<b>June 2003 Quarter</b>	<b>Sept 2003 Quarter</b>	<b>Dec 2003 Quarter</b>	<b>Project to 31.12.03</b>
<b>Ore Mined (tonnes)</b>	95,161	191,695	177,330	228,517	792,518
<b>Ore Milled (tonnes)</b>	<b>97,469</b>	<b>142,470</b>	<b>201,951</b>	<b>228,265</b>	<b>756,424</b>
Head grade – (Cu %)	3.92	3.81	4.72	4.60	4.53
Copper Recovery (%)	91.6	89.36	89.88	88.94	90.01
<b>Concentrates Produced (t)</b>	<b>12,524</b>	<b>17,781</b>	<b>31,807</b>	<b>34,235</b>	<b>114,380</b>
<b>Concentrate Grade</b>					
- Copper (%)	27.96	27.28	27.04	26.11	26.94
- Gold (g/t)	0.80	0.8	0.8	0.8	0.8
- Silver (g/t)	17	17	17	17	17

The Company's third shipment of concentrate (10,730 tonnes) from the Reward Deeps Project was exported from Townsville on 29 December 2003. Proceeds of \$5.43 million were received during early January from the sale of this shipment of copper concentrate. The Company's fourth shipment of approximately 10,000 tonnes is scheduled for export from Townsville at the beginning of March 2004.

Ore reserves for the project as at 31 December 2003 were updated during the quarter and as at 31 December 2003 amount to 788,000 tonnes grading 3.8% copper. The reserves are summarised in Table 2. Based on the current ore reserves project life is expected to be extended to October 2004 with total concentrate production being increased by approximately 20% from 179,000 tonnes to 215,000 tonnes. Grange's share of concentrate production is now estimated to be 64,500 tonnes over the life of the project.

<b>TABLE 2</b>				
<b>MT WINDSOR JOINT VENTURE</b>				
<b>MINING RESERVE AS AT 31 DECEMBER 2003</b>				
<b>Reserve</b>	<b>Status</b>	<b>Tonnes</b>	<b>Grade Cu %</b>	<b>Contained Cu Tonnes</b>
<b>Reward Deeps</b>	Proven	108,000	3.7	4,000
	Probable	139,000	2.7	3,700
	Other	36,000	2.3	800
	Broken Stocks	108,000	4.2	4,500
<b>Total</b>		<b>391,000</b>	<b>3.3</b>	<b>13,000</b>
<b>Conviction</b>	Proven	101,000	6.4	6,400
	Probable	28,000	3.1	900
	Other	5,000	1.2	100
<b>Total</b>		<b>135,000</b>	<b>5.5</b>	<b>7,400</b>
<b>Lower Reward Deeps</b>	Probable	<b>66,000</b>	<b>2.6</b>	<b>1,700</b>
<b>Highway South</b>	Probable	<b>197,000</b>	<b>4.0</b>	<b>7,900</b>
<b>Total Proven</b>		<b>209,000</b>	<b>5.00</b>	<b>10,400</b>
<b>Total Probable</b>		<b>430,000</b>	<b>3.3</b>	<b>14,300</b>
<b>Total Other (Includes Broken Stocks)</b>		<b>149,000</b>	<b>3.6</b>	<b>5,400</b>
<b>Grand Total</b>		<b>788,000</b>	<b>3.8</b>	<b>30,100</b>

**Notes:**

- Reserves rounded to nearest 1,000 tonnes.
- Copper Grades rounded to 1 decimal place.
- Contained copper rounded to nearest 100 tonnes.
- "Other" is mineralisation within the resource model that will be mined as part of the stoping blocks.

*This reserve information has been compiled by Mr Neal Valk of Thalanga Copper Mines Pty Ltd who is a competent person as defined in Appendix 5A to the ASX Listing Rules. Thalanga Copper Mines Pty Ltd has consented in writing to the information being included in the form and context in which it appears.*

**Exploration**  
(Grange 30%, TCM 70%)

Underground Diamond Drilling

During the quarter an underground diamond-drilling programme was commenced with the aim of extending mine life by increasing the resource base. By the end of December 2003 fifteen diamond drill holes, aggregating 1716 metres, had been completed. Targets tested included the Hanging Wall Lens, the Gold Zone, Reward Deeps and Lower Reward Deeps. The drilling has been moderately successful and has enabled some additional resources to be delineated in the Hanging Wall Lens, Reward Deeps and Lower Reward Deeps. Results of drilling to test the Lower Reward Deeps deposit at depth have been disappointing with generally low grades being recorded. The best intersection recorded from this zone to date has been 13 metres grading 2.27% copper from drill hole UGO3\_107. Further drilling is planned for the next quarter. Significant drill results received during the quarter are summarised in Table 3.

<b>TABLE 3</b>								
<b>MT WINDSOR JOINT VENTURE</b>								
<b>LOWER REWARD DEEPS DIAMOND DRILLING</b>								
<b>SIGNIFICANT INTERSECTIONS (&gt;5m% Cu)</b>								
<b>Drill Hole</b>	<b>Sect.</b>	<b>EOH (m)</b>	<b>Pyrite Intersection</b>		<b>Assay Intersection</b>		<b>Assay</b>	
			<b>From (m)</b>	<b>To (m)</b>	<b>From (m)</b>	<b>Int (m)</b>	<b>Cu %</b>	<b>Au g/t</b>
<b>Hanging Lens</b>								
UGO3_095	10170	86.3	26.3	30.9	24.8	0.8	7.00	0.11
			44.0	77.0	54.0	3.0	2.69	0.24
					60.2	2.3	4.29	0.71
UGO3_096	10170	83.0	55.0	57.3	54.0	5.0	4.88	0.62
<b>Gold Zone</b>								
UGO3_097	10020	65.3	35.2	35.7	35.2	0.5	2.83	16.10
<b>Reward Deeps</b>								
UGO3_099	10000	71.5	46.6	62.1	46.8	5.2	4.45	0.69
<b>Lower Reward Deeps</b>								
UGO3_100	10100	140.5	72.4	97.0	83.2	13.5	3.31	0.62
UGO3_101	10070	110.5	46.0	62.9	46.0	2.4	3.61	0.23
					61.8	1.1	5.09	0.16
UGO3_102	10020	239.5	122.5	131.5	121.0	11.4	3.09	0.23
UGO3_105	10060	122.7	47.0	70.0	48.0	3.4	1.94	0.34
					57.1	4.6	3.38	0.61
			75.0	116.0	76.8	3.2	1.62	0.27
					114.6	1.5	2.25	0.59
UGO3_106	10040	119.7	47.0	77.0	62.0	8.8	1.76	0.54
			83.0	110.0	107.7	1.8	2.21	1.47
UGO3_107	10020	86.0	48.0	82.0	50.0	13.0	2.27	0.01
(Includes)					54.0	4.7	4.68	0.13

Exploration EPM 3380

Follow up drilling at the Truncheon prospect to investigate off hole conductors recorded during previous down hole EM surveys is scheduled to commence during the next quarter.

Mineral Resources

Mineral resources for the Mt Windsor Joint Venture as at 31 December 2003 were updated during the quarter and are summarised in Table 4. It should be noted that the resources modified to produce the reserve figures for Reward Deeps and Conviction presented in Table 2 are **included** in the resource figures in Table 4.

<b>TABLE 4 MT WINDSOR JOINT VENTURE MINERAL RESOURCES AS AT 31 DECEMBER 2003</b>						
<b>Resource</b>	<b>Cut-off Grade Cu%</b>	<b>Status</b>	<b>Tonnes</b>	<b>Grade</b>		<b>Contained Cu (t)</b>
				<b>Cu %</b>	<b>Au g/t</b>	
<b>Reward Deeps</b>		Measured	116,000	3.9	1.0	4,500
		Indicated	149,000	2.9	0.9	4,300
		Inferred	39,000	2.4	1.0	900
	<b>1.5</b>	<b>Total</b>	<b>304,000</b>	<b>3.2</b>	<b>1.0</b>	<b>9,700</b>
<b>Conviction</b>		Measured	101,000	6.4	0.8	6,400
		Indicated	28,000	3.1	0.7	900
		Inferred	5,000	1.2	0.6	100
	<b>2.5</b>	<b>Total</b>	<b>135,000</b>	<b>5.5</b>	<b>0.8</b>	<b>7,400</b>
<b>Lower Reward Deeps- HW1</b>		Indicated	82,000	2.7	0.8	2,200
		<b>Total</b>	<b>82,000</b>	<b>2.7</b>	<b>0.8</b>	<b>2,200</b>
<b>Lower Reward Deeps (Excluding HW1)</b>		Measured	31,000	5.3	0.9	1,700
		Indicated	39,000	4.4	1.0	1,700
		Inferred	28,000	4.8	0.8	1,400
	<b>2.0</b>	<b>Total</b>	<b>98,000</b>	<b>4.8</b>	<b>0.9</b>	<b>4,700</b>
<b>Highway South</b>		Indicated	244,000	4.6	0.6	11,200
	<b>1.5</b>	<b>Total</b>	<b>244,000</b>	<b>4.6</b>	<b>0.6</b>	<b>11,200</b>
<b>Hanging Lens</b>		Inferred	17,000	5.6	0.6	1,000
	<b>1.5</b>	<b>Total</b>	<b>17,000</b>	<b>5.6</b>	<b>0.6</b>	<b>1,000</b>
<b>Total Measured</b>			<b>248,000</b>	<b>5.1</b>	<b>0.9</b>	<b>12,600</b>
<b>Total Indicated</b>			<b>542,000</b>	<b>3.7</b>	<b>0.8</b>	<b>20,300</b>
<b>Total Inferred</b>			<b>89,000</b>	<b>3.7</b>	<b>0.8</b>	<b>3,300</b>
<b>Grand Total</b>			<b>879,000</b>	<b>4.1</b>	<b>0.8</b>	<b>36,200</b>

**Notes:**

- Resources estimated within wire frames representing interpreted cut-off grades
- Estimation methods:
  - Lower Reward Deeps-HW1, Highway South & Hanging Lens - Block model, inverse distance squared
  - Reward Deeps, Conviction& Lower Reward Deeps – Block model, ordinary kriging
- Resources rounded to nearest 1,000 tonnes.
- Copper Grades rounded to 1 decimal place.
- Contained copper rounded to nearest 100 tonnes.

*This resource information has been compiled by Mr Michael Everitt of Thalanga Copper Mines Pty Ltd who is a competent person as defined in Appendix 5A to the ASX Listing Rules. Thalanga Copper Mines Pty Ltd has consented in writing to the information being included in the form and context in which it appears.*

**FRESHWATER**

**(Barrick Gold of Australia Limited (“Barrick”) 100%,  
Grange - Production Royalty)**

Barrick has provided the following information on activities relating to the Freshwater project during the December 2003 quarter.

**Operations**

During the December 2003 quarter 649 metres of horizontal advance were achieved in the Plutonic East underground mine. Production from the Freshwater section of the mine increased during the quarter with 16,707 tonnes of ore grading 6.95g/t gold being mined.

Production details for the Plutonic East mine to the end of December 2003 are summarised in Table 5.

<b>TABLE 5 FRESHWATER PROJECT – PLUTONIC EAST MINE SUMMARY OF ORE PRODUCTION TO 31 DECEMBER 2003 (Ore tonnes &gt; 1.5g/t Au)</b>			
<b>Period</b>	<b>Tonnes</b>	<b>Grade (g/t Au)</b>	<b>Royalty (\$)</b>
<b>December 2001 to 30 June 2002</b>	20,865	5.05	25,243
<b>September 2002 Quarter</b>	21,941	7.73	105,626
<b>December 2002 Quarter</b>	12,228	7.54	55,680
<b>March 2003 Quarter</b>	16,729	6.78	59,150
<b>June 2003 Quarter</b>	6,624	4.04	6,800
<b>September 2003 Quarter</b>	6,057	4.01	12,136
<b>December 2003 Quarter</b>	16,707	6.95	50,558
<b>Grand Total</b>	<b>101,151</b>	<b>6.40</b>	<b>315,193</b>

During the quarter mining was also undertaken at the Piranha Open Pit. Open pit production statistics are summarised in Table 6.

<b>TABLE 6 FRESHWATER PROJECT – OPEN PIT PRODUCTION OPERATING STATISTICS</b>				
	<b>March 2003 Quarter</b>	<b>June 2003 Quarter</b>	<b>Sept 2003 Quarter</b>	<b>Dec 2003 Quarter</b>
<b>MINING</b>				
Ore Mined (bcm)	21,174	18,752	9,406	14,087
Total Material (bcm)	699,803	101,774	563,012	152,230
Ore mined (tonnes)	38,615	31,876	15,933	30,918
<b>TREATMENT</b>				
Ore milled (tonnes)	38,615	31,876	15,933	30,918
Head Grade (g/t)	2.51	2.48	2.24	2.8
Recovery (%)	92.5	91.0	92.6	92.6
Gold Produced (oz)	2,647	2,792	1,556	1,854
Royalty payable to Grange (\$)	27,172	38,580	7,966	52,205

### Development Drilling

Underground diamond drilling was undertaken at Plutonic East during the quarter with 34 holes aggregating 1196 metres being completed. All drilling was undertaken as grade control of known lodes in preparation for stoping. Significant assays are summarised in Table 7.

<b>TABLE 7 FRESHWATER LEASES - PLUTONIC EAST MINE SIGNIFICANT DRILL INTERSECTIONS (&gt;5g.m/t)</b>						
<b>Hole ID</b>	<b>Northing</b>	<b>Easting</b>	<b>RL</b>	<b>Depth From</b>	<b>Intercept (m)</b>	<b>Assay g/t Au</b>
UDE0179	10562.1	8352.3	1386.8	58.8	1.00	26.10
UDE0180	10567.3	8343.1	1386.8	0.00	1.20	18.30
UDE0181	10570.8	8332.7	1386.7	0.00	1.90	28.60
UDE0182	10574.1	8322.5	1385.8	17.80	1.00	5.40
UDE0185	10588.8	8280.9	1384.7	6.30	3.40	7.74
UDE0186	10563.4	8381.6	1379.2	5.65	1.25	2.51
				24.50	2.00	10.80
UDE0191	10615.8	8264.5	1376.4	9.00	3.00	13.20
UDE0192	10621.8	8255.6	1375.0	8.90	1.90	6.40
UDE0193	10626.9	8247.5	1373.0	4.00	1.30	21.60
UDE0194	10634.2	8239.1	1372.5	1.80	3.00	6.60
UDE0214	10734.8	8356.4	1331.5	7.80	2.20	136.13
UDE0215	10745.3	8351.0	1332.6	4.40	1.05	59.53
UDE0216	10750.2	8329.2	1332.7	1.95	3.50	21.09
UDE0217	10763.2	8298.8	1331.6	1.00	1.00	28.13
UDE0218	10763.2	8298.8	1331.6	5.70	4.40	2.62
UDE0219	10763.2	8298.8	1331.6	14.00	2.80	4.01
UDE0221	10774.4	8281.5	1330.8	4.70	2.50	7.06
UDE0240	10659.1	8251.2	1313.8	3.60	1.00	4.30

UDE0241	10642.9	8263.3	1314.3	14.70	2.90	14.10
UDE0243	10660.1	8308.8	1316.7	13.05	1.35	5.80
UDE0244	10660.7	8323.6	1318.5	13.00	1.50	13.89
				46.00	1.10	5.04
UDE0247	10641.9	8318.9	1320.1	1.10	2.60	7.00
				12.3	4.10	8.80
UDE0248	10629.9	8321.7	1320.4	9.8	3.30	5.90
UDE0249	10625.0	8330.3	1320.2	18.3	2.00	7.80
UDE0251	10606.0	8311.3	1320.7	22.6	1.00	7.30
UDE0253	10626.9	8360.4	1320.2	1.60	1.10	14.90
UDE0256	10691.2	8296.5	1316.6	10.70	4.40	4.20
UDE0257	10697.5	8289.6	1316.9	7.90	3.60	20.00
				17.4	1.50	10.20

During the December 2003 quarter 33 Reverse Circulation (RC) holes (2,892 metres) were drilled at Salmon, 10 RC holes (385 metres) at Cod and 2 RC holes (140 metres) at Pigeon. In addition 50 RAB (2,847 metres) were drilled at the Far North prospect.

Significant drill intersections (>10g.m/t) from the drilling programmes are summarised in Table 8.

<b>TABLE 8 FRESHWATER LEASES SIGNIFICANT DRILL INTERSECTIONS (&gt;10g.m/t)</b>							
<b>Prospect</b>	<b>Hole ID</b>	<b>Northing</b>	<b>Easting</b>	<b>RL</b>	<b>Depth From</b>	<b>Intercept (m)</b>	<b>Assay g/t Au</b>
<b>Salmon</b>	FRC10089	7199698	756075	581	67	6.00	4.63
					86	2.00	13.65
	FRC10087	7199688	756069	580	64	2.00	5.60
					86	6.00	3.87
	FRC10086	7199689	756050	580	41	2.00	15.65
					75	5.00	14.09
	FRC10085	7199677	756069	580	85	7.00	6.47
	FRC10084	7199680	756034	580	65	4.00	13.25
	FRC10053	7199893	756006	578	56	4.00	10.60
	FRC10052	7199894	755986	578	43	2.00	11.10
					48	3.00	5.13
	FRC10045	7199682	756034	580	96	7.00	3.36
					106	7.00	7.55
	FRC10044	7199702	756035	580	40	3.00	10.23
					77	5.00	4.65
				89	2.00	5.00	
FRC10043	7199683	756014	580	68	3.00	4.13	
FRC10042	7199703	756016	580	76	5.00	3.84	
<b>Cod</b>	FRC10060	7196278	752467	588	45	2.00	3.35



## **Exploration**

No exploration activities were carried out within the Freshwater tenements during the December 2003 quarter.

### **RED HILL (Mining Lease M27/57) (Placer Dome Asia Pacific (“PDAP”) 100%, Grange 4% Gross Revenue Royalty)**

Grange holds a 4% gross revenue royalty on all production after the first 85,000 ounces of gold produced from the Red Hill mining lease M27/57, which is located approximately 4 km north east of the Kanowna Belle Gold Mine and is owned and operated by PDAP.

PDAP has advised that mining operations continued at Red Hill during the December 2003 quarter. Total mined ore production from within M27/57 for the quarter was 295,979t @ 1.55 g/t. A total of 272,679 dry tonnes was hauled to the Paddington processing plant during the quarter.

278,404 tonnes at a grade of 1.53g/t were processed during the quarter, producing 12,943 ounces of recovered gold.

Total reconciled mined ore production from commencement of mining (February 2003) until 31<sup>st</sup> December 2003 is 839,910t @ 1.43gt. Total dry tonnes hauled during this period are 768 827t and ore processed is 747,780t @ 1.42g/t. The remaining stockpile at the end of the quarter was 92,130t @ 1.51g/t.

Total gold produced from the current operation and the trial pit within M27/57 amounts to 51,612 ounces. Based on the current mining schedule it is estimated that royalty payments to Grange should commence during the third quarter of 2004.

Sterilisation drilling re-commenced in the December 2003 quarter for both the waste and mineralised waste dump extensions. An additional 6 geotechnical holes are being drilled to validate ongoing optimal pit design reviews.

## **Resources and Reserves**

Mineral resources and ore reserves within Mining Lease M27/57 will be updated as soon as additional drilling of some deep holes has been completed. Once analysed, an amended Resource model and Reserves calculation will be compiled, which conforms to the Canadian Security rule NI 43 – 101. It is expected that this work will be completed during the March 2004 quarter.

## **SOUTHDOWN MAGNETITE PROJECT (Grange 100%)**

During November the Company entered into a conditional purchase agreement to acquire the Southdown Magnetite Project from Global Doctor Pty Ltd a wholly owned subsidiary of MedAire Inc.

Under the terms of the purchase agreement, Grange can acquire Southdown on a staggered purchase arrangement as follows:

- \$150,000 initial payment
- \$100,000 within 12 months of Settlement
- \$400,000 within 24 months of Settlement
- \$1,000,000 upon the commencement of commercial mining operations on the Mining Tenements.

The Southdown project is located approximately 90 kilometres from the Port of Albany on the south coast of Western Australia. It comprises three granted mining leases ML70/433, ML70/718 and ML70/719 covering an area of 1700 hectares on freehold farming property. The magnetite mineralisation is contained within a banded quartz-magnetite-gneiss that varies in thickness from 50 to 100m in the portion of the deposit that has been subject to detailed drilling. The deposit dips at 60 to 65 degrees to the south and has been intersected to vertical depths of at least 150m. The main western part of the deposit is oxidised to approximately 25 to 30 m depth.

During the 1980's several drilling programmes were undertaken to appraise the potential of Southdown. Based on data generated from previous exploration drilling, it is anticipated that minimum saleable concentrate grade of 64.6%Fe can be achieved by grinding the ore to 0.15mm and using magnetic separation. At a 30% magnetite cut-off grade the magnetite recovery to concentrate at 64.6%Fe is forecast at 46.9%. Using these parameters the recovered magnetite concentrate would be 25.1million tonnes (Mt.) from 53.6 Mt. of magnetic mineralisation mined at an overall 1.5:1.0 waste to ore ratio – sufficient to sustain concentrate production of 2mtpa for 12.5 years. At a 15% magnetite cut-off grade the magnetite recovery is forecast at 43% giving a concentrate grade of 63.93%Fe and an overall 0.8:1.0 waste to ore ratio. Additional resources are present which could extend project life.

Grange has commenced a detailed review of the Southdown project to assess its viability. Currently world iron ore production cannot satisfy demand and this problem is accentuated in the Asia/ Pacific area due to the growth in steel making production in China. Projects such as Southdown, previously considered uneconomic are now likely to attract increased attention in the current market.

*Unless otherwise stated, technical information in this report on mining activities is based on, and accurately reflects, information compiled by Mr Alex Nutter, a full time employee of Grange Resources Limited who is a member of The Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists with more than 5 years experience in the field of activity in which he is reporting.*

**ALEX NUTTER**  
**Technical Director**

## **ON-MARKET SHARE BUY-BACK**

On 26 June 2003 the Company announced its intention to implement an on-market share buy-back as part of an on-going capital management programme. Under the terms of the on-market share buy-back the maximum number of shares that were to be bought back over a six-month period was 6,675,522. As at 31 December 2003 the total shares bought back by the Company pursuant to the on-market share buy-back was 1,322,327 with the total consideration being \$428,336 (including transaction costs). The on-market share buy-back is due to conclude on 31 January 2004.

On 10 October 2003 the Company announced it had arranged a placement of a maximum of 4,285,715 fully paid ordinary shares at an issue price of \$0.35 each with a one for one free attaching unlisted option (exercisable at 50 cents each on or before 28 November 2006) to The Golden Arrow Fund II to raise up to \$1.50 million before expenses of the issue. The placement comprised of two tranches involving the issue of 1,428,572 fully paid ordinary shares and 1,428,572 options, raising \$0.50 million on 17 October 2003 to complete Tranche One and the issue of a further 2,857,143 fully paid ordinary shares and 2,857,143 options, raising an additional \$1.0 million on 28 November 2003 to complete Tranche Two.

## **CASH POSITION**

During the December quarter, the Company's third shipment of copper concentrate from the Reward Deeps project was exported from Townsville with the proceeds of \$5.43 million received in early January. Mining operations at the Reward Deeps and Conviction underground mines continued throughout the September quarter. As a consequence of these activities the Company recorded a cash flow deficit of \$3.46 million from operating activities. The Company recorded a positive cash flow of \$1.27 million from financing activities which was largely attributable to the completion of the two tranche placement settlement to The Golden Arrow Fund II and the on-market buy-back of shares during the quarter. The resulting cash balance at 31 December 2003 was \$4.24 million.

The Company expects the fourth shipment of copper concentrate from the Reward Deeps Project to be exported from Townsville at the beginning of March 2004.

## **ALEC PISMIRIS**

Company Secretary

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

**GRANGE RESOURCES LTD**

ABN

**80 009 132 405**

Quarter ended ("current quarter")

**31 DECEMBER 2003**

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	601	6,572
1.2 Payments for		
(a) exploration and evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) administration	-	-
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	47	84
1.5 Interest and other costs of finance paid	(13)	(30)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
1.7(i) Payment to directors and employees	(194)	(426)
1.7(ii) Payment for all other working capital	(3,903)	(6,584)
<b>Net Operating Cash Flows</b>	<b>(3,462)</b>	<b>(384)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	(150)	(150)
(b) equity investments	-	-
(c) other fixed assets	-	(1)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
1.12(i) Payment for security deposit	(21)	(40)
1.12(ii) Proceeds from release of security deposit	-	-
1.12(iii) Payment for exploration, development and production	-	(3)
<b>Net investing cash flows</b>	<b>(171)</b>	<b>(194)</b>
1.13 Total operating and investing cash flows (carried forward)	(3,633)	(578)

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(3,633)	(578)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	1,500	1,500
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
1.19(i)	Payment for buy back of shares	(198)	(424)
1.19 (ii)	Payment for share issue	(30)	(30)
	<b>Net financing cash flows</b>	<b>1,272</b>	<b>1,046</b>
	<b>Net increase (decrease) in cash held</b>	<b>(2,361)</b>	<b>468</b>
1.20	Cash at beginning of quarter/year to date	6,600	3,771
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>4,239</b>	<b>4,239</b>

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	123
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Refer to attachment 1
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**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Not Applicable
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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Not Applicable
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+ See chapter 19 for defined terms.

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	90
4.2 Development	-
<b>Total</b>	<b>90</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	347	336
5.2 Deposits at call	3,645	6,019
5.3 Bank overdraft	-	-
5.4 Other (Cash held with Joint Ventures)	247	245
<b>Total: cash at end of quarter (item 1.22)</b>	<b>4,239</b>	<b>6,600</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>	-	-		
7.2 Changes during quarter				
(a) Increases through issues	-	-		
(b) Decreases through returns of capital, buy-backs, redemptions	-	-		
7.3 <b>+Ordinary securities</b>	<b>69,718,609</b>	<b>69,718,609</b>		
7.4 Changes during quarter				
(a) Increases through issues	4,285,715	4,285,715		
(b) Decreases through returns of capital, buy-backs	(550,504)	(550,504)		
7.5 <b>+Convertible debt securities</b> <i>(description)</i>	-	-		
7.6 Changes during quarter				
(a) Increases through issues	-	-		
(b) Decreases through securities matured, converted	-	-		
7.7 <b>Options</b> <i>(description and conversion factor)</i>	<b>5,075,000</b> <b>4,285,715</b>	- -	<b>Exercise price</b> <b>12 cents</b> <b>50 cents</b>	<b>Expiry date</b> <b>30 June 2007</b> <b>28 November 2006</b>
7.8 Issued during quarter	4,285,715	-	50 cents	28 November 2006
7.9 Exercised during quarter	-	-	-	-
7.10 Cancelled during quarter	-	-	-	-
7.11 <b>Debentures</b> <i>(totals only)</i>	-	-		
7.12 <b>Unsecured notes</b> <i>(totals only)</i>	-	-		

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:           Alec Pismiris  
                          (Company secretary)

Date: 29 January 2004

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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**ATTACHMENT 1 TO APPENDIX 5B**  
**PAYMENTS/LOANS TO DIRECTORS AND RELATED PARTIES AND ASSOCIATES**  
**OF DIRECTORS AND RELATED PARTIES OF GRANGE RESOURCES**  
**LIMITED**

Payments and loans during the quarter to directors and related parties, and associates of directors and related parties, of Grange Resources Limited total \$122,637 and include:-

- Directors' fees (inclusive of superannuation) of \$18,250 paid to non-executive directors of the Consolidated Entity.
- Executive directors' salaries (inclusive of superannuation) of \$104,387