

GRANGE RESOURCES LIMITED

(formerly Surfboard Limited)

(A.B.N 80 009 132 405)

AND

CONTROLLED ENTITIES

HALF YEARLY REPORT

31 DECEMBER 2001

GRANGE RESOURCES LIMITED AND CONTROLLED ENTITIES
(A.B.N. 80 009 132 405)

DIRECTORS' REPORT

This is the Directors' report for the half-year ended 31 December 2001.

1. DIRECTORS

The names of the directors of the Company in office at the date of this report are:

Adam Rankine-Wilson (Managing Director) – Appointed 27 November 2001

Alex Nutter – Appointed 27 November 2001

Ludger Kohmascher

Hans-Rudolf Moser

Anthony Bohnenn – Appointed 30 November 2001

Unless otherwise stated all directors shown were in office from the beginning of the half-year until the date of this report.

2. REVIEW AND RESULTS OF OPERATIONS

The consolidated net operating profit of the Economic Entity amounted to \$536,000 for the half year (2000: loss \$14,994,000).

Factors contributing to this result include:

- The Highway Joint Venture generated an EBITDA of \$8.4 million and a NPAT of \$3.4 million for the period.
- Depreciation and amortisation charges for the period totalled \$5.5 million.
- Exploration assets were written down by \$771,000 during the period.
- Computer and office equipment were written down by \$258,000 during the period.
- Redundancies totalling \$228,000 were paid to Sydney office staff during the period due to the relocation of the Company's office to Perth.
- The consolidated NPAT excluding the write-off of exploration assets and computer and office equipment and redundancies was \$1.8 million.

The Company's activities during the period included:

- Mining of Stage 2 of the Highway open pit copper mine was successfully completed in December 2001.
- The treatment by the Highway Joint Venture of 432,191 tonnes of copper ore, with an average head grade of 5.72% copper. This resulted in the production of 83,267 tonnes of 27.6% copper concentrate (22,980t Cu metal). Production was slightly higher than budgeted primarily due to higher than budgeted grade.

GRANGE RESOURCES LIMITED AND CONTROLLED ENTITIES
(A.B.N. 80 009 132 405)

DIRECTORS' REPORT (Continued)

- 20,500 tonnes of 27% copper concentrate was shipped by Grange generating gross revenue of \$12.1 million.
- Production costs for the Highway Project during the period were A\$0.99/lb of contained copper, comprising cash production costs of A\$0.40/lb, selling expenses of A\$0.17/lb and amortisation of capital and other capitalised costs of A\$0.42/lb.
- Planning commenced in December 2001 to recover up to 60,000 tonnes of additional ore from the haul ramps at the base of the Highway pit. Removal of this Stage 3 ore will be via the Reward Deeps decline and is scheduled to be completed during February 2002.
- The Reward Deeps decline was progressed to 1130 metres, approximately 63% of the planned total length of 1800 metres. Worse than expected infill diamond drilling results of the upper section of the Reward Deeps ore body and low copper prices necessitated a re-evaluation of the Reward Deeps project to ensure its viability. The re-evaluation is expected to be completed in March 2002 following the completion of the underground infill drilling programme in February 2002.
- The delay in ore production from the Reward Deeps underground mine arising from the re-evaluation of the project will result in the closure of the Thalanga mill for several months from April 2002 whilst the ore stockpile is being built up (assuming the project remains feasible).
- The introduction of a number of initiatives including a focus on mining related activities, changes to the board and the relocation of the Company's corporate and registered office to Perth.

3. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The only significant change in the state of affairs of the Economic Entity that occurred during the period was an operating profit of \$536,000.

GRANGE RESOURCES LIMITED AND CONTROLLED ENTITIES
(A.B.N. 80 009 132 405)

DIRECTORS' REPORT (Continued)

4. SIGNIFICANT EVENTS SINCE THE END OF THE REPORTING PERIOD

Other than the Company changing its name from Surfboard Limited to Grange Resources Limited, no material significant events have occurred since the end of the reporting period.

5. ROUNDING

The amounts contained in this report and in the financial statements have been rounded off under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which this class order applies.

Signed for and on behalf of the directors in accordance with a resolution of the board.

Adam Rankine-Wilson

Director

Alex Nutter

Director

Dated this 31st day of January 2002.
Perth, Western Australia

GRANGE RESOURCES LIMITED AND CONTROLLED ENTITIES

(A.B.N. 80 009 132 405)

HALF YEARLY REPORT

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Grange Resources Limited, we state that -

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity:
 - (i) give a true and fair view of the financial position as at 31 December 2001 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) comply with Accounting Standards and the Corporations Regulations; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

ADAM RANKINE-WILSON

Director

ALEX NUTTER

Director

Perth, 31 January 2002.