GRANGE RESOURCES LIMITED

ABN 80 009 132 405

AND CONTROLLED ENTITIES

HALF YEAR FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2004

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HALF YEAR FINANCIAL REPORT

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DIRECTOR'S REPORT

GRANGE RESOURCES LIMITED
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HALF YEAR FINANCIAL REPORT

Your directors submit their report for the results of Grange Resources Limited ("Grange" or "the Company") for the half year ended 31 December 2004 ("Balance Date").

DIRECTORS

The names of the directors of the company in office during the half year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Anthony Bohnenn (Non-executive Chairman)
Geoffrey Lloyd Warburton Wedlock (Managing Director)
Adam Rankine-Wilson (Executive Director)
Alexander Henry Nutter (Technical Director)
Hans-Rudolf Moser (Non-executive Director)

REVIEW AND RESULTS OF OPERATIONS

The consolidated net operating loss of the Consolidated Entity after providing for income tax amounted to $3,665,441(2003: profit of $2,735,148). The result included the following items:

- Royalty income of $1,051,194
- Mine operating expenses of $2,462,031
- Amortisation expenses of $419,616
- Board and staff payroll expenses of $612,311

The Company's activities during the period included the following:

- Ore production from the Reward Deeps Project was limited throughout the period due to adverse ground conditions being encountered during mining activities in the first quarter and limited access to the Lower Reward Deeps mine in the second quarter. Mining of the Lower Reward Deeps and Conviction ore bodies was largely concluded and development of access drives to access the Highway South ore body commenced. Ore production for the period was 140,608 tonnes with the majority of the ore being mined from Lower Reward Deeps and Conviction with approximately 4,000 tonnes of development ore from Highway South.
- During the period 118,662 tonnes of ore grading 4.4% copper were processed through the Thalanga plant for the production of 18,199 tonnes of copper concentrate containing 26% copper and 0.8 g/t gold. Copper recovery was 90%. Grange's share of production for the period was 5,468 tonnes of copper concentrate. As a consequence of the modest levels of production, Grange did not generate sufficient quantities of copper concentrate to allow any export of copper concentrate during the period.
- Royalties totalling $254,129 were earned from the Freshwater Project during the period. During the period Barrick Gold of Australia Ltd continued mining from the Plutonic East underground mine and the Salmon open pit. Encouraging drilling results were recorded from the Plutonic East underground mine and the Cod, Perch West and Salmon gold prospect within the Freshwater leases.
- Royalties totalling $757,197 were earned from the Redhill Project during the period. During the period Placer Dome Asia Pacific maintained full-scale mining operations at Red Hill. Total gold recovered from within M27/57 as at 31 December 2004 amounted to 122,898 ounces.
- Grange commenced a detailed review of the Southdown Project to assess its viability and evaluate various development options including detailed ground magnetic and gravity surveys confirming the extent and structure of the magnetite deposit and identifying extensive strongly magnetic zones untested by previous drilling. Modelling of the geophysical data indicated the width of the magnetic zones were similar along the 6km strike length and that the average depth of oxidised material to the top of the magnetic zones was approximately 20 to 25 metres. Drill core from the 1986 and 1987 drilling programmes was re-logged and a geological model developed. A mineral resource estimate classified in accordance with the Australian Code for the Reporting of Identified Mineral Resources and Ore Reserves (JORC, 1999) has been prepared by Golder Associates for the western portion of the resource confirming a resource of 83.3 million tonnes containing 37.5% magnetite grading 69.1% Fe.

REVIEW AND RESULTS OF OPERATIONS CONTINUED

- October 2004 Grange concluded an agreement with the landowner, which provided access to the property on which the Southdown Magnetite Deposit was located for exploration and an option to purchase the farm property that is covered by the three mining leases.

SIGNIFICANT EVENTS SINCE THE END OF THE REPORTING PERIOD

On 28 January 2005 Grange announced it had completed a project scoping study to determine the potential economics of developing the Southdown Magnetite Deposit located 90km northeast of the Port of Albany on the south coast of Western Australia. Based on the indicated results of the study, the Board of Grange Resources approved the expenditure of A$13.0 million for a bankable feasibility study ("BFS") to be undertaken on the development of the Southdown Magnetite Deposit to produce high grade iron ore pellets. The BFS would to be funded by internal Grange sources and was expected to be completed by the end of December 2005, with statutory approvals targeted for March 2006.

On 4 February 2005 Grange announced it had issued 2,730,000 shares pursuant to the exercise of unlisted options issued under the Grange Resources Limited Directors' and Officers' Option Plan. The funds raised totalled $327,600 would be used for working capital.

On 17 February 2005 Grange announced it had entered into a Heads of Agreement to acquire a minimum of 35 hectares and up to a maximum of 60 hectares of land in the Teluk Kalung Industrial Estate in the Malaysian port city of Kemaman to build a magnetite pellet project and secured rights of priority to the West Wharf port facilities at Kemamen Port.

On 23 February 2005 Mr Geoffrey Wedlock was appointed Managing Director of Grange. Mr Wedlock's 35 years of experience in minerals exploration and project management would assist with the potential development of the Southdown Magnetite Project.

ROUNDING

The amounts contained in this report and in the half year financial report have been rounded to the nearest $1,000(where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

AUDITORS INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, Ernst & Young, to provide the directors of Grange Resources Limited with an Independence Declaration in relation to the review of the half year financial report. This Independence Declaration is attached to the Independence Review Report to the members of Grange Resources Limited and forms part of the Director's Report.

Signed in accordance with a resolution of the directors.

Geoffrey Wedlock
Managing Director

Dated this 25th day of February 2005, Perth WA

GRANGE RESOURCES LIMITED
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HALF YEAR FINANCIAL REPORT

CONDENSED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF YEAR ENDED 31 DECEMBER 2004

	Notes	CONSOLIDATED	
		2004	2003
		31 December	31 December
		$'000	$'000
REVENUES FROM ORDINARY ACTIVITIES	2	1,417	12,537
Expenses from ordinary activities	2	(5,055)	(9,717)
Borrowing costs		(27)	(18)
PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		(3,665)	2,802
INCOME TAX RELATING TO ORDINARY ACTIVITIES	3	-	(67)
PROFIT/(LOSS) FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE		(3,665)	2,735
NET PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF GRANGE RESOURCES LIMITED		(3,665)	2,735
TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS ATTRIBUTABLE TO MEMBERS OF GRANGE RESOURCES LIMITED AND RECOGNISED DIRECTLY IN EQUITY		-	(30)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		(3,665)	2,705
Basic Earnings per share (cents per share)		(5.2c)	4.12c
Diluted Earnings per share (cents per share)		(5.2c)	4.12c

GRANGE RESOURCES LIMITED
ABN 80 009 132 405
HALF YEAR FINANCIAL REPORT

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2004

	Notes	CONSOLIDATED	
		AS AT 31 DECEMBER 2004 $'000	AS AT 30 JUNE 2004 $'000
CURRENT ASSETS			
Cash Assets		8,780	16,232
Receivables		607	232
Prepayments		18	53
Inventories		2,012	273
TOTAL CURRENT ASSETS		11,417	16,790
NON CURRENT ASSETS			
Receivables		304	309
Plant & Equipment		270	261
Deferred exploration, evaluation & development costs		2,394	2,221
Other		1,749	1,702
TOTAL NON CURRENT ASSETS		4,717	4,493
TOTAL ASSETS		16,134	21,283
CURRENT LIABILITIES			
Payables		793	1,674
Provisions		237	537
Tax Liabilities		34	34
TOTAL CURRENT LIABILITIES		1,064	2,245
NON CURRENT LIABILITIES			
Payables		-	400
Provisions		1,500	1,500
TOTAL NON CURRENT LIABILITIES		1,500	1,900
TOTAL LIABILITIES		2,564	4,145
NET ASSETS		13,570	17,138

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2004 CONTINUED

	Notes	CONSOLIDATED	
		AS AT 31 DECEMBER 2004 $'000	AS AT 30 JUNE 2004 $'000
EQUITY			
Contributed Equity	4(a)	31,396	31,299
Reserves		5,874	5,874
Accumulated Losses		(23,700)	(20,035)
TOTAL EQUITY		13,570	17,138

CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2004

	Notes	CONSOLIDATED	
		2004	2003
		31 December	31 December
		$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		693	6,546
Payments to suppliers and employees		(7,765)	(7,055)
Interest received		329	86
Interest paid		(27)	(18)
NET CASH FLOWS USED IN OPERATING ACTIVITIES		(6,770)	(441)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for plant and equipment		(39)	-
Payment for exploration, evaluation and development		(694)	(188)
Payment for security deposit		(46)	(41)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(779)	(229)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from capital raising		-	1,500
Proceeds from exercise of options		97	-
Payment for shares bought back		-	(424)
Payment for share issue expenses		-	(30)
NET CASH FLOWS FROM FINANCING ACTIVITIES		97	1,046
NET INCREASE/(DECREASE) IN CASH HELD		(7,452)	376
Add opening cash brought forward		16,232	3,771
CLOSING CASH CARRIED FORWARD		8,780	4,147

NOTES TO THE CONCISE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION OF THE HALF YEAR FINANCIAL REPORT

The half year financial report does not include full disclosure of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report.

The half year financial report should be read in conjunction with the annual financial report of Grange Resources Limited as at 30 June 2004. It is also recommended that the half year financial report be considered together with any public announcements made by Grange Resources Limited during the half year ended 31 December 2004 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of Accounting

The half year financial report is a general purpose report which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 1029 “Interim Financial Reporting” and other mandatory professional reporting requirements (Urgent Issues Consensus Views).

The financial statements have been prepared in accordance with the historical cost convention.

For the purpose of preparing the half year financial report, the half year has been treated as a discrete reporting period.

(b) Changes in accounting policies

The accounting policies applied are consistent with the most recent annual report for the year ended 30 June 2004.

	Note	2004	2003
		$’000	$’000
2. OPERATING PROFIT			
Profit/(loss) from ordinary activities before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:			
(i) Revenues from ordinary activities :			
Sales and royalty revenues		1,051	12,406
Interest		329	86
Other		37	45
Total income		1,417	12,537

NOTES TO THE CONCISE FINANCIAL STATEMENTS CONTINUED

	2004 $'000	2003 $'000
(ii) Expenses		
Cost of sales	(2,881)	(7,259)
Administration costs	(1,866)	(363)
Other expenses	(308)	(2,113)
Total expenses	(5,055)	(9,735)
Total depreciation and amortisation included in total expenses:		
Amortisation	419	1,105
Depreciation	31	-

3. INCOME TAX

The prima facie tax on operating profit differs from the income tax provided in the financial statements as follows:		
Operating profit/(loss)	(3,665)	2,802
Prima facie tax on operating profit/(loss) at 30%	(1,099)	841
Tax effect of permanent differences		
Non-deductible expenses	-	59
Tax effect of timing differences	1,099	(833)
Income tax expense	-	67

	Note	AS AT 31 DECEMBER 2004 $	AS AT 30 JUNE 2004 $
4. EQUITY			
(a) Issued and paid up capital			
Ordinary shares- opening balance		31,299	30,271
Add share issues		97	1,504
Less share buy-backs		-	(446)
Less share issue expenses		-	(30)
Total equity at end of period		31,396	31,299

NOTES TO THE CONCISE FINANCIAL STATEMENTS CONTINUED

5. SUBSEQUENT EVENTS

On 28 January 2005 Grange announced it had completed a project scoping study to determine the potential economics of developing the Southdown Magnetite Deposit located 90km northeast of the Port of Albany on the south coast of Western Australia. Based on the indicated results of the study, the Board of Grange Resources approved the expenditure of A$13.0 million for a bankable feasibility study ("BFS") to be undertaken on the development of the Southdown Magnetite Deposit to produce high grade iron ore pellets. The BFS would to be funded by internal Grange sources and was expected to be completed by the end of December 2005, with statutory approvals targeted for March 2006.

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6. SEGMENT INFORMATION

The Consolidated Entity operates predominantly in one geographic segment, Australia and one industry segment, mining and exploration.

7. CONTINGENT ASSETS AND LIABILITIES

Since the last annual reporting date, there has been no change of any contingent liabilities or contingent assets

8. IMPACT OF THE ADOPTION OF IFRS

Grange Resources Limited ("Grange") has commenced the transition of its accounting policies from current Australian Standards to Australian equivalents of International Financial Reporting Standards ("IFRS"). The Company has allocated internal resources and will consult with external consultants to perform diagnostics and conduct impact assessments to identify areas that will be impacted by the transition to IFRS. Grange has a 30 June year end, therefore priority has been given to considering the preparation of an opening balance sheet in accordance with AASB equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when Grange prepares its first fully IFRS compliant financial report for the year ended 30 June 2006. Set out below are areas where accounting policies will change and may have an impact on the financial report of the Company. At this stage the Company has not been able to reliably quantify the impacts on the financial report.

8. IMPACT OF THE ADOPTION OF IFRS CONTINUED

The likely impact on the group's existing *accounting policies* is as follows:

Classification of Financial Instruments

Under AASB 139 Financial Instruments: Recognition and Measurement, financial instruments will be required to be classified into one of five categories which will, in turn determine the accounting treatment of the item. The classifications are loans and receivables – measured at amortised cost, financial assets held to maturity – measured at amortised cost, financial assets held for trading – measured at fair value with fair value changes charged to net profit or loss, financial assets available for sale – measured at fair value with fair value changes taken equity and non-trading liabilities – measured at amortised cost. This will result in a change in the current accounting policy that does not classify financial instruments. Current measurement is at amortised cost, with certain derivative financial instruments not recognised on balance sheet. The future financial effect of this change in accounting policy is not yet known as the classification and measurement process has not yet been fully completed.

Impairment of Assets

Under AASB 136 "Impairment of Assets" the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the group's current accounting policy which determines the recoverable amount of an asset on the basis of undiscounted cash flows. Under the new policy it is likely that impairment of assets will be recognised sooner and that the amount of write-downs will be greater. The impact of the adoption of this standard is yet to be quantified by the Company.

Exploration and evaluation expenditure

AASB 6 "Exploration for and Evaluation of Mineral Resources" will require the Company to apply "area of interest" accounting to exploration and evaluation expenditures, effectively grandfathering the treatment currently used by the Company under AASB 1022 "Accounting for the Extractive Industries". Under AASB 6, if facts and circumstances suggest that the carrying amount of any recognised exploration and evaluation assets may be impaired, the Company must perform impairment tests on those assets in accordance with AASB 136 "Impairment of Assets". Impairment of exploration and evaluation assets is to be assessed as a cash generating unit or group of cash generating units level provided this is no larger than an area of interest. Any impairment loss is to be recognised as an expense in accordance with AASB 136.

The adoption of AASB 6 is not expected to lead to a change in the Company's accounting policy with respect to exploration and evaluation expenditure.
The Company is currently determining the impact of IFRS on the deferred development costs and amortisation of these costs.

8. IMPACT OF THE ADOPTION OF IFRS CONTINUED

Restoration, Rehabilitation and Environmental Costs

Environmental obligations associated with the retirement or disposal and/ or exploration properties will be recognised when the disturbance occurs and is based on the extent of damage incurred. The provision is measured as the present value of the future expenditure. A corresponding rehabilitation asset is also recognised to the extent that the obligation relates to development. On an ongoing basis, the rehabilitation liability will be remeasured at each reporting period in line with the change in the time value of money (recognised as an interest expense in the Statement of Financial Performance and an increase in the provision), and additional disturbances/ change in the rehabilitation cost will be recognised as additions/ changes to the corresponding asset and rehabilitation liability. The rehabilitation asset will be amortised to the statement of financial performance on the same basis as the development asset. Currently Grange has a rehabilitation liability, which progressively increases (with the corresponding amount booked in the Statement of Financial Performance) over the life of the operation.
On transition, Grange will be required to:

- Remeasure the existing environmental rehabilitation provision to the present value of the future expenditure;
- Estimate the value that would have been included in the cost of the asset when the liability arose; and amortise the asset to the date of transition.

Taxation

Under AASB 112 “Income Taxes”, the company will be required to used a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either the Statement of Financial Position or a tax-based balance sheet. The impact of the adoption of this standard is yet to be quantified by the company.

Share Based Payments

Under AASB 2 “Share Based Payments”, the company will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Statement of Financial Performance. This standard is not limited to options and also extends to other forms of equity-based remuneration. It applies to all share-based payments issued after 7 November 2002, which have not vested as at 1 January 2005.

Reliable estimation of the future financial effects of this change in accounting policy is impracticable as the details of the future equity based remuneration plans are unknown.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Grange Resources Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the Company:
   - (i) give a true and fair view of the financial position as at 31 December 2004 and the performance for the half year ended on that date of the Company; and
   - (ii) comply with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; 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

Geoffrey Wedlock
Managing Director

Dated this 25th day of February 2005, Perth WA