SONS OF GWALIA LTD
ACN 008 994 287

GWALIA

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The Companies Announcements Office
Australian Stock Exchange Ltd
20 Bond Street
Sydney NSW 2000

Dear Sirs

Sons of Gwalia Ltd. ("the Company") wishes to announce an after tax consolidated net operating profit of $12.2 million for the half year July to December 2003, an increase of approximately 70 per cent compared to the $7.2 million for the six month period ending 31 December 2002.

Earnings before interest and tax (EBIT) were $26.4 million as against $19.9 million for the same period ended 31 December 2002.

Cash Flow

Operating cash flow for the six months, excluding interest, exploration expenditure and royalties amounted to $36.2 million. This figure is net of a $16 million investment in the first half in working capital.

Segment EBIT

Segment earnings before interest and tax were as follows:

	December 2003	December 2002
Gold Division	$22.2 M	$2.5 M
Minerals Division	$21.5 M	$28.7 M
Corporate & Other	$(17.3) M	$(11.3) M
EBIT	$26.4 M	$19.9 M

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Earnings from the Gold Division were substantially better than the previous comparable half year result due to lower unit costs of production and better than budgeted tonnes and grade from residual stockpiles from the Gwalia Mine which was closed during the period.

Earnings from the Minerals Division were lower due to a combination of lower tantalum grades and recoveries and losses from the Murray Basin mineral sands project which was closed at the end of the half year.

Corporate and other net expenses increased due to the non-availability of $4.3 million of net gains from asset sales which were booked in the previous December 2002 half. Head Office administration expenses were reduced by $1 million as against the previous year.

Dividends

The Directors have resolved not to pay an interim dividend for the current financial year. The Company's dividend policy will be reviewed on an ongoing basis but it was not considered prudent or appropriate to pay an interim dividend at this time.

Balance Sheet

The Company substantially reduced debt in the first half of the year. $69.9 million in new equity was utilised to repay all Australian dollar bilateral facilities and, as at 31 December 2003, the Company's primary debt was its US$170 million in Senior Private Notes. Due to the significant increase in the value of the Australian dollar, as against the United States dollar, the cost of repayment of these facilities, in Australian dollar terms, has decreased by approximately A$86 million as at the same date. This position has obviously improved further since the end of the half year.

The Company also has significant undrawn Australian dollar facilities in place.

The Company's Balance Sheet includes $40.9 million in unrealised foreign exchange gains as against an unrealised loss of $77.6 million as at 30 June 2003. This significant and positive change has occurred due to the rise in the $A as against the US dollar.

Foreign Exchange Hedge Book

The Company continues to deliver US dollar revenues into its foreign exchange hedge book as positions fall due. The Company's total hedge book has been substantially and consistently reduced over the last six - twelve months.

Due to the strength of the Australian dollar in recent times further reductions in commitments have been made. Since 31 December 2003, a further US$110 million of commitments which were for delivery in the period 2005 - 2008 have been extinguished.

At current exchange rates, the Company's foreign exchange hedge book now represents an asset for the Company.

Foreign Exchange Hedge Book as at 16 February 2004 - US$'s	FY2004	FY2005	FY2006	FY2007-09
Hedge cover				
Forwards	30.5	4.0	44.1	168.1
Purchased US$ puts	21.8	58.6	20.0	-
Total hedging	52.3	62.6	64.1	168.1
	0.7150	0.6950	0.6950	0.7150
Potential Commitments				
Sold US$ calls	5.3	25.0	-	34.0
Sold Contingent US$ Calls(i)		159.1	84.6	-
Potential Commitments(ii)	5.3	184.1	84.6	34.0

(i) Contingent positions are structured so that if the A$/US$ spot rate is above the applicable barrier levels at specified dates in the future, each contingent position will no longer exist. None of the positions will exist at a spot rate of A$/US$ 0.65 or higher. The mark to market value of the foreign exchange hedge and options book at 31 December 2003 was negative A$22.9 million. This calculation was based on a spot exchange rate of A$/US$ 0.7488.

(ii) Maximum commitments will comprise forwards above and potential commitments.

Gold Hedge Book

The Company continues to deliver into its gold hedge book as positions fall due and also continues to re-structure and review, on an ongoing basis, its gold hedge book. Over the past year the Company has reduced the size of its gold hedge book by over 1.5 million ounces.

The Company anticipates delivering all of its gold in the June 2004 year at a price of approximately $595 per ounce.

Advanced Minerals Division

The Company is the world's largest producer of tantalum accounting for approximately 55-60 per cent of primary tantalum concentrates produced on a global basis. The Company also produces lithium and tin.

The tantalum market continues to show steady and continuous improvement. Global demand is increasing due primarily to improved global economic conditions and increased investment in the information technology and the telecommunications sectors.

Inventory through the supply chain is being reduced and industry participants state that both production levels and demand for tantalum capacitors is increasing.

The Company is currently negotiating with its two major customers in relation to the extension of existing contracts beyond the December 2005 period. These negotiations are continuing and, as previously advised, it is anticipated that negotiations will be concluded by the end of the June quarter.

Tantalum Sales

Sales from the Greenbushes and Wodgina tantalum mines totalled 908,267 lbs. for the first half. Tantalum sales in the second half will increase by approximately 300,000 lbs. as against the first half figure resulting in improved cash flows. Full year sales are estimated at approximately 2.1 million lbs.

Greenbushes Mine

At Greenbushes, production for the second half will primarily be produced from the processing of lower grade ore from the Central Pit. The last of the high grade ore from the Cornwall Pit was accessed in the first half and production costs will therefore increase in the second half due to the treatment of ore only from the Central Pit.

The Company is reviewing a number of options at Greenbushes with a view to deciding on what is the best operating model for that mine.

The re-commissioning of the underground mining project is currently being reviewed and a decision will be made in the fourth quarter.

The underground mine was placed on care and maintenance in December 2001 at a point when some 400,000 tonnes of ore has been developed and the operation can be brought on reasonably quickly and efficiently. Some modifications to the plant will be required to enable it to process higher grade tantalum ore at lower throughput rates.

Wodgina Mine

Production from the Wodgina Mine in the second half will be approximately 600,000 lbs resulting in full year tantalum production of approximately 1.2 million lbs.

The mineralogical issues previously advised at Wodgina have impacted on recoveries which, in turn, has required increased throughput to meet production estimates resulting in increased operating costs. A significant amount of research and testwork has been undertaken and changes to the process flow sheet will be made in the second half which are expected to improve the position and return percentage recoveries to acceptable levels.

Recent drilling by the Company has also indicated approximately 5 - 6 million tonnes of high grade mineralisation along strike from the existing main pit at the Wodgina Mine. Studies are currently being conducted with a view to developing a mine plan for this area over the next six months.

Gold Division

Attributable gold production for the half year was 296,171 ounces. All gold produced was sold at an average price of \$595 per ounce and, after deduction of cash costs of \$416 per ounce, a cash margin of \$179 per ounce was achieved.

Operating cash flow from the gold division improved as against the previous year due to lower cash costs and improved operating performance from all three gold sites.

Gold production in the second half will be between 225,000 - 235,000 ounces resulting in full year production of approximately 520,000 to 530,000 ounces which is in line with the Company's original forecast. The reduced second half production estimate is primarily due to the closure of the Gwalia Mine and reduced gold production from the Tarmoola Mine.

Capital expenditure and mine development in the Gold Division in the first half totalled $24.3 million which was in line with budget and previously advised expenditure estimates.

Tarmoola Mine

The eastern wall instability at the Tarmoola Mine, referred to in the December 2003 Quarterly Report, has continued and a large failure has occurred in that area. Mining in the North Pit, which was to contribute to mill feed up until May 2004, has therefore been suspended and mining is now being carried out primarily in the South Pit area.

As previously advised, milling operations continue and will treat ore from the South Pit and other areas and low grade stockpiles until at least July 2004. The cut-back of the South Pit has been suspended pending ongoing reviews of alternative mine plans to extend the existing operation beyond July.

At the same time, the Company is reviewing the total resources contained within the Tarmoola Mine area.

The Tarmoola Mine hosts a significant resource which has the potential to realise significant and longer term gold production and cash flow for the Company. At a cut-off grade of 0.6 g/t, the total Measured, Indicated and Inferred Resource currently comprises approximately 50 million tonnes at 1.3 g/t gold resulting in a gold resource of 2.0 million ounces. An analysis of the grade - tonnage curve indicates that, at a 0.5 g/t cut off, the resource comprises approximately 80 million tonnes @ 1.0 g/t gold for 2.6 million ounces. Given the current scale of the operations and prevailing strip ratios, it is unlikely that this resource would be converted to an acceptable economic reserve. However, there is clear potential for significant additional resources within the larger confines of a "Big Pit Concept" at Tarmoola. Further drilling to define these resources is required along with consideration of alternative mine and treatment options to evaluate the potential for an economic mining operation on a larger scale.

A Scoping Study has commenced to evaluate the potential for a large scale mining operation, based on an expanded resource base and low cost processing options. These will include treatment through an expanded plant, direct dump and leach or crush and leach.

One of the objectives of the exploration programme will be to define additional resources within the granite and thereby reduce the overall strip ratio of the larger conceptual Tarmoola pit.

Recoveries at Tarmoola through the existing CIP plant, at coarse size fractions, consistently exceed 94 per cent in very low grade ore primarily from the granite area.

It is anticipated that this work will be completed within three months.

Leonora

The Gwalia Mine closed in December 2003 and is now on care and maintenance.

Gold production, cash flow and earnings in the first half exceeded budget.

Gold production for the second half of the year is estimated to be between 45,000 - 50,000 ounces from the Tarmoola Mine. The full year forecast of 160,000 ounces from the Leonora region will be met notwithstanding the fact that Tarmoola Mine production has been negatively effected by the large slippage in the eastern wall of the pit.

Operating costs from Leonora will be higher in the second half due to higher rates of treatment of low grade stockpiles at Tarmoola and the closure of the Gwalia Mine.

Southern Cross

The Company's share of gold production from the Southern Cross region is estimated to be between 90,000 - 95,000 ounces in the second half. Ore will be accessed from the Marvel Loch pit and the Golden Pig Underground Mine and supplemented with ore from the Cornishman Joint Venture. The Cornishman Mine failed to achieve estimated grade targets in the first half and a degree of caution is therefore required.

The development of the underground operations at Marvel Loch continue on schedule as does the large drilling programme currently being conducted at Marvel Loch to test the depth and strike extensions of the known lode systems beneath the current Marvel Loch operations.

Further encouraging results from diamond drilling have been achieved in addition to those included in the December 2003 Quarterly Report. They include:

Centre Pit:	South Pit:
14 metres @ 4.96 g/t gold	17 metres @ 6.85 g/t gold
12 metres @ 3.54 g/t gold	5 metres @ 3.24 g/t gold
6 metres @ 7.08 g/t gold	13 metres @ 2.25 g/t gold

Currently, four drilling rigs are on site and approximately 25 per cent of the 30,000 metre programme has been completed to date.

South Laverton

Gold production for the first half from the Carosue Dam operation was 84,062 ounces and is forecast to be between 90,000 - 95,000 ounces in the second half for a full year total of approximately 175,000 fine ounces.

The Safari Bore project will be the primary source of ore in the second half. Increased mining and drill and blast costs at Safari Bore will reduce operating cash flows and earnings in the second half compared to the first half.

General

1. The Company will hold 15 per cent of the issued share capital of an expanded BeMaX Ltd., after the completion of the merger of the Company's, BeMaX Ltd.'s and Nissho Iwai's mineral sands assets. This transaction is subject to approval by BeMaX shareholders and other conditions precedent.

2. The Company holds large ground positions in Western Australia which are geologically prospective for sulphide and laterite nickel mineralisation. A review of the Company's tenements has indicated that the Leonora area, in particular, has significant potential for nickel sulphide deposits where four anomalous corridors have been recognised. A number of targets exist within these corridors which have been identified using modern electro-magnetic surveys.

   The Company's 100 per cent owned Coglia Well laterite resource, near Laverton, is currently being in-fill drilled to confirm previously identified high grade nickel / cobalt mineralisation.

   The Company is currently considering the options available to it to optimise the inherent value of its nickel potential and to ensure early exploration of these areas.

Summary and Outlook

The Company's first half financial result was in line with the Company's estimates and exceeded the previous comparable half year result. EBIT return from the Gold Division improved significantly. However, there are a number of key performance indicators which must be met for the Company to exceed the first half result in the second half, primarily improved recoveries from the Wodgina Tantalum Mine, reduced mining costs at the Carosue Mine and acceptable resolution of the issues being addressed at the Tarmoola Mine.

Operational cash flow projections are also obviously closely linked to both gold and tantalum performance but will be bolstered by increased tantalum sales in the second half.

Ongoing review and restructuring of the Company's gold and foreign exchange hedge books will continue. The Company has significantly improved its position in respect to its foreign exchange hedge book over the past twelve months. The Company's delivery rate is, at present, comfortably below current spot rates in respect of the Australian dollar / US dollar exchange rate and with respect to delivery prices for gold, materially above the Australian dollar price for gold.

Yours faithfully

PETER LALOR
EXECUTIVE CHAIRMAN