



AUSTRALIAN STOCK EXCHANGE



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NOTES/COMMENTS:

REED RESOURCES LTD (ASX: RDR) – SECOND QUARTER ACTIVITIES REPORT

Please find following the Second Quarter Activities Report for the period ending 31 December 2002

If you have any queries please do not hesitate to contact me on 08 9322 1182.

Kind regards

Christopher Reed
DIRECTOR

QUARTERLY REPORT FOR THE PERIOD ENDING 31 DECEMBER 2002

The Company's principal operations during the December Quarter continued to be at the Comet Vale Project with the focus on dewatering and rehabilitation of the Sand Queen main shaft and further exploration at the Sand George prospect.

COMET VALE PROJECT

Sand Queen Main Shaft – Dewatering and Rehabilitation

Dewatering of the Sand Queen Main Shaft commenced on 17 October 2002 and the water level in the old mine workings is now below the No.3 Level. Rehabilitation of the shaft has been undertaken as the water level was lowered. The shaft is fully operational between the Surface and No.2 level and is expected to be fully operational to No.3 Level by the end of January.

The Company's consultant mining engineer has inspected the shaft and reports that it is in sound workable condition down to the No.3 Level.

The dewatering and rehabilitation program successfully exposed No.1, No.2 and No.3 Levels but the floor pillars on these levels have been removed on either side of the shaft pillar. This means that the old workings are not accessible for underground geological mapping and for exploration drilling of the Sand Queen South Extension (see below).

Dewatering will continue to No.4 Level as this can be used as an alternative for mining of the Sand Queen South Extension and for underground access to the Sand George lodes.

Sand George Prospect Exploration

During the Quarter, the Company successfully completed a four-hole diamond core drilling (DDH) program at the Sand George prospect (drill holes RD001 – RD004). Each of the drill holes intersected a mineralised lode(s) with significant gold grades in a structural position that is consistent with the continuation of the main Sand George lode at depth.

COMET VALE PROJECT DDH Drilling Significant Results

| Hole ID (DDH) | Collar Northing ⁽¹⁾ | Collar Easting ⁽¹⁾ | From m | To m | Intersection m | Grade ⁽²⁾ g/t Au | |
|---------------|--------------------------------|-------------------------------|---------------|---------------|----------------|-----------------------------|--------------|
| RD001 | 13175 | 7720 | 25.50 | 26.15 | 0.65 | 2.10 | |
| | | | 147.35 | 148.77 | 1.42 | 32.80 | |
| | | | 149.00 | 149.50 | 0.50 | 1.60 | |
| RD002 | 13225 | 7715 | 161.70 | 163.30 | 1.60 | 30.01 | |
| | | | 151.10 | 152.00 | 0.90 | 1.21 | |
| | | | 153.00 | 154.00 | 1.00 | 2.73 | |
| RD003 | 13200 | 7690 | 164.30 | 166.15 | 1.85 | 9.86 | |
| | | | including | 165.30 | 166.15 | 0.85 | 16.60 |
| | | | 201.70 | 202.70 | 1.00 | 1.67 | |
| RD004 | 13125 | 7720 | 203.50 | 204.80 | 1.30 | 3.95 | |
| | | | including | 204.50 | 204.80 | 0.30 | 13.2 |
| | | | 161.60 | 163.00 | 1.40 | 15.48 | |
| | | | including | 162.65 | 163.00 | 0.35 | 58.72 |
| | | | 179.10 | 182.35 | 3.25 | 13.00 | |
| | | | including | 179.60 | 180.10 | 0.50 | 27.52 |
| | | | including | 181.50 | 182.05 | 0.55 | 30.60 |

1. Collar coordinates are for a local grid. All holes drilled at 70 to the east.

2. Samples of half core analysed by Fire assay with an AAS finish (FA50/AAS) and calculated as a weighted average.

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The DDH intersections indicate that the Comet Vale lode, in the deeper parts of Sand George, consists of two parallel lodes of varying width and varying gold grades that may converge into a single lode in places.

The position of the DDH intersections in relation to the previous Reverse Circulation (RC) drilling and the main C lodes at Sand George are shown in the attached Long Section.

Drill holes RD001, RD002 and RD004 each intersected two lodes at a vertical depth of 140-160 m below surface which is equivalent to the position of the No.4 Level in the Sand Queen mine. The spacing of these intersections indicates that the Comet Vale lode has a strike length of at least 100 m at this level. Drill hole RD003 intersected a single major lode at a vertical depth of about 190 m below surface which is below the equivalent position of No.5 Level in the Sand Queen mine.

An interpretation of the results of the RC and DDH drilling programs indicates that the main Sand George lode is open at depth and may have a steep south plunge. Further exploration planned for February-March, 2003 will test for lateral extensions of the lode, to extend its strike length, and deeper drilling to test for depth continuation of the lode, below a depth equivalent to the No 6 Level at the Sand Queen mine.

Sand George Resource

The Company's consultants completed a revision of the Mineral Resource at the Sand George prospect. The additional infill RC drilling completed during 2002 has also allowed redefinition and upgrading of the previous resource estimate that was reported in the Company's Prospectus.

The updated Mineral Resource estimate for the Sand George deposit is:

| Lode | Category* (No. samples) | Tonnes | Grade g/t Au | Contained gold ounces |
|-----------|----------------------------|---------------|-----------------|--------------------------|
| C1 | INDICATED (59) | 84,585 | 11.7 | 31,821 |
| C2 | INFERRED (12) | 32,791 | 6.2 | 6,537 |
| B | INFERRED (22) | 33,274 | 3.6 | 3,852 |
| D1 | INFERRED (11) | 15,400 | 1.7 | 843 |

* Indicated and Inferred Mineral Resources listed above are in accordance with the JORC Code for Reporting of Mineral Resources and Ore Reserves and have been compiled by Lenore Jepson (Maxwell Geoservices) and Isobel Algar (Maxwell Geoservices) who have relevant experience to qualify as a Competent Person under the Code.

The Indicated Mineral Resource in the C1 lode has been upgraded from an Inferred Mineral Resource category. The Inferred Mineral Resources in the C2, B and D1 lodes have been upgraded from a previously 'unclassified' resource.

The interpreted position of these lodes is illustrated on the accompanying Long Section. The B lode is along strike to the north of the main C1 and C2 lodes and the D lode is to the east of and parallel to the main C lode.

The total Indicated and Inferred Mineral Resources in the main C1 and C2 lodes is 117,376 tonnes at an average grade of 10.1 g/t Au (38,119 ozs gold).

NOTE: The revised Mineral Resource estimate does **not** include results from the diamond drilling program outlined above. The DDH intersections are directly below the Sand George C1 and C2 lodes and the Company expects that inclusion of the results from the diamond drilling will considerably increase the resource at the Sand George prospect. Further revision of the Mineral Resource estimates will be undertaken after the next phase of drilling.

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Sand Queen South Extension

Previous RC drilling indicated potential for remnant high grade ore in the Sand Queen South Extension, along strike from the southern end of the Sand Queen mine. This included 4 m @ 21.65 g/t Au (in hole DRC073), 3 m @ 5.76 g/t Au alongside a 3m void (DRC077), 7 m @ 4.69 g/t Au alongside a 3m void (DRC102), 2 m @ 18.4 g/t Au (DRC108), and 1 m @ 8.24 g/t Au (DRC101), as previously reported.

The Company intended using the old Sand Queen mine levels to gain underground access for geological mapping, sampling and exploration drilling of the Sand Queen South Extension. However, as the southern mine workings have been found to be inaccessible, the exploration drilling will now be done from the surface. A seven-hole infill RC drilling program will test the Sand Queen South Extension between the Surface and No.3 Level. This drilling is planned for February 2003.

This exploration is expected to confirm a mineral resource at the Sand Queen South Extension. The Company can then commence planning to mine the resource.

Comet Vale South

An initial program of RC drilling of the projected position of the Comet Vale lode structure to the south of the Sand George prospect was completed toward the end of the quarter. The results of this drilling are currently being evaluated but significant gold intersections are summarised below.

**COMET VALE PROJECT
Comet Vale South Significant RC Drilling Results**

| Drill Hole | Northing (m) | Easting (m) | From (m) | To (m) | Interval (m) | Grade (g/t Au) |
|------------|--------------|-------------|----------|--------|--------------|----------------|
| DRC113 | 12649 | 7818 | 51 | 53 | 2 | 1.78 |
| DRC114 | 12649 | 7789 | 69 | 70 | 1 | 1.27 |
| | | | 115 | 116 | 1 | 1.41 |
| | | | 128 | 129 | 1 | 2.39 |
| DRC116 | 12699 | 7780 | 44 | 46 | 2 | 3.06 |
| | | | 78 | 79 | 1 | 3.42 |
| DRC117 | 12221 | 7887 | 21 | 22 | 1 | 4.24 |
| DRC119 | 12223 | 7819 | 60 | 62 | 2 | 1.56 |
| DRC123 | 11798 | 7897 | 68 | 69 | 1 | 4.80 |
| DRC130 | 11798 | 7866 | 89 | 90 | 1 | 4.94 |

Note: Collar coordinates are for a local grid. All holes drilled with a dip of -60° towards 085.5° AMG. Samples are 1 m drill intervals and analysed by Fire Assay with an AAS finish.

The Company is also evaluating the effectiveness of a new soil sampling analytical technique which has been devised to detect mineralisation below transported cover such as at Comet Vale. The new technique is being tested in the Comet Vale South tenements (M29/233).

MT FINNERTY PROJECT

A consultant has been compiling previous exploration data on the Mt Finnerty tenements, particularly previous RAB and soil sampling data to identify potential gold exploration targets. If the new soil sampling analytical technique being tested at Comet Vale is successful in identifying buried mineralisation then it will also be used at the Mt Finnerty project where transported cover is more extensive.

An aeromagnetic survey covering the Mt Finnerty project is scheduled for February 2003. This will be used to better define the geology under an extensive cover of residual and transported regolith and to identify structures that may be controlling gold mineralisation.

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This will be used in conjunction with be combined with geochemical data to develop. Tested by drilling

The Company also successfully applied to have the Mount Finnerty tenements endorsed for iron ore (under section 111 of the Mining Act). All of these tenements lie outside the proposed extensions to the Mt. Manning Nature Reserve.

Exploration for iron ore will commence immediately, using data from the aeromagnetic survey to identify potential targets within a prominent ridge of banded iron formation (BIF) that bisects the Watt Hills greenstone belt along its strike length. Exploration will be directed principally at zones of BIF-hosted hematitic iron enrichment, similar to deposits currently being mined at Koolyanobbing and other substantial iron ore deposits within the adjoining Marda Complex to the north (eg, Bungalbin, Mount Jackson and Windarling).

Exploration initially will focus on the northern part of the tenements, north of Mt Finnerty (previously Iron Knob), as this area has been considered prospective for iron ore at least since the 1960s. However, there has been no previous systematic iron ore exploration within this 15 kilometre long section of the Watt Hills greenstone belt that is held by Reed Resources Ltd. Portman Mining Ltd's Mt. Walton prospect is only about 1km along strike to the north of Reed Resources' tenements.

TENEMENT ADMINISTRATION

During the quarter, all remaining mining leases at Comet Vale were granted, providing access to an additional 1,760 hectares of ground adjoining the tenements containing the Sand Queen-Gladsome mine and Sand George deposit.

The Company also acquired some 4,075 hectares of additional tenements adjoining the Comet Vale project from Auriongold Ltd. These tenements contain the historic Lake View and Long Tunnel gold mines and are potentially along strike from the Goongarrie mining centre which is about 10 km to the south.



David John Reed
EXECUTIVE CHAIRMAN

Indicated and Inferred Mineral Resources detailed in this statement are in accordance with the JORC Code for Reporting of Mineral Resources and Ore Reserves and have been compiled by Lenore Jepson (Maxwell Geoservices) and Isobel Algar (Maxwell Geoservices) who have relevant experience to qualify as a Competent Persons under the Code.

Dr P Collins (BSc (Hons), PhD, MAIG), an employee of Curtin Consultancy Services Ltd has compiled the technical aspects of this report. Dr Collins has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is being reported on to qualify as a Competent Person as defined in the 1999 Edition of the Australasian Code for Reporting of Mineral Resources and Ore Reserves. Dr Collins consents to the inclusion in the report of the matters in the form and context in which it appears.

