

QUARTERLY REPORT FOR THE PERIOD ENDING 31 DECEMBER 2003

COMET VALE PROJECT

During the quarter, the Company successfully completed an infill drilling program at the **Sand George** prospect which has resulted in recommencement of the Pre-Feasibility Study by RSG Global. The drilling program confirmed geological continuity of the SG1 and SG2 lode structures, with several intersections assaying in excess of 20 g/t Au.

Sand George

A Pre-Feasibility Study that was being conducted by RSG Global was suspended in October 2003 when a conceptual study by mining contractor, Barmingo, and initial work by RSG Global indicated that further drilling was required to infill gaps in the SG1 and SG2 lodes at the Sand George prospect. Infilling drilling was required to confirm continuity of the lode structure and up-grade sections of the resource from an Inferred to an Indicated category where there was more than 35 m between drill-hole intersections from previous drilling campaigns.

An infill drilling program undertaken during November-December 2003, included 14 RC drill holes (DRC170-DRC183) and 10 diamond cored holes (RD018-RD027) that were drilled on the end of some RC pre-collar holes. Drilling was targeted on a zone between 170 and 320 metres RL. The ten diamond drill holes intersected mineralised lodes at the targeted depths and have confirmed internal continuity of the SG1 and SG2 lodes. Some of the lode intersections contain narrow high-grade sections with several assays in excess of 20 g/t Au and best results of **0.5 m @ 30.2 g/t Au** and **0.55 m @ 39.5 g/t Au** (RD018), **0.45 m @ 48.0 g/t Au** (RD021), and **0.45 m @ 96.7 g/t Au** (RD022).

Significant results (gold assays in excess of 1 g/t only) are listed in Table 1. Although gold grades are variable, the SG1 and SG2 lode intersections contain anomalous zinc and lead, which are key indicators of the Sand George lodes and of gold mineralization at the old Sand Queen-Gladsome mine.

All geological, analytical and survey data from the latest drilling campaign have been validated and included in the Comet Vale data base. A geotechnical engineer has been commissioned to provide a geotechnical assessment of the diamond drill core for consideration in the design of an underground mine.



RSG Global has been advised to recommence the Pre-Feasibility Study, including a re-calculation of the Mineral Resource at the Sand George prospect. The Pre-Feasibility Study is expected to be completed by the end of February 2004.

Donegal Resources has commenced mine planning and scheduling for an underground mining operation. A hydrogeological study and an environmental impact assessment will be undertaken concurrently with the Pre-Feasibility Study in order to facilitate preparation of a Notice of Intent.

Table 1. Significant gold intersections (gold assays in excess of 1 g/t Au) from infill drilling of the Sand George prospect.

Hole ID ⁽¹⁾	Collar Northing ⁽²⁾	Collar Easting ⁽²⁾	From m	To m	Intersection m	Grade ⁽³⁾ g/t Au
RD021	13225	7714	141.30	142.45	1.15	19.38
		including	141.30	141.80	0.5	25.78
			144.20	146.15	1.95	14.34
		including	145.70	146.15	0.45	48.06
RD018	13215	7758	94.7	96.8	2.10	14.53
		including	96.3	96.8	0.50	30.23
			98.25	100.40	2.15	11.77
		including	99.35	99.90	0.55	39.51
			107.10	107.81	0.70	9.27
RD020	13198	7703	160.25	161.05	0.80	10.08
			171.95	173.45	1.50	10.62
		including	171.95	172.45	0.5	26.51
RD019	13195	7757	100.25	102.35	2.10	2.59
			106.50	107.85	1.35	2.10
RD022	13175	7740	118.35	119.30	0.95	46.03
		including	118.85	119.30	0.45	96.71
			125.10	128.00	2.90	1.63
RD023	13150	7708	165.50	166.45	0.95	2.33
RD024	13125	7739	124.10	125.20	1.10	8.66
			150.30	151.65	1.35	17.30
		including	150.30	150.65	0.35	26.47
		including	151.15	151.65	0.50	21.03
DRC178	13125	7779	87.0	87.5	0.5	7.96
RD025	13100	7740	160.70	161.20	0.50	10.14
			163.35	164.90	1.55	1.17
RD026	13100	7710	177.30	178.65	1.35	12.15
		including	177.30	177.65	0.35	42.31
			204.85	205.75	0.90	9.96
			208.85	209.80	0.95	1.67
RD027	13075	7735	148.65	148.95	0.30	2.31

1. Diamond drill holes have an 'RD' prefix, and RC drill holes have a 'DRC' prefix

2. Collar coordinates are for a local grid. All holes collared at 70° to the east.

3. All samples analysed by Genalysis Laboratory Services using 50g Fire assay with an AAS finish (FA50/AAS) and calculated as a weighted average.

Sand Prince West

Although the latest drilling program was targeted on the Sand George lodes, some of the RC pre-collar drill holes also tested the flat lying lode structure at the Sand Prince West position. Significant results (gold assays in excess of 1 g/t) are listed in Table 2. A review of all drilling intersections is to be undertaken as part of a preliminary assessment of the potential for a shallow open pit mining operation on the Sand Prince West lode.

Table 2. Significant gold intersections (gold assays in excess of 1 g/t Au) from RC drill holes at the Sand Prince West prospect.

Drill Hole	Collar Northing (m)	Collar Easting (m)	From (m)	To (m)	Interval depth (m)	Grade (g/t Au)
DRC170	13225	7714	24	25	1	1.62
DRC174	13175	7740	21.5	22	0.5	2.25
DRC176	13150	7677	25	28	3	3.40
DRC178	13125	7779	21	22	1	1.50

Note: Collar coordinates are for a local grid. All holes drilled with a dip of -60° towards 085° AMG. Samples are 1 m drill intervals and analysed by Fire Assay with an AAS finish (FA50/AAS).

Regional exploration

Reconnaissance geological work has been undertaken in the eastern tenements, as part of an evaluation of the gold and nickel potential of the area to the east of the Goldfields Highway. Several rock chip samples collected from old workings returned highly anomalous gold values and further work is planned in structurally favourable zones, including drill testing of selected targets.

MT FINNERTY PROJECT

The geology of the Mt. Finnerty tenements has been interpreted by Southern Geoscience Consultants from a detailed airborne geophysical survey (100 metre line spacing, 20 metre MTC) flown earlier in 2003. This interpretation, based mainly on aeromagnetic data, identified ultramafics, mafics (basalt, dolerite), volcanogenic sediments, BIFs and marginal granitoids. Cross-cutting structures and alteration zones were also outlined. Several exploration targets for nickel, gold, base metals and iron ore have been identified and located on 1:50,000 and 1:25,000 scale plans.

Nickel sulphide exploration

Field reconnaissance of the identified ultramafic units was carried out during the quarter and samples were collected from outcrop or scree. The ultramafics most prospective for nickel sulphides (talc carbonate, olivinite) are on the western side of the Mt. Finnerty tenements. Disseminated nickel sulphides have already been intersected in the most westerly ultramafic unit in a RCP hole drilled by ARIMCO in 1996. This ultramafic unit extends north and south into the Mt. Finnerty tenements. Other prospective (high MgO) ultramafic units were verified by the reconnaissance sampling.

Further testing planned for the prospective units will include RAB drilling to determine their stratigraphic facing for subsequent drill testing of basal contacts for nickel sulphides.

Iron ore exploration.

Preliminary work was carried out during the quarter to assess the iron-ore potential of the Mt. Finnerty tenements. The BIF units on the east side of the tenements are contiguous with the BIF units that host the iron ore deposits at Mt. Walton (2.5 Mt @ 60.5% Fe) which is immediately to the north of the Mt. Finnerty tenements and at Bungalbin (65.7 Mt @ 57.9% Fe) located 20 km northwest of the Mt. Finnerty tenements.

Previous work by the GSWA, in 1960, sampled iron-rich outcrops over a strike length of 10 km along the prominent BIF ridges between Mt. Finnerty and Gnoledgin Hill, within the present Mt. Finnerty tenements. A number of samples returned values of 57 to 61% Fe. Most of the GSWA sites were re-sampled during the quarter, with best results being returned from Mt. Finnerty and Mt. Watt (outcropping specular hematite) with values in the range 57 to 66% Fe.

The iron ore potential is currently being reviewed by Consolidated Minerals Ltd but it is expected that drilling will be undertaken to test the extent of high-grade zones identified at surface.

BARRAMBIE PROJECT

The company engaged Mineral Engineering Technical Services Pty Ltd (METS) to supervise an initial program of physical and metallurgical testwork. The aim of the testwork is to confirm a conceptual process flowsheet and size relevant comminution and leaching equipment. The testwork program is being performed by SGS Lakefield Oretest on some one tonne of oxide and primary core from the Bay-Cove area of the deposit. Results of the physical testwork to date have indicated that all work indices are low and that the ore is non-abrasive.

Table 3. Physical Tests Summary

		PRIMARY	OXIDE
	UNITS	ORE	ORE
BBMWI		11.24	12.88
BRMWI		7.79	9.95
CWI	KWH/TONNE	4.1	5.2
AI		0.0689	0.0447
SG		4.420	4.114
		4.380	4.060
UCS	MPa	55.7	11.0
	MPa	29.6	25.9
	MPa	5.5	9.82

Metallurgical testwork is expected to be completed in early February at which time it will be passed onto Consolidated Minerals as part of their due diligence process. A resource calculation on the high-grade titanium mineralisation is expected to be completed by the end of January.

CORPORATE

During the quarter the company entered into a memorandum of understanding establishing a strategic alliance with Consolidated Minerals Limited ("Consolidated"). Consolidated has been granted an option, exercisable within 6 months of the memorandum of understanding, to form a joint venture with Reed for the exploration, development and mining of Iron Ore on Reed's Mt Finnerty leases situated 80km north east of Southern Cross and for Titanium at Barrambie situated some 85km north west of Sandstone and including any tenements acquired by Reed during the option period which are contiguous to these current tenements.

The full terms of the joint venture, including the acquisition price payable by Consolidated for its participating interest are to be negotiated in good faith between Reed and Consolidated during the option period. The consideration for the option opportunity is Consolidated's agreement to promptly subscribe for 7.45 million Reed ordinary shares at an issue price of 25c per share, raising \$1.862million.

In addition, and timed with Reed's satisfaction of its regulatory clearance to mine its Sand George gold mine deposit, Consolidated has also agreed to subscribe for a convertible note (converting at the option of Consolidated prior to 31 December 2005 at 30 cents per fully paid ordinary Reed share) with a principal amount of \$4million to enable Reed to finance the development of its Sand George gold deposit which is anticipated to come into production in 2004.

It is the director's view that an alliance with such a successful and progressive company as Consolidated, particularly with its experience in the mining and haulage of bulk minerals, would underwrite the potential for the mining and development of the iron ore and titanium ore bodies on the Reed tenement holdings. It also confirms that the properties Reed holds are in favourable geological settings for minerals other than gold.

The company encourages shareholders and interested parties to visit our website (www.reedresources.com) to register to receive announcements electronically.



C J Reed
DIRECTOR

Technical aspects of this report have been compiled by Dr P Collins (BSc(Hons), PhD, MAIG), an employee of Curtin Consultancy Services Ltd, and Dr Bryan Smith, Bryan Smith Geosciences Pty Ltd. Dr Collins and Dr Smith have sufficient experience relevant to the styles of mineralization and types of deposit under consideration and to the activity which is being reported on to qualify as a Competent Persons as defined in the Code for Reporting of Mineral Resources and Ore Reserves. Drs Collins and Smith consent to the inclusion in the report of the matters in the form and context in which it appears.

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

REED RESOURCES LTD

ABN

89 099 116 631

Quarter ended ("current quarter")

31 DECEMBER 2003

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A	Year to date (6 months) \$A
1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(377,330)	(617,620)
		(41,613)	(65,959)
		(160,994)	(345,325)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	15,166	23,675
1.5	Interest and other costs of finance paid	(471)	(680)
1.6	Income taxes paid		
1.7	Other —		
	Net Operating Cash Flows	(565,242)	(1,005,909)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a)prospects (b)equity investments	(26,024)	(27,127)
	(c) other fixed assets	(0)	(438)
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 (Prospect payment recouped)	(40,000)	0
	Net investing cash flows	(66,024)	(27,565)
1.13	Total operating and investing cash flows (carried forward)	(631,266)	(1,033,474)

1.13	Total operating and investing cash flows (brought forward)	(631,266)	(1,033,474)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	500,000	500,000
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings	(4,808)	(9,532)
1.18	Dividends paid		
1.19	Other – Prospectus Costs - Deposits		
	Net financing cash flows	495,192	490,468
	Net increase (decrease) in cash held	(136,074)	(543,006)
1.20	Cash at beginning of quarter/year to date	888,037	1,294,969
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	751,963	751,963

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\$
1.23	Aggregate amount of payments to the parties included in item 1.2	(84,472)
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Office rent and service fees paid to a company related to a director	\$25,247
Salary, superannuation payable to directors	\$58,225

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

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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

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Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A	Amount used \$A
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A
4.1 Exploration and evaluation	150,000
4.2 Development	100,000
Total	250,000

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	Previous quarter \$A
5.1 Cash on hand and at bank	723,463	51,222
5.2 Deposits at call		808,315
5.3 Bank overdraft		
5.4 Other (bonds)	28,500	28,500
Total: cash at end of quarter (item 1.22)	751,963	888,037

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

P37/6599	Acquired	0%	50%
P37/6600	Acquired	0%	50%
P37/6601	Acquired	0%	50%
P37/6602	Acquired	0%	50%
P37/6603	Acquired	0%	50%
P37/6604	Acquired	0%	50%
P37/6605	Acquired	0%	50%
P37/6606	Acquired	0%	50%
P37/6607	Acquired	0%	50%
P37/6608	Acquired	0%	50%
P37/6609	Acquired	0%	50%
P37/6610	Acquired	0%	50%
P37/6611	Acquired	0%	50%
P37/6612	Acquired	0%	50%
P37/6613	Acquired	0%	50%
P37/6614	Acquired	0%	50%
P37/6615	Acquired	0%	50%
P37/6654	Acquired	0%	50%
P37/6655	Acquired	0%	50%
P37/6656	Acquired	0%	50%
P37/6657	Acquired	0%	50%
P37/6658	Acquired	0%	50%
P37/6659	Acquired	0%	50%
P37/6660	Acquired	0%	50%
P37/6661	Acquired	0%	50%
P37/6662	Acquired	0%	50%
E15/836	Acquired	0%	100%
E16/308	Acquired	0%	100%
P15/4649	Acquired	0%	100%
P15/4650	Acquired	0%	100%
P15/4657	Acquired	0%	100%
P16/2209	Acquired	0%	100%
P16/2210	Acquired	0%	100%

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 Preference securities (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				

7.3	+Ordinary securities	51,750,000	34,750,000		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	2,000,000	2,000,000	\$0.25	\$0.25
7.5	+Convertible debt securities <i>(description)</i>				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

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 ~~does not~~ *(delete one)* give a true and fair view of the matters disclosed.

Sign here: 
(Director/Company secretary)

Date: 21 January 2004

Print name: ..CHRISTOPHER JOHN REED.....

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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