

## QUARTERLY REPORT FOR THE PERIOD ENDING 30 SEPTEMBER 2004

### COMET VALE PROJECT (100%)

During the quarter, the Company's Comet Vale activities continued to focus on advancing the viability of mining the multiple-lode Sand George prospect.

Reed's mining consultants, RSG Global, completed a re-evaluation of the Mineral Resource for the SG1 and SG2 lodes at the Sand George prospect, with inclusion of the results of the 20-hole step-out drilling undertaken during May-June 2004. The step-out drilling program successfully extended the gold lodes at Sand George and increased the strike length from about 220 m to over 300 m, thereby substantially increasing the total ounces per vertical metre.

The revised combined Mineral Resource in the SG1 & SG2 lodes (for >2 g/t Au) is estimated to be 368,000 tonnes at a grade of 7.8 g/t Au (for 92,000 ounces of gold), including 267,000 tonnes at 8.1 g/t Au (70,000 ounces) assigned to the Indicated Category, as listed below:

Vein	Category	Tonnes	Grade (g/t Au)	Ounces
SG1	Indicated	136,000	9.6	42,000
SG1	Inferred	41,000	6.8	9,000
SG2	Indicated	131,000	6.5	27,000
SG2	Inferred	59,000	7.1	13,000
<b>Sub-Total</b>	<b>Indicated</b>	<b>267,000</b>	<b>8.1</b>	<b>70,000</b>
<b>Sub-Total</b>	<b>Inferred</b>	<b>101,000</b>	<b>7.0</b>	<b>22,000</b>
<b>TOTAL</b>	<b>Ind &amp; Inf</b>	<b>368,000</b>	<b>7.8</b>	<b>92,000</b>

Note 1: Indicated Resource is for that part of each lode below 360m RL and north of 13012.5m N (local grid) and for SG1 to a depth of 180m RL (i.e., to a depth of 200m below surface) and for SG2 to a depth of 160m RL (i.e., to 220m below surface). The Inferred Resource incorporates the remainder of the modeled resource and is primarily for those parts of each lode that are below 180m and 160m, respectively, where the drilling density is not sufficient to be classified as Indicated.

The Mineral Resource has been calculated over the full width of the lode in each drill hole intersection which accounts for a slight reduction in the overall grade compared with the previous resource estimate.



The modeled Mineral Resource includes drilled intersections of much higher grades to which a top cut has been applied, including intercepts 0.5 m at 153.4 g/t Au, 0.5 m at 85 g/t Au, 0.6 m at 17.4 g/t Au, 0.49 m at 17.9 g/t Au, 0.35 m at 74.3 g/t Au, 0.55 m at 25.5 g/t Au, 0.5 m at 53.4 g/t Au and 0.5 m at 36.3 g/t Au.

The step-out drilling program indicated an additional lode structurally above the SG1 lode at the northern edge of the Sand George deposit. This lode (referred to as SG6) and previously reported additional high-grade lodes at depth below Sand George (i.e., SG3, SG4 and SG5 lodes) are not included in the Mineral Resource estimate.

Work is continuing on the Feasibility Study, with underground access using a decline from a small box cut being the preferred mining method. Detailed mine design and scheduling are currently being prepared for the first stage of mining the Sand George lodes to a depth of 200 metres below surface. A Notice of Intent ("NOI") is in final stages of preparation and will be lodged early in the current quarter. The Company is reviewing proposals from mill operators for toll-milling or outright purchase of the ore.

#### **MT FINNERTY PROJECT (100%)**

During the quarter, exploration continued on advancing the iron ore, nickel and gold potential of the Mt Finnerty tenements.

##### **Iron Ore**

A RC drilling program is scheduled to commence in early November to test an extensive zone of hematitic iron enrichment of banded iron formation (BIF) that was discovered near Jaurdi Siding whilst geology students from Curtin University were undertaking a geological mapping exercise, with support from Reed Resources. Initial analytical results indicate in excess of 58% Fe in outcropping BIF alongside the Trans-Australian railway line. The drilling will be undertaken by Consolidated Minerals Limited ("Consolidated") as part of the Strategic Alliance between the two companies. Consolidated has the option to form a joint venture to develop any iron or nickel deposits.

As reported in the December 2002 Quarterly Report, tenements covering the enriched banded iron formation has been endorsed for Iron Ore under s.111 of the Mining Act. Mining Lease Applications M15/1720 and 1721 have been lodged covering the iron enriched BIF over a strike length of 2.5 km.

During the quarter, a field botanical survey was undertaken over the entire Project Area to satisfy the legislative requirement prior to undertaking ground disturbance involving the clearing of more than 1 hectare. The final report is expected by the end of October, interim reports suggest no biologically significant species occur in the study area.

## **Nickel & Gold**

Geological mapping (1:25,000 scale) of the central part of the Watt Hills Greenstone Belt has been integrated with aeromagnetic survey data to assist in the geological interpretation of the greenstone belt. This work has been supplemented with additional mapping of ultramafic units on the western side of the greenstone belt, to support the Company's assessment of the nickel-sulphide potential of the Mt. Finnerty tenements. Results of this mapping will be used in combination with regolith land-form mapping and previous soil geochemical data to prioritise potential nickel and gold targets for follow up RAB and RC drilling.

Tenements E16/260 and 261 covering a package of ultramafic rocks along the western side of the Watt Hills Greenstone belt have been granted. Initial ground reconnaissance has confirmed the anomalous nickel previously recorded in the western ultramafic sequence (refer map). Disseminated nickel sulphides have been intersected in the only RCP hole drilled in the most westerly ultramafic unit in the last thirty years. This ultramafic unit extends north and south into the tenements, which were acquired from Anaconda Exploration Pty Ltd.

### **BARRAMBIE PROJECT (100%)**

During the quarter, work continued on metallurgical testing of the high-grade Eastern Band within the Barrambie titanium-vanadium-iron deposit which contains an estimated combined Indicated and Inferred Mineral Resource of 23.7 Mt @ 22.4% TiO<sub>2</sub> to a depth of 60 metres below surface.

Mineral Engineering Technical Services Pty Ltd (METS) completed Stages 1 and 2 of a program of metallurgical test work that is being undertaken on about one tonne of drill core from the 'oxide' and 'primary' zones at the Bay-Cove area of the deposit.

This work has confirmed that a clean concentrate containing about 55% TiO<sub>2</sub> can be produced using conventional technology, and work is continuing on other methods to further upgrade this concentrate (eg, smelting, atmospheric chloride leach).

### **CORPORATE**

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 underwrite a convertible note issue of \$4 million to enable Reed to finance the development of its Sand George gold deposit. The company is awaiting receipt of the Feasibility study before committing to the development of Sand George.

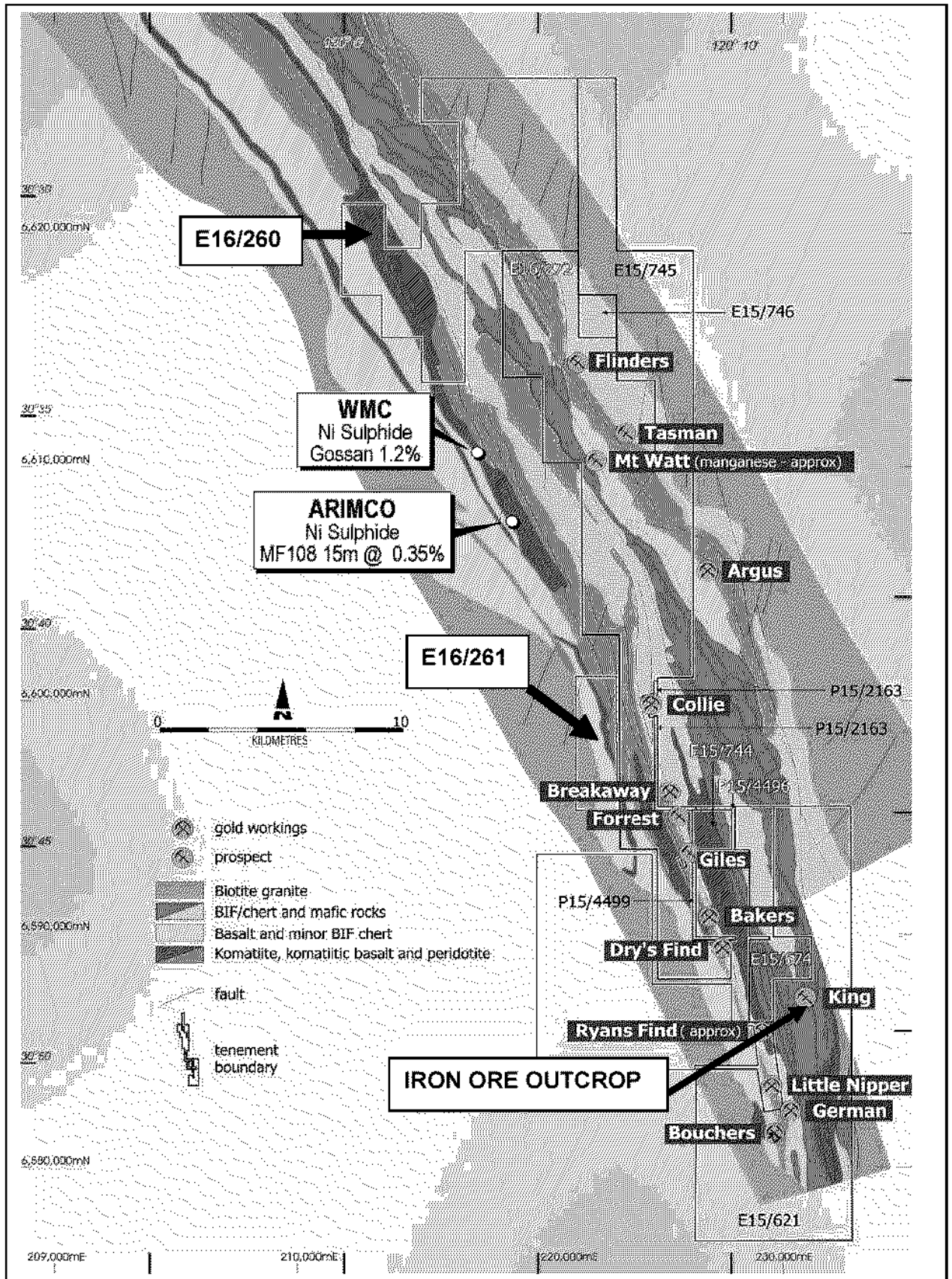
The company encourages shareholders and interested parties to visit our website ([www.reedresources.com](http://www.reedresources.com)) to register to receive announcements electronically.



**C J Reed**  
**DIRECTOR**

Technical aspects of this report have been compiled by Peter L.F Collins (BSc (Hons), PhD, MAIG). Dr Collins has 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 Person as defined in the JORC Code for Reporting of Mineral Resources and Ore Reserves (1999). Dr Collins consents to the inclusion in the report of the matters in the form and context in which it appears.

Indicated and Inferred Mineral Resources for the Sand George prospect that are detailed in this statement are in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves (1999) and have been compiled by James Ridley (Senior Consultant-Resources, RSG Global) who has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person under the Code. James Ridley consents to the inclusion in the report of the matters in the form and context in which it appears.



**E16/260**

**WMC**  
Ni Sulphide  
Gossan 1.2%

**ARIMCO**  
Ni Sulphide  
MF108 15m @ 0.35%

**E16/261**

**IRON ORE OUTCROP**

- gold workings
- prospect
- Biotite granite
- BIF/chert and mafic rocks
- Basalt and minor BIF chert
- Komatiite, komatiitic basalt and peridotite
- fault
- tenement boundary

