

22 March 2007

Company Announcements Office
Australian Securities Exchange Limited
Via Electronic Lodgement

Dear Sirs,

Placement and Shareholder Purchase Plan

The Board of Reed Resources Ltd (ASX Code: RDR) is pleased to advise that it has received irrevocable commitments from RAB Special Situations (Master) Fund, to subscribe for 4,761,904 shares at \$0.42 (42 cents) per share to raise \$2.0 million before costs (“the Placement”). The shares to be issued are within the discretionary capacity of the board under the ASX Listing Rule 7.1.

It is contemplated that a s.708A (6) Corporations Act notice will be given to the ASX at or about the time of the issue.

The placement was arranged by Transocean Securities Pty Ltd (“Transocean”).

The Board of Directors have also determined to make an offer to eligible shareholders, pursuant to a Share Purchase Plan (*SPP*), to subscribe for additional fully paid ordinary shares in the Company worth up to \$5,000 per eligible shareholder. The offer is limited in aggregate to \$5,000,000, being 11,904,762 shares at \$0.42 (42 cents) per share. The SPP will be fully underwritten by Transocean subject to the Company entering into an Underwriting Agreement acceptable to Transocean

Use of Funds

Funds raised from subscription monies in relation to the Placement and SPP will be used to advance two of the Company’s wholly owned resources, including funding the feasibility study on the Barrambie Vanadium Project. The first results from the 142 hole RC drilling program at Barrambie confirmed the exceptional tenor and continuity of the vanadium mineralisation over the southern end of the deposit. Results from the remaining 100 holes will be announced over the coming weeks, and they are expected to confirm the continuity of the vanadiferous mineralisation throughout the entire 11 km strike length of the granted Mining Lease (M57/173).



A second phase of infill RC drilling and diamond cored drilling is scheduled to commence in late April, for completion by the end of May. A large-diameter Caldwell drilling program is scheduled to commence in mid April to provide ore samples for a metallurgical test work program to confirm the best beneficiation processes across the range of weathering zones in the deposit. A Mineral Resource estimate to be prepared by Snowdens is expected to be available early in the September Quarter.

At the Company's Comet Vale operations 100 km north of Kalgoorlie, further drilling is planned to test the down-dip extension of the newly defined gold lode system and for initial resource definition. Primary gold mineralisation in the Princess Grace lode is within stacked *en echelon* quartz veins that are adjacent to porphyry intrusives, similar to those seen at the Sand George deposit (295,000 t @ 12 g/t Au for 114,000 oz gold). The new lode structure has now been intersected over approximately 250 m along strike and is open to the north and south, and down dip, at depth. Intersections of the new lode, include 5 m @ 10.63 g/t Au from 16 m down-hole and 9 m @ 6.9 g/t Au from 34 m (including 3 m @ 19.0 g/t Au from 40 m).

Shareholder Purchase Plan Details

The offer of shares under the SPP will be made at \$0.42 (42 cents) per share, being approximately a 16% discount to the weighted average sale price of the Company's shares traded on the Australian Stock Exchange during the period 15 March 2007 and 21 March 2007. The offer is limited in aggregate to \$5,000,000, being 11,904,762 shares. In the event of over-subscriptions, the shares offered under the SPP, will be allocated to applicants on a pro-rata basis. No brokerage, commission or other transaction costs apply to shares issued under the SPP.

Shareholders registered as ordinary shareholders of the Company as at the close of business on Monday 2 April 2007 and whose registered address in the Company's share registry is in Australia or New Zealand will be eligible shareholders able to participate in the Plan.

Offer documents will be distributed to eligible shareholders on or about Friday 6 April 2007 and the applications for the shares under the SPP will be accepted by the Company until 5pm WST (or WSDST as applicable) on Monday 30 April 2007.



Chris Reed

EXECUTIVE DIRECTOR

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