

Reed Resources Ltd

Corporate Governance Statement

The Company's main corporate governance policies and practices are outlined below.

The Board of Directors

The Company's Board of directors is responsible for corporate governance of the Company. The Board will guide management in the development of strategies for the Company, set and review the Company's strategic objectives and monitor the performance of the Company against those objectives. The overall goals of the corporate governance process are to:

- deliver corporate and operational performance against objectives set;
- drive shareholder value;
- assure a prudential and ethical base to the Company's conduct and activities; and
- ensure compliance with the Company's legal and regulatory obligations.

Consistent with these goals, the Board assumes the following responsibilities:

- developing initiatives for profit and asset growth;
- reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- acting on behalf of, and being accountable to, the Company's shareholders;
- identifying business risks and implementing actions to manage those risks; and
- developing and effecting management and corporate systems to assure quality sound corporate performance.

The Company is committed to the circulation of relevant materials to directors in a timely manner to facilitate directors' participation in Board discussions on a fully informed basis.

Composition of the Board

The Company's Board has four directors, including the Chairman.

Directors are subject to re-election by rotation at annual general meetings and conditions as stipulated in the *Corporations Act*. The Board has agreed that the directors shall retire after 3 years of continuous service, unless otherwise requested to continue by the Board.

The Company's directors in office as at 30 June 2005 were:

David John Reed (Executive Chairman)

OAM FCPA

Mr David Reed, age 59, is a Fellow Member of CPA Australia, and graduated in accountancy in 1965. He has 40 years experience in stockbroking including 22 years based in Kalgoorlie. In 1985 he became chairman of stock-broking firm Eyres Reed Ltd in Perth until its sale to CIBC World Markets in 1997. He has extensive public company experience having sat as chairman of several listed exploration companies. He has a long history in the gold mining industry, including Chairman of Fund Raising for the Australian Prospectors and Miners Hall of Fame. He is also a Founder and Session Chairman of the Diggers and Dealers Forum in Kalgoorlie, and a past Secretary of the Amalgamated Prospectors and Leaseholders Association. He was appointed a director and executive chairman of the Company on 20 December 2001.

Christopher John Reed (Executive Director/Secretary)

BComm GradCertMinEcon ASA MAusIMM

Mr Chris Reed, age 32, graduated with a Bachelor of Commerce from the University of Notre Dame. He holds a Graduate Certificate in Mineral Economics from the WA School of Mines, is a Member of the Australasian Institute of Mining and Metallurgy and is an Associate Member of CPA Australia. He has 14 years experience in the mineral exploration and mining industry. He was appointed a director of the Company on 20 December 2001.

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Peter Lionel Fleury Collins (Non-Executive Director)

BSc (Hons) PhD MAIG

Dr Peter Collins, age 56, graduated with a Bachelor of Science with honours from the University of Tasmania, where he also gained his Doctor of Philosophy. He has 25 years experience as a geologist in Tasmania and Western Australia. He has been an economic geologist and tin-tungsten commodity specialist with the Tasmanian Geological Survey. He has lectured in geology at Curtin University of Technology since 1987 and has been widely active in the investigation of mineral deposits in WA. Dr Collins was responsible for the planning and management of the exploration programme that discovered the Sand George deposit at Comet Vale. He was appointed a director of the Company on 20 December 2001.

Ian Courtney Junk (Non-Executive Director)

BEng (Hons) MAusIMM

Mr Ian Junk, age 37, graduated with a Bachelor of Engineering with honours from the WA School of Mines and holds a First Class Mine Managers Certificate. Ian is a highly respected mining engineer with considerable experience in narrow vein underground mining and project development. Ian and his brother Leigh were chosen as national finalists in the 2003 Ernst & Young – Young Entrepreneur of the Year for their successful implementation of innovative mining methods at the Miitel nickel mine. Ian is a Member of the Australasian Institute of Mining and Metallurgy. He was appointed a director of the Company on 1 December 2003.

Election of Board members is substantially the province of the Company's shareholders in general meeting. However, subject thereto, the Company commits to the following principles:

- a Board comprising directors with a blend of skills, experience and attributes appropriate for the Company and its business; and
- the principal criterion for the appointment of new directors being their ability to add value to the Company and its business.

Formal nomination committee or procedures have been adopted for the identification, appointment and review of Board membership, but an informal assessment process, facilitated by the Executive Chairman, has been committed by the Board. The procedures for selection and appointment of new directors to the Board is available on request.

Independent Professional Advice

In order to fulfil their responsibilities, subject to the Chairman's prior approval (not to be unreasonably withheld), directors, at the Company's expense, have the right to obtain independent professional advice on issues that may arise in the course of their duties.

Director independence

The Board assesses director independence on an annual basis, or, when it feels it is warranted, depending on disclosures made by individual directors.

Directors are deemed to be independent if they are independent of management and have no material business or other relationship with the Company that could materially impede their objectivity or independent judgement.

Please refer to our website for a copy of our Director Independence Policy.

Conflicts of interest

Each director has an ongoing responsibility to disclose to the Board details of transactions or interests, actual or potential, that may create a conflict of interest. A register of relevant interests (if any) are maintained at the Company's registered office.

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Board meetings

The Company's full Board meets on a monthly basis. Ad hoc board and committee meetings may be convened occasionally to consider appropriate matters. Each year the Board devotes a meeting to consider the Company's strategic plan and approve the strategic direction of the Company.

Directors' attendance at Board meetings is detailed on page 22 of this annual report.

Director education

The directors are provided with ongoing updates relating to corporate governance, accounting issues and economic issues.

Company Secretary

The position of Company Secretary is ratified by the Board.

Mr Christopher Reed is the Company Secretary. A profile of Chris' qualifications and experience was set out earlier in this section, on page 2. The role of Company Secretary in the Company includes:

- advising the Board on corporate governance principles;
- management of the secretariat functions;
- generally attending all Board meetings and preparing the minutes; and
- managing company disclosures.

Board committees and membership

During the year, the Board has commenced putting in place, with the assistance of its consultants and advisers, specific board committees to address particular aspects of the Company's Corporate Governance.

A brief description of the Board's view on the creation of committees is outlined in the following paragraphs of this section of the report.

Previously, the Board had considered that the need for separate committees were inappropriate for the nature and size of the Company and unwarranted given that the affairs of the Company were not of such complexity.

However, in response to the Australian Stock Exchange's (ASX's) Corporate Governance Council Best Practice Recommendations and the Board's objective to align its practices with those best practices, the Board is now committed to addressing key aspects of the Company's governance by establishing specialised committees (where it sees appropriate, cost effective and efficient) each operating under its own charter and comprised solely of a sub-set of the Board's four directors.

- **Audit Committee**

The Company presently does not have a separately constituted audit committee as it is not presently of a size, or its affairs of such complexity, to warrant such a committee. All matters capable of delegation to such a committee are presently dealt with by the full Board. The Board as a whole will investigate and recommend candidates for appointment as external auditors of the Company and from time to time will review the scope, performance and fees of its external auditors to ensure the appropriate processes are in place to support the Board in fulfilling responsibilities relating to:

- reporting of financial information to users of financial reports;
- application of accounting policies;
- financial management; and
- internal financial control systems.

It is also acknowledged that the Chief Financial Officer of the Company is required to state in writing that the Company's financial reports present a true and fair view of the Company's performance.

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▪ **Nomination and Remuneration Committee**

This combined Committee is responsible for overseeing the Company's remuneration and compensation plans, policies and practices on behalf of the Board and shareholders.

The Nomination component of the Committee assists the Board in fulfilling its responsibilities to shareholders with regard to:

- identifying the necessary and desirable competencies of Board members;
- assessing the extent to which the competencies are represented on the Board; and
- the selection and appointment process for directors.

In endeavoring to ensure that the Board has an appropriate mix of skills and experience, the committee will consider directors who have a demonstrated record of high levels of integrity and performance and improving shareholder returns, and who can apply those skills and experience to the benefit of the Company.

The Remuneration component of the Committee assists the Board in ensuring that:

- shareholder interests and employee interests are aligned;
- the Company is able to attract, develop and retain superior talent; and
- the integrity of the Company's reward program is maintained.

The Nomination and Remuneration Committee meets at least two times a year. It currently comprises David Reed (as chair) and Peter Collins and Ian Junk.

Charters for each of the Board committees can be obtained from us on request.

Board and board committee performance evaluation

Each year the directors evaluate both the collective performance of the Board and that of individual members. Similarly, a process of annual performance evaluation is conducted for the Board committees. More information about the process of performance evaluation can be obtained from our website.

Directors' Remuneration Arrangements

The remuneration of an executive director will be decided by the Board, without the affected executive director participating in that decision making process.

The maximum aggregate remuneration of non-executive directors is the subject of shareholder resolution in accordance with the Company's Constitution, the Corporations Act and the ASX Listing Rules, as applicable. A non-executive director generally will not receive options or bonus payments, nor retirement benefits other than statutory superannuation.

Director remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions of each non-executive director. The Board may award additional remuneration to non-executive directors called upon to perform extra services or make special exertions on behalf of the Company.

Audit governance

The Company Secretary must annually certify that the Company's financial records are properly maintained, comply with accounting standards and give a true and fair view of the Company's performance.

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External audit

The Company's external audit services are provided by Deloitte. The partner responsible for the Company's audit was appointed in 2004, and, under the terms of engagement, will be required to rotate off the audit after 5 years [2009].

Reports prepared by the external auditor are submitted to the Board and are in accordance with Australian Accounting Standards. Where compliance with accounting standards would not provide a true and fair view, reasons for departure from the Standards are provided.

Non-audit services

The Company and its auditors have adopted the following policy in relation to any work undertaken by the external auditors, Deloitte, that does not directly relate to auditing:

- Deloitte's services which have fees of up to \$35,000 shall require the prior approval of the Board. Such approval shall include the scope of the services and the approximate amount of fees, and shall be reported to the next Board meeting;
- for Deloitte's services of more than \$35,000 and less than \$100,000, the provision of such services requires the prior approval of the Board; and
- for Deloitte's services of more than \$100,000, the proposed services are to be put to competitive tender with the requirement for the Board's approval of the inclusion of Deloitte in the tender list.

Details of non-audit services are described in the directors' report on page 24.

Attendance at the annual general meeting

The external auditor attends the Company's annual general meeting and is available to respond to shareholder questions relating to audit and accounting matters.

Identification and Management of Risk

The Board's collective experience will enable accurate identification of the principal risks which may affect the Company's business. Management of these risks will be discussed by the Board at periodic strategic planning meetings. In addition, key operational risks and their management, will be recurring items for deliberation at Board meetings.

The Company's Risk Management Policy sets out the Company's policies and procedures for covering risks such as those relating to markets, credit, price, operating, safety, health, environment, financial reporting and internal control. The Risk Management Policy has been adopted by the Board and is subject to periodic review.

Ethical Standards

The Board is committed to the establishment and maintenance of appropriate ethical standards to underpin the Company's operations and corporate practices.

Management Structure

The Company is committed to evolving management structures and reporting procedures that are commensurate with its business objectives. The Company's organisational structuring is based on the principle of minimising hierarchical layers of management, encouraging effective communication and the assumption of a personal involvement in the success of the business by personnel at all levels.

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Disclosure policy

The Company is committed to providing best practice continuous disclosure and therefore has comprehensive policies and procedures designed to ensure our compliance with continuous and periodic disclosure obligations under the Corporations Act and the ASX Listing Rules. This includes a Continuous Disclosure Policy, a copy of which is available upon request. Responsibility for meeting ASX disclosure requirements rests primarily with the Company Secretary.

Shareholders

The Company has 777 shareholders, with the 20 largest holding 60.12 per cent of the approximately 70 million shares on issue. Approximately 98.32 per cent of these shareholders have registered addresses in Australia.

A more detailed analysis of our shareholders is set out on page 66 of this annual report. Our shares are listed on the ASX.

Shareholder communication

The Company places considerable importance on timely and effective communication with our shareholders and the market.

We use internet-based information systems to improve communication with our shareholders and the investment community. Examples include electronic posting of company announcements on our website (usually within one hour of lodgement with the ASX), and notifying our shareholders of ASX announcements and Company-related news and updates via email.

Share trading policy

The Company has established a policy on the trading of its shares by its directors and employees. The policy prohibits directors and employees from engaging in short-term trading of any of the Company's securities, or buying or selling the Company's shares, if they possess unpublished, price-sensitive information. In addition, directors and senior management must not buy or sell the Company's shares in the period between the end of the half or full financial year and the release of the results for the relevant period. Directors and senior management must also receive approval from the Chairman, or Company Secretary, before buying or selling Company shares.

A copy of the Company's Share Trading Policy can be found in the corporate governance section of our website.

Share enquiries

Investors seeking information about their shareholding or dividends should contact:

Computershare Investor Services Pty Limited

Level 2

45 St Georges Terrace

Perth WA 6000

Telephone: 1300 557 010 (for callers within Australia)

+61 8 9323 2000 (for international callers)

Facsimile: (08) 9323 2033 (for callers within Australia)

+61 8 9323 2033 (for international callers)

E-mail: web.queries@computershare.com.au

Please note, when seeking information, shareholders will be required to provide their Shareholder Reference Number or Holder Identification Number, which is recorded on their shareholding statements.

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Directors' Report

Your directors present their report on the Company for the financial year ended 30 June 2005. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The following persons were directors of the Company since the start of the financial year up to the date of this report:

D J Reed	Executive Chairman
C J Reed	Executive Director and Company Secretary
P L F Collins	Non-Executive Director
I C Junk	Non-Executive Director

Principal activities

The consolidated entity's principal activities during the period consisted of exploration for gold and other minerals, and the development of a gold mining operation. There were no significant changes in the nature of the consolidated entity's principal activities during the financial year

Operating Results

The consolidated loss of the consolidated entity after providing for income tax was \$973,158 (2004 \$766,984)

Dividends

No dividends have been paid in the period and none are proposed.

Review of Operations

Since it was listed on the ASX in July 2002, the consolidated entity has added substantially to the value of its gold resource inventory through successful exploration programs at Comet Vale and has expanded its operational base through the acquisition of additional tenements.

The consolidated entity has three exploration projects within the Archaean Yilgarn Craton in Western Australia. These are located at (Fig 1):

Comet Vale – Gold, Nickel

An advanced exploration project, situated on the Goldfields Highway about 100 km north of Kalgoorlie, and scheduled to be producing gold by the end of 2005.

Mount Finnerty – Iron Ore, Nickel, Gold

A brownfields exploration project consisting of about 500 km² of exploration tenements located about 120 km west of Kalgoorlie.

Barrambie – Vanadium, Titanium

An advanced exploration project situated about 100 km southeast of Meekatharra.

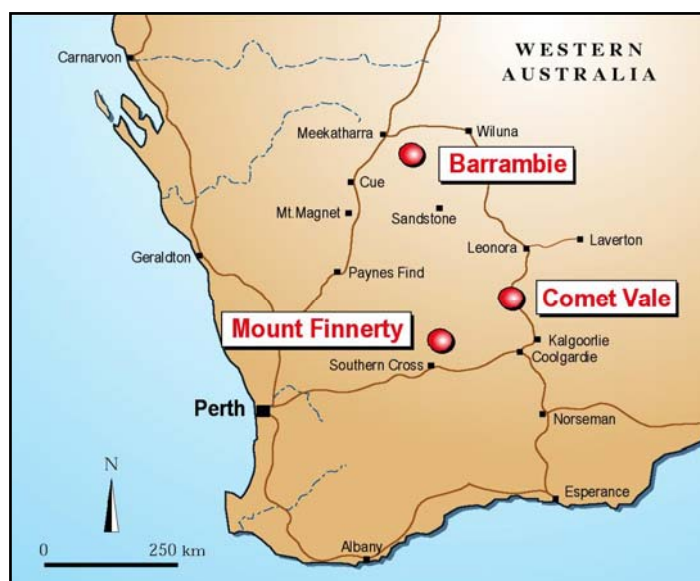


Figure 1. Location of Reed Resources projects

Reed Resources Ltd

Directors' Report

COMET VALE PROJECT

GOLD – 100% (Kingsrose earning 50% of M29/52, M29/321)

The Company's principal operations during year continued to be at the Comet Vale Project with the focus on evaluation of mining the SG1 and SG2 lodes at the Sand George prospect. Comet Vale is the consolidated entity's key operational project at which the principal exploration target continues to be repetitions of the high-grade Comet Vale lodes that were mined in the old Sand Queen and Gladsome mines (181,885 oz of gold produced from 248,476 tonnes of ore processed; average 22.8 g/t Au).

Sand George deposit

During the year, the Company's Comet Vale activities continued to focus on advancing the viability of mining the multiple-lode Sand George prospect with underground access utilising either a decline from a small box cut or the existing Sand Queen Main Shaft. In November 2004, the Board committed to mining the deposit based on the results of a mining study conducted by Australian Contract Mining Pty Ltd, which indicated recovery of more than 65,000 ounces of gold from an existing indicated resource of 249,000 tonnes at 8.6 g/t Au. The Company entered into discussions with mining contractors to negotiate a mining contract, including Kingrose Pty Ltd (Kingrose) with whom a Memorandum of Understanding (MOU) was signed at the beginning of January 2005.

The MOU provides for Kingrose to earn a 50% interest in Mining Leases M29/52 (Sand George) and M29/321 (Sand Queen) and Miscellaneous Licence L29/67 (Fig 2) by incurring all mining and development costs to earn 50% of the gold recovered to a depth of 243 m below the collar of the Sand Queen Main Shaft and 60% of gold recovered below that level, excluding royalties. Mining operations, initially using the Sand Queen Main Shaft, are scheduled to commence in August 2005 and the first gold production is planned for the December Quarter, 2005. Reed is required to truck and toll-treat the ore for 50% of the contained gold, eliminating the requirement for substantial capital investment before reaching positive cashflow.

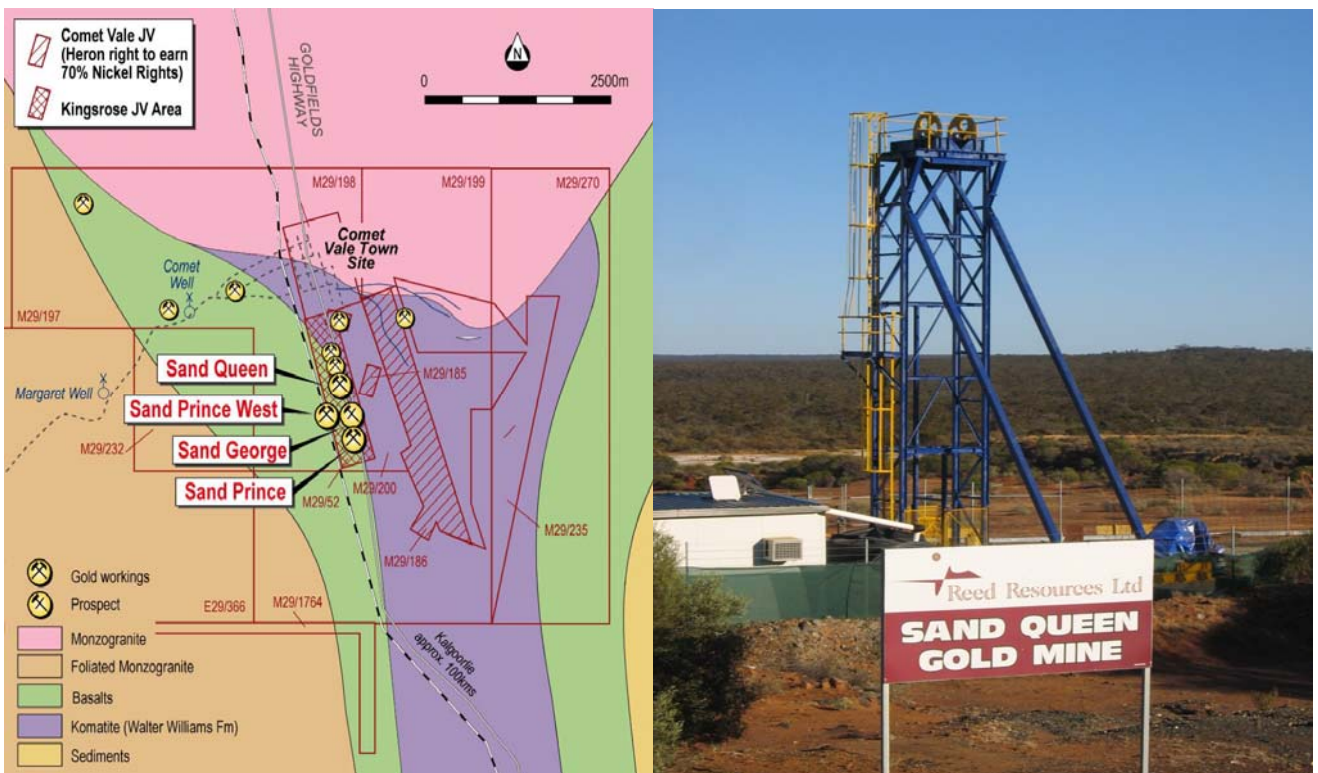


Figure 2. Geology of the Comet Vale project, with tenements subject to Joint venture agreements and the new head frame installed over the Sand Queen Main Shaft on 1 August 2005.

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As part of the Reed/Kingsrose Production Joint Venture, an independent review of the Sand George Mineral Resource estimate was undertaken by Hellman and Schofield Pty Ltd as the previous Resource estimate was based on parameters for a mechanised long-hole operation, using a new decline for access. The proposed high-grade/low tonnage scenario to be employed by Reed/Kingsrose using the existing Sand Queen Main Shaft for underground access required a re-evaluation of the Resource following revised geological modelling of the lodes.

The re-evaluation confirmed a combined Indicated and Inferred Mineral Resource of 167,000 tonnes at 12.1 g/t Au for 65,700 ounces in the SG1 & SG2 lodes, using a 5 g/t cut-off (Table 1). This includes 146,000 tonnes at 12.2 g/t Au (57,300 ounces gold) assigned to the Indicated Category. The Resource is modelled to a maximum depth of 250 metres below surface (equivalent to No. 6 Level, Sand Queen mine). The revised Mineral Resource does not include deeper sections of the SG1 and SG2 lodes and does not include three other lodes (SG3, SG4 & SG5 lodes; Fig. 3) which have limited drilled intersections at 300-350 m below surface.

Table 1. Updated Mineral Resource estimates for the SG1 & SG2 lodes, Sand George deposit, for a cut-off grade of 5 g/t Au.

Lode	Category	Tonnes	Grade (g/t Au)	Ounces
SG1	Indicated	78,000	11.4	28,800
SG1	Inferred	11,400	9.4	3,460
SG2	Indicated	68,000	13.0	28,500
SG2	Inferred	10,200	14.8	4,900
TOTAL	Ind & Inf	167,000	12.1	65,700

Although the revised Indicated Resource contains approximately 19% less ounces than the previous resource model (267,000 tonnes @ 8.1 g/t Au, using a 2 g/t cut-off), the financial outcome is markedly superior due to the higher grade and a 45% reduction in tonnage.

Mining of the Sand George deposit is scheduled to produce 20,000 ounces of gold per annum (RDR share 10,000 ounces) over an initial mine life of three years. Reed's cash costs in the first full year of production (2006/07) are forecast at \$150 per ounce. The projected cash-flow at a spot gold price of A\$550 (and after all royalties) is approximately A\$4 million **per annum**. The drilled intersections of the SG1 and SG2 lodes, and other lodes, below the current mine design (ie, below 143m RL; Fig 3) combined with drilled intersections of the Sand Queen lode along strike from and below the historic mine workings confirm a strong potential for mine-life extensions.

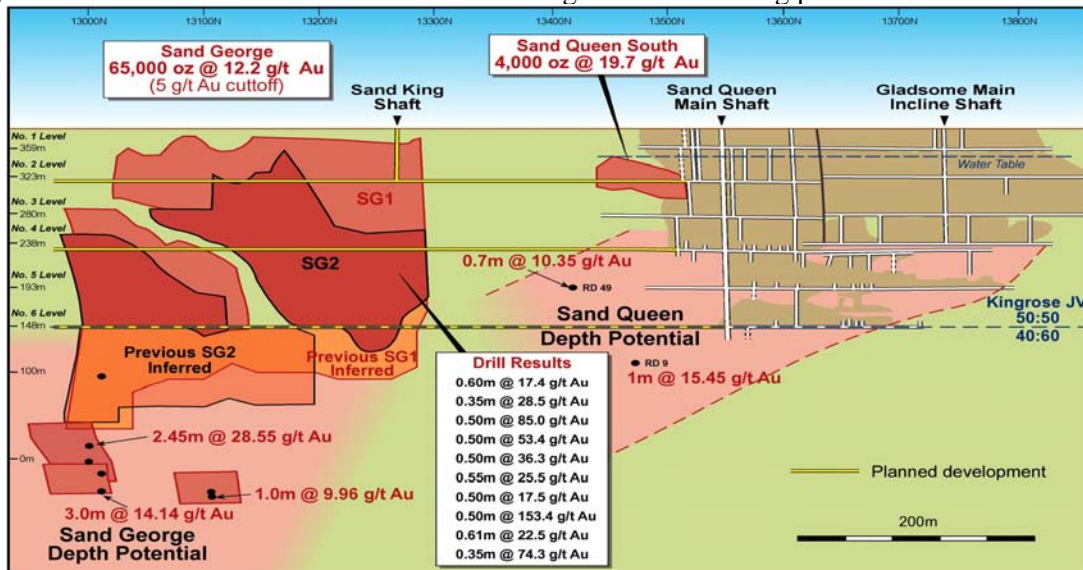


Figure 3. Comet Vale long-section (looking west) showing an outline of the Sand George lodes, Sand Queen Extension and possible lode extensions below the Sand Queen Mine.

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Sand Prince West Prospect

A number of RC pre-collars for diamond drill holes that were drilled to test the deeper sections of the Sand George deposit also intersected a shallowly northwest dipping lode structure, referred to as the Sand Prince West lode. Previous evaluation of this lode structure identified an Inferred Resource of some 77,600 tonnes at 3.9 g/t Au to a depth of 35m below surface.

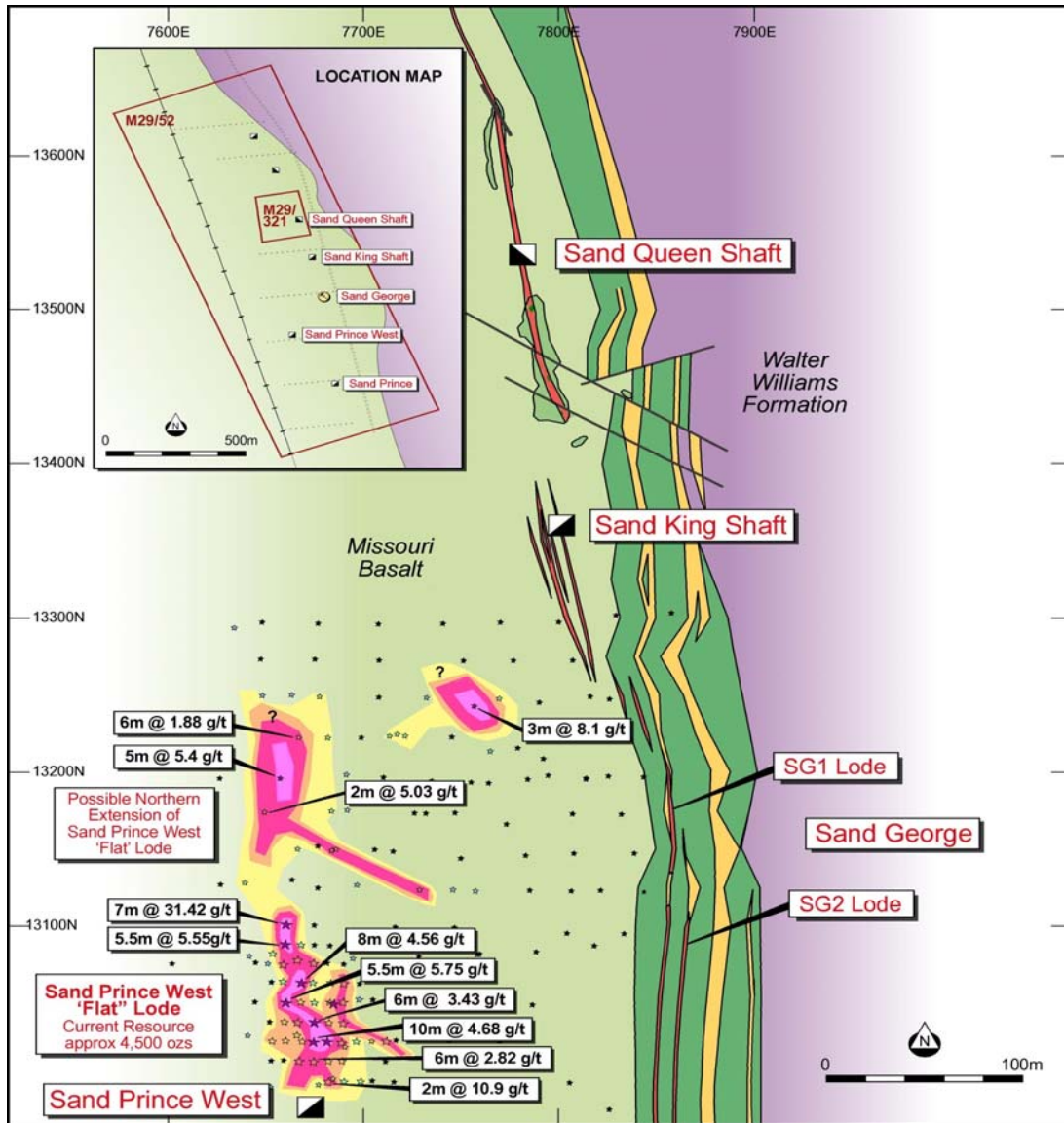


Figure 4. Comet Vale surface geology showing the projected surface position of the Sand Queen-Gladsome and Sand George lodes and the flat-lying Sand Prince West lode, including significant drill hole intersections.

Re-evaluation of this resource indicated its suitability for a small open pit mine, subject to further close-spaced in-fill drilling. A grade-control drilling program completed in February 2005 targeted a potential high-grade zone between 13000mN and 13100mN and from surface to a maximum vertical depth of 25 metres. Most of the 46 RC drill holes returned intersections with at least 1 g/t Au over 1 to 10.5 metres drilled thickness, with a best intersection of **7 metres at 31.42 g/t Au** (drill hole SPWGC048; Fig 4). The thicker and higher grade portion of this lode is open to the north and may link up with significant drilled intersections on lines 13175mN, 13200mN and 13225mN (Fig. 4,5).

Consultants Hellman & Schofield Pty Ltd were engaged to calculate a Mineral Resource for the Sand Prince

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West lode, which resulted in combined Mineral Resource of **34,600 tonnes** at **3.90 g/t Au** for **4,330 ounces** gold, at a 1 g/t Au cut-off grade (Table 2). At a cut-off grade of 2 g/t Au the reduction in total tonnes is offset by an increase in grade, with minimal affect on the total ounces of contained gold.

Table 2. Mineral Resource Estimate for the Sand Prince West lode

Cut-off grade	Category	Tonnes	Grade g/t Au	Ounces (contained gold)
1 g/t Au	Measured	25,615	3.46	2,849
	Indicated	8,987	5.14	1,485
	Total	34,602	3.90	4,334
2 g/t Au	Measured	20,771	3.89	2,598
	Indicated	8,557	5.31	1,460
	Total	29,328	4.31	4,058

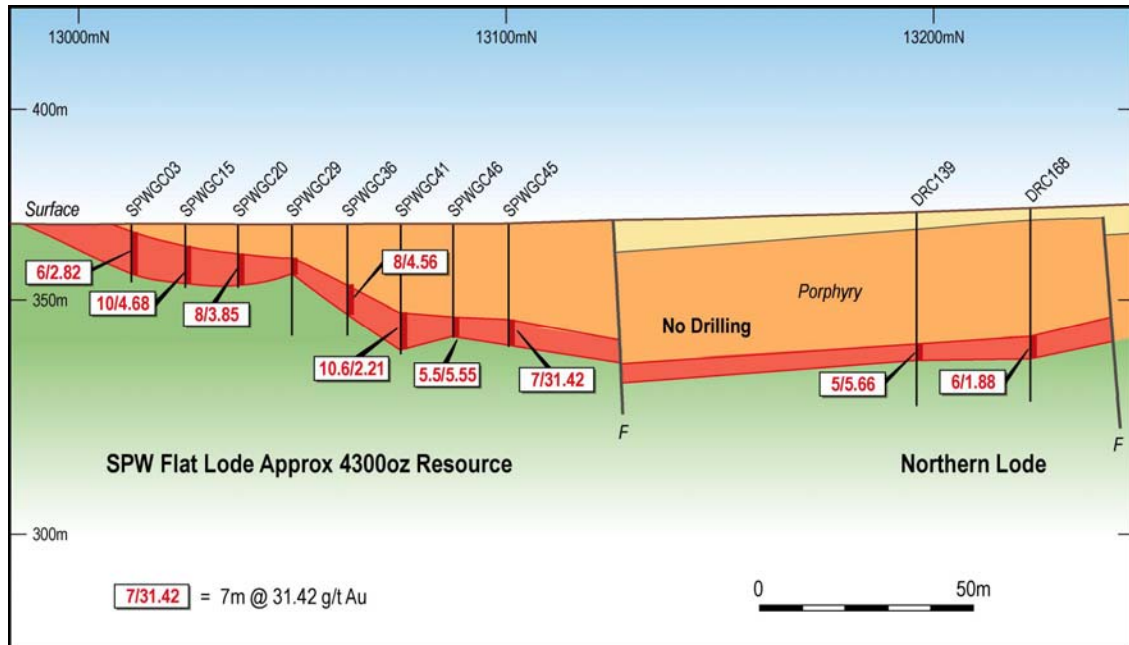


Figure 5. Long-section (looking west) showing an outline of the Sand Prince West lode.

Additional in-fill drilling scheduled to commence in August 2005 will test the northern continuation of the Sand Prince West lode to be followed by an assessment of the viability for a shallow open pit mine.

Regional Exploration

The Company commenced re-assessment of previous geological mapping and all previous RAB and RC drilling and soil and rock-chip geochemistry that had been acquired on tenements surrounding the Sand Queen-Sand George operation. The principal objective, initially, is to identify other deposits that may have open-pit potential, similar to Sand Prince West, and also including exploration for lateritic nickel in areas underlain by ultramafic rocks.

A re-assessment of previous drilling at the nearby Coonega prospect (M29/35) revealed a possible high-grade

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shoot under the old workings. Significant intersections in previous drilling at the historic Lady Mack and Lady Margaret mines (M29/197) and along the Lake View line of workings (M29/185, M29/198-200) have not been fully assessed for the potential for small open pit mines.

UTS Geophysics completed a detailed, low-level airborne geophysical survey (magnetics and radiometrics) over the Comet Vale Project in April 2005. A regional scale auger soil geochemical survey completed over the entire project area in June-July 2005 revealed several gold anomalies for closer-spaced follow-up sampling. Some of these anomalies coincide with prospective bedrock structures identified from the geophysical survey data.

Nickel – 100% (Heron right to earn 70% of M29/185, MLA29/186)

Although the Company's exploration activities have focussed on the high-grade lode gold deposits, the Comet Vale tenements are also prospective for lateritic nickel-cobalt and nickel-sulphide mineralisation. The underlying geology at Comet Vale includes 5 km of strike of the Walter Williams Formation ("WWF"), which is the stratigraphic unit that hosts the Goongarrie and Cawse nickel laterite deposits (Fig 6).

Limited exploration for nickel has been undertaken at Comet Vale. The few holes that have been drilled into the weathered profile above the Walter Williams Formation have confirmed the potential for a nickel laterite resource comparable in style and grade to Heron Resources' Goongarrie Hill (51Mt @ 0.67% Ni) and Goongarrie South (78Mt @ 0.78% Ni) prospects, both along strike to the south (Fig 6).

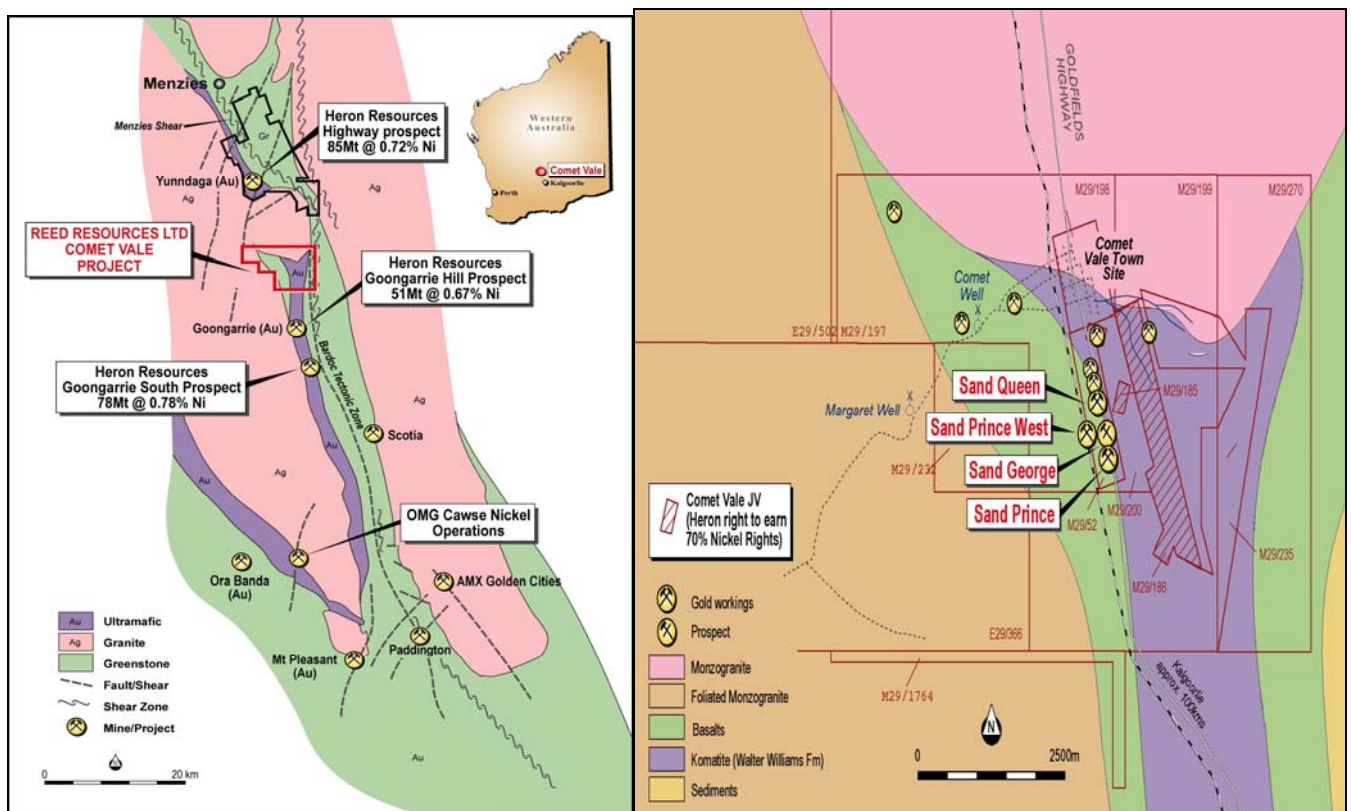


Figure 6 The Comet Vale Project is well-situated between Heron Resources' Goongarrie and Highway prospects (left), and is partly covered with a Joint Venture with Heron (right).

Historical drill intercepts include 35m @ 0.61% Ni from 4m, 20m @ 0.53% Ni from 5m, 8m @ 0.52% Ni from 20m and 5m @ 2.03% Ni from 14m, and rock chip samples returned 2.96% Ni and 2.11% Ni (Fig. 7). This sampling, spread out along the strike of the Walter Williams Formation, was assayed by single acid (perchloric) digest, which is not the preferred assaying technique for nickel laterite mineralization and the previous results may significantly understate the potential grade of this mineralisation.

In December 2003, Reed acquired from Placer Dome Asia Pacific a group of tenements covering the Walter Williams Formation. Reed also acquired a 30% participating interest in the Comet Vale Joint Venture with

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Golden State Resources NL. Golder State's interest was acquired by Heron Resources, which now has the right to earn 70% of the nickel rights on M29/185 and MLA29/186 by solely incurring expenditure totalling \$300,000 within three years from the grant of MLA29/186 and free carrying Reed for the next \$100,000 expenditure at which point Reed can maintain or dilute its interest.

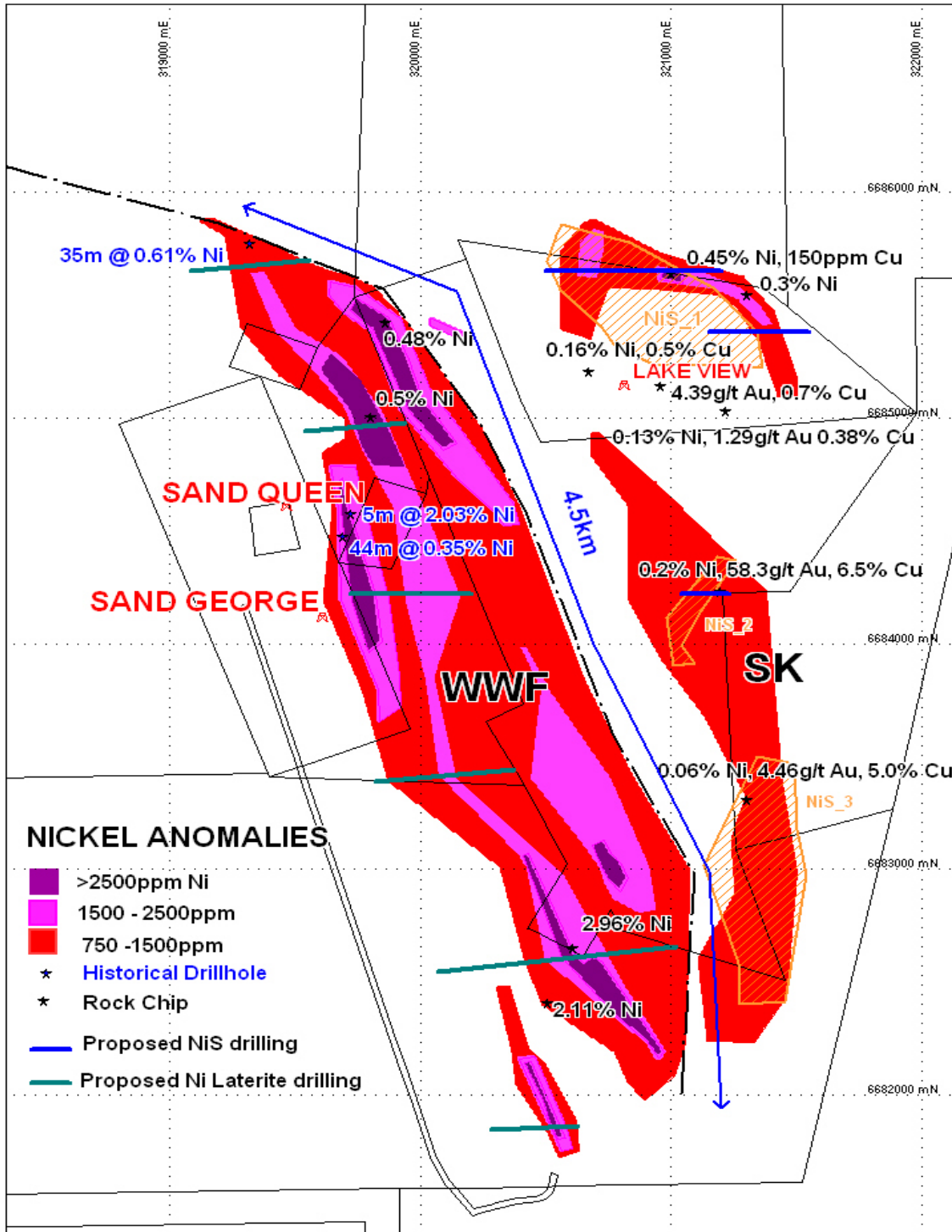


Figure 7 Nickel-in-soil geochemical results with major anomalies (>1500 ppm Ni) over the Walter Williams Formation and lines of drill holes planned to test the nickel laterite potential.

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MOUNT FINNERTY PROJECT

The Mount Finnerty project covers about 48 km of strike length of the Watt Hills Greenstone Belt (Figure 8) which the Company considers to be highly prospective for high-grade lode gold deposits; BIF-hosted iron ore deposits similar to the hematite-enriched iron ore deposits being mined at Koolyanobbing about 80 km to the west; and for nickel-sulphide mineralization and lateritic nickel-cobalt enrichments over weathered ultramafic rocks.

Iron Ore – 100% (Portman earning 80%)

On 18 February 2005 the Company entered into a Memorandum of Understanding with iron ore producer Portman Limited to enter into a Joint venture to explore and develop iron ore at the Mount Finnerty Project. A comprehensive Joint Venture agreement with Portman was executed in late July 2005. Portman have indicated that fieldwork will commence immediately and drilling is expected to commence in the December quarter.

The key terms of the Joint Venture are:

- Portman will be operator of the joint venture, and can earn 80% of the iron ore rights by solely incurring expenditure totalling \$300,000 within three years.
- Minimum expenditure of \$100,000 must be incurred by Portman on the Project Area within 12 months prior to withdrawal.
- If Portman withdraws from the Agreement prior to expending \$300,000 Portman will retain no interest in the Project (i.e. iron rights).
- Following notification from Portman of achieving minimum expenditure (\$300,000) Reed Resources (“RDR”) shall either:
 - Elect to contribute to its share of expenditure thereby maintaining its twenty percent (20%) participating interest in the Project or,
 - Elect to retain a ten percent (10%) participating interest and be free carried until completion of a feasibility study and a decision has been made in favour of project development and commencement of mining (Decision to Mine (“DTM”)).
- At the DTM, Reed shall elect to either contribute to Joint Venture Expenditure according to its equity, or convert all of its Participating Interest to a Production Royalty.

It is the Board's view that a joint venture with such a successful and progressive company as Portman, particularly with its nearby Koolyanobbing operation and its experience in the mining and haulage of iron ore, would underwrite the potential for the mining and development of the iron ore bodies on the Reed tenement holdings.

Exploration

Geological mapping and surface sampling by Reed of banded iron formations (BIF) south of Mt.Finnerty identified two zones of iron-enriched BIF approximately 10 km apart (Figure 8).

The northern area, immediately to the south of Mt Finnerty, was sampled over a strike length of at least 4 km, with assays of 58.5 to 65 % Fe in surface rock chip samples. The surface sampling also indicates that the iron-enriched BIF between Mt Finnerty and the railway, where sampled, has low levels of aluminium, silicon and manganese and very low phosphorous levels (most samples less than 0.08 % P) (Table 3).

Additional surface sampling of iron-enriched BIF by Portman has confirmed the high iron grades over the 4km of strike previously sampled by Reed in the northern area. Portman's sampling assayed 53 % to 63 % Fe and 0.014 to 0.116 % P, with most samples containing more than 59 % Fe and less than 0.08 % P.

Reed Resources Ltd Directors' Report

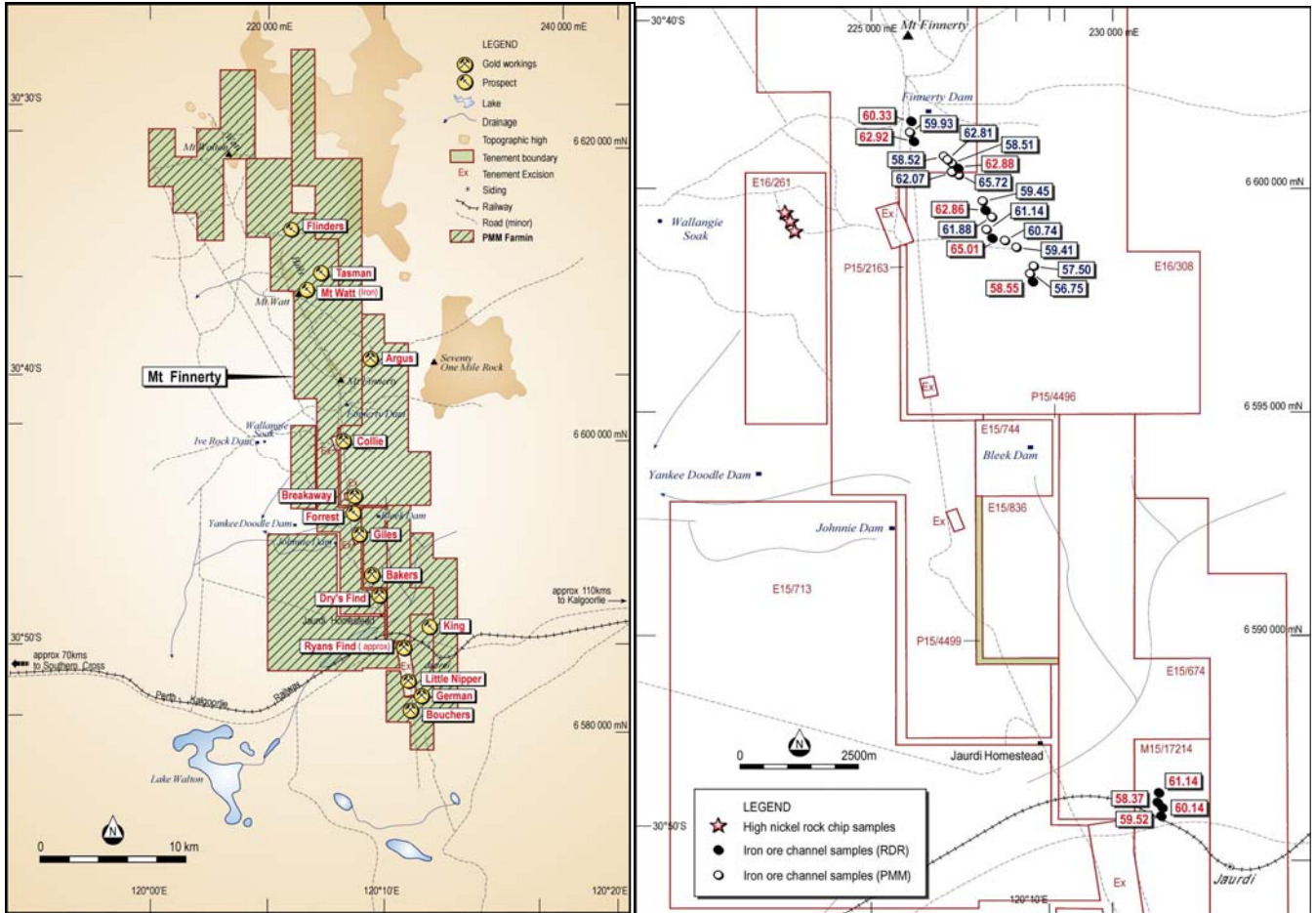


Figure 8. Mt Finnerty project tenement location (left) and sample locations (right).

Table 3. Iron and phosphorous analytical results of surface sampling of iron-enriched BIF south of Mt Finnerty by Portman (grid coordinates GDA94)

Sample ID	Easting	Northing	Fe %	P %	Lithology
A43824	225641	6601443	52.97	0.019	Laterite
A43825	225688	6601001	59.93	0.109	Laterite
A43826	226417	6600653	58.52	0.116	Laterite
A43827	226468	6600604	62.81	0.032	MGH-well bedded
A43828	226538	6600530	58.51	0.029	Canga
A43829	226538	6600530	62.07	0.053	MGH-well bedded
A43830	226619	6600364	65.73	0.056	MGH-well bedded
A43831	227201	6599455	59.45	0.052	GO-poorly bedded
A43832	228190	6597855	56.75	0.019	MGH-well bedded, shaly
A43833	228097	6597982	57.50	0.014	MGH-well bedded
A43834	227735	6598462	59.41	0.062	MGH-weakly bedded
A43835	227484	6598640	60.74	0.035	MGH-well bedded
A43836	227339	6598828	61.14	0.043	MGH-well bedded
A43837	227354	6599196	61.88	0.049	Canga

MGH – Hematite-Goethite
GO - Goethite

Reed Resources Ltd

Directors' Report

Nickel – 100%

Exploration at Mt Finnerty has focused on the nickel sulphide potential of the western ultramafic sequence. This has included a regional soil geochemical survey over the western part of the project, where the tenements are underlain by the ultramafic sequence. A total of 1500 soil samples were collected at 50m intervals along lines 400m apart over approximately 30 km of strike length of the Watt Hills greenstone belt. The Company also commissioned Fugro Ground Geophysics to conduct a moving loop TEM survey with lines at 200 m spacing in selected areas of the basal sections of the ultramafic sequence. This survey commenced at the beginning of July and will be used to further define targets for follow-up RAB drilling to bedrock, which is scheduled to commence in late August.

BARRAMBIE PROJECT

Titanium – 100%

Since its discovery in the late 1960's, evaluation of the Barrambie Fe-Ti-V resource has focussed on the production of feedstock for a smelting operation producing Vanadium Slag, Titanium Slag and Pig Iron. In 2004 Reed conducted extensive metallurgical test work on one tonne of drill core from the ilmenite-rich Eastern Band, producing an ilmenite feedstock after acid leach containing 45-55 % TiO_2 and 40-50 % Fe_2O_3 . Financial modelling of a stand-alone bulk ilmenite operation did not meet alliance partner Consolidated Minerals Limited's (CSM) investment criteria and CSM elected not to form a joint venture with Reed.

Vanadium – 100%

During the year the vanadium price rose from US\$5.70/lb to US\$19/lb (Figure 9) and accordingly the Company sought to commence a Pre-feasibility Study ("PFS") for the development of a treatment plant to produce Vanadium Pentoxide (V_2O_5) from its Barrambie Deposit. Previous test work in the 1970's conducted by the Colorado School of Mines Research Institute and Hazen Research of the US recovered in excess of 80% of vanadium from roasting a gravity concentrate with either sodium chloride (sea salt) or sodium carbonate.

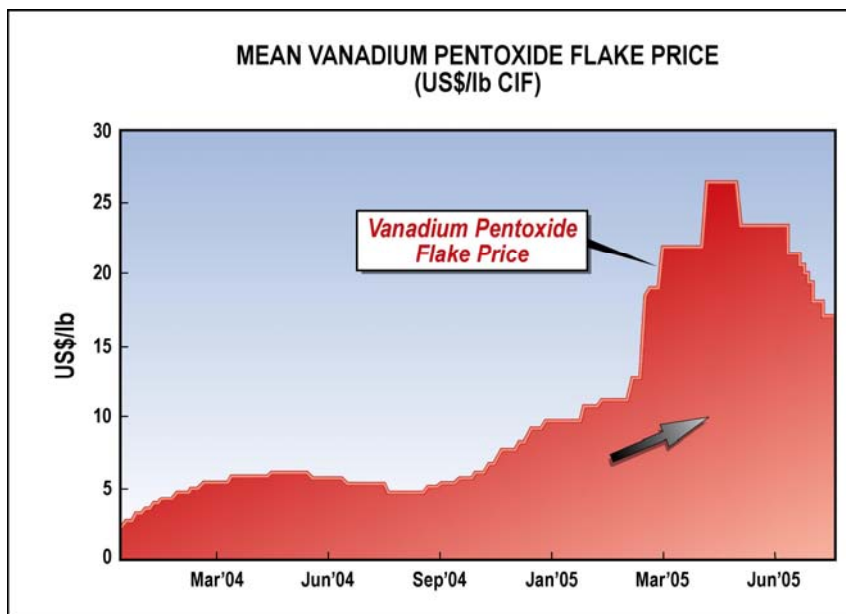


Figure 9. Graph of V_2O_5 Price Jan 04 – Jul 05 (Source: Ryans Notes).

Reed Resources Ltd

Directors' Report

Metallurgical Testwork

Mineral Engineering Technical Services Pty Ltd (METS) are currently supervising test work to confirm the recovery of vanadium pentoxide from conventional salt roast-leaching of a combined gravity/magnetic concentrate.

Initial testwork focused on the production of a gravity concentrate as previous testwork by Carpco in the US indicated that excellent results could be obtained by combined gravity and Wet High Intensity Magnetic Separation (WHIMS) of the Barrambie ore with 73% V recovery into a concentrate grading 1.11% V_2O_5 from a head grade of 0.52% V_2O_5 . The introduction of the WHIMS into the beneficiation flowsheet maximises the contained vanadium and minimises impurities in concentrate, which is the critical path for project development.

Mineral Resource Estimates

Previous Mineral Resource estimates have focussed on a 2 km section of the Barrambie deposit referred to as the Bay-Cove area and the area between Cove and the southern tenement boundary (Figure 10). Here the Ti-V mineralisation is divided into a massive **Eastern Band** and a **Central (Main) Band** consisting of several narrow bands and lenses, and disseminated mineralisation.

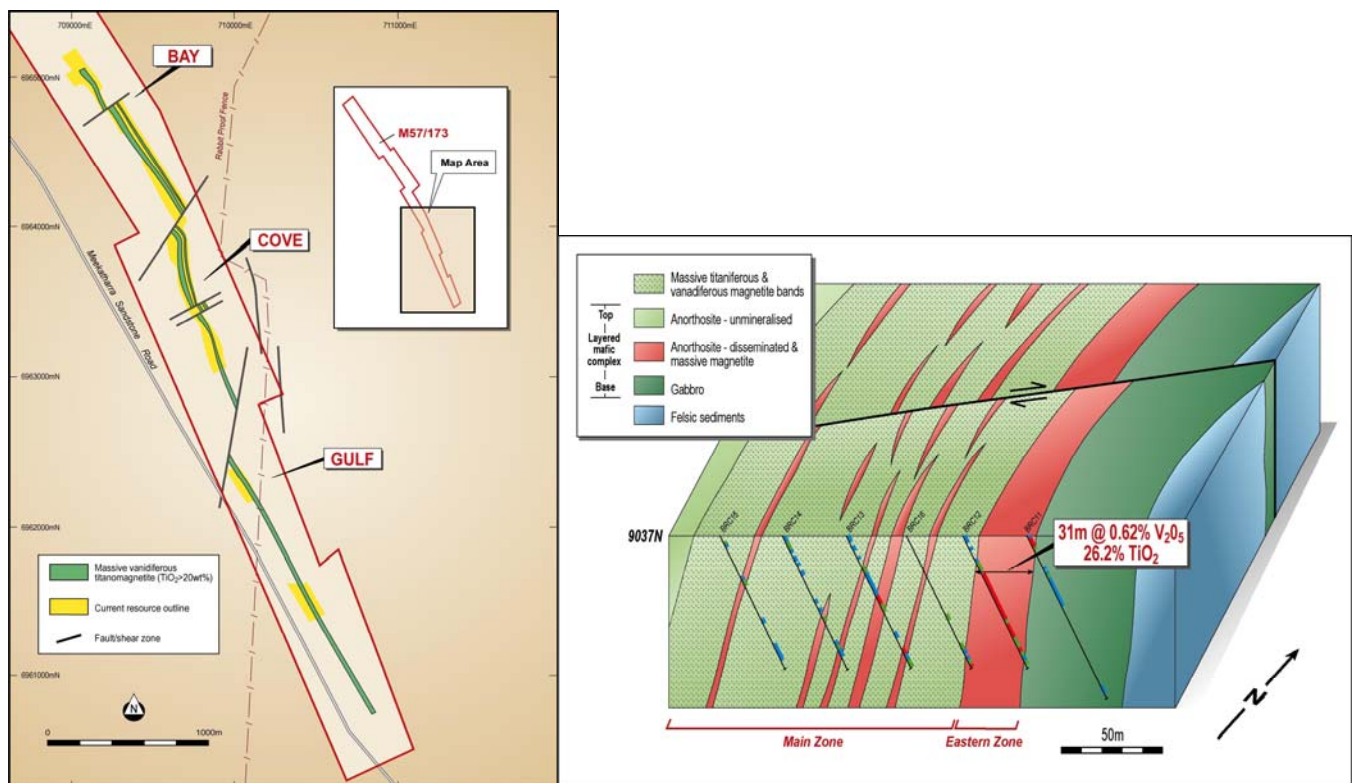


Figure 10. Barrambie tenement location (left) and geological block model (right).

As part of the PFS, consultants Ravensgate were engaged to calculate a Mineral Resource (compliant with JORC 2004), which resulted in a combined Resource of 48 Mt at 0.496% V_2O_5 and 12.4% TiO_2 (Table 4) to a depth of approximately 80 metres below surface. This depth is considered to be a nominal limit for “low-cost” open pit mining.

The resource has been estimated over a strike length of 4.4 km between 7740N and 12110N (local grid). This is equivalent to about 40% of the expected total strike length of 11 km of vanadiferous-titaniferous magnetite mineralisation within Mining Lease M57/173. Most of the resource is over a 2.4 km strike length within the Bay-

Reed Resources Ltd
Directors' Report

Cove area between 9700mN and 12110mN (local grid). Drill holes in the southern 2 km of strike length, referred to as the Gulf area, are not sufficiently close-spaced for most of this area to be included in the resource estimate (Figure 10).

Table 4. Mineral Resource Estimate for the Eastern Band,
Barrambie V-Ti deposit
at a lower cut-off grade of 0.30% V₂O₅

Category	Tonnes	Grade
Indicated	22,000,000	0.48 % V ₂ O ₅ , 10.6 % TiO ₂
Inferred	26,000,000	0.51 % V ₂ O ₅ , 14.0 % TiO ₂
TOTAL	48,000,000	0.496 % V ₂ O ₅ , 12.4 % TiO ₂

Regional Exploration

A low-level, high-intensity airborne geophysical survey was flown over the Mining Lease during the quarter. The survey has confirmed the continuity of the vanadiferous-titaniferous magnetite mineralisation over the full 11km of strike within the tenement, as interpreted from surface mapping.

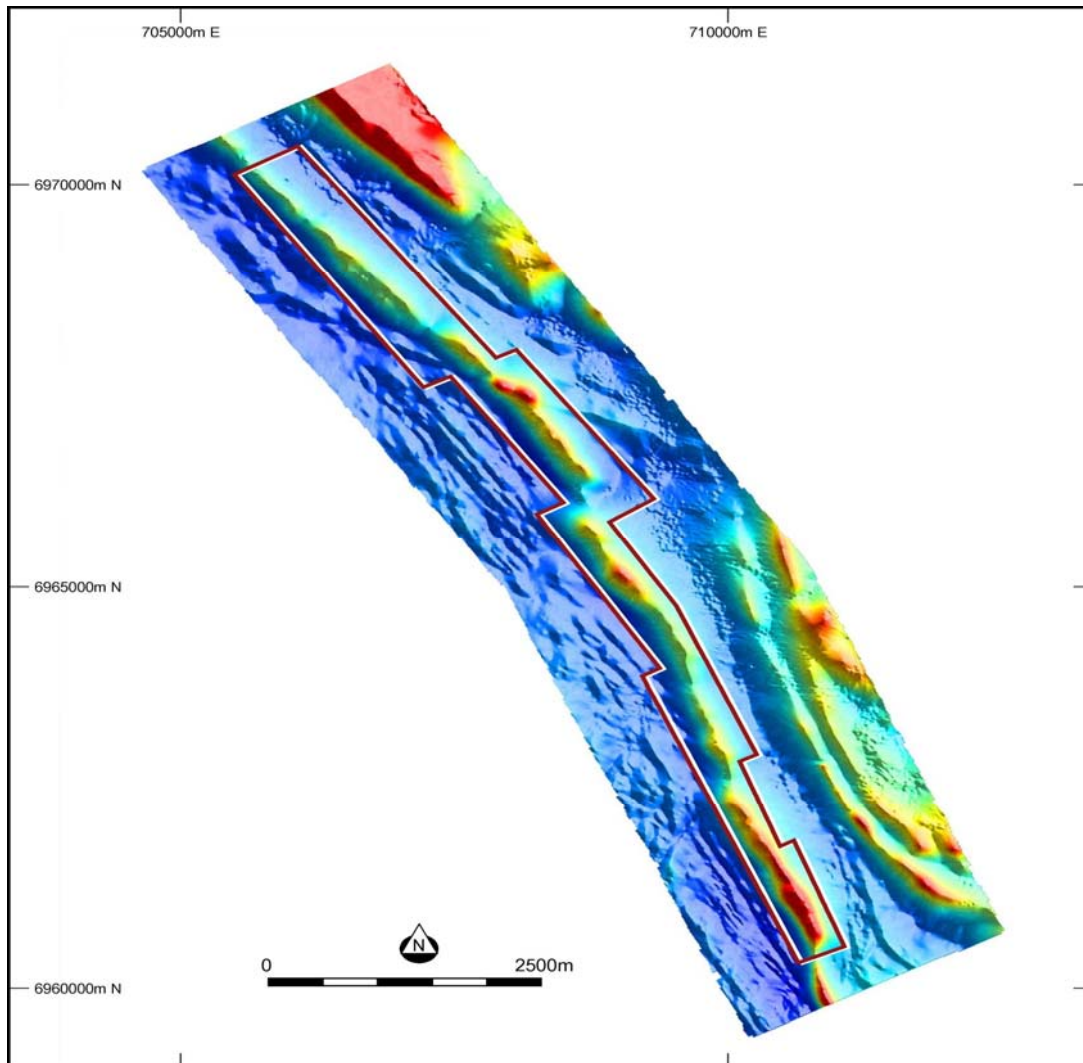


Figure 11. Processed image of Total Magnetic Intensity showing continuity of magnetite Band within M57/173.

Reed Resources Ltd

Directors' Report

Significant changes in the state of affairs

The following significant changes in the state of affairs of the consolidated entity occurred during the current financial year:

- (i) On 6 March 2005, it issued eight million (8,000,000) ordinary fully paid shares at 26 cents each pursuant to a placement to sophisticated and professional investors for the purpose of raising working capital.

Matters subsequent to the end of the financial year

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Future Developments

Disclosure of information regarding the likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

Environmental Issues

The Company is aware of its environmental obligations with regards to its exploration and development activities and ensures that it complies with all regulations when carrying out such work.

Information on directors

Director	Experience	Special responsibilities	Ordinary shares	Options held
David John Reed <i>OAM FCPA</i>	Mr David Reed, age 59, is a Fellow Member of CPA Australia, and graduated in accountancy in 1965. He has 40 years experience in stockbroking including 22 years based in Kalgoorlie. In 1985 became chairman of stock-broking firm Eyres Reed Ltd in Perth until its sale to CIBC World Markets in 1997. He has extensive public company experience having sat as chairman of several listed exploration companies. Mr Reed has not held any directorship in other listed companies in the 3 years immediately before the end of the financial year. He has a long history in the gold mining industry, including Chairman of Fund Raising for the Australian Prospectors and Miners Hall of Fame. A Founder and Chairman of the Diggers and Dealers Forum in Kalgoorlie, and a past Secretary of the Amalgamated Prospectors and leaseholders Association. He was appointed a director and executive chairman of Reed Resources Ltd on 20 December 2001.	Chairman	18,604,115	-

Reed Resources Ltd

Directors' Report

<p>Christopher John Reed <i>B Comm</i> <i>GradCertMinEcon,</i> <i>MAusIMM ASA</i></p>	<p>Mr Chris Reed, age 32, graduated as a Bachelor of Commerce from the University of Notre Dame, he holds a Graduate Certificate in Mineral Economics from the WA School of Mines, is Member of the Australian Institute of Mining and Metallurgy and Associate Member of CPA Australia. He has fourteen years experience in the mineral exploration and mining industry. He was appointed a director of Reed Resources Ltd on 20 December 2001.</p>	<p>Director Secretary</p>	<p>2,180,000</p>	<p>2,000,000</p>
<p>Peter Lionel Fleury Collins <i>BSc(Hons), PhD,</i> <i>MAIG</i></p>	<p>Dr Peter Collins, age 56, graduated as a Bachelor of Science with honours from the University of Tasmania, where he also gained his Doctor of Philosophy. He has 25 years experience as a geologist in Tasmania and Western Australia. He has been an economic geologist and tin-tungsten commodity specialist with the Tasmanian Geological Survey. He has lectured in geology at Curtin University of Technology since 1987 and has been widely active in the investigation of mineral deposits in WA. Dr Collins was responsible for the planning and management of the exploration programme that discovered the Sand George deposit at Comet Vale. He was appointed a director of Reed Resources Ltd on 20 December 2001 .</p>	<p>Director</p>	<p>285,705</p>	<p>500,000</p>
<p>Ian Courtney Junk <i>BEng(Hons)</i> <i>MAusIMM</i></p>	<p>Mr Ian Junk, age 37, graduated as a Bachelor of Engineering with honours from the WA School of Mines and holds a First Class Mine Managers Certificate. Ian is a highly respected mining engineer with considerable experience in narrow vein underground mining and project development. Ian and his brother Leigh were chosen as national finalists in the 2003 Ernst & Young - Young Entrepreneur of the Year for their successful implementation of innovative mining methods at the Miitel nickel mine. Ian is a member of the Australian Institute of Mining and Metallurgy. He was appointed a director of Reed Resources Ltd on 1 December 2003 .</p>	<p>Director</p>	<p>250,000</p>	<p>500,000</p>

Reed Resources Ltd

Directors' Report

Meetings of Directors

The number of meetings of the consolidated entity's board of directors held during the financial year ended 30 June 2005 total nine. The number of meeting attended by each director and their eligibility to attend were:

	Number eligible to attend	Number attended
D J Reed	9	9
C J Reed	9	9
P L F Collins	9	9
I C Junk	9	9

Remuneration Report

The Company's policy is to remunerate fairly and in line with companies of similar size, operations and in the same industry. Individual remuneration decisions are made by the board of directors taking into account the following factors:

- The responsibility of the role;
- Experience of the employee;
- Past performance and future expectations;
- Industry trends and conditions.

In order to retain and attract executives of sufficient calibre to facilitate the efficient and effective management of the company's operations, the board of directors seeks the advice of external advisers in connection with the structure of remuneration packages. None of the Company's remuneration packages are linked directly to the Company's profitability or other measure of performance.

The Executive Officers of the Company are employed under Service Agreements which have been in existence since April 2002. The Service Agreements are all identical in their contents and only differ in remuneration levels. The service contracts have a duration of three years and renew automatically unless terminated by either the Company by giving twelve months notice to the individual; or by the individual by giving six months notice to the Company. The level of remuneration is not dependent on the satisfaction of any performance condition.

Non-executive Directors are remunerated by fees determined by the Board within the aggregate Directors' fee pool limit of \$100,000 approved by shareholders in April 2002. The pool limit is not at present fully utilised. In setting the fees, account is taken of the responsibilities inherent in the stewardship of the Company and the demands made of Directors in the discharge of their responsibilities.

Remuneration packages contain the following key elements:

- a) Primary benefits – salary / fees and non-monetary benefits including the provision a motor vehicle;
- b) Post employment benefits – prescribed retirement benefit; and
- c) Equity – share options granted under the executive share option plan as disclosed in note 5 to the financial statements.

Reed Resources Ltd

Directors' Report

Directors and executive details

The directors of Reed Resources Ltd during the year were:

D J Reed	Executive Chairman
C J Reed	Executive Director and Company Secretary
P L F Collins	Non-Executive Director
I C Junk	Non-Executive Director

The following table discloses the remuneration of the directors and executives of the company:

2005	Primary			Post Employment			Equity		Other Benefits	Total
	Salary & Fees	Performance Based Payment	Non Monetary	Superannuation	Pre-scribed Benefits	Other Retirement Benefits	Options (i)	% of Remuneration		
	\$	\$	\$	\$	\$	\$	\$	\$		\$
Directors										
David Reed	104,000	-	-	9,360	-	-	-	-	-	113,360
Chris Reed	124,807	-	9,778	15,196	-	-	72,587	32.65	-	222,368
Peter Collins	37,254	-	-	2,700	-	-	36,294	47.60	-	76,248
Ian Junk	30,000	-	-	2,700	-	-	36,294	52.61	-	68,994
Executives										
David Potter	78,750	-	-	7,087	-	-	18,147	17.46	-	103,984
Total	374,811	-	9,778	37,043	-	-	163,322		-	584,954

(i) There were no options exercised or lapsed during the year.

Value of Options issued to Directors and Executives

The following table discloses the value of options granted, exercised or lapsed during the year:

Director or Executive	Options granted	Options Exercised ⁽¹⁾	Options lapsed ⁽¹⁾	Total value of options ⁽²⁾	Value of options ⁽³⁾	Percentage of total
	Value at grant date	Value at exercise date	Value at time of lapse	granted, exercised and lapsed	included in remuneration for the year	remuneration for the year that consists of options %
	\$	\$	\$	\$	\$	%
Chris Reed	72,587	-	-	72,587	72,587	32.65
Peter Collins	36,294	-	-	36,294	36,294	47.60
Ian Junk	36,294	-	-	36,294	36,294	52.61
David Potter	18,147	-	-	18,147	18,147	17.46

Value of options – basis of calculation

- (1) No options were exercised, or lapsed, during the year.
- (2) The total value of options granted, exercised and lapsed is calculated based on the following:
 - fair value of the option at grant date multiplied by the number of options granted during the year, plus
 - fair value of the option at the time it is exercised multiplied by the number of options exercised during the year

Reed Resources Ltd

Directors' Report

- fair value of the option at the time of lapse multiplied by the number of options lapsed during the year.
- (3) The total value of options included in remuneration for the year is calculated in accordance with Accounting Standard AASB 1046 “Director and Executive Disclosures by Disclosing Entities”, as amended by Accounting Standard AASB 1046 A. This requires the following:
- the value of the options is determined at grant date, and are included in remuneration on a proportionate basis from grant date to vesting date. Where the options immediately vest the full value of the option is recognised in remuneration in the current year.
 - all options vest at the date of issue. In accordance with Accounting Standards AASB 1046 and 1046A, the total fair value of the options at grant date is included in remuneration for the financial year.

Share Options granted to directors and executives

In accordance with the provisions of the Employee Share Option Plan, executives and employees are entitled to subscribe for ordinary shares on the terms agreed to by the Shareholders at a meeting held on 16 June 2004 in respect of the 2008 options. At the date of this report directors and executives are entitled to purchase an aggregate of 3,650,000 ordinary shares of Reed Resources Ltd according to the following terms:

Directors and Executives	Number of Executive Options Held	Issuing Entity	Exercise Price	Expiry Date	Number of ordinary shares under option
Chris Reed Executive Director	1,000,000	Reed Resources Ltd	\$0.35	31.12.2008	1,000,000
	1,000,000	Reed Resources Ltd	\$0.50	1.07.2010	1,000,000
	<u>2,000,000</u>				<u>2,000,000</u>
Peter Collins Non-Executive Director	500,000	Reed Resources Ltd	\$0.35	31.12.2008	500,000
	<u>500,000</u>				<u>500,000</u>
Ian Junk Non-Executive Director	500,000	Reed Resources Ltd	\$0.35	31.12.2008	500,000
	<u>500,000</u>				<u>500,000</u>
David Potter Manager Geology	250,000	Reed Resources Ltd	\$0.35	31.12.2008	250,000
	<u>250,000</u>				<u>250,000</u>

Reed Resources Ltd

Directors' Report

The following options were granted as remuneration to directors or executives during the year:

	Bal @ 1/7/04	Granted as remuneration	Exercised	Other change	Bal @ 30/6/05	Bal vested @ 30/6/05 No.	Vested but not exercise- able	Vested and exercisable	Options vested during year
	No.	No.	No.	No.	No.		No.	No.	No.
Specified Directors									
CJ Reed	-	1,000,000	-	-	1,000,000	1,000,000	1,000,000	-	1,000,000
PLF Collins	-	500,000	-	-	500,000	500,000	500,000	-	500,000
IC Junk	-	500,000	-	-	500,000	500,000	500,000	-	500,000
Specified Executives	-	-	-	-	-	-	-	-	-
DS Potter	-	250,000	-	-	250,000	250,000	250,000	-	250,000
Total	-	2,250,000	-	-	2,250,000	2,250,000	2,250,000	-	2,250,000

Each executive share option converts into 1 ordinary share of Reed Resources Ltd on exercise. No amounts are paid or payable by the recipient on receipt of the option.

During the financial year, no executive share options were exercised by specified directors and executives.

Details of unissued shares or interests under options at the date of this report are:

# of shares under option	Class of shares	Exercise price of option	Expiry date of options
2,250,000	Ordinary	\$0.35	31.12.2008
1,000,000	Ordinary	\$0.50	01.07.2010

Further details of the options granted during the year are contained in note 4 and 5 to the financial statements.

Reed Resources Ltd

Directors' Report

Company Performance

1. Earnings:

The Company has recorded the following earnings over the last five years:

	2005	2004	2003	2002	2001
Revenues	105,441	53,088	213,796	919	-
EBITDA *	105,441	53,088	213,796	919	-
NLBT *	973,158	766,984	557,102	240,560	-
NLAT *	973,158	766,984	557,102	240,560	-
Dividends	-	-	-	-	-
W. Av. No Shares on issue	64,564,384	52,214,110	48,113,014	3,377,946	-
EPS *	(1.5)	(1.5)	(1.2)	(7.1)	-

Definitions: EBITDA = Earnings Before Interest, Tax, Depreciation and Amortisation
NPLT = Net Loss Before Tax
NPLT = Net Loss After Tax
EPS = Earnings per share (calculated based on the weighted average number of shares on issue)

The Company has continued to explore and develop its three principal projects, as such it has not generated any earnings to date. Earnings from the Comet Vale project are scheduled to begin in the December quarter 2005.

2. Shareholder wealth:

The Company's share price decreased from 24 cents on 30 June 2004 to 22 cents on 30 June 2005. The closing share price has ranged from a low of 19 cents on 1 June 2005 to a high of 32.5 cents recorded on 9 March 2005. The number of shares on issue has increased during the year from 62,000,000 to 70,000,000 resulting in an increase in the market capitalisation of the Company from \$14.88 million to \$15.40 million over the year.

No dividends were paid or proposed to be paid or were declared during the year.

The Board believes the Company's strategy of establishing itself as an independent producer of gold is the platform on which future appreciation in the Company's share price will be possible.

Auditors' Independence Declaration

The auditors' independence declaration is included on page 27.

Indemnification of officers and auditors

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary and all executive officers of the company and of any related body corporate against a liability incurred as a director, secretary or executive officer to the extent permitted by Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

Reed Resources Ltd

Directors' Report

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. The Company was not a party to any such proceedings during the year.

Dividends

In respect of the financial year ended 30 June 2005, the company has not paid an interim dividend and no final dividend is recommended. In respect of the financial year ended 2004, the company did not pay an interim dividend and no final dividend was recommended.

Non-audit services

The board of directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the board of directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

The following fees for non-audit services were paid to the external auditors during the year ended 30 June 2005:

A-IFRS scoping study	\$4,400
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This report is made in accordance with a resolution of the directors, pursuant to s 298(2) of the Corporations Act 2001.



Director
Perth, 27 September 2005

Reed Resources Ltd
Auditors' Independence Declaration

Deloitte

Deloitte Touche Tohmatsu
A.C.N. 74 490 121 060

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Board of Directors
Reed Resources Limited
97 Outram Street
West Perth WA 6000

27 September 2005

Dear Board Members

Reed Resources Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Reed Resources Limited.

As lead audit partner for the audit of the consolidated financial statements of Reed Resources Limited for the financial year ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



LEANNE KARAMFILES
Partner
Chartered Accountants

Member of
Deloitte Touche Tohmatsu

The liability of Deloitte Touche Tohmatsu, is limited by, and to the extent of, the Accountants' Scheme under the Professional Standards Act 1994 (NSW).

Reed Resources Ltd
Independent Audit Report

Deloitte

Deloitte Touche Tohmatsu
A.C.N. 74 490 121 060

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Independent audit report to the members of Reed Resources Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Reed Resources Limited (the company) and the consolidated entity, for the financial year ended 30 June 2005 as set out on pages 30 to 58. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the Corporations Act 2001 and Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

The audit opinion expressed in this report has been formed on the above basis.

Reed Resources Ltd
Independent Audit Report

Deloitte.

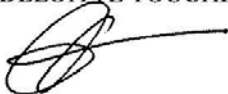
Page 2

Audit Opinion

In our opinion, the financial report of Reed Resources Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



LEANNE KARAMFILES
Partner
Chartered Accountants
Perth, 27 September 2005

Reed Resources Ltd
Directors' Declaration

The directors declare that:

- a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company and the consolidated entity; and
- c) the directors' have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



C J Reed
Director
Perth
27 September 2005

Reed Resources Ltd

**Statement of Financial Performance
for the financial year ended 30 June 2005**

	Note	Consolidated		Company	
		2005 \$	2004 \$	2005 \$	2004 \$
Other revenue from ordinary activities		105,441	53,088	105,441	53,088
Direct exploration expenses not capitalised		(4,279)	(2,639)	(4,279)	(2,639)
Employee benefit expenses		(445,163)	(271,582)	(445,163)	(271,582)
Legal and professional expenses		(58,290)	(67,388)	(58,290)	(67,388)
Occupancy costs		(73,927)	(23,190)	(73,927)	(23,190)
Communications and advertising		(53,068)	(49,523)	(53,068)	(49,523)
Office equipment hire and office supplies		(64,139)	(69,920)	(64,139)	(69,920)
Travel expenses		(26,576)	(26,872)	(26,576)	(26,872)
Depreciation & amortisation expenses		(53,500)	(52,129)	(53,500)	(52,129)
Borrowing costs		(5,116)	(2,283)	(5,116)	(2,283)
Accounting and professional services		(120,946)	(96,095)	(120,946)	(96,095)
Consulting & service fees		(48,490)	(57,273)	(48,490)	(57,273)
Insurance expenditure		(46,047)	(24,644)	(46,047)	(24,644)
Other expenses from ordinary activities		(79,058)	(76,534)	(60,903)	(64,658)
<i>Loss from ordinary activities before income tax expense</i>	2	(973,158)	(766,984)	(955,003)	(755,108)
Income tax expense relating to ordinary activities	3	-	-	-	-
<i>Loss from ordinary activities after related income tax expense</i>		(973,158)	(766,984)	(955,003)	(755,108)
<i>Total changes in equity other than those resulting from transactions with owners as owners</i>		(973,158)	(766,984)	(955,003)	(755,108)
Earnings per share:					
Basic (cents per share)	16	(1.5)	(1.5)	-	-
Diluted (cents per share)	16	(1.5)	(1.5)	-	-

Reed Resources Ltd
Statement of Financial Position
as at 30 June 2005

	<u>Note</u>	<u>Consolidated</u>		<u>Company</u>	
		<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
		<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<i>Current assets</i>					
Cash assets		2,353,606	2,003,686	2,353,606	2,003,686
Receivables	7	39,331	77,833	479,946	341,200
<i>Total current assets</i>		2,392,937	2,081,519	2,833,552	2,344,886
<i>Non-current assets</i>					
Other financial assets	8	-	-	625,317	625,317
Property, plant and equipment	9	332,826	301,778	332,826	301,778
Exploration and development expenditure	10	8,813,990	8,070,950	7,781,668	7,197,489
<i>Total non-current assets</i>		9,146,816	8,372,728	8,739,811	8,124,584
<i>Total assets</i>		11,539,753	10,454,247	11,573,363	10,469,470
<i>Current liabilities</i>					
Payables	11	96,377	-	99,957	3,348
Interest-bearing liabilities	12	-	13,713	-	13,713
<i>Total current liabilities</i>		96,377	13,713	99,957	17,061
<i>Total liabilities</i>		96,377	13,713	99,957	17,061
<i>Net assets</i>		11,443,376	10,440,534	11,473,406	10,452,409
<i>Equity</i>					
Contributed equity	14	13,981,179	12,005,179	13,981,179	12,005,179
Accumulated losses	15	(2,537,803)	(1,564,645)	(2,507,773)	(1,552,770)
<i>Total equity</i>		11,443,376	10,440,534	11,473,406	10,452,409

Notes to the financial statements are included on pages 34 to 58

Reed Resources Ltd
Statement of Cash Flows
for the financial year ended 30 June 2005

	Note	Consolidated		Company	
		2005 \$	2004 \$	2005 \$	2004 \$
<i>Cash flows from operating activities</i>					
Payments to suppliers and employees		(884,217)	(782,735)	(866,062)	(770,725)
Interest received		99,730	47,475	99,730	47,475
Interest and other costs of finance paid		(1,292)	(1,905)	(1,292)	(1,905)
Net cash used in operating activities	22	(785,779)	(737,165)	(767,624)	(725,155)
<i>Cash flows from investing activities</i>					
Payments for capitalised mining expenditure		(743,040)	(1,534,735)	(584,323)	(1,534,735)
Proceeds from repayment of related party receivables		-	-	-	97,670
Amounts advanced to related parties		-	-	(176,872)	(109,680)
Proceeds from sale of plant and equipment		1,000	-	1,000	-
Payment for property, plant and equipment		(84,548)	(29,066)	(84,548)	(29,066)
Payments for investments (mining tenements)		-	(33,417)	-	(33,417)
Net cash used in investing activities		(826,588)	(1,597,218)	(844,743)	(1,609,228)
<i>Cash flows from financing activities</i>					
Proceeds from issues of equity securities		2,080,000	3,062,500	2,080,000	3,062,500
Payment for share issue costs		(104,000)	-	(104,000)	-
Repayment of borrowings		(13,713)	(19,402)	(13,713)	(19,402)
Net cash provided by financing activities		1,962,287	3,043,098	1,962,287	3,043,098
<i>Net increase in cash held</i>		349,920	708,715	349,920	708,715
<i>Cash at the beginning of the financial year</i>		2,003,686	1,294,971	2,003,686	1,294,971
<i>Cash at the end of the financial year</i>	22	2,353,606	2,003,686	2,353,606	2,003,686

Notes to the financial statements are included on pages 34 to 58

Reed Resources Ltd
Notes to the financial statements
for the financial year ended 30 June 2005

Note	Contents	Note	Contents
1	Summary of accounting policies	14	Contributed equity
2	Loss from ordinary activities	15	Accumulated losses
3	Income tax	16	Earnings per share
4	Directors' and executives' remuneration	17	Commitments for expenditure
5	Employee share option plan	18	Controlled entities
6	Remuneration of auditors	19	Segment information
7	Current receivables	20	Related party and specified executive disclosures (disclosing entities)
8	Other non-current financial assets	21	Subsequent events
9	Property, plant and equipment	22	Notes to the Statement of cash flows
10	Non-current assets	23	Financial instruments
11	Current payables	24	Impact of adoption of Australian equivalents to International Financial Reporting Standards
12	Current interest-bearing liabilities	25	Additional company information
13	Employee benefits		

Reed Resources Ltd
Notes to the financial statements
for the financial year ended 30 June 2005

1. Summary of accounting policies

Financial reporting framework

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Urgent Issues Group Consensus Views, and complies with other requirements of the law.

The financial report has been prepared on the basis of historical cost and except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Significant accounting policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) *Accounts payable*

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

(b) *Acquisition of assets*

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

(c) *Capital gains tax*

No provision has been made for capital gains tax which may arise in the event of sale of re-valued assets as no decision has been made to sell any of these assets.

(d) *Capitalisation of borrowing costs*

Borrowing costs directly attributable to buildings under construction and land held for resale are capitalised as part of the cost of those assets.

Reed Resources Ltd
Notes to the financial statements
for the financial year ended 30 June 2005

1. Summary of accounting policies (cont'd)

(e) Depreciation

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land and investment properties. Depreciation is calculated on a straight line basis so as to write off the net cost or other re-valued amount of each asset over its expected useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The following estimated useful lives are used in the calculation of depreciation:

- Buildings 25 -100 years
- Furniture & fittings 5 - 20 years
- Plant and equipment 2 - 20 years

(f) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of wages and salaries, annual leave and other employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of other employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

(g) Financial instruments issued by the company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the statement of financial position classification of the related debt or equity instruments or component parts of compound instruments.

(h) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Reed Resources Ltd
Notes to the financial statements
for the financial year ended 30 June 2005

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(i) Income tax

Tax-effect accounting principles are adopted whereby income tax expense is calculated on pre-tax accounting profits after adjustment for permanent differences. The tax-effect of timing differences, which occur when items are included or allowed for income tax purposes in a period different to that for accounting, is shown at current taxation rates in the deferred tax assets and deferred tax liabilities, as applicable.

During 2004 the directors elected that the company become the head entity in the tax consolidated group comprising the company, Reed Resources Limited, and its wholly-owned Australian resident entity, Mount Finnerty Pty Ltd. As a result, all income tax expenses, revenues, assets and liabilities of the members of the tax-consolidated group are recognised in the financial statements of the parent entity.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain. The tax effects of capital losses are not recorded unless realisation is virtually certain.

(j) Interest-bearing liabilities

Bills of exchange are recorded at an amount equal to the net proceeds received, with the premium or discount amortised over the period until maturity. Interest expense is recognised on an effective yield basis.

Bank loans and other loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accrual basis.

Ancillary costs incurred in connection with the arrangement of borrowings are deferred and amortised over the period of the borrowing.

(k) Investments

Non-current investments are measured on a cost basis. The carrying amount of non-current investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the quoted market value for listed investments or the underlying net assets for other non-listed investments.

The expected net cash flow from investments has not been discounted to their present value in determining the recoverable amounts.

(l) Leased assets

Leased assets classified as finance leases are recognised as assets. The amount initially brought to account is the present value of minimum lease payments.

A finance lease is one which effectively transfers from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased property.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Finance lease payments are allocated between interest expense and reduction of lease liability over the term of the lease. The interest expense is determined by applying the interest rate implicit in the lease to the outstanding lease liability at the beginning of each lease payment period.

Operating lease payments are recognised as an expense on a basis which reflects the pattern in which economic benefits from the leased asset are consumed.

Reed Resources Ltd
Notes to the financial statements
for the financial year ended 30 June 2005

(m) Principles of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its controlled entities as defined in Accounting Standard AASB 1024 "Consolidated Accounts". A list of controlled entities appears in note 18 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which the company obtains control and until such time as the company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

(n) Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is probable that recovery will be received and the amount of the receivable can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(o) Receivables

Trade receivables and other receivables are recorded at amounts due less any allowance for doubtful debts.

(p) Revenue recognition

Interest Revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Sale of goods and disposal of assets

Revenue from the sale of goods and disposal of other assets is recognised when the consolidated entity has passed control of the goods or other assets to the buyer.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement.

Reed Resources Ltd
Notes to the financial statements
for the financial year ended 30 June 2005

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
2. Loss from ordinary activities				
Loss from ordinary activities before income tax includes the following items of revenue and expense:				
<i>Non-operating revenue</i>				
Interest revenue:				
Other entities	104,441	53,088	104,441	53,088
Proceeds from the sale of assets:				
Property, plant and equipment	1,000	-	1,000	-
	105,441	53,088	105,441	53,088
<i>Expenses</i>				
Depreciation of non-current assets				
Property, plant and equipment	53,500	52,129	53,500	52,129
Office lease	73,927	23,190	73,927	23,190
Borrowing costs	5,116	2,283	5,116	2,283
	132,543	77,602	132,543	77,602
<i>Sales of assets</i>				
Sales of assets in the ordinary course of business have given rise to the following profits/(losses):				
Property, plant and equipment	1,000	(880)	1,000	(880)

Reed Resources Ltd
Notes to the financial statements
for the financial year ended 30 June 2005

3. Income tax

The prima facie income tax benefit on pre-tax accounting loss reconciles to the income tax in the financial statements as follows:

	Consolidated		Company	
	2005 \$	2004 \$	2005 \$	2004 \$
<i>Loss from ordinary activities</i>	(973,158)	(766,984)	(955,003)	(743,491)
Income tax benefit calculated at 30%	(291,947)	(230,095)	(286,501)	(223,047)
<i>Permanent differences:</i>				
Non-deductible expenses	-	259	-	259
Timing differences and tax losses not brought to account as future income tax benefits	291,947	229,836	286,501	222,788
<i>Impact of the tax consolidation system:</i>				
Current and deferred taxes relating to transactions, events and balances of wholly-owned subsidiaries in the tax consolidated group	-	-	53,136	-
Initial recognition of future tax loss balances of subsidiaries on implementation of the tax consolidation system	-	-	-	1,838
Recognition of future tax loss balances of subsidiaries that have joined the tax consolidated group during the financial year	-	-	-	32,904
Net income tax expense/(benefit) arising under tax sharing agreements with subsidiaries in the tax consolidated group	-	-	(53,136)	(34,742)
Income tax benefit/(expense) relating to ordinary activities	-	-	-	-
Future income tax benefits not brought to account as assets:				
Tax losses – capitalised development costs	1,581,599	1,358,654	1,581,999	1,358,654
Tax losses – revenue	875,561	583,614	875,561	583,614
	2,457,160	1,942,268	2,457,160	1,942,268

The taxation benefits of tax losses and timing differences not brought to account will only be obtained if:

- a) assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;
- b) conditions for deductibility imposed by the law are complied with; and
- c) no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

Tax consolidation system

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. This legislation, which includes both mandatory and elective elements, is applicable to this company.

The company and its wholly-owned Australian resident entities are eligible to consolidate for tax purposes under this legislation and intend to elect to be taxed as a single entity from 1st July 2003. The implementation of the tax consolidation system has been formally notified to the Australian Taxation Office. The head entity within the tax-consolidated group for the purposes of the tax consolidation system is Reed Resources Limited.

Entities within the tax-consolidated group have not yet, but intend to enter into a tax-sharing agreement with the head entity. Under the terms of this agreement, Reed Resources Limited and each of the entities in the tax consolidated group will agree to pay a tax equivalent payment to or from the head entity, based on the net accounting profit or loss of the entity and the current tax rate.

Reed Resources Ltd
Notes to the financial statements
for the financial year ended 30 June 2005

4. Directors' and executives' remuneration

The specified Directors of Reed Resources Ltd during the year were:

- David Reed (Executive - Chairman)
- Chris Reed (Executive/Company Secretary)
- Peter Collins (Non-executive)
- Ian Junk (Non-executive)

The specified Executives of Reed Resources Ltd during the year were:

- David Potter (Manager - Geology)

Non-executive Directors are remunerated by fees determined by the Board within the aggregate Directors' fee pool limit of \$100,000 approved by shareholders in April 2002. The pool limit is not at present fully utilised. In setting the fees, account is taken of the responsibilities inherent in the stewardship of the Company and the demands made of Directors in the discharge of their responsibilities. Advice is taken from independent consultancy sources to ensure remuneration accords with market practice.

The executive officers of the Company are employed under Service Agreements which have been in existence since April 2002. The Service Agreements are all identical in their contents and only differ in remuneration levels. The service contracts have a duration of three years and renew automatically unless terminated by either the Company by giving twelve months notice to the individual; or by the individual by giving six months notice to the Company. The level of remuneration is not dependent on the satisfaction of any performance condition.

The specified executive of the Company is employed under a Service Agreement which has been in existence since August 2004. The remuneration under the service contract is reviewable every 12 months at the discretion of the Company and it is renewed automatically unless terminated by either the Company by giving three months notice to the individual; or by the individual by giving three months notice to the Company. The level of remuneration is not dependent on the satisfaction of any performance condition.

2005	Primary			Post Employment			Equity		Other Benefits	Total
	Salary & Fees	Performance Based Payment	Non Monetary	Superannuation	Pre-scribed Benefits	Other Retirement Benefits	Options (i)	% of Remuneration		
	\$	\$	\$	\$	\$	\$	\$	\$		\$
Directors										
David Reed	104,000	-	-	9,360	-	-	-	-	-	113,360
Chris Reed	124,807	-	9,778	15,196	-	-	72,587	32.65	-	222,368
Peter Collins	37,254	-	-	2,700	-	-	36,294	47.60	-	76,248
Ian Junk	30,000	-	-	2,700	-	-	36,294	52.61	-	68,994
Total	296,061	-	9,778	29,956	-	-	145,175		-	480,970
Executives										
David Potter	78,750	-	-	7,087	-	-	18,147	17.46	-	103,984
Total	78,750	-	-	7,087	-	-	18,147		-	103,984
Total	374,811	-	9,778	37,043	-	-	163,322		-	584,954

Reed Resources Ltd
Notes to the financial statements
for the financial year ended 30 June 2005

2004	Primary			Post Employment			Equity		Other Benefits	Total
	Salary & Fees	Performance Based Payment	Non Monetary	Superannuation	Pre-scribed Benefits	Other Retirement Benefits	Options (i)	% of Remuneration		
	\$	\$	\$	\$	\$	\$	\$	\$		\$
Directors										
David Reed	100,000	-	-	9,000	-	-	-	-	-	109,000
Chris Reed	89,230	-	13,230	8,030	-	-	-	-	-	110,490
Peter	78,941	-	-	2,700	-	-	-	-	-	81,641
Ian Junk	17,500	-	-	1,350	-	-	-	-	-	18,850
Total	285,671	-	13,230	21,080	-	-	-	-	-	319,981

- (i) Equity Options were issued to the Management Team comprising of Messrs Reed, Collins and Junk after shareholder approval was received at the Company's 2004 Extraordinary General Meeting. The value attributed to the Equity Options were calculated using the Black Scholes Model based on the following input:

	Issued 3 August 2004
Grant date share price	\$0.23
Exercise price	\$0.35
Exercise volatility	60%
Option life	4.5 years
Dividend yield	-
Risk-free interest rate	5.63%

No cash has been paid to the individuals. The value of the Options will only be realised if and when the market price of Reed shares, as quoted by the Australian Stock Exchange, rises above the Exercise Price of the options. Further details of the options are contained in note 5 to the financial statements.

5. Employee Share Option Plan

Reed Resources Ltd has an ownership based remuneration scheme for executives (including executive directors). In accordance with the provisions of the scheme, as approved by shareholders at an extraordinary general meeting, options were issued to executives with an exercise price of \$0.35 exercisable at any time on or before 31 December 2008. The number of options granted was calculated by the board after considering the experience of grantee, the current market price and current market practice. Options vest at the date of their issue.

As at 30 June 2005 the Company had issued 2,250,000 share options (30 June 2004: nil). Share options carry no rights to dividends and no voting rights. The difference between the total market value of options issued during the financial year, at the date of issue, and the total amount received from executives and employees is not recognised in the financial statements except for the purposes of determining directors' and executives' remuneration in respect of that financial year. The amounts are disclosed in remuneration in respect of the financial year in which the entitlement was earned.

Reed Resources Ltd
Notes to the financial statements
for the financial year ended 30 June 2005

Further details are disclosed below:

<i>Employee Share Option Plan</i>	<i>2005 No.</i>	<i>Weighted average exercise price</i>	<i>2004 No.</i>	<i>Weighted average exercise price</i>
<i>Balance at beginning of financial year</i>	-	-	-	-
<i>Cancelled during the financial year</i>	-	-	-	-
<i>Granted during the financial year (i)</i>	2,250,000	\$0.35	-	-
<i>Exercised during the financial year</i>	-	-	-	-
<i>Balance at end of financial year (ii)</i>	2,250,000	\$0.35	-	-

(i) Granted during the financial year

Options granted during the year ended 30 June 2005 were as follows:.

<i>Options - Series</i>	<i>No.</i>	<i>Grant Date</i>	<i>Expiry Date</i>	<i>Exercise Price</i>	<i>Fair Value Received \$</i>
<i>Issued 3 August 2004</i>	2,000,000	3/8/2004	31/12/2008	\$0.35	-
<i>Issued 11 January 2005</i>	250,000	11/1/2005	31/12/2008	\$0.35	-
	2,250,000				

(ii) Balance at end of the financial year

<i>Options - Series</i>	<i>No.</i>	<i>Vested No.</i>	<i>Unvested No.</i>	<i>Grant Date</i>	<i>Expiry Date</i>	<i>Exercise Price \$</i>
<i>Issued 3 August 2004</i>	2,000,000	2,000,000	-	3/8/2004	31/12/08	\$0.35
<i>Issued 11 January 2005</i>	250,000	250,000	-	11/1/05	31/12/08	\$0.35
	2,250,000	2,250,000				

Fair value of consideration received is measured as the nominal value of cash receipts on conversion. The fair value of shares at the date of their issue is measured as the market value at close of trade on the date of their issue.

Employee share options carry no rights to dividends and no voting rights.

In accordance with the terms of the Company's Employee Share Option Plan, options issued during the year ended 30 June 2005 are exercisable at the following dates:

- 1,125,000 options issued at \$0.35 exercisable 12 months from issue date.
- 1,125,000 options issued at \$0.35 exercisable 24 months from issue date.

The difference between the total market value of options issued during a financial year, at the date of issue, and the total amount received from executives and employees is not recognised in the financial statements except for the purposes of determining directors' and executives' remunerations in respect of that financial year as disclosed in note 4 to the financial statements. The amounts are disclosed in remuneration in respect of the financial years over which the entitlement was earned.

During the financial year no options were exercised, hence no amount was recognised in contributed equity arising from the exercise of executive options (2004: \$nil).

Reed Resources Ltd
Notes to the financial statements
for the financial year ended 30 June 2005

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
6. Remuneration of auditors				
<i>Auditor of the parent entity</i>				
A-IFRS scoping report	4,400	-	4,400	-
Auditing or review of the financial report	28,050	24,100	28,050	24,100
	32,450	24,100	32,450	24,100
The auditor of Reed Resources Ltd is Deloitte Touche Tohmatsu.				
7. Current Receivables				
Other Debtors	19,540	12,142	19,540	11,750
Goods and services tax (GST) recoverable	19,791	65,691	19,791	65,691
Amounts receivable from wholly owned subsidiary	-	-	440,615	263,759
	39,331	77,833	479,946	341,200
8. Other non-current financial assets				
Shares in controlled entities	-	-	625,317	625,317

Reed Resources Ltd
Notes to the financial statements
for the financial year ended 30 June 2005

9. Property, plant and equipment

	Consolidated			
	Buildings at cost	Furniture & Fittings at cost	Plant and equipment at cost	TOTAL
	\$	\$	\$	\$
Gross carrying amount				
Balance at 30 June 2004	27,900	7,657	355,961	391,518
Additions	-	80,898	3,650	84,548
Balance at 30 June 2005	27,900	88,555	359,611	476,066
Accumulated depreciation/ amortisation				
Balance at 30 June 2004	142	4,134	85,464	89,740
Depreciation expense	1,665	10,676	41,159	53,500
Balance at 30 June 2005	1,807	14,810	126,623	143,240
Net book value				
As at 30 June 2004	27,758	3,523	270,497	301,778
As at 30 June 2005	26,093	73,745	232,988	332,826

	Company			
	Buildings at cost	Furniture & fittings at cost	Plant and equipment at cost	TOTAL
	\$	\$	\$	\$
Gross carrying amount				
Balance at 30 June 2004	27,900	7,657	355,961	391,518
Additions	-	80,898	3,650	84,548
Balance at 30 June 2005	27,900	88,555	359,611	476,066
Accumulated depreciation/amortisation				
Balance at 30 June 2004	142	4,134	85,464	89,740
Depreciation expense	1,665	10,676	41,159	53,500
Balance at 30 June 2005	1,807	14,810	126,623	143,240
Net book value				
As at 30 June 2004	27,758	3,523	270,497	301,778
As at 30 June 2005	26,093	73,745	232,988	332,826

Reed Resources Ltd
Notes to the financial statements
for the financial year ended 30 June 2005

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
9. Property, plant and equipment (cont'd)				
Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:				
Buildings	1,665	142	1,665	142
Furniture & fittings	10,676	2,317	10,676	2,317
Plant and equipment	41,159	49,671	41,159	49,671
	53,500	52,130	53,500	52,130

10. Non-Current Assets

Mining tenements at beginning of period	8,070,950	6,593,000	7,197,489	5,817,343
Mining tenements additions in period at cost	-	33,416	-	33,416
Exploration expenditure incurred during the period	743,040	1,444,534	584,179	1,346,730
Mining tenements at end of period	8,813,990	8,070,950	7,781,668	7,197,489

The recovery of expenditure carried forward is dependent upon the discovery of commercially viable mineral and other natural resource deposits, their development and exploitation, or alternatively their sale.

Reed Resources Ltd
Notes to the financial statements
for the financial year ended 30 June 2005

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
11. Current payables				
Trade payables and accruals	96,377	-	99,957	3,348
	<u>96,377</u>	<u>-</u>	<u>99,957</u>	<u>3,348</u>
12. Current interest-bearing liabilities				
Secured:				
Hire purchase loan (i)	-	13,713	-	13,713
	<u>-</u>	<u>13,713</u>	<u>-</u>	<u>13,713</u>
(i) Secured by the asset under Hire Purchase, the current market value of which exceeds the value of the Hire Purchase liability.				
13. Employee benefits				
Number of employees at end of financial year	<u>6</u>	<u>4</u>	<u>6</u>	<u>4</u>
14. Contributed equity				
70,000,000 fully paid ordinary shares (2004: 62,000,000)	<u>13,981,179</u>	<u>12,005,179</u>	<u>13,981,179</u>	<u>12,005,179</u>
	<u>13,981,179</u>	<u>12,005,179</u>	<u>13,981,179</u>	<u>12,005,179</u>
	<u>2005</u>		<u>2004</u>	
	<u>No.</u>	<u>\$</u>	<u>No.</u>	<u>\$</u>
Fully paid ordinary shares				
Balance at beginning of financial year	62,000,000	12,005,179	49,750,000	8,942,679
Share issue for cash	8,000,000	2,080,000	12,250,000	3,062,500
Share issue costs	-	(104,000)	-	-
Balance at end of financial year	<u>70,000,000</u>	<u>13,981,179</u>	<u>62,000,000</u>	<u>12,005,179</u>

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Reed Resources Ltd
Notes to the financial statements
for the financial year ended 30 June 2005

	<u>Consolidated</u>		<u>Company</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	\$	\$	\$	\$
15. Accumulated losses				
Balance at beginning of financial year	(1,564,645)	(797,661)	(1,552,770)	(797,662)
Net loss attributable to members of the parent entity	(973,158)	(766,984)	(955,003)	(755,108)
Balance at end of financial year	<u>(2,537,803)</u>	<u>(1,564,645)</u>	<u>(2,507,773)</u>	<u>(1,552,770)</u>

16. Earnings per share

	<u>Consolidated</u>	
	<u>2005</u>	<u>2004</u>
	Cents per share	Cents per share
Basic earnings per share	(1.5)	(1.5)
Diluted earnings per share	<u>(1.5)</u>	<u>(1.5)</u>

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	<u>2005</u>	<u>2004</u>
	\$	\$
Earnings (a)	(973,158)	(766,984)
	<u>2005</u>	<u>2004</u>
	No.	No.
Weighted average number of ordinary shares (b)	64,564,384	52,214,110

a) Earnings used in the calculation of basic and diluted earnings per share reconciles to net loss in the statement of financial performance.

b) Options are considered to be potential ordinary shares and are therefore excluded from weighted average number of ordinary shares used in the calculation of basic earnings per share. Where dilutive, potential ordinary shares are included in the calculation of diluted earnings per share.

	<u>2005</u>	<u>2004</u>
	\$	\$
Net loss	(973,158)	(766,984)
Earnings used in the calculation of basic EPS	<u>(973,158)</u>	<u>(766,984)</u>

Diluted earnings per share

The earnings and weighted average number of ordinary and potential ordinary shares used in the calculation of diluted earnings per share are as follows:

	<u>2005</u>	<u>2004</u>
	\$	\$
Earnings (a)	(973,158)	(766,984)
	<u>2005</u>	<u>2004</u>
	No.	No.
Weighted average number of ordinary shares and potential ordinary shares (b)	64,564,384	52,214,110

Reed Resources Ltd
Notes to the financial statements
for the financial year ended 30 June 2005

16. Earnings per share (cont'd)

- a) Earnings used in the calculation of diluted earnings per share reconciles to net profit in the statement of financial performance as follows:

	2005	2004
	\$	\$
Net loss	(973,158)	(766,984)
Earnings used in the calculation of diluted EPS	<u>(973,158)</u>	<u>(766,984)</u>

- b) Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	2005	2004
	No.	No.
Weighted average number of ordinary shares used in the calculation of basic EPS	64,564,384	52,214,110
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted EPS	<u>64,564,384</u>	<u>52,214,110</u>

- c) The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share:

	2005	2004
	No.	No.
Options issued 3 August 2004	2,400,000	-
Options issued 11 January 2005	250,000	-
	<u>2,650,000</u>	<u>-</u>

Reed Resources Ltd
Notes to the financial statements
for the financial year ended 30 June 2005

17. Commitments for expenditure	Consolidated		Company	
	2005	2004	2005	2004
<i>Finance lease commitments</i>				
Payable				
Not longer than 1 year	-	14,076	-	14,076
<hr/>				
Minimum lease payments	-	14,076	-	14,076
Less future finance charges	-	(363)	-	(363)
Total lease liability	-	13,713	-	13,173

Lease commitments

There are no non-cancelable operating lease commitments.

18. Controlled entities

Name of entity	Country of incorporation	Ownership interest	
		2005 %	2004 %
<i>Parent entity</i>			
Reed Resources Ltd	Australia		
<i>Controlled entities</i>			
Mount Finnerty Pty Ltd	Australia	100	100

Mount Finnerty Pty Ltd is included in the tax consolidated group of which Reed Resources is the head entity.

19. Segment information

The consolidated entity is engaged in mineral resource exploration and development, carried out in Western Australia.

Reed Resources Ltd
Notes to the financial statements
for the financial year ended 30 June 2005

20. Related party and specified executive disclosures

(a) Equity interests in related parties

Equity interests in controlled entities

Details of the percentage of ordinary shares held in controlled entities are disclosed in note 18 to the financial statements.

(b) Specified directors' and specified executives' remuneration

Details of specified directors' and specified executives' remuneration are disclosed in note 4 to the financial statements.

(c) Specified directors' and specified executives' equity holdings

Fully paid ordinary shares of Reed Resources Ltd

	Balance@ 1/7/04	Granted as remuneration	Received on exercise of options	Net other change	Balance@ 30/6/05	Balance held nominally
	No.	No.	No.	No.	No.	No.
<i>Specified directors</i>						
D J Reed	19,004,115	-	-	(400,000)	18,604,115	-
C J Reed	2,243,180	-	-	(63,180)	2,180,000	-
P L F Collins	285,705	-	-	-	285,705	-
I C Junk	-	-	-	250,000	250,000	-
<i>Specified executives</i>						
D S Potter	-	-	-	102,200	102,200	-
	21,533,000	-	-	(110,980)	21,422,020	-

Executive share options of Reed Resources Ltd

	Bal @ 1/7/04	Granted as remu- neration	Exer- cised	Net other change	Bal @ 30/06/05	Bal vested @ 30/06/05	Vested but not exerci- sable	Vested and exerci- sable	Options vested during year
<i>Specified directors</i>									
C J Reed	-	1,000,000	-	-	1,000,000	1,000,000	1,000,000	-	1,000,000
P L F Collins	-	500,000	-	-	500,000	500,000	500,000	-	500,000
I Junk	-	500,000	-	-	500,000	500,000	500,000	-	500,000
<i>Specified executives</i>									
D Potter	-	250,000	-	-	250,000	250,000	250,000	-	250,000
	-	2,250,000	-	-	2,250,000	2,250,000	2,250,000	-	2,250,000

Reed Resources Ltd
Notes to the financial statements
for the financial year ended 30 June 2005

20. Related party and specified executive disclosures (cont'd)

(d) Transactions within the wholly-owned group

The directors elected for wholly-owned Australian entities within the group to be taxed as a single entity from 1 July 2003. Reed Resources Ltd has recognised all tax balances and expenses in relation to those entities, and a corresponding payable has been recognised in those entities to compensate Reed Resources Ltd for tax paid on their behalf.

There were no other transactions that occurred during the financial year between entities in the wholly-owned group.

(e) Transactions with other related parties

Reed Resources Ltd has entered into arrangements with Trucking Nominees Pty Ltd, a company associated with Mr D Reed, for the provision of offices and office equipment in West Perth and Kalgoorlie at cost plus 5%. The total amount for the year was \$112,079 (2004: \$91,336). The amount is not included in the directors' remuneration.

Mr P Collins provides geological consulting services to the Company. The total amount for the year was \$7,254 (2004: \$48,941). The amount is included in directors' remuneration.

The above amounts were made for services rendered in the ordinary course of business and on normal commercial terms and conditions.

(f) Controlling entities

The parent entity in the consolidated entity is Reed Resources Ltd a company incorporated in Australia.

21. Subsequent events

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Reed Resources Ltd
Notes to the financial statements
for the financial year ended 30 June 2005

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
22. Notes to the statement of cash flows				
<i>(a) Reconciliation of cash</i>				
For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:				
Cash at bank	2,353,603	2,003,683	2,353,603	2,003,683
Cash on hand	3	3	3	3
Total	2,353,606	2,003,686	2,353,606	2,003,686

(b) Cash balances not available for use

Cash restrictions exist on \$ 64,500 of the cash balance as at 30 June 2005. The cash restriction relates to unconditional performance bonds issued by National Australia Bank in favour of the Minister for State Development. A term deposit of \$64,500 has been restricted in its use to ensure it serves as a guarantee.

(c) Reconciliation of loss from ordinary activities after related income tax to net cash flows from operating activities

Loss from ordinary activities after related income tax	(973,158)	(766,984)	(955,003)	(755,108)
(Gain)/Loss on sale of non-current assets	(1,000)	818	(1,000)	818
Depreciation and amortisation of non-current assets	53,500	52,129	53,500	52,129
(Increase)/decrease in assets:				
Current receivables	38,502	51,741	38,502	51,741
Increase/(decrease) in liabilities:				
Current payables	96,377	(74,869)	96,377	(74,735)
Net cash used in operating activities	(785,779)	(737,165)	(767,624)	(725,155)

Reed Resources Ltd
Notes to the financial statements
for the financial year ended 30 June 2005

23. Financial instruments

a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

b) Credit risk exposures

The credit risk on financial assets which have been recognised on the statement of financial position is generally the carrying amount, net of any provisions for doubtful debts.

c) Interest rate risk

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the company intends to hold fixed rate assets and liabilities to maturity

The following table details the consolidated entity's exposure to interest rate risk as at the 30 June 2005:

	Average interest rate %	Variable interest rate %	Fixed interest rate maturity			Non- interest bearing \$	Total \$
			Less than 1 year \$	1 to 5 years \$	More than 5 years \$		
2005							
<i>Financial assets</i>							
Cash	3.7%	3.7%	2,353,603	-	-	3	2,353,606
Receivables	-	-	-	-	-	39,331	39,331
			2,353,603	-	-	39,334	2,392,937
<i>Financial Liabilities</i>							
Trade Payables	-	-	-	-	-	96,377	96,377
			-	-	-	96,377	96,377
Net financial assets/(liabilities)			2,353,603	-	-	(57,043)	2,296,560

Reed Resources Ltd
Notes to the financial statements
for the financial year ended 30 June 2005

23. Financial Instruments (cont'd)

The following table details the consolidated entity's exposure to interest rate risk as at the 30 June 2004:

	Average interest rate %	Variable interest rate %	Fixed interest rate maturity			Non- interest bearing \$	Total \$
			Less than 1 year \$	1 to 5 years \$	More than 5 years \$		
2004							
<i>Financial assets</i>							
Cash	3.7%	3.7%	2,003,683	-	-	3	2,003,686
Receivables	-	-	-	-	-	77,833	77,833
			2,003,683	-	-	77,836	2,081,519
<i>Financial Liabilities</i>							
Finance lease liabilities	6.9%	6.9%	13,713	-	-	-	13,713
			13,713	-	-	-	13,713
Net financial assets/(liabilities)			1,989,970	-	-	77,836	2,067,806

d) Net fair value of financial assets and liabilities

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximates their carrying amounts.

The net fair values of financial assets and financial liabilities are determined as follows:

- i) the net fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- (ii) the net fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow theory.

Reed Resources Ltd
Notes to the financial statements
for the financial year ended 30 June 2005

24. Impact of adoption of Australian equivalents to International Financial Reporting Standards

In accordance with the Financial Reporting Council's strategic directive, Reed Resources Ltd (Reed) will be required to prepare financial statements that comply with Australian equivalents to International Financial Reporting Standards ("A-IFRS") for annual reporting periods beginning on or after 1 January 2005. Accordingly, Reed's first half-year report prepared under A-IFRS will be for the half-year reporting period ended 31 December 2005, and its first annual financial report prepared under A-IFRS will be for the year ended 30 June 2006. At these dates a first time adopter of Australian equivalent IFRSs will be required to restate its comparative financial statements using all IFRSs, except for AASB 132 Financial Instruments: Disclosure and Presentation, AASB 139 Financial Instruments: Recognition and Measurement, AASB 4 Insurance Contracts and AASB6 Exploration for and Evaluation of Mineral Resources. For Reed this means the preparation of an opening balance sheet in accordance with IFRSs as at 1 July 2004, with the majority of restatement adjustments being made, retrospectively, against opening retained earnings.

In 2004 Reed established a project team of two dedicated personnel to carry out the transition work, and who report to the Board of Directors. Reed is managing the transition to A-IFRS in the following 3 phases:

Phase 1: Scoping and Impact Analysis
Phase 2: Evaluation and Design
Phase 3: Implementation and Review

During the reporting period, the project team conducted a high-level scoping exercise as part of its awareness training to obtain an idea of the effect and effort involved in adopting A-IFRS on the consolidated entity. Part of the scoping exercise involved identifying key areas of impact that will arise on adoption of A-IFRS including financial impact, effort required, and options available to the consolidated entity on first-time adoption of A-IFRS. This exercise has enabled the project team to determine the approximate impact and best options for the consolidated entity for future reporting periods, and to begin a process to redesign and build systems and processes in order to capture information necessary to allow the preparation of financial statements which are fully compliant with A-IFRS.

Management believes Reed will be able to achieve its plan for A-IFRS implementation such that financial statements which are fully compliant with A-IFRS will be able to be prepared as at 30 June 2006.

Subsequent to the scoping study having been conducted, Reed identified the following as being the significant areas of differences affecting Reed on adoption of A-IFRS.

Share Based Payments

Under AASB 2 Share Based Payments, Reed will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Statement of Financial Performance over the vesting period. This standard is not limited to options and also extends to other forms of equity based remuneration. It applies to all share-based payments issued after 7 November 2002 which have not vested as at 1 January 2005. Under the current accounting policy no amounts are recognised in the financial accounts in relation to equity based compensation schemes. There is no expected adjustment at 1 July 2004. The expected adjustment for the year ended 30 June 2005 is the recognition of an expense of \$163,322.

Reed Resources Ltd
Notes to the financial statements
for the financial year ended 30 June 2005

Financial Instruments

The directors have elected to apply the first time adoption exemption available to Reed to defer the date of transition of AASB132 Financial Instruments: Disclosure and Presentation and AASB139 Financial Instruments: Recognition and Measurement to 1 July 2005. Accordingly, there are no quantitative impacts on the 30 June 2005 financial statements. Under AASB 139 Financial Instruments: Recognition and Measurement, financial instruments will be required to be classified into one of five categories which will, in turn, determine the accounting treatment of the item. This will result in a change in the current accounting policy that does not classify financial instruments.

Exploration and Evaluation

AASB 6 Exploration for and Evaluation of Mineral Resources is effective from 1 January 2005 and early adoption will not be permitted. The new standard requires entities to perform impairment testing on exploration and evaluation assets when facts and circumstances suggest that the carrying amount may be impaired. Impairment of exploration and evaluation assets is assessed at a cash generating unit or group of cash generating units level provided this is no larger than an area of interest. There is not expected to be any adjustment required under A-IFRS for the year ended 30 June 2005.

Impairment of Assets

Under AASB 136 Impairment of Assets, the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the current accounting policy which determines the recoverable amount of an asset on the basis of discounted cash flows. Under the new policy it is likely that impairment of assets will be recognised sooner and that the amount of any write-downs may be greater. Quantification of the impact of this Standard on 1 July 2004 opening balances and in the 30 June 2005 income statement and balance sheet has not been completed at the reporting date.

Income Taxes

Under AASB 112 Income Taxes, Reed will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either the Statement of Financial Position or a tax-based balance sheet. Quantification of the impact of this Standard on 1 July 2004 opening balances and in the 1 July 2005 income statement and balance sheet has not been completed at the reporting date.

Rehabilitation

Under AASB 137 Provisions, Contingent Liabilities and Contingent Assets, Reed will be required to recognise the full provision for rehabilitation, based on discounted future cash flows, at the date of transition to IFRS. A corresponding asset net of depreciation to the date of transition may qualify for recognition as part of development costs and be amortised together with development assets. The impact on Reed's opening balance as at 1 July 2004 will be the recognition of a restoration asset, a decrease in retained earnings and an increase in the provision for rehabilitation. Quantification of the impact of this Standard on 1 July 2004 opening balances and in the 30 June 2005 income statement and balance sheet has not been completed at the reporting date.

Reed Resources Ltd
Notes to the financial statements
for the financial year ended 30 June 2005

25. Additional company information

Reed Resources Ltd is a listed public company, incorporated and operating in Australia.

Registered office

Reed Resources Ltd
97 Outram Street
WEST PERTH WA 6005

Principal place of business

Reed Resources Ltd
97 Outram Street
WEST PERTH WA 6005

Reed Resources Ltd

Additional stock exchange information as at 25 August 2005

The shareholder information set out below was applicable as at 25 August 2005.

Distribution of equity securities

Analysis of number of equity security holders by size of holding:

	Ordinary Shares
1 – 1000	11
1,001 – 5,000	112
5,001 – 10,000	179
10,001 – 100,000	395
100,001 and over	80
	777

Equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Ordinary Shares	
	Number Held	Percentage of issued shares
Consolidated Minerals Limited	12,300,000	17.57
D J Reed	11,892,115	16.99
Trucking Nominees Pty Ltd (DJ Reed Super Fund A/C)	5,112,000	7.30
Teran Nominees Pty Ltd	2,100,000	3.00
C J Reed	1,750,000	2.50
Trucking Nominees Pty Ltd	1,600,000	2.29
Robmob Pty Ltd (Robinson Super Fund Account)	1,190,945	1.70
T C Reed (Enterprise A/c)	700,000	0.94
J Kailis	600,000	0.86
S L J Raynaud	600,000	0.86
Dahele Pty Ltd	550,000	0.79
M A Ardagh	500,000	0.71
Splicer Nominees Pty Ltd	490,000	0.70
CR & MJ Wiese	450,000	0.64
T B Ardagh	400,000	0.57
Beck Corporation Pty Ltd	400,000	0.57
Rock Securities Ltd	400,000	0.57
R N Andrews	350,000	0.50
Durkin Enterprises Pty Ltd (No2 Super Fund Account)	350,000	0.50
Forty Traders Limited	350,000	0.50
	42,085,060	60.12

Reed Resources Ltd

Additional stock exchange information as at 25 August 2005

Substantial holders

Substantial holders in the company are set out below:

Ordinary Shares	Number	Percentage
D J Reed	18,604,115	26.57%
Consolidated Minerals Ltd	12,300,000	17.57%

Voting Rights

The voting rights attaching to ordinary shares are set out below:

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Other

The name of the company secretary is Mr Christopher Reed.

The address of the principal registered office in Australia is:
97 Outram Street, West Perth, Western Australia 6005.

Telephone: (08) 9322 1182,

Facsimile (08) 9321 0556,

Website www.reedresources.com

Registers of securities are held at the following addresses
97 Outram Street, West Perth, Western Australia 6005

Quotation has been granted for all ordinary shares of the company on all Member Exchanges of the Australian Stock Exchange Limited.

Reed Resources Ltd**Additional stock exchange information as at 25 August 2005**

Schedule of Mineral Tenements as at 30 June 2005

Comet Vale	Mount Finnerty	Mertondale	Barrambie
M29/35	MLA15/1720	PLA37/6599	M57/173
M29/52	MLA15/1721	PLA37/6600	
M29/85	MLA15/1747	PLA37/6601	
M29/185	MLA15/1748	P37/6602	
MLA29/186	MLA15/1752	P37/6603	
M29/197	MLA16/506	P37/6604	
M29/198	MLA16/507	P37/6605	
M29/199	MLA16/508	P37/6606	
M29/200	MLA16/509	P37/6607	
M29/201	MLA16/510	P37/6608	
M29/232	MLA16/511	P37/6609	
M29/233	E15/621	P37/6610	
M29/235	E15/674	P37/6611	
MLA29/269	E15/713	P37/6612	
MLA29/270	E15/744	P37/6613	
M29/321	E15/745	P37/6614	
L29/67	E15/836	P37/6615	
E29/423	ELA15/897	P37/6654	
E29/466	E16/260	P37/6655	
E29/502	E16/261	P37/6656	
P29/1643	E16/272	P37/6657	
P29/1644	E16/308	P37/6658	
PLA29/1764	ELA16/312	P37/6659	
	PLA15/4445	P37/6660	
	PLA15/4446	P37/6661	
	P15/4496	P37/6662	
	P15/4499		
	P15/4649		
	P15/4650		
	P15/4657		
	PLA16/2111		
	PLA16/2112		
	PLA16/2113		
	PLA16/2114		
	P16/2163		
	P16/2209		
	P16/2210		

