

QUARTERLY REPORT FOR THE PERIOD ENDING 31 MARCH 2006

COMET VALE PROJECT

Sand Queen Gold Mine Production Joint Venture (Kingsrose Mining Pty Ltd earning 50%)

During the quarter, development on 2 Level of the Sand Queen mine by Joint Venture operator Kingsrose Mining Pty Ltd has been driven 112 metres south and 18 metres north of the Sand Queen Shaft.

This development has revealed two reefs in the Sand Queen South deposit (6,500 t @ 19.7 g/t Au): a "Main" reef, which is equivalent to the main reef in the historic Sand Queen mine workings, and an "EMain" reef, which is parallel to the Main reef and less than 1 metre and up to 5 metres east of the Main reef. The Main reef averages about 1.5m wide and the EMain reef is 0.3-1.5 metres wide (average about 0.9 metres).

Stoping of the "EMain" and "Main" reefs has commenced on 2 Level. A planned stope on the EMain reef, north of a NW-SE trending fault (Ulysses fault) is predicted to be 18 metres long, 1.4 metres wide, 20-25 metres high and contain about 1400 tonnes.

A second planned stope south of the Ulysses fault will mine the Main and EMain reefs together where they are <1m apart and is predicted to be about 30 metres long, 1.2-3 metres wide (average 2m), 25-35 metres high and contain 4,500-5,500 tonnes.

Mining of the Sand Queen South deposit below 2 Level will be accessed from a re-developed 3 Level in the Sand Queen mine. Development of the 2 and 3 Levels will be extended to the south to provide initial access into the Sand George lodes.

To date, 1,000 tonnes of ore has been hoisted to surface, of which about 200 tonnes has been stockpiled at the Greenfields mill in preparation for initial toll treatment of the ore, which is scheduled for early June.

Resource Extension Drilling

All data from a successful drilling program that was undertaken in the previous quarter to extend the resource along strike to the south of the Sand George lodes has been collated and a resource estimate is nearing completion.



All drill holes intersected mineralised quartz lodes thereby extending the strike extent of the mineralised lode structure for a further 500 metres to the south of the Sand George lodes and to a vertical depth of 150 metres below surface. The mineralisation remains open at depth and along strike to the south.

Assays of the quartz lode intersections have returned some high-grade gold intervals, including 1 metre @ 15.24 g/t Au from 93m in JVC001, within 3m @ 6.32 g/t (92-95m); 1 metre @ 17.30 g/t Au from 20m in JVD001; and 0.98m @ 14.02 g/t Au in JVD003 (155.29-156.28).

The extension drilling program (7 cored drill holes and 5 RC percussion drill holes drilled on 50m x 50m grid; total of 2,102 metres) was undertaken for evaluation of widening a planned ventilation shaft at the south end of the Sand George lodes to a new production shaft by joint venture partner Kingsrose Mining Pty Ltd. This would significantly increase production from the current schedule of 20,000 ounces of gold per annum (RDR share 10,000 ounces) over an initial mine life of 3.5 years.



Bogging in 2 Level South Drive, Sand Queen Mine Main Shaft, Comet Vale.

Regional Exploration

During the quarter, an interpretation of processed airborne geophysical survey data has indicated a number of discrete magnetic targets requiring follow-up ground investigation.

Work is continuing on assessment of an area to the east of the Sand Queen–Sand George mine where previous rock-chip sampling of historic workings has revealed a zone of anomalous gold and copper in komatiitic rocks.

MT FINNERTY PROJECT

Iron Ore Joint Venture (Portman earning 80% Fe rights)

During the quarter, Portman Limited completed prospect definition mapping and sampling of variably mineralised and lateritised banded iron formation over a 30 km strike length within the Mt Finnerty Project. This work resulted in identification of nine separate zones of outcropping mineralisation (identified as FIN1-9) that warrant drill testing.

Ground disturbance approvals were received for eight of the nine prospective targets and, since the end of the quarter, Portman has completed a percussion drilling program consisting of 2 to 3 drill fences per prospect with 2-3 holes on each fence. Twenty-eight holes have been drilled for a total of 1496 metres and the Company is awaiting the results of laboratory analyses.

Regional Exploration (RDR 100% all other minerals)

The Company's consultant geologist has completed compilation of data from the previous quarter's exploration drilling program and this work is currently being evaluated.

The drill samples acquired from Portman's drilling program are being examined by our consultant geologist for inclusion in an evaluation of the Project's gold and nickel potential.

BARRAMBIE PROJECT (100%)

Pre-feasibility Study

During the quarter, the Company released the findings of a Pre-Feasibility Study ("PFS") on the Barrambie vanadium deposit, which is located 80km north of Sandstone, WA. The study has confirmed that Barrambie is a highly competitive vanadium project.

Highlights of the PFS report include:

- No major impediments to successful development of Barrambie were identified.
- Excellent metallurgical recoveries based on test work by AMMTEC Limited.
- Marketing studies indicate demand is derived from steel production levels and, accordingly, outlook for demand is positive.
- At a throughput of 2Mt per year, producing 20M/lbs per year, mine life exceeds 12 years (capital cost is A\$256 million) and the project has, on an un-g geared pre-tax basis:
 - Net Present Value of A\$379 million using 12% discount rate
 - Internal Rate of Return of 40%
 - Payback of 4 years
 - Operating Cost of A\$2.67 (US\$2.00) per pound V₂O₅.

Project economics are not optimised and may be improved substantially. The financial model is based on a V₂O₅ price of US\$6/lb and a USD/AUD exchange rate of 0.75:1.

Market Price

The mean price of vanadium pentoxide flake is US\$8.00/lb, as quoted by Ryans Notes as at 24 April 2006.

Forward Work Schedule

The Board is assessing a number of options in relation to funding a Definitive Feasibility Study, the first stage of which would entail an intensive infill and extension drilling program for the following purposes:

- To upgrade the current Indicated and Inferred Mineral Resources to Measured and Indicated Resource status.
- To extend the known resources along strike and confirm depth and grade predictions.
- To confirm mineralisation thickness and grades in historic drilling results.
- To accurately determine material densities for more precise resource modelling.
- To supply a range of material samples at various grades for a comprehensive program of metallurgical testwork at a pilot scale.

Metallurgical testwork to optimise the flowsheet is continuing.

CORPORATE

Share Issue

The Board of directors of Reed Resources Ltd announced on 30 March 2006 that it issued 5,000,000 fully paid ordinary shares in the Company at \$0.25 each, to professional and sophisticated investor clients of Hartleys Limited.

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

A handwritten signature in blue ink, appearing to read 'D J Reed', with a large, sweeping arch over the first few letters.

D J Reed

CHAIRMAN

Geological aspects of this report and information that relates to Exploration Results have been compiled by Peter Collins (BSc(Hons), PhD). Dr Collins is a member of the Australian Institute of Geoscientists and is a director of Reed Resources Ltd. Dr Collins has sufficient experience which is relevant to the styles of mineralization and types of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results Mineral Resources and Ore Reserves'. Dr Collins consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.