

COMET VALE PROJECT UPDATE

The Board of Reed Resources Ltd (ASX:RDR) announces changes to the current mine plan by Joint Venture partners, Kingsrose Mining Pty Ltd (“Kingsrose”).

Kingsrose will aggressively develop the 3 Level to provide access to the Sand George orebody as a priority (Figure 1). Level development and stoping of the Sand George on 2 Level will continue, with the first stope SG2A now defined over a level length of 52 metres. Stopping of the smaller Sand Queen South orebody will continue after mining of the Sand George lodes on each level. Under the Joint Venture, Kingsrose meets all mining costs and Reed meets transport and toll milling costs, splitting the gold 50:50.

The Board of Reed supports the decision by Kingsrose to accelerate the development of the high-grade Sand George lodes, albeit delaying the mine reaching full production (20,000 oz – RDR share 10,000 oz) until the June quarter 2007, not December 2006 as forecast. Consequently, production guidance of 10,000 oz attributable to Reed from the Kingsrose Joint Venture for the 2006/07 year has been revised down to 2,000 oz.

The next milling campaign scheduled to commence 20 January 2007 due to scheduling constraints at the Greenfields Mill.

The Company has commenced evaluation of mining via open-pit the shallow Sand Prince West resource (67,440 tonnes @ 3.15 g/t Au for 6,820 oz using 2 g/t Au cut-off).

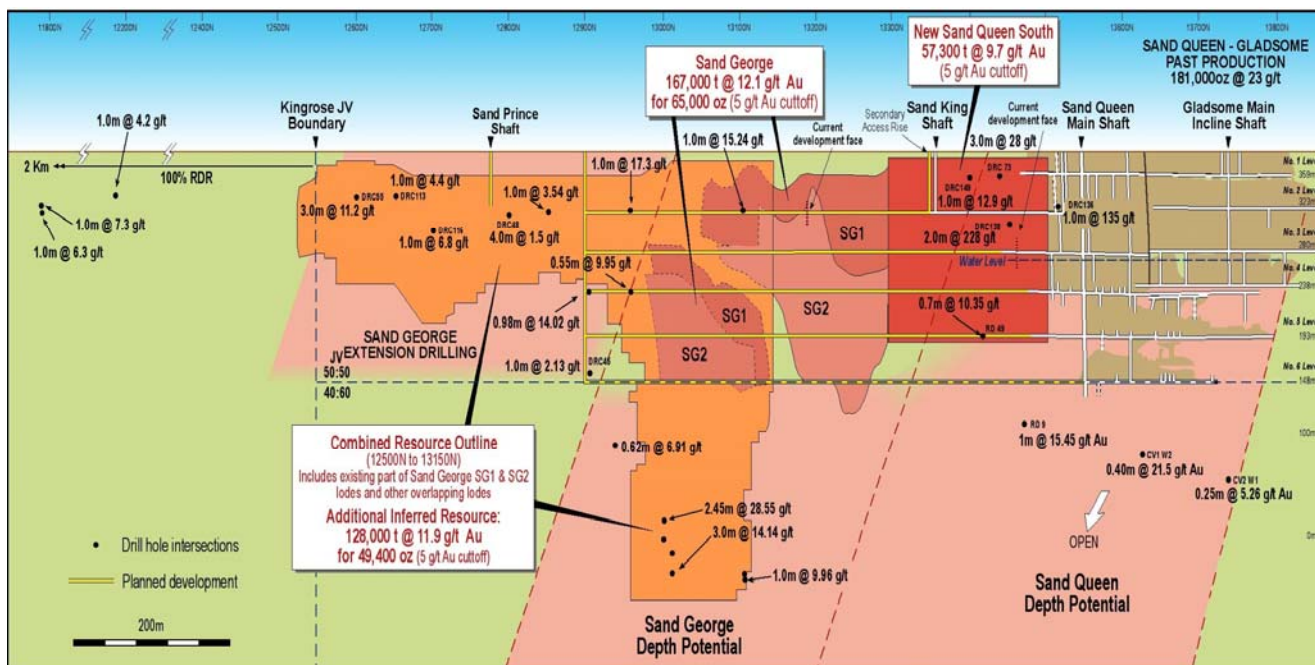


Figure 1 Long section looking west, Sand Queen Gold Mine showing planned development of the Sand George lodes.



Sand Prince West (100% RDR)

The Sand Prince West has a combined Mineral Resource estimated to be 121,150 tonnes at a grade of 2.39 g/t Au, for **9,310 ounces** of gold (at 1 g/t Au cut-off). At a 2 g/t Au cut-off grade, the combined resource is estimated to contain 67,440 tonnes at a grade of 3.15 g/t Au, for an estimated 6,820 ounces of gold (Table 1).

A formal pit design is being undertaken to enable a reserve calculation as previous optimisation studies indicated that a large proportion of the resource could be economically mined

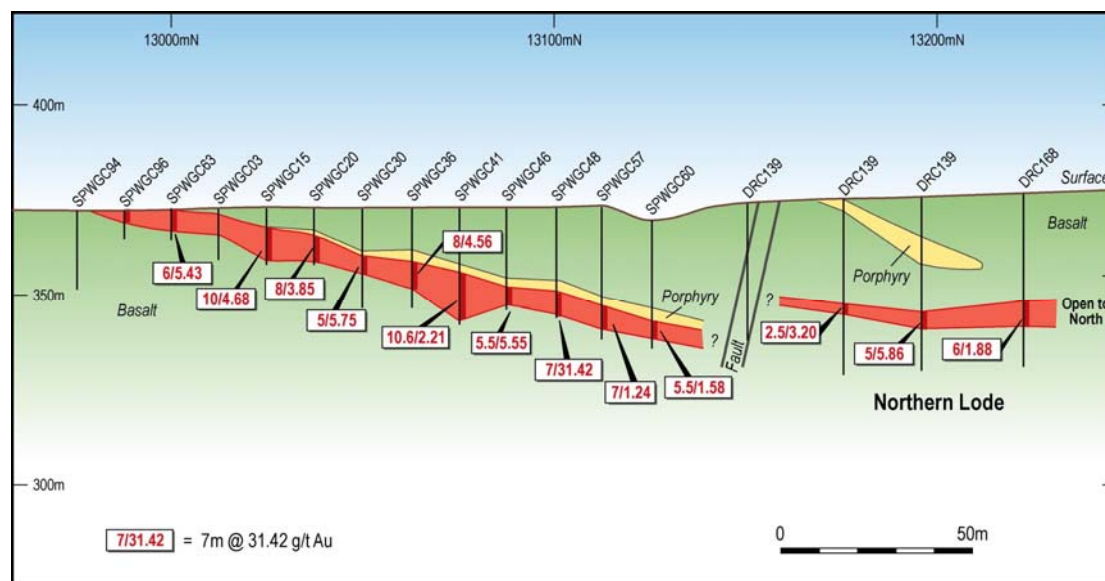


Figure 2 Long section looking west, Sand Prince West deposit

| <i>Cut Off Grade</i> | <i>Category</i> | <i>Tonnes</i> | <i>Grade (g/t Au)</i> | <i>Contained gold (ounces)</i> |
|----------------------|-----------------|----------------|-----------------------|--------------------------------|
| 1.0 g/t | Measured | 53,061 | 2.72 | 4,640 |
| | Indicated | 46,097 | 2.15 | 3,186 |
| | Inferred | 21,993 | 2.11 | 1,492 |
| | Total | 121,150 | 2.39 | 9,318 |
| 2.0 g/t | Measured | 33,024 | 3.47 | 3,684 |
| | Indicated | 23,125 | 2.88 | 2,141 |
| | Inferred | 11,293 | 2.74 | 995 |
| | Total | 67,441 | 3.15 | 6,820 |

1. Announced in December 2005 Quarterly Activities Report

Regional Exploration – Gold (100% RDR)

Drilling will commence next week on five targets (Figure 3), with the field component of the program will completed this quarter after which laboratory analyses are expected for release in January 2007. The planned program includes:

- RC drilling along 500m of the Lady Mack-Lady Margaret line where two 1.1m wide quartz veins have been traced at surface for over 2.5km. Rock chip sampling has returned values up to 19 g/t Au. Historical records indicate that the Lady Margaret-Lady Mack mines produced in excess of 7,090 t at 15 g/t Au.

- First pass RAB drilling over a 2 km long auger soil anomaly (>50 ppb Au) to the west of the Sand Queen mine.
- RC drilling beneath the Lake View-Long Tunnel workings targeting the down dip/plunge of gold-copper enriched lode structures. Rock-chip samples from this area have returned gold values to 36.4 g/t and copper to 1.58 %. Historical records indicate that the Lake View mine produced in excess of 7,500 t at 14.9 g/t Au.
- RC drilling alongside and to the west of the Sand Prince West resource where previous drilling intersected an additional lode over 200 metres along strike with a best intercept of 8m @ 3.6g/t from 42m. This may be either a down dip extension of the Sand Prince West lode or a steeply dipping Sand George-type lode
- RC drilling to test the Happy Days structural trend where surface rock chip sampling has consistently returned >5g/t gold and elevated copper over 2 km.

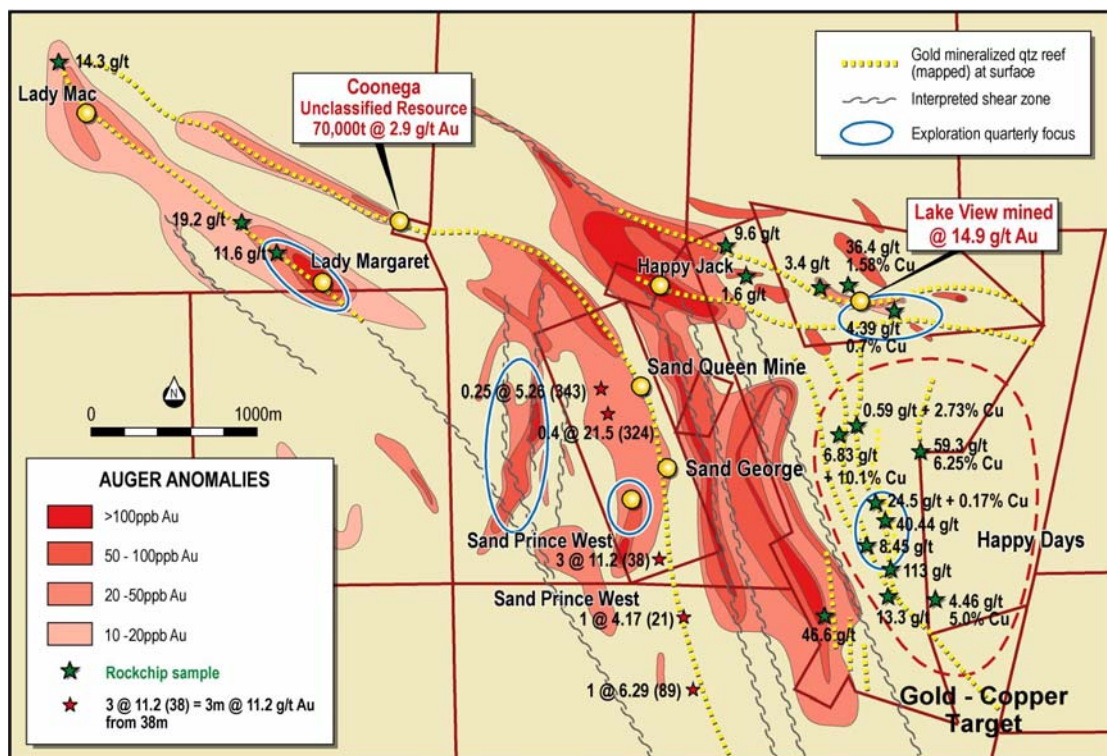


Figure 3 Current gold exploration target (outlined in blue).

For and on behalf of the Board
REED RESOURCES LTD

David Reed
EXECUTIVE 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.