

**COMET VALE GOLD
NEW MINERAL RESOURCE ESTIMATE
AND PROJECT UPDATE**

2 DECEMBER 2008

Highlights

- Mineral Resource estimate increases resource by 34% to 182,600 ounces of gold.
- Successful renegotiation of joint venture terms to ensure long term viability of Sand Queen Mine.

MINERAL RESOURCE ESTIMATE

Reed Resources Ltd (ASX:RDR) and its joint venture partner, Kingsgrove Mining Limited (ASX:KRM), are pleased to announce a substantial increase in the gold resources at the Sand Queen Mine at Comet Vale, located 100 km north of Kalgoorlie (Figure 1).

The total Indicated and Inferred Mineral Resource comprises 661,000 tonnes at an average grade of 8.6 g/t Au for **182,600 ounces** of gold (Table 1). This represents an increase of 34% in the total gold resource compared with the previous estimate (136,000 ounces gold, ASX announcement, 28 July 2006). The estimation and classification of Mineral Resources, for a 5 g/t Au cut-off grade, has been undertaken by Cube Consulting Pty Ltd.

Table 1. Mineral Resource estimates for the Sand Queen mine, Comet Vale project (at a cut-off grade of 5 g/t Au).

Resource classification	Volume (bcm)	Tonnes	Grade (Au g/t)	Au (Ounces)
Indicated	122,000	329,000	9.2	97,100
Inferred	123,000	332,000	8.0	85,500
Total	245,000	661,000	8.6	182,600

All tonnage, grade and ounce values have been rounded down to three significant figures. Slight errors may occur due to this rounding of values. Details of resource modelling and estimation methodology are provided at the end of this announcement.



The resource modelling and estimation has made use of an improved understanding of the geological structure of the gold-bearing vein system at the Sand Queen mine and includes results from Reed's recently completed drilling program (3,518m of reverse circulation drilling; 2,290.8m of diamond drilling). Results of the drilling program were announced on 24 October 2008 and include (**Figure 2**):

0.42m @ 50.9 g/t Au from 391.12m in JVD014
0.84m @ 13.6g/t Au from 133.86m in JVD019
6.18m @ 11.1 g/t Au from 173.29m in JVD022
1.0m @ 10.6 g/t Au from 119m in JVD023
0.51m @ 73.6 g/t Au from 338.5m in JVD028
0.59m @ 10.6g/t Au from 309.5m in JVD029

A better understanding of the geological structures controlling the gold-bearing vein system has resulted in identification of 13 sub-parallel, mineralised quartz lode structures, which have been incorporated into the geological model used for resource estimation. An outline of the Indicated and Inferred Resources is illustrated in the attached long section (**Figure 2**).

Recent drilling has confirmed the "nuggety" nature of gold mineralization at the Sand Queen mine, with highly variable gold grades. The methodology used to estimate the resource grade and tonnage takes into account this high nugget effect, which results in smoothing of both low and high gold grades within individual lode structures.

JOINT VENTURE REVISION

The Company also advises that it has varied its existing Production Joint Venture Agreement with Kingsrose Mining Ltd (Kingsrose) over the Sand Queen gold mine (**Figure 1**).

The key terms of the variation are:

- Reed Resources will solely incur the transport and treatment expenditure to earn 40% (previously 50%) of gold ore below a depth of 107 metres from the collar of the Sand Queen Main Shaft (i.e. below the 3 Level), except if the grade is greater than 13 grams per tonne of gold. If the ore grade exceeds 13 g/t Au then Reed will earn a 50% interest.
- The requirement that Kingsrose produce 25,000 ounces of gold by 31 May 2009 has been extended to 31 May 2010. If Kingsrose do not meet this production requirement they will not have earned any interest in the tenements and shall be deemed to have withdrawn from the joint venture agreement.
- Reed is not obliged to treat any gold ore which is of a grade less than 5.0 grams per tonne of gold.

The change in proportioning of gold below the 3 Level to 40% Reed and 60% Kingsrose is at a higher mine level than in the original agreement. The 40% Reed/60% Kingsrose proportion was originally intended to be invoked below a depth of 243 metres (equivalent to below the 6 Level).

Although Reed will earn a reduced proportion of the gold produced, this is expected to be offset by a projected increase in production.

The Company is sympathetic to substantial increases in mining costs that are being incurred by Kingsrose and is of the view that this revision of the joint venture arrangement will facilitate the longer term viability of the Sand Queen gold mine.



David Reed
EXECUTIVE CHAIRMAN

Reed Resources Ltd is a gold miner based in the Eastern Goldfields of Western Australia, with modest production and sound margins we are expanding and diversifying our production base into steel minerals. Reed Resources has three main projects all in Western Australia:



Comet Vale - High-grade underground gold mine in JV with Kingsrose Mining Limited. Record production in September Q08. Nickel Laterite JV with Heron Resources NL.

Mt.Finnerty – Iron Ore JV with Portman Ltd
Nickel JV with Western Areas NL

Barrambie – Completing Definitive Feasibility Study on 6300t per annum Ferro-Vanadium operation.

Competent Persons Statement

The information in this report that relates to Mineral Resources is based on information compiled by Mark Zammit and Jillian Irvin of Cube Consulting Pty Ltd, who are Members of The Australian Institute of Geoscientists (AIG). Mark Zammit and Jill Irvin have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Mark Zammit and Jill Irvin consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Mr David Potter, a full time employee of Reed Resources Ltd, provided drilling results and geological interpretations for the Mineral Resource estimates. Mr Potter has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results Mineral Resources and Ore Reserves". Mr Potter consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Notes to accompany Mineral Resource estimates:

Cube Consulting Pty Ltd (Cube) was commissioned by Reed Resources Ltd (Reed) to undertake an estimation of global gold resources at the Sand Queen mine, in accordance with The 2004 Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC Code).

The resource estimate, as supplied by Cube, was based on mineralised domains and assay data provided by Reed as of 15th October 2008. These mineralised domains incorporated a review of the previous mineralisation wireframes with an aim to provide increased continuity of mineralised structures along strike utilising geology and assay information.

The interpretations were based predominantly on geological controls, particularly the presence and proportion of quartz veining rather than gold grade. Duplicate sampling and size fraction studies show grade distribution to be highly variable (ie 'nugget' effect). For these reasons the domain wireframes utilise a nominal lower cut of 0g/t gold and have been reported as a Mineral Resource at a 5g/t Au lower cut.

Downhole intercept composites were generated for all drillholes intersecting the domain wireframes. Based on statistical analysis of the individual domains a high grade cut of 40 g/t Au was applied to all composites prior to estimation.

The estimation of block grade was undertaken using the 2D metal accumulation of grade and thickness and interpolated in a Surpac Block Model using Ordinary Kriging. Variography analysis and Qualitative Kriging Neighbourhood Analysis were utilised to identify direction of mineralisation continuity and variogram, search neighbourhood parameters.

Classification of the Sand Queen Mineral Resources is in accordance with JORC (2004) guidelines and was a collaborative approach between Cube and Reed, utilising estimation quality analysis and taking into account available drill spacing and historical mining information on local geological continuity.

Cube did not undertake independent assaying of drilling material and Reed take responsibility as Competent Person for the quality of drilling information from the Sand Queen mine in accordance with JORC guidelines.

The resource estimate has been depleted for mining. Total production to Sept 2008 was 36,339 tonnes grading 8.28 g/t Au for 9,677 ounces of gold.

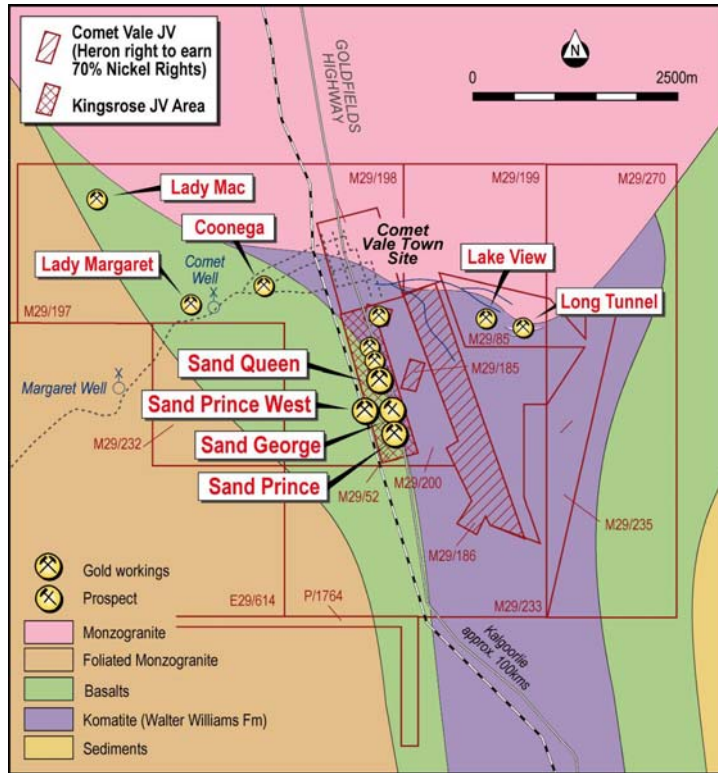


Figure 1 Comet Vale project location and tenement plan, showing the area covered by the Kingsrore Joint Venture.

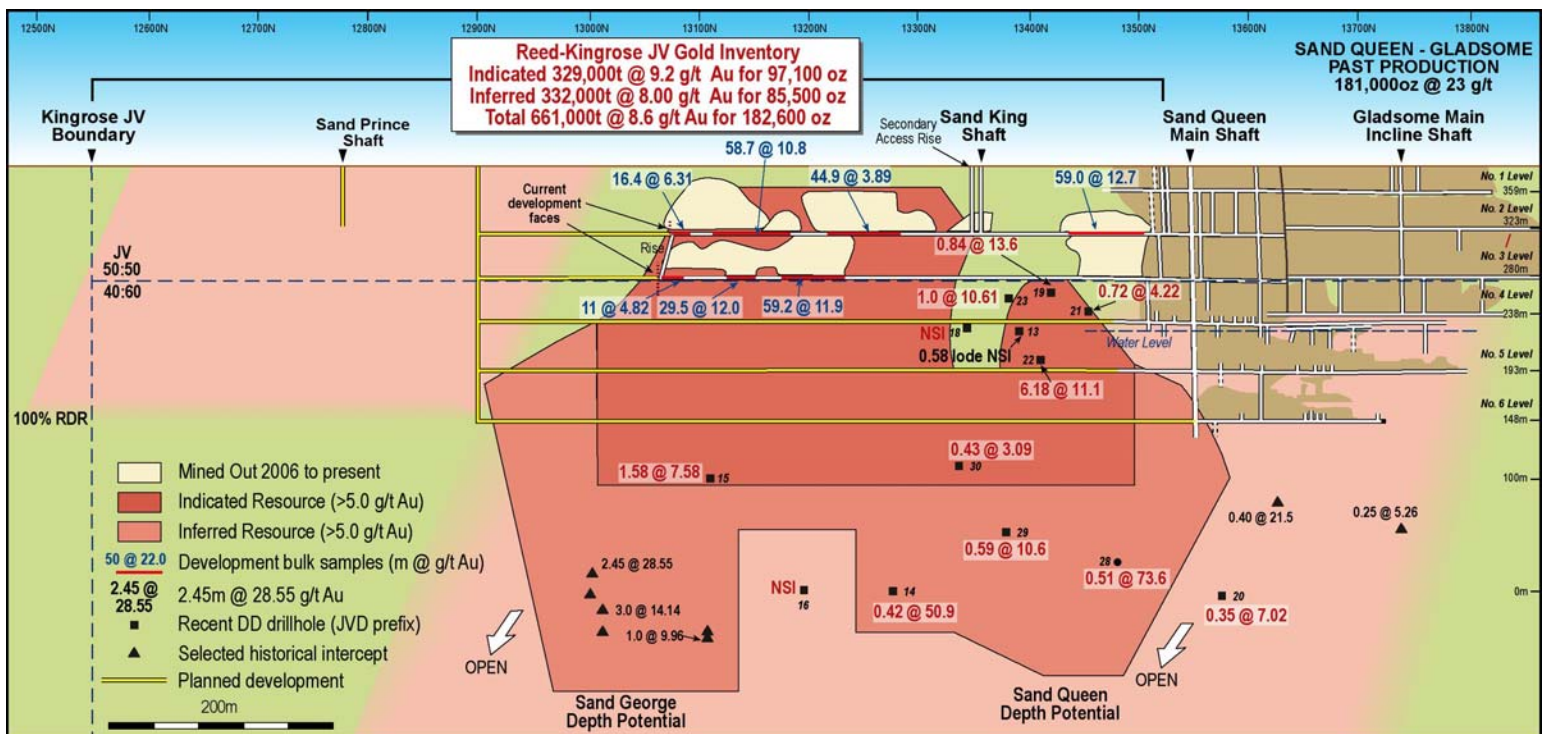


Figure 2 Longitudinal section of the Sand Queen gold mine, showing an outline of the limits of the Indicated and Inferred Mineral Resources. The resource consists of 13 overlapping lode structures, which cannot be shown individually on a long section.