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EXECUTES MOU TO JOINT VENTURE COMET VALE GOLD PROJECT

The Company advises that it has executed a Memorandum of Understanding to enter into a joint venture to develop the Sand George Gold Deposit at Comet Vale, 100km north of Kalgoorlie.

The operator of the joint venture will be Kingsrose Pty Ltd ("Kingsrose"), a company associated with Mr Darren Phillips and Mick Green. The Phillips Group have extensive experience in the development and mining of high-grade underground gold mines in both the Eastern Goldfields and Indonesia.

The key terms of the Memorandum of Understanding are:

- Kingsrose will solely incur all Mining and Development expenditure to earn 50% of gold ore down to a depth of 243 metres from collar of Sand Queen Main Shaft.
- Kingsrose will solely incur all Mining and Development expenditure to earn 60% of gold ore below the depth of 243 metres from collar of Sand Queen Main Shaft.
- Reed Resources will solely incur the Transport and Treatment expenditure to earn 50% of gold ore down to a depth of 243 metres from collar of Sand Queen Main Shaft.
- Reed Resources will solely incur the Transport and Treatment expenditure to earn 40% of gold ore below the depth of 243 metres from collar of Sand Queen Main Shaft.
- Kingsrose must spend a minimum of $2,000,000 before the right to withdraw.
- Upon the production of 25,000 ounces of gold, Kingsrose will be transferred an unencumbered 50% share of M29/321 (Sand Queen), M29/52 (Sand George) and Miscellaneous Licence M29/67.
- If the joint venture does not produce 25,000 oz of gold within three years from 1 March 2005, Kingsrose shall not have earned any interest in the tenements and shall be deemed to have withdrawn from the agreement.

A comprehensive joint venture agreement is to be executed within 60 days of the execution of the Memorandum of Understanding. The operations are planned to commence on 1 March 2005 with first gold production planned for the December Quarter.

The Company announced on 25 November 2004 that it had committed to develop the Sand George Deposit based on a mining study to recover more than 65,000 ounces. The total indicated and inferred resource at Sand George is 92,000 ounces, the deposit remains open along strike and at depth. The Company will now proceed to finalise the toll-milling contract as part of its obligation to transport and treat the gold ore on behalf of the joint venture.

By order of the Board,

David Reed
EXECUTIVE CHAIRMAN

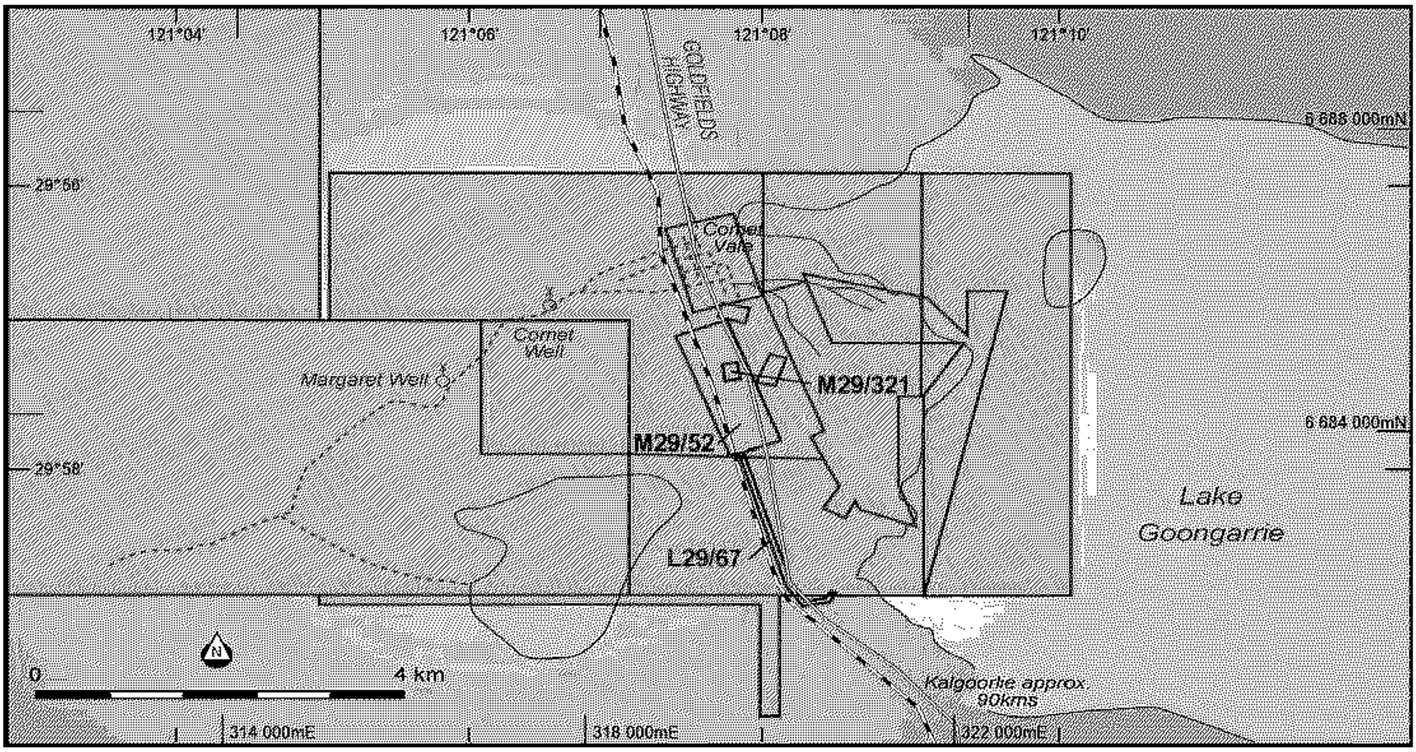

FIGURE 1. JOINT VENTURE AREA

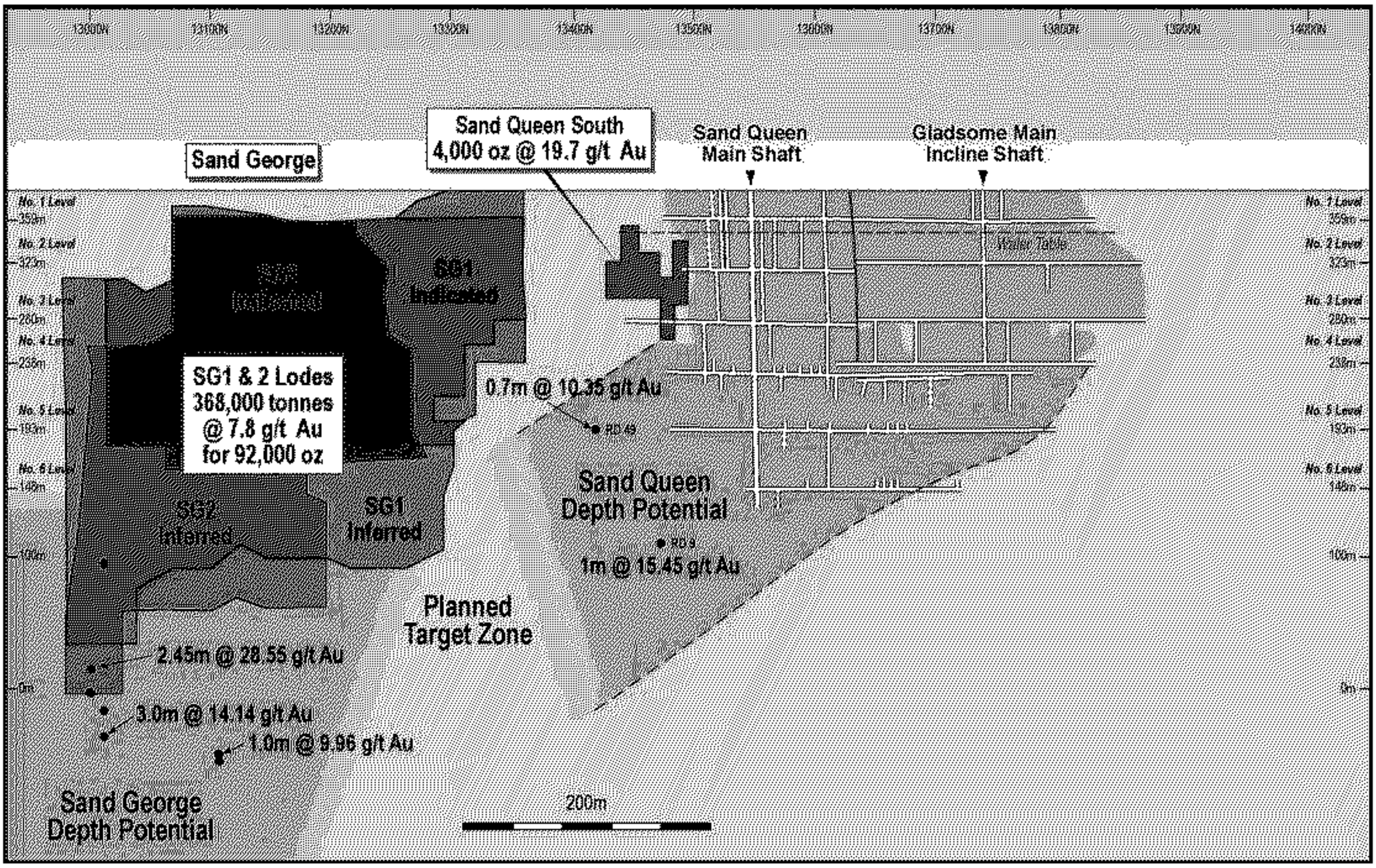

FIGURE 2. LONG SECTION (LOOKING WEST)