

RESOURCE INCREASE & PROJECT UPDATE

Reed Resources Ltd (ASX:RDR) announces a 75% increase in the gold resources at the Comet Vale Project following a re-evaluation of the latest extension and infill drilling program at the company's Sand Queen mining operation.

An independent resource estimate undertaken by Hellman and Schofield Pty Ltd indicates an additional Inferred Mineral Resource of 128,000 tonnes grading 11.9 g/t Au for 49,400 ounces of gold (at a 5 g/t cut-off).

The additional Inferred Resource includes the southern strike extension of the lode system south of Sand George and deep intersections from infill drilling beneath the existing Sand George SG1 and SG2 lodes. This additional resource is exclusive of the existing Sand George resource (167,000 t @ 12.1 g/t Au for 65,000 ounces of gold).

The combined mineral resource has been increased to a total of **295,000 t @ 12.0 g/t Au for 114,000 ounces gold** (at 5 g/t cut-off), as listed in Table 1.

The revised resource model is for the southern section of the lode system between 12500N and 13150N. Remodelling of resources to the north of 13150N, including remnant mineralisation in the historic Sand Queen workings (e.g. Sand Queen South lode), will be undertaken during the current quarter and resource estimates subject to independent review.

The mineralisation remains open at depth and along strike to the south where previous shallow drilling intercepted 1m @ 4.2 g/t Au a further 400 metres south and 1m @ 7.3 g/t Au and 1m @ 6.3 g/t Au in the same hole 800 metres further south of the Kingsrose JV boundary (see longitudinal section).

Given the scope of the latest resource increase, Joint Venture Operator, Kingsrose Mining Pty Ltd will evaluate opportunities to increase planned production levels. At the current level of 20,000 ounces of gold per annum (RDR share 10,000 ounces) the current mine life of 3.5 years will potentially extend beyond 6 years. The first toll-milling campaign is scheduled for early June 2006.

Project Update

Joint Venture Operator, Kingsrose Mining Pty Ltd, reports the first stope designs for 2 Level indicate that the Sand Queen South remnant lodes are significantly larger than initially contemplated and contain the same volume of ore as in the original Sand Queen South resource (6,500 t @ 19.7 g/t Au).



Development on the 2 Level has revealed additional lodes to the north and south of the Sand Queen shaft and mineralisation is open along strike and at depth where it was modelled down to the limit of drilling between 2 and 3 Levels. Current indications are that the Sand Queen South lode is significantly larger than originally estimated.

Under the Kingsrose JV, Reed is required to truck and toll-treat the ore for 50% of the contained gold. Cash costs in the first full year of production (2006/07) are projected at A\$230/ounce.

Table 1. Updated Mineral Resource estimates for the Comet Vale Project, including additional Inferred Resources along strike to the south and at depth beneath the Sand George (SG1 & SG2) lodes (at a cut-off grade of 5 g/t Au).

Lode	Category	Tonnes	Grade (g/t Au)	Ounces
Existing resources				
SG1	Indicated	78,000	11.4	28,800
SG2	Indicated	68,000	13.0	28,500
SG1	Inferred	11,400	9.4	3,460
SG2	Inferred	10,200	14.8	4,900
Additional resources	Inferred	128,000	11.9	49,400
TOTAL	Ind + Inf	295,000	12.0	114,000

Mineral Resources have been calculated using Ordinary Kriging constrained by wireframe models. All tonnage, grade and ounce values have been rounded down to three significant figures. Slight errors may occur due to this rounding of values.

David Reed
Executive Chairman
 Tel: 08 9322 1182

Competent Persons

Information in this report that relates to Mineral Resources is based on information compiled by Mr David Princep a Member of the Australasian Institute of Mining and Metallurgy (AUSIMM) and Mr David Potter a member of the Australian Institute of Geoscientists (AIG).

Mr David Princep is employed by Hellman & Schofield Pty Ltd and produced the resource estimate based on assay data and geological interpretations provided by Reed Resources Ltd. Mr Princep 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 Princep consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Mr David Potter (BSc, Dip FAI, MAIG), a full time employee of Reed Resources Ltd, provided drilling results and geological interpretations for 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.

