

5 April 2007

[SHAREHOLDER NAME]

[SHAREHOLDER ADDRESS]

Dear [Shareholder Name]

Reed Resources Ltd ABN 89 099 116 631
Share Purchase Plan 2007

1. Introduction

I am pleased to advise you that the directors of Reed Resources Ltd (**'RDR'**) have established a share purchase plan (**'Plan'**) to give its existing shareholders the opportunity to acquire up to 11,900 additional ordinary shares in RDR (**'Shares'**).

Under the Plan, RDR is offering each eligible shareholder the opportunity to acquire up to a maximum of \$4,998 worth of Shares at the issue price of 42 cents per share (**'Issue Price'**). Shares acquired under the Plan will not attract brokerage, stamp duty or any other transaction costs.

A maximum of 11,904,762 (approximately \$5,000,000) is being made available in total to eligible shareholders under the Plan. In the event that applications for more than that number of shares are received, the number of shares actually applied for, will be proportionately scaled back by RDR, so that a whole number of shares not exceeding the maximum limit will be issued to applicants on the issue date. Excess subscription monies, calculated by multiplying the Issue Price by the difference between the number of Shares allocated and the number of Shares applied for, will be refunded to each applicant by direct credit or cheque as soon as practicable.

Reed recently conducted a placement of Shares to an institutional investor, raising \$2.0 million (**'Placement'**). The Plan provides RDR's loyal eligible shareholders, with the opportunity to increase their shareholding in RDR at the same price paid by the institutional investor under the Placement without incurring any charges.

The Plan will be fully underwritten by Transocean Securities Pty Ltd (**'Transocean'**), however if there is a shortfall after take up by eligible shareholders under the Plan in excess of 5,238,095 shares, then the underwriting will be subject to shareholder approval being given for the purposes of ASX Listing Rule 7.1.

Funds raised from the SPP and the Placement will be used to advance two of RDR's wholly owned resources, including funding the feasibility study on the Barrambie Vanadium Project.



Further details about RDR's resources and the Barrambie Vanadium Project can be accessed by visiting RDR's website www.reedresources.com.au and from the announcements lodged by RDR with ASX.

The terms and conditions of the Plan are enclosed with this letter and all eligible shareholders should read these before deciding whether to participate in the Plan.

2. Eligible shareholders

An offer is being made under the Plan to all shareholders who at 5.00pm (Perth time) on Monday 2 April 2007 were registered holders of Shares with an address in Australia or New Zealand other than persons who are a "US Person" as defined in Regulation S under the US Securities Act of 1993 (USA) or who hold Shares on behalf of another person who is a "US Person" or resides outside Australia or New Zealand.

Due to the risk and expense of offshore regulatory compliance issues and given the small number of holders involved, offers are not being made to shareholders whose registered address is not in Australia or New Zealand.

The offer is non-renounceable, which means that eligible shareholders cannot transfer their rights to subscribe for shares under the Plan to anyone else. Details of the offer and the terms and conditions of the offer are set out in the attached Application Form.

Where a member is expressly noted on the register as a trustee or nominee on account of another person (**'Beneficiary'**) the Beneficiary will be deemed to be the Eligible Shareholder and any relevant acceptance of the offer and issue of the shares will be made by or to the Beneficiary.

As noted in section 3 of the terms and conditions of the Plan, shares will not be issued to shareholders where the shares applied for and shares purchased under similar arrangements during the previous 12 months have an aggregate issue price exceeding \$5,000.

3. Application and issue price

Eligible Shareholders may apply for shares to a value of any one of the following amounts of shares in the Company;

| | |
|-----------------|---|
| Option A | Total subscription amount of \$1,008 (being 2,400 shares @ 42 cents (Minimum Amount)) |
| Option B | Total subscription amount of \$2,520 (being 6,000 shares @ 42 cents) |
| Option C | Total subscription amount of \$4,998 (being 11,900 shares @ 42 cents (Maximum Amount)) |

The shares will be issued at 42 cents per share. This represents approximately a 15.9% discount to the weighted average sale price of Shares traded on the Australian Stock Exchange (**ASX**) during the trading days between Thursday 15 March and Wednesday 21 March 2007 (inclusive).

On the trading days between 15 March 2007 and 21 March 2007 (inclusive), the price range for trades on the ASX of Shares was between 48 cents and 51 cents per share.

Like all shares traded on the ASX, there is an inherent risk that the price of Shares traded on the ASX may change between the date of the offer and the date when the shares under this Plan are issued to an applicant under the Plan. Regardless of any fluctuations in the price of Shares traded on the ASX, the price of shares applied for under the Plan is fixed at 42 cents per share. Consequently, irrespective of the actual price of Shares at the date of issue, the applicant will receive such number of shares issued under the Plan corresponding to their relevant application, at the price of 42 cents per Share.

For compliance with certain Australian Securities and Investment Commission and ASX Listing Rule requirements, in any consecutive 12 month period, the maximum aggregate application price of Shares for which each shareholder may subscribe for under the Plan and any other similar arrangement for the purchase of Shares is \$5,000. This limit applies to each eligible shareholder even if that person holds shares in RDR in more than one capacity – for example, as a sole holder and as a first (or subsequent) named holder of two or more joint holders. However, a trustee or nominee expressly noted on RDR's share register may receive an offer for each occasion they are separately recorded as a trustee or nominee for a different beneficiary named on that register.

4. Closing date of offer

The offer closes at 5pm (Perth time) on 7 May 2007 ('**Closing Date**'). To participate in the offer, you will need to return your completed Application Form together with your cheque in Australian dollars for the full amount to which your acceptance relates, in the enclosed (or other) envelope so that we receive it by no later than 5pm (Perth time) on the Closing Date. Applications received after the Closing Date will not be accepted.

5. Quotation on stock exchange

It is expected that shares issued under the Plan will be quoted on Australian Stock Exchange on or about 14 May 2007 and you should receive your holding statement shortly after this date.

In deciding whether to take up the enclosed offer of shares, you should seek your own independent financial, legal and taxation advice in respect of the offer. It is also advised that shareholders who apply for shares under the Plan should not trade in the shares applied for until they have received confirmation of the issue and allotment of the shares applied and noted in their shareholding statement which is to be distributed subsequent to the issue and allotment.

6. Key dates

For your reference, the table below summarises the key dates of the offer made under this plan. The dates shown are indicative only, and RDR may vary the dates and times of the offer at its discretion.

| | |
|---------------------|----------------------|
| Record Date | 2 April 2007 |
| Opening Date | 10 April 2007 |
| Closing Date | 7 May 2007 |
| Issue Date | 14 May 2007 (approx) |

Yours sincerely,

A handwritten signature in black ink, appearing to read 'David Reed', with a large, sweeping arch over the first part of the name.

David Reed
EXECUTIVE CHAIRMAN

SHAREHOLDER SHARE PURCHASE PLAN APPLICATION FORM

[SHAREHOLDER NAME]
[ADDRESS LINE 1]
[ADDRESS LINE 2]
[ADDRESS LINE 3]

Record Date : Monday 2 April 2007
Offer Opens : Tuesday 10 April 2007
Issue Date : Monday 14 May 2007
Price per new Share : A\$0.42

Offer Closes :
5.00pm (Perth time) Monday 7 May 2007

A APPLICATION

I/We, the above shareholder(s), being registered as ordinary shareholder(s) in Reed Resources Ltd (ACN 099 116 631) (the "Company") as at the Record Date for this offer do hereby apply for new shares as indicated below at an issue price of 42 cents in accordance with the Terms and Conditions of the Reed Resources Ltd Share Purchase Plan ("Plan"), as attached and as otherwise set out in the accompanying letter dated on or about 5 April 2007.

❖ Applications must be made for one of the parcels of shares below:

Please tick the appropriate box

| | | | | | |
|--------------------------|---|--------------------------|---|--------------------------|--|
| <input type="checkbox"/> | Option 1 2,400 shares @ 42c per share \$1,008 | <input type="checkbox"/> | Option 2 6,000 shares @ 42c per share \$2,520 | <input type="checkbox"/> | Option 3 11,900 shares @ 42c per share \$4,998 |
|--------------------------|---|--------------------------|---|--------------------------|--|

B PAYMENT DETAILS

INSERT DETAILS OF YOUR CHEQUE – PLEASE COMPLETE IN BLOCK LETTERS

| Drawer | BSB | Amount |
|----------------------|----------------------|--------------------------|
| <input type="text"/> | <input type="text"/> | A\$ <input type="text"/> |

C CERTIFICATION

By lodging this Application Form and cheque, I/we confirm that I/we have read and understand and agree to the terms and conditions of the Plan and for the purposes of ASIC Class order 02/831, EXPRESSLY CERTIFY that the aggregate price for:

- shares I/we have applied for under this application; and
- any other shares I/we have applied for under this Plan or any other share purchase plan or similar arrangement for the purchase of fully paid ordinary shares in the Company in the 12 months prior to the date of this application, (including through joint and/or beneficial holdings), does not exceed \$5,000.

D FURTHER INFORMATION

- If you want to participate in this offer, please carefully read the Terms and Conditions of the Plan attached.
- Complete all the required details on the Application Form, noting that all amounts are expressed in Australian Dollars.
- Write the cheque for the relevant parcel of shares you have chosen to acquire. Please make cheques payable to **"Reed Resources Ltd Share Purchase Plan"**.
- Return the Application Form, together with the cheque, to the Company in the enclosed envelope. Cash payments will not be accepted via the mail.
- Ensure that your Application Form and cheque reach us by the closing date of the offer being no later than 5 pm (Perth time) on Monday, 7 May 2007. The postal acceptance rule does not apply to the Plan.

Return of the completed application form, together with your cheque(s) for the application monies, will constitute your offer to subscribe for new shares in the Company and your acceptance to be bound by the Terms and Conditions of the Reed Resources Ltd Share Purchase Plan and the Constitution of the Company.

REED RESOURCES LTD ABN 89 099 116 631 SHARE PURCHASE PLAN

Pursuant to the Reed Resources Ltd Share Purchase Plan ("**Plan**"), Reed Resources Ltd ACN 099 116 631 ("**RDR**") offers Eligible Shareholders the ability to apply for fully paid ordinary shares in RDR ("**Shares**") in parcels of either 2,400, 6,000 or 11,900 shares ("**Offer**"). Under the Plan, an eligible shareholder may apply to purchase any one of the 3 choices of parcels of Shares set out in Section A of the Application Form.

IMPORTANT NOTICES

This is an important document offering Eligible Shareholders the opportunity to buy up to 11,900 Shares in RDR. You are encouraged to contact your professional adviser if you are unsure about what to do in relation to this document.

You should carefully read the terms and conditions relating to the Offer set out below as you will be bound by them. By lodging this form with your cheque, you confirm that you have read, understood and agreed to the terms and conditions of the Plan.

If you apply for Shares under the Plan, there is a risk that the market price of Shares may change between the date that you complete and return the Application Form and the Issue Date. This means that you may be able to buy Shares at a lower price than the Issue Price of 42 cents.

TERMS AND CONDITIONS

1. Eligibility to participate

You are an **Eligible Shareholder** and may participate in the Plan if, as at 5.00pm (Perth time) on 2 April 2007, (being the "**Record Date**" stated in the Application Form, as determined by the directors of RDR ("**Board**")), you are registered as a holder of Shares with an address in Australia or New Zealand and are not a "US Person" as defined in Regulation S under the US Securities Act of 1993 (USA) or person who holds Shares on behalf of another person who is a "US Person" or resides outside Australia or New Zealand.

For the purposes of determining who are Eligible Shareholders:

- (1) joint holders of Shares are taken to be a single registered holder and the certification on the Application Form is taken to have been given by all joint holders; and
- (2) where a trustee or nominee is expressly noted on the RDR register as holding Shares on account of another person (a "beneficiary"), the beneficiary will be taken to be the registered holder of the Shares. An application for Shares or a certification by, and an issue of Shares to, the trustee or nominee on these terms will be taken to be an application or certification by, or an issue to, the beneficiary.

Participation in the Plan is optional and is subject to these Terms and Conditions.

For the purposes of these terms and conditions, an Eligible Shareholder who accepts the Offer and applies for Shares is referred to as an "**Applicant**".

2. Offers

The Offer under the Plan is non-renounceable and you may not transfer your rights under the Offer to another person. All Offers made under the Plan will be made to each Eligible Shareholder on the same terms and conditions irrespective of the number of Shares which they may hold on the Record Date.

Offers are open to all Eligible Shareholders from Tuesday 10 April 2007, being the "**Opening Date**" as stated on the Application Form until 5.00pm (Perth time) on Monday, 7 May 2007, being the "**Closing Date**" as stated on the Application Form.

3. **Investment amount**

The maximum value of shares for which you may subscribe under the Plan is \$5,000. This limit applies to you even if you hold Shares in more than one capacity – for example, as a sole holder and as a first (or subsequent) named holder of two or more joint holders. If you receive more than one Offer under the Plan, you may apply on different Application Forms for more than one parcel of Shares, but you may not apply under the Plan for Shares with an aggregate application price of more than \$5,000. However, a trustee or nominee expressly noted on RDR's share register may receive an Offer for each occasion they are separately recorded as a trustee or nominee for a different beneficiary named on that register.

4. **Issue Price**

The Issue Price is 42 cents per share, which represents approximately a 15.9% discount to the weighted average sale price of RDR's shares traded on ASX during the period Thursday 15 March 2007 to Wednesday 21 March 2007.

You agree to pay the Issue Price per Share for the number of Shares you have selected on the Application Form.

On the trading days between (and including) 15 March 2007 and 21 March 2007, the price range of RDR's shares traded on the ASX was between 48 cents and 51 cents per share.

There is a risk that the price of RDR's shares traded on the ASX may change between the Opening Date and the date when the shares under this Plan are issued to an Applicant. Irrespective of the actual price of RDR's shares traded on the ASX as at the Issue Date (defined below), the Applicant shall be issued under the Plan, such number of shares corresponding to their application and at the price of 42 cents per share.

5. **Costs of Participation**

No brokerage, commissions, stamp duty or other transaction costs will be payable by shareholders in respect of the application for, and issue of, shares under the Plan.

6. **Acceptance of Offers and application for Shares**

If you are an Eligible Shareholder, you may accept the Offer to participate in the Plan by completing and returning the enclosed Application Form, in accordance with the instructions on the Application Form together with the appropriate payment for the amount corresponding to the relevant parcel of Shares applied for, by no later than 5pm (Perth time) on the Closing Date.

Payments may only be made by cheque or bank draft in Australian dollars and drawn on an Australian branch of a financial institution.

Valid Application Forms will be accepted by RDR until 5pm (Perth time) on the Closing Date. Any Application Form received after that time will be rejected and deemed invalid, and the cheques attached to those Application Form in respect of subscription monies returned to the relevant Applicant.

An Offer will be taken to have been accepted by an Eligible Shareholder only if the cheque which accompanies the Applicant's Application Form is paid in full on first presentation. Cheques will be deposited on or following their day of receipt. Sufficient cleared funds should be held in your account as your acceptance may be rejected if your cheque is dishonoured. Receipts for payment will not be issued.

Subject to this section 6, an Applicant may only apply for such quantum of Shares corresponding to one of the three options (parcels) set out in the Application Form. These parcels may be subject to scaleback in accordance with section 8 below.

RDR shall not issue Shares to an Applicant to the extent that the aggregate issue price of Shares acquired and applied for by that Applicant under the Plan and any other issue exceeds (or will exceed) \$5,000.

For the avoidance of doubt, that Applicant shall be entitled to be issued under the Plan, such whole number of Shares which value, when aggregated with the value of all Shares purchased under the Plan

and any other issue of shares within the 12 months preceding the Application Date is nearest to but not exceeding \$5,000. RDR shall then procure that any excess subscription monies in respect of Shares not issued to that Applicant be refunded (without interest) within 14 days after the Issue Date (defined below).

RDR may reject an acceptance of this Offer in its absolute discretion if this Application Form is not completed in accordance with these terms and conditions and the instructions on the Application Form, or the Application Form is incomplete or if the exact amount payable is not tendered with the Application Form.

7. **Significance of submitting an Application Form**

By completing and returning the Application Form to RDR you:

- (1) certify that you have not applied for Shares with an aggregate application price in excess of \$5,000 under the Plan and any similar arrangement in the 12 months prior to your application, event though you may have received more than one Offer under the Plan or received Offers in more than one capacity under the Plan;
- (2) agree that your application is made on the terms and conditions set out in this document and the Application Form;
- (3) authorise RDR and its officers and agents to correct any error in, or omission from, your Application Form and to complete your Application Form by insertion of any missing details;
- (4) agree that you will not be able to withdraw or revoke your application; and
- (5) accept the risk associated with any refund that may be sent to you by direct credit or cheque to your address shown on RDR's register.

8. **Issue and quotation of Shares**

Subject to section 9 below, RDR will issue and allot Shares under the Plan on or about Monday, 14 May 2007, or in any case within 5 business days following the Closing Date (the "**Issue Date**").

Shares issued under the Plan will rank equally with existing Shares quoted on ASX, with the same voting rights, dividend rights and other entitlements.

On or about the Issue Date, RDR will apply for Shares issued under the Plan to be quoted on ASX.

RDR will, within the period required by the ASX Listing Rules, send participants a holding statement in respect of any shares issued to them under the Plan.

9. **Limit of Shares available for purchase**

The maximum number of Shares that may be issued under the Plan is 11,904,762 (the "**Offer Limit**"). In the event that the aggregate number of Shares validly applied for by all Applicants exceeds the Offer Limit, then the number of Shares you will be issued with shall instead be such whole number of shares (rounded down) as calculated in accordance with the following formula:

$$P \times \frac{L}{S}$$

Where:

- | | | |
|---|---|---|
| P | = | the relevant parcel applied for by that Applicant as elected in its Application Form; |
| L | = | the Offer Limit (being 11,904,762); and |
| S | = | the actual aggregate number of Shares validly applied for by all Applicants. |

In the event that the amount of Shares applied for are so required to be reduced pursuant to this section 9, the excess subscription monies, calculated by multiplying the Issue Price by the difference between the number of Shares you are allocated and the number of Shares you applied for, will be refunded to you by direct credit or cheque as soon as practicable. No interest will be paid on any application money returned to you.

10. Amendment, Suspension and Termination of the Plan

The Board may, in its discretion, amend, suspend or terminate the Plan at any time and adopt any administrative procedures it thinks appropriate in relation to the Plan. RDR may issue to any person fewer shares than subscribed for under the Plan (or none at all) if RDR believes that the issue and allotment of those shares would contravene any law or the rules of any stock exchange on which RDR shares are quoted.

11. Dispute Resolution

RDR may settle, in any manner it thinks fit, any difficulties, anomalies or disputes which may arise under or in connection with the operation of the Plan, whether generally or in relation to any participant or class of participants, offer, application or shares, and the decision of RDR shall be conclusive and binding on all participants and other persons to whom the determination relates.

RDR reserves the right to waive compliance with any provision of these terms and conditions.

12. Notices

Notices and statements to participating shareholders may be given in any manner determined by the Board from time to time.

13. Governing law

These terms and conditions are governed by the laws of Western Australia and the Commonwealth of Australia.