

## COMET VALE GOLD RESOURCE UPGRADE AND TESTWORK UPDATE

24 JULY 2007

### Highlights

- Gold resource upgrade for the Princess Grace deposit (9,000 ounces). Combined shallow (< 50m depth) Measured and Indicated Resources for open pit study now 192,100t @ 2.62 g/t Au for 16,200 ounces.
- Excellent metallurgical recoveries (> 87%) from column leach test work.
- Open-pit optimisations and reserve calculations underway.
- Mineralisation is shallow, in unweathered rock, and potentially amenable to low-cost open pit mining and vat-leach extraction.

The Board of Reed Resources Ltd (ASX:RDR) ("Reed") is pleased to announce results of an ongoing evaluation of the open-pit mining potential of shallow, low-grade gold deposits and the re-establishment of a vat-leaching treatment facility at the Comet Vale Project (Figure 1). The latest work includes a resource upgrade for the Princess Grace deposit, an initial resource estimate for the Coonega deposit, and results from metallurgical test work.

### Princess Grace Resource Upgrade

Following an infill reverse circulation (RC) drilling program earlier this year, an independent resource estimate undertaken by Cube Consulting Pty Ltd has established a combined Indicated and Inferred Mineral Resource of **106,000 tonnes @ 2.7 g/t Au** for **9,000 ounces** of gold (using a 1g/t Au lower cut) for the Princess Grace lode (Table 1). The Mineral Resource is to a vertical depth of 50 metres and is over 175 metres of strike length, and remains open at depth.

Drill results within the resource include 5m @ 9.39 g/t Au from 4m, 5m @ 10.63 g/t Au from 16m, and 9m @ 6.9 g/t Au from 34m. These quartz-rich intercepts are in fresh rock with minimal weathering, and are suitable for extraction via vat-leaching.

### Coonega Prospect

The Coonega prospect is located approximately 2 km northwest of the Sand Queen Shaft (Figure 1) on Mining Lease M29/35. There has been substantial historical underground mining to a depth of 40 metres, but no production figures are available.



An Inferred Mineral Resource of **106,700 tonnes @ 2.2/t** for **7,500 ounces** (mine depleted) has been independently calculated by Cube Consulting Pty Ltd using a 1g/t lower-cut. The resource is based on previous RC drilling undertaken by Hillmin Gold Mines Pty Limited during 1986-1988.

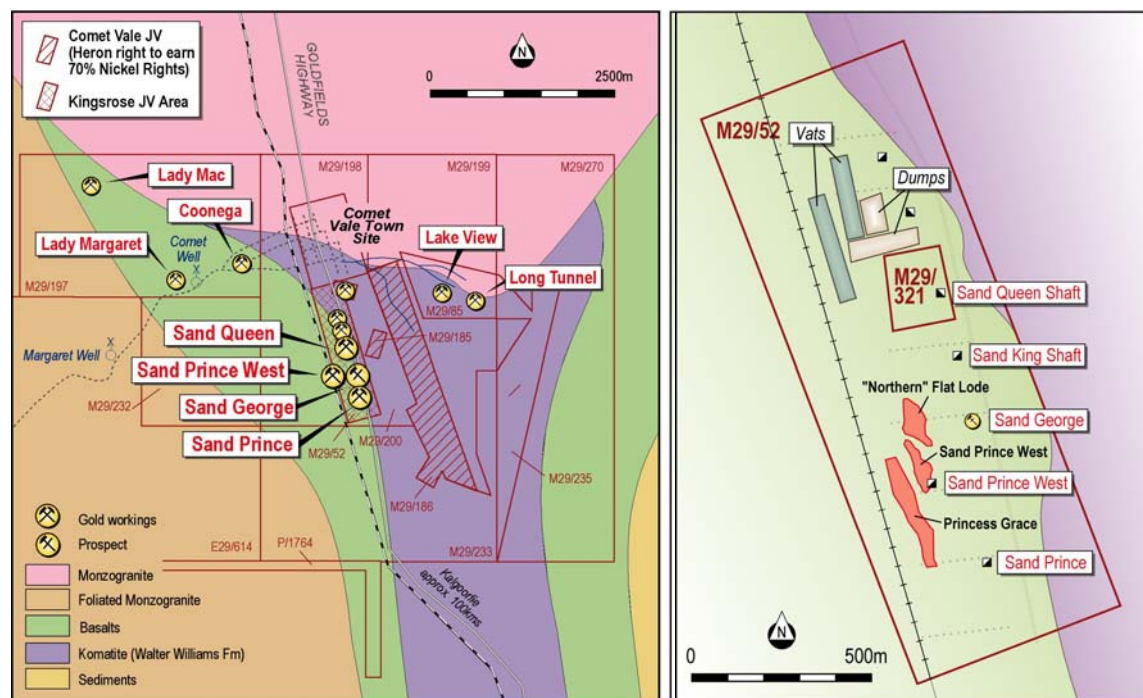
Gold mineralization is within a single, 7-8 metre wide, steeply-dipping quartz lode with accompanying pyrrhotite and pyrite rich zones. Gold grades are highly variable due to a high nugget effect although better grades tend to be at the outer margins of the lode.

Uncut drill results within the resource include 5m @ 10.4 g/t Au from 10m, 7m @ 10.1 g/t Au from 39m, 10m @ 5.84 g/t Au from 46m and 16m @ 8.69 g/t Au from 50m.

### Metallurgical Test Work

Reed believes that the Princess Grace deposit and Sand Prince West deposit (121,000 t @ 2.4 g/t Au for 9,300 oz) could be exploited by shallow conventional open pit mining; the low-cost treatment by vat-leaching is the main economic driver for evaluation of these deposits. In excess of 150,000 tonnes of low-grade tailings from the Sand Queen Mine were successfully treated via this method in the 1980s and 1990s.

Initial results from two-metre column-leaching of combined Sand Prince West-Princess Grace mineralisation using tap water and Sand Queen mine water exceeded 87 % gold recovery after 14 days. Reagent use was low to moderate, confirming the potential for low-cost extraction.



**Figure 1** Tenement plan of Comet Vale Project (left) and location of near surface gold resources at Sand Prince West and Princess Grace deposits that are potentially suitable for open pit mining, and nearby infrastructure within Mining Lease M29/52 (right).

**Table 1** Mineral Resource estimates (this announcement) for potential open pit mining of gold deposits at Princess Grace and Coonega; and for Sand Prince West resource (previous release to ASX 23 Nov 2006).

<b>Resource Category</b>	<b>Tonnes</b>	<b>Grade g/t Au</b>	<b>Contained gold ounces</b>
<b>Princess Grace</b> (1 g/t Au lower cut, no upper cut required)			
Indicated	93,000	2.8	8,400
Inferred	13,000	1.6	600
<b>Total</b>	<b>106,000</b>	<b>2.7</b>	<b>9,000</b>
<b>Coonega</b> (1 g/t Au lower cut, 12 g/t Au upper cut)			
Inferred	106,700	2.2	7,500
<b>Total</b>	<b>106,700</b>	<b>2.2</b>	<b>7,500</b>
<b>Sand Prince West</b> (1 g/t Au lower cut, no upper cut required)			
Measured	53,000	2.7	4,600
Indicated	46,000	2.2	3,200
Inferred	21,900	2.1	1,500
<b>Total</b>	<b>121,000</b>	<b>2.4</b>	<b>9,300</b>
<b>Combined Resources</b> (1 g/t Au lower cut)			
Measured	53,000	2.7	4,600
Indicated	139,100	2.6	11,600
Inferred	141,700	2.1	9,600
<b>Total</b>	<b>333,800</b>	<b>2.4</b>	<b>25,800</b>

Mineral Resources have been calculated using Ordinary Kriging constrained by wireframe models, as outlined in **Attachment 1**. All tonnage, grade and ounce values have been rounded down to three significant figures; slight errors may occur due to rounding of values.

### **Forward Work Program**

Pit-optimisations and reserve calculations are being undertaken on the Sand Prince West and Princess Grace resources by Cube Consulting. Previous optimisation studies indicated that a large proportion of the resources could be economically mined. Diamond drilling for optimisation of metallurgical test work and geotechnical purposes is scheduled for August.

Chris Reed  
**Executive Director**  
 Tel: 08 9322 1182

## Competent Persons Statement

Information in this report that relates to Mineral Resources is based on information compiled by Mr Mark Zammit and Mr Rick Adams both Members of the Australasian Institute of Mining and Metallurgy (AUSIMM), and Mr David Potter a Member of the Australian Institute of Geoscientists (AIG).

Mr Zammit and Mr Adams are employed as consultants at Cube and produced the resource estimate based on assay data and geological interpretations provided by Reed Resources Ltd. Mr Zammit and Mr Adams have 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 Zammit 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.

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Reed Resources is a junior gold miner based in the Eastern Goldfields of Western Australia, with modest production and sound margins we are expanding and diversifying our production base.

Reed Resources has three main projects, all in Western Australia.



**Comet Vale** - High-grade underground gold mine in JV with mining contractors, generating A\$5m per annum from 07/08. Nickel Laterite JV with Heron Resources NL.

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

**Barrambie** –Completing Bankable Feasibility Study on 20M lb per annum Vanadium Pentoxide operation

## Company Contacts

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## Board of Directors

*Executive Chairman:* David Reed OAM  
*Executive Director:* Chris Reed  
*Non-Executive Directors:* Dr Peter Collins  
Ian Junk

## **Attachment 1: Mineral Resource Estimation – Background Information**

Cube Consulting Pty Ltd (“Cube”) was commissioned by Reed Resources Ltd (“Reed”) to undertake an estimation of the Princess Grace gold resource as of April 30th 2007 and the Coonega gold resource as of June 20<sup>th</sup> 2007. Cube is an Australian owned company providing geological consulting services and software systems to the resources and industrial sectors.

The aims of the estimation projects were as follows:

- Provide a global resource estimate of mineralised zones within the Princess Grace project area.
- Provide an independent review of the interpretation of mineralisation and if appropriate incorporate the interpretation into the resource estimation process.
- Provide technical input to resource classification and reporting of resource in accordance with The 2004 Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC Code).
- Report the resource estimates in accordance with The 2004 Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC Code).

### **Modelling Process**

Cube was provided by Reed with a set of validated interpretation and dataset for the mineralised zone within the Princess Grace and Coonega areas. The interpretations were based on predominantly geological controls, particularly the presence and proportion of quartz veining rather than raw gold grade. Duplicate sampling and size fraction studies show grade distribution to be highly variable. For these reasons the resources were based on a lower cut of 0g/t gold and reported at 1g/t lower cut gold. Statistical analysis within each of the interpolation domains was used to identify the need for any high-grade cutting and the appropriate level to apply the cut. After examination of the position of these potential outliers within the 3D data, it was deemed unnecessary to apply any high-grade cuts for Princess Grace and a 12g/t upper cut for Coonega. The estimation of block grades was undertaken using Ordinary Kriging.

### **Mineral Resources - compliance with the JORC code assessment criteria**

Cube in collaboration with Reed have classified and reported the Princess Grace and Coonega resources in accordance with The 2004 Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC Code). Cube has not undertaken any independent assaying of material from the Princess Grace project and has based the resource classification on information provided by Reed.

The quality of drilling information provided to Cube has been entirely the responsibility of Reed. It is Cube’s assessment that Reed’s drilling and sampling procedures are appropriate and of sufficient quality to allow the classification as detailed. This collaborative approach to classification adopted by Cube and Reed has resulted in the entire Coonega resource being classified as Inferred. The main criteria for this were the combination of a high relative nugget effect and drill spacing no closer than 25m x 12.5m.

### Sand Prince West Mineral Resource

Cut Off Grades	Category	Tonnes	Grade	Ounces
1.0g/t Lower cut, no upper cut required	Measured	53,000	2.7	4,600
	Indicated	46,000	2.2	3,200
	Inferred	21,900	2.1	1,500
	<b>Total</b>	<b>121,100</b>	<b>2.4</b>	<b>9,300</b>

### Princess Grace Mineral Resource

Cut Off Grades	Category	Tonnes	Grade	Ounces
1.0g/t Lower cut, no upper cut required	Measured	0	0.0	0
	Indicated	93,000	2.8	8,400
	Inferred	13,000	1.6	600
	<b>Total</b>	<b>106,000</b>	<b>2.7</b>	<b>9,000</b>

### Coonega Mineral Resource

Cut Off Grades	Category	Tonnes	Grade	Ounces
1.0g/t Lower cut 12g/t Upper cut	Measured	0	0.0	0
	Indicated	0	0.0	0
	Inferred	106,700	2.2	7,500
	<b>Total</b>	<b>106,700</b>	<b>2.2</b>	<b>7,500</b>

### Combined Mineral Resources

Cut Off Grade	Category	Tonnes	Grade	Ounces
1.0g/t Lower cut	Measured	53,000	2.7	4,600
	Indicated	139,100	2.6	11,600
	Inferred	141,700	2.1	9,600
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