

BARRAMBIE VANADIUM PROJECT

8 AUGUST 2007

METALLURGICAL TEST WORK RESULTS AND INITIAL MINERAL RESOURCE ESTIMATE

Highlights

- Excellent metallurgical test work results:
 - 22% increase in concentrate grade (1.68% V₂O₅)**
 - 77% increase in mass recovery to concentrate (64%).**
- **Substantial reduction in beneficiation plant and kiln size expected** as a result of concentrate grade and mass increases from Pre-Feasibility Study, with potential to improve with optimisation.
- Initial Mineral Resource estimate by Snowden confirms Barrambie as an **exceptionally high-grade deposit with 0.82% V₂O₅** (using a 0.5% V₂O₅ block cut-off). This is the highest grade of any of the major vanadiferous magnetite deposits in Australia.

The Board of Reed Resources Ltd (ASX:RDR) ("Reed") is pleased to announce the initial estimate of Mineral Resources by Snowden Mining Industry Consultants Pty Ltd ("Snowden") and the results of first pass test work as part of its feasibility study of the Barrambie Vanadium Project.

The latest results confirm the exceptional quality of the Barrambie deposit.

METALLURGICAL TEST WORK

Sinclair Knight Merz ("SKM") are currently supervising testwork to confirm the recovery of vanadium pentoxide from conventional salt roast-leaching of a gravity/magnetic concentrate.

The massive increase in the mass of concentrate recovered from the bulk samples, once confirmed by variability testwork, will greatly reduce the mill throughput rate needed to achieve the planned output of 9,000t of V₂O₅ per annum. This augurs well for a substantial reduction in the both the size and capital cost of the beneficiation plant and the kiln from the 2 Mtpa circuit envisaged in the Pre-Feasibility Study.



The increase in concentrate grade is expected to further lower the operating costs, as a result of more vanadium being recovered per tonne of concentrate and hence less tonnes roasted. Processing costs accounted for more than 80% of operating costs in the PFS.

The results below relate to the beneficiation or front-end of the plant. Previous beneficiation test work conducted as part of the Pre-Feasibility Study (“PFS”) recovered 36% of the original mass of ore from the Eastern Band into a concentrate. The current test work program is being performed by SGS on bulk samples from both the Central and Eastern Bands, separately. All ore samples were ground to P₈₀ 150µm before single-pass testing.

Gravity concentrates produced from a Wilfley table gave the following results:

| Test | Recovery mass % | V₂O₅ mass % |
|---------------|------------------------|--|
| Eastern (PFS) | 36.1 | 1.37 |
| Eastern | 19.89 | 1.24 |
| Central | 30.31 | 1.72 |

Magnetic concentrates produced from a high-intensity, rare earth drum at 6,000 Gauss gave the following results:

| Test | Recovery mass % | V₂O₅ mass % |
|---------------|------------------------|--|
| Eastern (PFS) | 36.1 | 1.37 |
| Eastern | 45.73 | 1.30 |
| Central | 63.75 | 1.68 |

The next update on test work results will coincide with the release of the optimised flowsheet and engineering parameters in October.

MINERAL RESOURCE ESTIMATE

The Barrambie deposit is interpreted as a layered intrusive disrupted by faulting, and has been subdivided along its strike into an Eastern Band and Central Bands (Figure 1). The Eastern Band characteristically is a relatively continuous massive magnetite band with high titanium values, which has been further subdivided into a high grade mineralised zone containing high vanadium values, and a low grade mineralised zone containing low vanadium values. The Central Bands are characterised by low grade disseminated mineralisation with internal narrow bands of magnetite containing high grade vanadium mineralisation.

The base of complete oxidation occurs at about 50-70 m below surface over the majority of the deposit. This depth is considered by Reed to be a nominal limit for ‘low-cost’ open pit mining. Most of the drill holes in the north of the deposit end in completely oxidised material and the depths to the ‘transitional’ and ‘fresh’ horizons are not known.

In the south of the deposit, the base of complete oxidation and top of fresh rock are at about 20 m and 30 m below surface, respectively.

Snowden has completed an initial Mineral Resource estimate for the Barrambie deposit and reported it at a range of V_2O_5 block cut-off grades of 0.2, 0.3, 0.4, 0.5 and 0.6% V_2O_5 , and according to weathering type (oxide, transitional and 'fresh') and resource classification, Resource estimates reported in Attachment 1 are for lower cut-off grades of 0.3 and 0.5% V_2O_5 .

The resource has been estimated over a strike length of 5 km between 7535 mN and 12600 mN (local grid). This is equivalent to about 40% of the interpreted total strike length of about 11 km of vanadiferous-titaniferous magnetite mineralisation within Mining Lease M57/173. Most of the resource is over a 2.4 km strike length within the Bay-Cove area between 9700 mN and 12110 mN (local grid).

Drill holes in the southern 2 km of strike length, referred to as the Gulf area, are not sufficiently close-spaced for most of this area to be included in the resource estimate. The deposit remains open to the north and south, and at depth.

The total **Indicated and Inferred Mineral Resource** is estimated at 23.6 Mt at **0.82% V_2O_5** , 17.9% TiO_2 and 48.5% Fe_2O_3 at a block cut-off grade of 0.5% V_2O_5 (Attachment 1). This cut-off grade appears to best represent the higher-grade massive magnetite bands that will be the target for any selective mining of the deposit. This is also the highest grade of any of the major vanadiferous magnetite deposits in Western Australia.

The estimated resource grade is consistent with the company's aim of achieving a head grade of about 0.8% V_2O_5 as feed for a processing plant.

The deposit tonnage within the resource envelope is sensitive to lower block cut-off grades. If a block cut-off grade of 0.3% V_2O_5 is applied there is a substantial increase in tonnage to an estimated 79.8 Mt but at a much reduced grade of 0.50% V_2O_5 , 10.4% TiO_2 , 33.0% Fe_2O_3 (Attachment 1).

Forward work

A second phase of diamond drilling will commence this week and a third phase of RC drilling is scheduled to commence in September. This will include some infill drilling and twinning of previous drill holes to improve confidence levels in resource classification for upgrading to Measured Resource status.

A representative area of the mineralisation will be selected for drilling of very closely spaced drill holes to improve the understanding of short range continuity within both the Eastern Band and Central Bands, and to test the interpreted connectivity of high grade lodes of the Central Bands.

Additional drilling will be targeted around cross-cutting structures to confirm the presence of the faults and improve confidence in the interpreted off-sets.

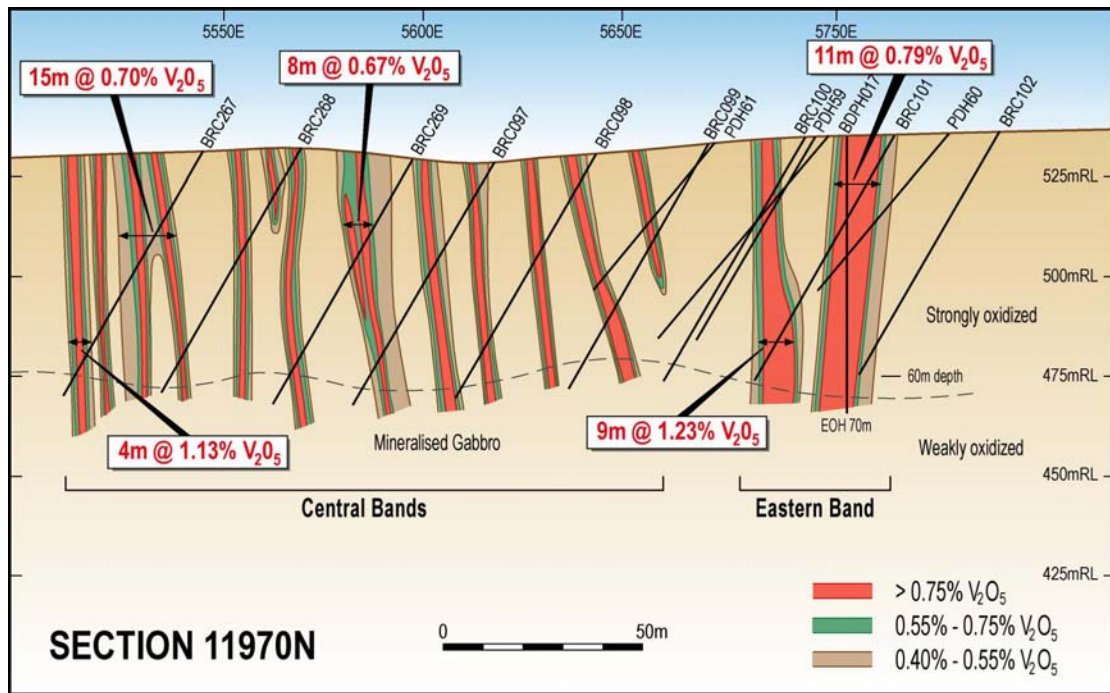


Figure 1 Drill section 11970mN in the central part of the Bay segment of the Barrambie deposit showing the interpreted distribution of high-grade (>0.55% V₂O₅) bands, including several high-grade intersections within the Central Bands (interpretation by Bryan Smith Geosciences). The Eastern Band is the thick band on the eastern (right) side of the section. High-grade intercepts highlighted are for true widths of some of the more significant bands and may include narrow intersections of benign dilution (i.e., <0.55% V₂O₅). Drill holes with a PDH or BDPH prefix are from previous drilling programmes.

MARKET PRICE

The current price of vanadium is quoted by the Ryans Notes at US\$7.50/lb (28 July 2007). The primary use for vanadium is to harden steel.

C J Reed
EXECUTIVE DIRECTOR

Competent Persons Statement

Information in this report that relates to Mineral Resources is based on information compiled by Ms Stephanie Gotley and Mr Paul Blackney both Members of the Australasian Institute of Mining and Metallurgy (AUSIMM), and Dr Bryan Smith a Member of the Australian Institute of Geoscientists (AIG).

Ms Stephanie Gotley, Consultant Resource Geologist, and Mr Paul Blackney, Divisional Manager Resource Evaluation, are employed as consultants at Snowden and produced the resource estimate based on assay data and geological interpretations provided by Reed Resources Ltd. Ms Gotley and Mr Blackney have sufficient experience 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 Exploration Results Mineral Resources and Ore Reserves". Ms Gotley and Mr Blackney consent to the inclusion in this report of the matters based on their information in the form and context in which it appears.

Dr Bryan Smith (Bryan Smith Geosciences), employed as a consultant geologist by Reed Resources Ltd, has compiled and provided drilling results and geological interpretations for Mineral Resource estimates. Dr Smith 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". Dr Smith consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

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.

ATTACHMENT 1

Mineral Resource Estimates for the Barrambie V-Ti deposit, as at August 2007, for lower block cut-off grades of 0.50% V₂O₅ and 0.30%V₂O₅.

Mineral Resource estimate for a block cut-off grade of 0.50% V₂O₅

| Category | Ore type | Band(s) | Tonnes (Mt) | V ₂ O ₅ (%) | TiO ₂ (%) | Fe ₂ O ₃ (%) | |
|----------------|----------------|-----------|-------------|-----------------------------------|----------------------|------------------------------------|-------------|
| Indicated | 'Oxide' | Eastern | 2.6 | 0.77 | 24.1 | 46.6 | |
| | | Central | 3.5 | 0.89 | 12.0 | 46.2 | |
| | | Sub-total | 6.1 | 0.84 | 17.2 | 46.3 | |
| | 'Transitional' | Eastern | 0.2 | 0.77 | 25.3 | 51.1 | |
| | | Central | 0.2 | 0.95 | 12.5 | 51.7 | |
| | | Sub-total | 0.4 | 0.86 | 19.0 | 51.4 | |
| | 'Fresh' | Eastern | 0.02 | 0.75 | 23.6 | 55.2 | |
| | | Central | 0.01 | 0.99 | 11.9 | 53.3 | |
| | | Sub-total | 0.03 | 0.85 | 18.8 | 54.4 | |
| | Total | | | 6.5 | 0.84 | 17.3 | 46.6 |
| | Inferred | 'Oxide' | Eastern | 3.4 | 0.75 | 26.3 | 47.4 |
| | | | Central | 4.4 | 0.88 | 12.4 | 46.5 |
| Sub-total | | | 7.9 | 0.83 | 18.5 | 46.9 | |
| 'Transitional' | | Eastern | 1.1 | 0.7 | 25.5 | 50.7 | |
| | | Central | 1.5 | 0.89 | 12.7 | 50.0 | |
| | | Sub-total | 2.6 | 0.81 | 18.1 | 50.3 | |
| 'Fresh' | | Eastern | 2.9 | 0.69 | 24.5 | 51.3 | |
| | | Central | 3.8 | 0.90 | 12.8 | 52.1 | |
| | | Sub-total | 6.7 | 0.81 | 17.8 | 51.7 | |
| Total | | | 17.1 | 0.82 | 18.1 | 49.2 | |
| Total | | | 23.6 | 0.82 | 17.9 | 48.5 | |

All tonnage and grade figures have been rounded down to two and three significant figures, respectively; slight errors may occur due to rounding of values.

Mineral Resource estimate for a block cut-off grade of 0.30% V₂O₅

| Category | Ore type | Band(s) | Tonnes (Mt) | V ₂ O ₅ (%) | TiO ₂ (%) | Fe ₂ O ₃ (%) | |
|----------------|----------------|-----------|-------------|-----------------------------------|----------------------|------------------------------------|-------------|
| Indicated | 'Oxide' | Eastern | 4.3 | 0.62 | 21.6 | 41.6 | |
| | | Central | 16.1 | 0.49 | 7.2 | 28.6 | |
| | | Sub-total | 20.4 | 0.51 | 10.2 | 31.3 | |
| | 'Transitional' | Eastern | 0.3 | 0.62 | 22.3 | 47.5 | |
| | | Central | 0.9 | 0.48 | 6.9 | 32.5 | |
| | | Sub-total | 1.2 | 0.52 | 11.0 | 36.5 | |
| | 'Fresh' | Eastern | 0.03 | 0.61 | 20.7 | 50.5 | |
| | | Central | 0.04 | 0.54 | 7.0 | 34.3 | |
| | | Sub-total | 0.07 | 0.57 | 13.0 | 41.4 | |
| | Total | | | 21.7 | 0.52 | 10.2 | 31.6 |
| | Inferred | 'Oxide' | Eastern | 5.9 | 0.61 | 22.7 | 43.0 |
| | | | Central | 19.8 | 0.48 | 7.2 | 28.9 |
| Sub-total | | | 25.7 | 0.51 | 10.8 | 32.2 | |
| 'Transitional' | | Eastern | 1.9 | 0.57 | 22.4 | 46.3 | |
| | | Central | 6.8 | 0.48 | 7.2 | 31.6 | |
| | | Sub-total | 8.7 | 0.50 | 10.5 | 34.8 | |
| 'Fresh' | | Eastern | 4.9 | 0.58 | 22.2 | 47.1 | |
| | | Central | 18.7 | 0.46 | 6.9 | 31.2 | |
| | | Sub-total | 23.6 | 0.49 | 10.1 | 34.5 | |
| Total | | | 58.0 | 0.50 | 10.4 | 33.5 | |
| Total | | | 79.8 | 0.50 | 10.4 | 33.0 | |

All tonnage and grade figures have been rounded down to two and three significant figures, respectively; slight errors may occur due to rounding of values.

Notes to accompany Mineral Resource estimates:

1. Resource estimation has been completed by Snowden Mining Industry Consultants Pty Ltd ("Snowden"). using the geology, mineralisation interpretations and data supplied by Reed Resources Ltd ('Reed').
2. The reported tonnages and grades are in accordance with the guidelines and recommendations of the JORC Code (December 2004).
3. The resource estimate is based on 278 reverse circulation (RC) and 10 diamond drill holes, including 260 RC drill holes that were drilled by Reed during the period 30 January – 26 May, 2007. Historical open hole percussion drillholes (87 drillholes) were not used.
4. Snowden has reviewed the drilling and sampling database underlying the resource estimate and has undertaken a preliminary analysis of available QAQC data. Snowden believes that the drilling data is of sufficient quality to support the resource classifications applied to the Barrambie Mineral Resource estimate, subject to complete review of QAQC data

5. Assay determinations were carried out by XRF analysis, as outlined in previous announcements (2 March, 4 April, 1 May, 14 June and 23 July 2007), except for four early diamond drillholes which used AAS.
6. Variograms were developed and interpreted by Snowden to define the observable spatial relationship of the V_2O_5 , TiO_2 , Fe_2O_3 assay grades.
7. Densities of 1.54 t/m^3 for oxide, 2.41 t/m^3 for transitional and 2.60 t/m^3 for 'fresh' have been applied to the block model. Within the oxide domain, densities have been further divided by setting the Eastern Band high and low grade to 1.81 t/m^3 and the Central Zone high grade to 1.44 t/m^3 . The oxide and transitional density values are based on down-hole nuclear densitometer measurements completed in 1999 (381 oxide measurements and 5 transitional measurements); the 'fresh' density is as applied for the previous resource estimate.
8. The Barrambie Mineral Resource model is based on estimating grade into 10 mE by 40 mN by 5 mRL with maximum subcell resolution of 1.25 mE by 10 mN by 1.25 mRL.
9. Block grades were interpolated into the 3-D block models using an Ordinary Kriging algorithm and were "constrained" according to the local mineralisation domain geometry, and also the interpreted structural regime.
10. Current drill spacing at Barrambie can be divided into two configurations of approximately 120 mN by 25 mE and 200 mN by 25 mE. Along strike maximum grade continuity range for V_2O_5 in the Eastern Band is 220 m and in the Central Bands is 120 m.
11. Areas with 120 m by 25 m drill spacing have been classified as Indicated Resources, except in some areas where kriging variance has identified lower confidence grade extrapolation and where resource envelopes have been extrapolated to terminate at interpreted faults. These areas are included in the Inferred Resources.
12. Areas of 200 m by 25 m drill spacing have been classified as Inferred Resources. An Inferred Resource classification has also been applied in areas where there is significant variation in the dip of the interpreted bands (around 11200 mN) and to material extrapolated below the base of drilling.
13. Snowden's recommended resource classification is based upon a number of criteria, including the geological confidence, the integrity of the data, the spatial continuity of the mineralisation as demonstrated by variography, and the quality of the estimation.
14. Ordinary block kriging was used to estimate V_2O_5 , TiO_2 , Fe_2O_3 , Al_2O_3 and SiO_2 grades into a constrained block model reflecting the interpreted mineralised zones. Where appropriate, grade capping was applied prior to estimation. Search ellipses and ranges used in the estimation reflect the spatial continuity and the mineralisation trends of the mineralised domains