

## EXECUTES MILESTONE MOU FOR VANADIUM SALES & MARKETING

The Board of Reed Resources Ltd is pleased to advise that it has entered into a Memorandum of Understanding ("MOU") with one of the world's leading commodity traders to market and sell the total annual vanadium output of the Barrambie Vanadium Project.

The agreement is for the term of ten years from practical completion and fees have been set at industry standards. The identity of the counterparty remains confidential under the MOU until the completion of the Feasibility Study.

The company's marketing objective is to focus on the top tier of consumers/traders requiring long-term supply relationships. The financial strength and market penetration of the counterparty supports this strategy and the project will now proceed confidently to the next stage of development.

The company is conducting a process optimisation study which when finalised will result in the commencement of the Feasibility Study. The aim of the process optimisation study is to:

- Follow up opportunities identified in the February 2006 Pre-Feasibility Study to refine the project's operating/capital costs with the goal of making Barrambie the lowest cost producer in Australia.
- Undertake further confirmation testwork to be used in the preparation of the Feasibility Study.

The study results are expected in November 2006.



Chris Reed  
**EXECUTIVE DIRECTOR**

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### Background



### **2006 Pre-Feasibility Study Results**

At a throughput of 2Mt per year, producing 20M/lbs per year, mine life exceeds 12 years, the capital cost is A\$256 million, and the project has, on an un-g geared pre-tax basis:

- **NPV of A\$379M using 12% discount rate**
- Internal Rate of Return of 40%
- Payback of 4 years
- **Operating Cost of A\$2.67 (US\$2.00) per pound V<sub>2</sub>O<sub>5</sub>.**

Current market price is US\$7.50/lb.

