

BARRAMBIE ADVANCES TO FULL FEASIBILITY STUDY

The Board of Reed Resources Ltd (Reed) is pleased to announce that it has decided to progress the Barrambie Vanadium Project to the next stage and a full feasibility study has been commissioned to commence immediately.

Reed has appointed Mr Ken Hellsten of Hellsten Resource Management Services as Project Manager of the Feasibility Study for the development of a treatment plant to produce Vanadium Pentoxide (V_2O_5) from its Barrambie Deposit. Mr Hellsten has lead teams responsible for the completion of feasibility studies and project development of the Cawse and Ravensthorpe nickel laterite projects.

The pre-feasibility study indicated that the production of 20 million pounds of V_2O_5 per annum from 2 million tonnes of ore over an initial minelife of 12 years was both technically feasible and economically viable. The study concluded that Barrambie is amenable to mining via shallow open-pit mining techniques and conventional crushing, grinding and magnetic separation to produce a concentrate, salt roast – leaching of the magnetic concentrate achieved recoveries exceeding 95%.

Reed has entered into a MOU with one of the world's leading commodity traders to market and sell the total annual vanadium output of the Barrambie Vanadium Project for the first ten years from practical completion. The financial strength and market penetration of the counterparty ensures the project can now proceed confidently to the next stage of development. The identity of the counterparty remains confidential under the MOU until the completion of the Feasibility Study by June 2008.

The feasibility study is expected to take 15 months, the first stage of which would entail more drilling for the following purposes:

- To improve the confidence, identify potential higher grade zones and extend the existing resource to deliver sufficient indicated and measured oxide resources to support a ≥ 25 year operation
- To confirm indications of an understatement of resource grade and density in older open-hole percussion drilling, which would increase the overall resource grade
- To supply a range of material samples at various grades for a comprehensive program of metallurgical testwork, including pilot scale programs.

The first stage would also involve confirmation testwork of the beneficiation flowsheets on both the disseminated 'Central' and massive 'Eastern' components of the orebody to select the preferred feed for the initial years of operation for pilot scale testwork on both the beneficiation and salt roast-leach circuits.



The second stage will be comprehensive engineering and design study, capital and operating cost estimates, a new ore reserve estimate, an implementation plan and government approvals.



Chris Reed
EXECUTIVE DIRECTOR

Background



2006 Pre-Feasibility Study Results

At a throughput of 2Mt per year, producing 20M/lbs V_2O_5 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_2O_5 .**

Current market price is US\$6.50/lb V_2O_5 .