

MT FINNERTY NICKEL FARM-IN WITH WESTERN AREAS

The Board of Reed Resources Ltd (ASX:RDR) (“Reed”) is pleased to announce that it has executed a Heads of Agreement with Western Areas NL (ASX:WSA) (“Western Areas”) to explore for nickel sulphides on certain tenements at the Mt.Finnerty Project (Reed 100%), 65 km east of Koolyanobbing (Figure 1).

BACKGROUND

Exploration by Reed has identified an ultramafic flow sequence, up to 3 km thick, on the west side of the Watt Hills (Hunt Range) Greenstone Belt within the Company’s Mt Finnerty tenements. Previous nickel sulphide exploration over this ultramafic sequence was limited to a brief programme of wide-spaced soil sampling, an IP survey and some percussion drilling that was undertaken by WMC prior to 1968.

A recent review of the Company’s geological mapping, initial drilling program and interpretation of aeromagnetic survey data, and of previous nickel sulphide exploration, confirmed the presence of a coherent sequence of spinifex-textured komatiitic ultramafic flows along the western flank of the greenstone belt (Figure 2). The basal contact between the east-facing ultramafic sequence and underlying basalt is likely to be preserved for much of its length through the Company’s Mt Finnerty tenements. This basal ultramafic contact is the principal target for nickel sulphide mineralisation.

The agreement with such a successful and progressive nickel producer as Western Areas, particularly with its Flying Fox nickel mine, and its experience and success in nickel exploration, confirms the Board’s view that the Mt Finnerty project covers one of the most under-explored, fertile ultramafic sequences in the Eastern Goldfields.

TERMS

The key terms of the Heads of Agreement are:

- Western Areas can earn an initial 51% interest in the nickel rights to the tenements by \$1.5 million expenditure within a 3-year period.
- Western Areas can elect to earn an additional 14% interest by further expenditure of \$1.5 million on the tenements, within 2-years of election.
- Western Areas can withdraw from the agreement at any time after reaching a minimum expenditure of \$200,000 on the tenements.
- Western Areas and Reed will negotiate the terms of a formal joint venture agreement to exploit all nickel deposits discovered on the tenements



By order of the Board,

A handwritten signature in black ink, appearing to read 'C Reed', written in a cursive style.

Chris Reed

EXECUTIVE DIRECTOR

Geological aspects of this report have been compiled by Dr Peter Collins (MAIG), a Director of Reed Resources Ltd. Dr Collins has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which is being reported on to qualify as a Competent Person as defined in the Code for Reporting of Mineral Resources and Ore Reserves. Dr Collins consents to the inclusion in the report of the matters in the form and context in which it appears.

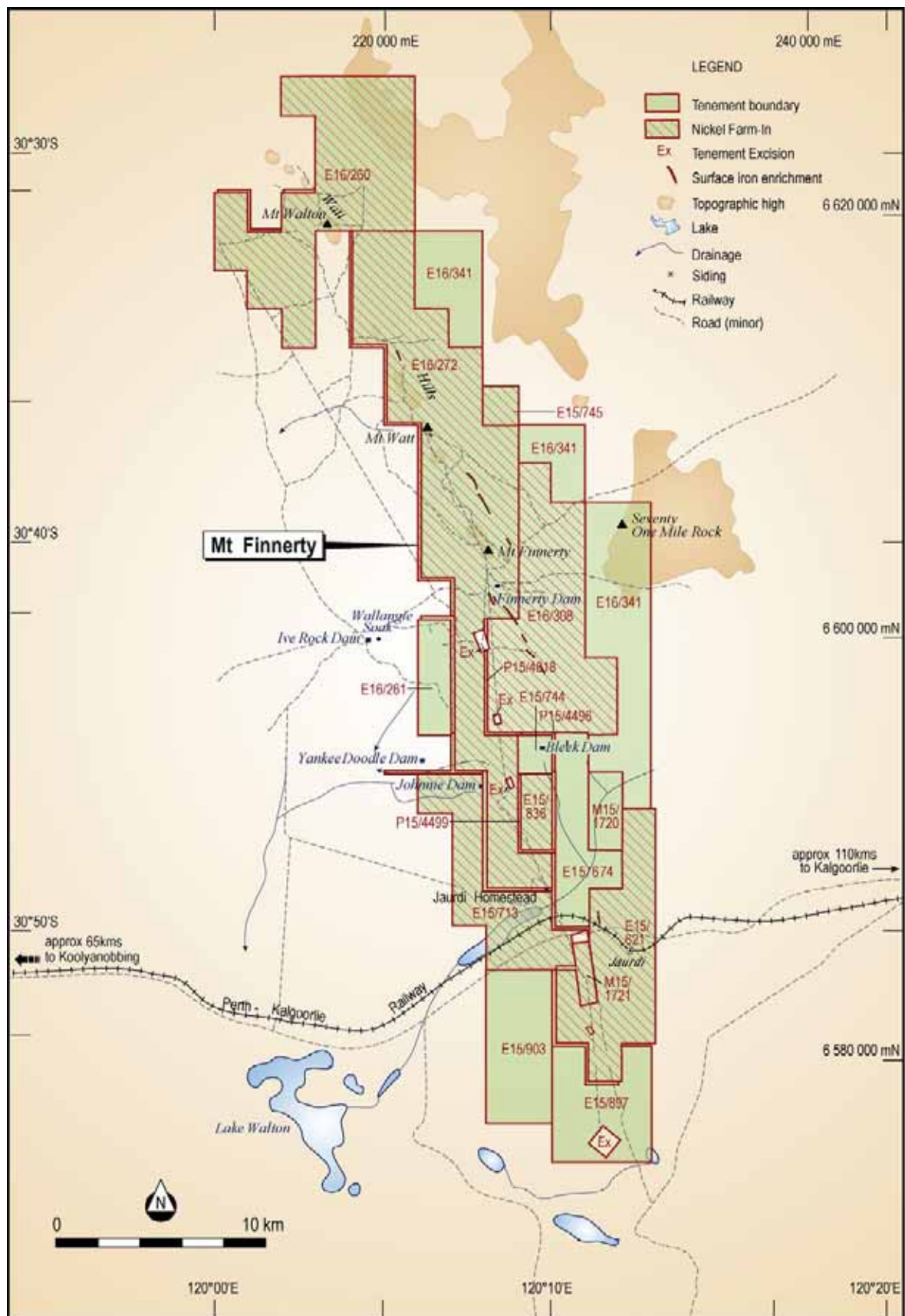


FIGURE 1. Tenement plan of the Mt Finnerty Project showing the tenements subject to a joint venture with Western Areas NL.

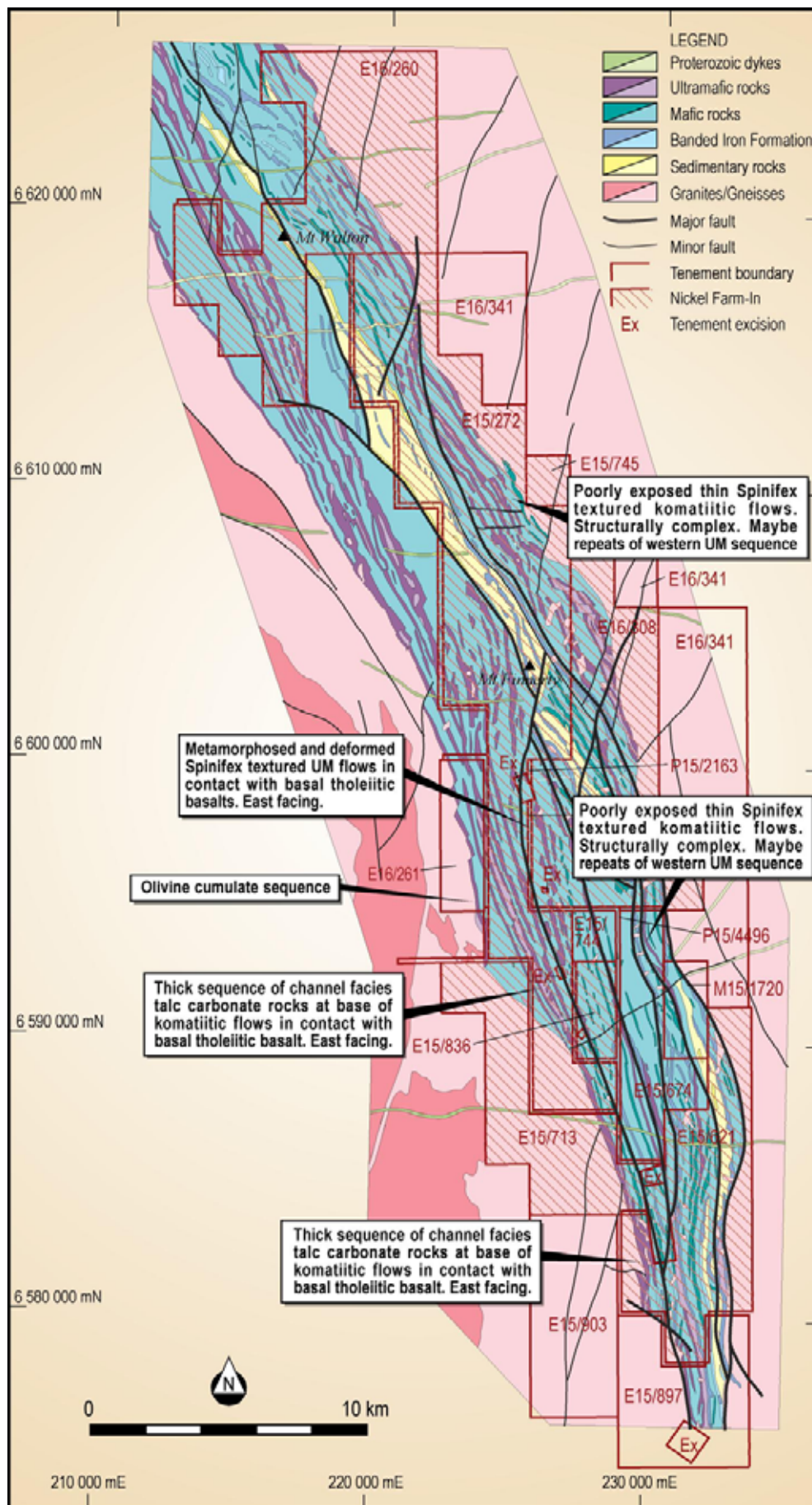


FIGURE 2. Interpreted bedrock geology of the Mt Finnerty Project (interpretation by Southern Geoscience Consultants) with the areas of key interest highlighted.