

**GOLD PRODUCTION AND
NICKEL EXPLORATION UPDATE**

18 OCTOBER 2007

Highlights

- Third toll treatment campaign produces 1,498 oz Au.
- Estimated cash cost A\$498/oz, generating margin of A\$332/oz.
- Western Areas NL commences RAB drilling at Mt Finnerty.

Reed Resources Ltd (ASX:RDR) announces the results of the third toll-treatment campaign of ore from the Sand Queen Gold Mine, situated at Comet Vale, 100 kilometres north of Kalgoorlie.

Under the joint venture with Kingsrose Mining, Reed is required to truck and toll-treat the ore for 50% of the contained gold.

A parcel of 7,749 tonnes, comprising 5,226t of stoping ore grading 7.87 g/t Au and 2,522t of development ore grading 4.56 g/t Au from the Sand George deposit has been processed at Higginsville Mining's Greenfields plant at Coolgardie during the last week of September. The bullion reconciled grade was 6.80 g/t Au, which is 7% lower than the expected grade.

A total of 1,498 ounces of gold and 77 ounces of silver have been extracted of which 734 ounces of gold has been credited to Reed.

The gravity circuit recovered about 64% of the gold with a total gold recovery of 90% calculated from the metallurgical balance. The leach and adsorption kinetics of the ore parcel were low, around 75% and the tail grade was about 0.60 g/t Au. The total gold recovery rate was significantly lower than the previous two campaigns and metallurgical investigations and contingencies are being put in place to ensure future recoveries are maximised.

The cash cost of production is estimated at A\$498/oz generating a margin of A\$323/oz on the 734 ounces sold at spot rate of A\$830.20/oz. All production is unhedged.

Mining is continuing on the 2 and 3 Levels, production levels and broken ore stocks are steadily increasing. Development is continuing on the 3 Level.

**Mt Finnerty Nickel Sulphide Joint Venture
(Western Areas NL earning 65% Ni rights)**

Western Areas NL (ASX:WSA) has commenced a program of 300 RAB drill holes testing the footwall contact of the basal Western Ultramafic unit. Initial exploration on selected areas of the Western Ultramafic sequence identified four highly anomalous soil geochemical anomalies that are coincident with the basal ultramafic/basalt contact, spread over 10 km of strike (Figure 1).



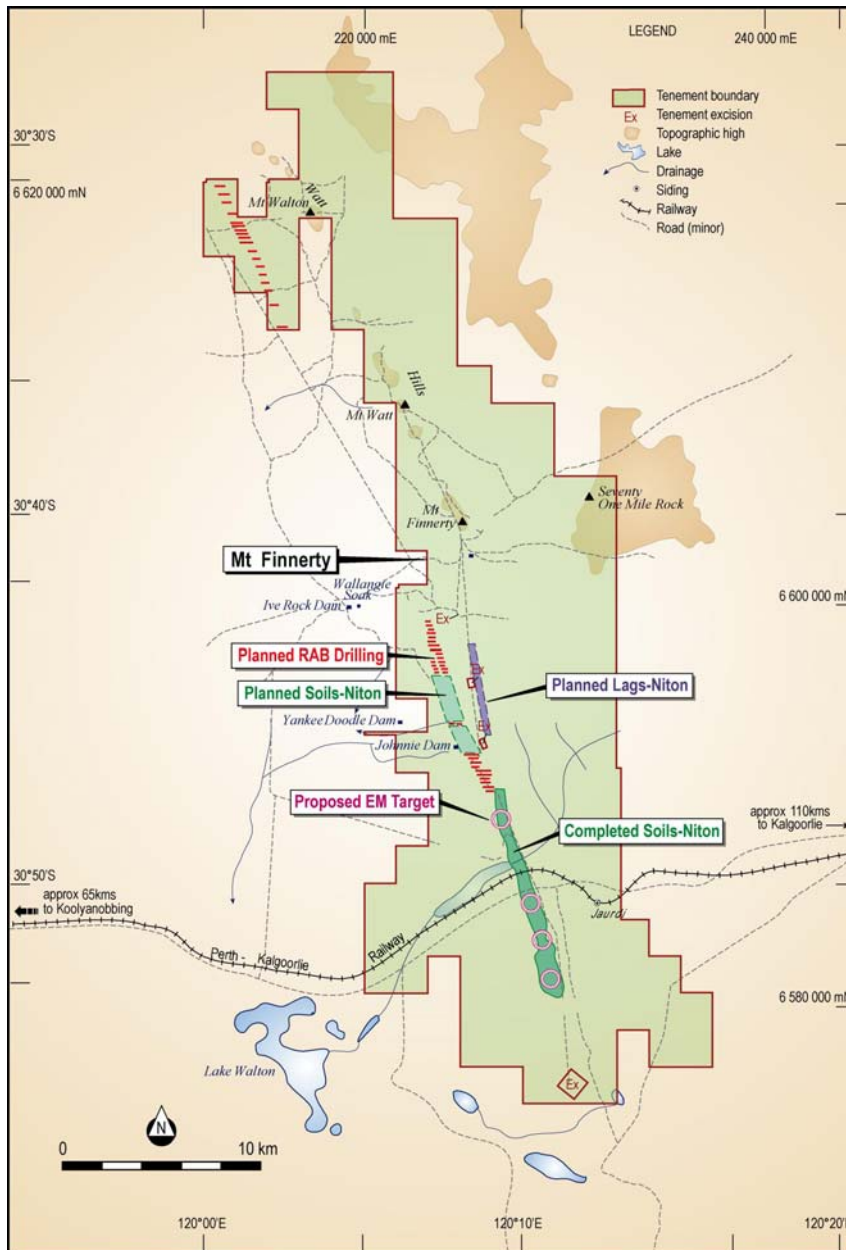


Figure 1 Completed and planned exploration of the Western Ultramafic sequence by Western Areas.

Soil geochemical anomalies have been refined and field inspected for follow-up ground EM/IP surveys, and subsequent RC drilling. The first surface EM survey over one of these geochemical anomalies is planned to commence next month.

Chris Reed

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Information relating to Exploration Results, Mineral Resources or 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.

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 Definitive Feasibility Study on 20M lb per annum Vanadium Pentoxide operation.