

28 APRIL 2009

OPTION SECURED ON STRATEGIC PROCESSING PLANT

Highlights

- Option secured over 250,000 tpa precious metal processing plant
- Resource optimization and reserve calculations underway enable fast track evaluation of open pit operations (100% RDR)
- Combined, shallow (<50m) measured and indicated resources at Comet Vale of 192,000 tonnes at 2.6 g/t Au for 16,200 ounces of gold
- Potential removal of milling risk/production limits from current processing/ore-sale arrangements

Reed Resources Ltd (ASX: RDR) ("Reed") is pleased to advise it has entered into a binding letter agreement with Polymetals Group Pty Ltd ("PGPL") giving Reed an exclusive option to acquire the Nimbus Silver Project and Processing Plant, 15km southeast of Kalgoorlie. Reed and PGPL intend to enter into a more detailed option agreement shortly, on terms not different in substance from those outlined in the binding letter agreement.

Summary of Key Terms regarding Nimbus Project

- A\$50K option fee payable to PGPL;
- Option exercisable by Reed on or before 31 August 2009; and
- A\$2.25M cash payable by Reed on exercise of option.

An independent valuation in 2008 valued the plant and associated equipment at a replacement value (not installed) of A\$7M. Reed is aware that such mills are extremely difficult to locate in the existing market and represents significant value to the Company.

Benefits of Acquisition

Acquisition of a processing plant will enable Reed to further develop its strategy of increasing its level of profitable gold production, from its share of the high-grade Sand Queen Production Joint Venture (Table 1) and in its own right through the exploitation of shallow gold resources (Figure 1; Table 2), in unweathered rock, amenable to low-cost open pit mining and processing through a Merrill-Crowe gold recovery circuit, currently owned by PGPL and installed at Nimbus.

The Comet Vale gold ores are highly amenable to gravity recovery followed by leaching, and the Nimbus plant, which includes a yet to be installed gravity circuit, will enable both open pit and underground ores to be processed at their optimal conditions.

The Nimbus Project comprises two granted mining leases (M26/490, M26/598). PGPL commenced mining in early 2004 and produced approximately 3M oz of silver from two open pits before ceasing mining operations in late 2006. The processing plant (Figures 2, 3 and 4) was placed on care and maintenance in late 2007. There is significant base metal exploration upside and in-situ high-grade silver mineralization beneath the current pit floors.



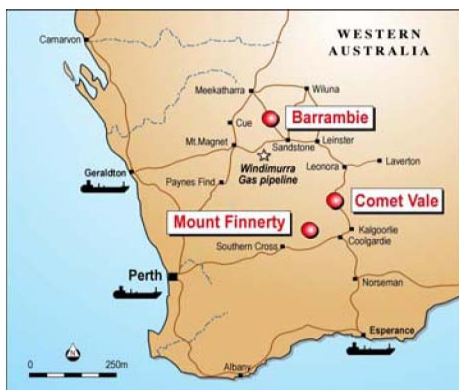
Forward Work Program

Technical and environmental due diligence on the Nimbus Project and processing plant will be undertaken by Reed prior to exercising the option. Reed will complete an operational feasibility review to definitively establish the quantum and grade of Comet Vale open pit ore reserves and detail the scope and timetable of site operations to commence open pit mining and refurbishment of the mill. Pit optimisation and reserve calculations are being undertaken on the Sand Prince West and Princess Grace resources. Previous optimisation studies indicated that a large proportion of the resources could be economically mined.

Chris Reed
Managing Director
Tel: 08 9322 1182

Geological aspects of this report that relate to Exploration Results have been compiled by Dr Bryan Smith (MAIG), a consultant to Reed Resources Ltd. Dr Smith 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 Smith consents to the inclusion in the report of the matters in the form and context in which it appears.

Although Reed remains optimistic about the potential of the Nimbus tenements, any reference to the terms "ore" and "high-grade" in this report is conceptual in nature. Use of the term "grade(s)" is not intended to represent the grade of a resource.



Reed Resources is a diversified mining and exploration Company based in Western Australia, with modest gold production the Company is 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 Kingsrose Mining Limited. Nickel Laterite JV with Heron Resources NL.

Barrambie – Completing Definitive Feasibility Study on Ferrovandium operation.

Mt.Finnerty – Iron Ore JV with Cliffs Natural Resources. Nickel JV with Western Areas NL

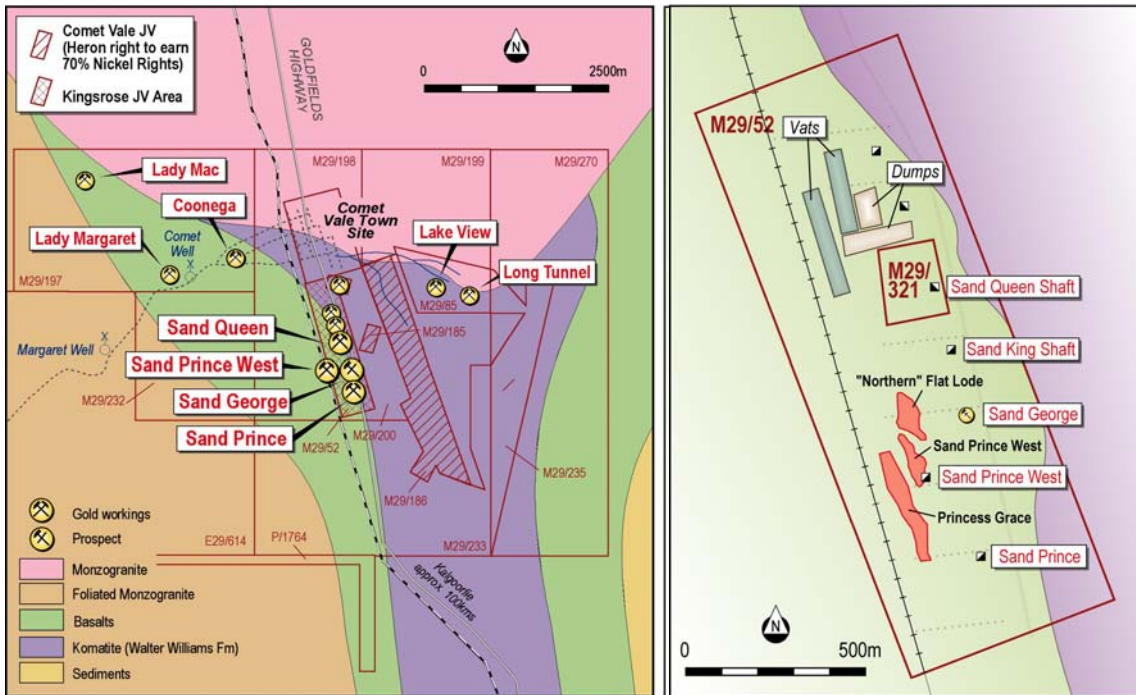


Figure 1. Tenement plan of Comet Vale Project (left) and location of near surface gold resources at Sand Prince West and Princess Grace deposits that are potentially suitable for open pit mining, and nearby infrastructure within Mining Lease M29/52 (right).



Figure 2. Ball mill and leaching tanks at Nimbus processing plant (photo courtesy: Polymetals Group Pty Ltd).

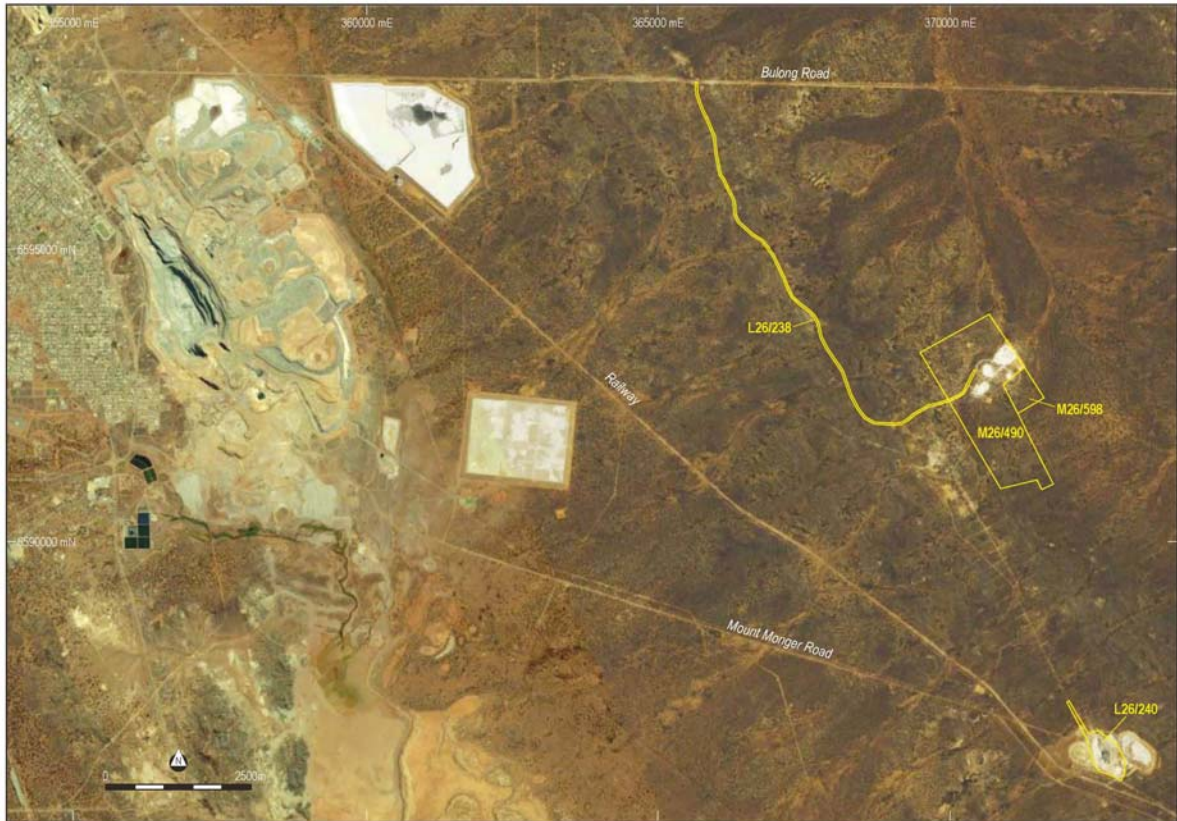


Figure 3. Location of tenements (M26/490, M26/598) and Nimbus Silver Project and processing plant about 15 km east of Kalgoorlie (image courtesy: Polymetals Group Pty Ltd).



Figure 4. Processing plant, surface infrastructure and open pits at Nimbus project, within Mining Leases 26/490 and 26/598 (image courtesy: Polymetals Group Pty Ltd).

Table 1. Mineral Resource estimates for the Sand Queen mine, Comet Vale project (at a cut-off grade of 5 g/t Au) previously released to ASX 2 December 2008.

Resource Category	Tonnes	Grade g/t Au	Contained gold ounces
Indicated	329,000	9.2	97,100
Inferred	332,000	8.0	85,500
Total	661,000	8.6	182,600

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

Table 2 Mineral Resource estimates (this announcement) for potential open pit mining of gold deposits at Sand Prince West, Princess Grace and Coonega prospects (previously released to ASX 23 November 2006 and 24 July 2007).

Resource Category	Tonnes	Grade g/t Au	Contained gold ounces
Princess Grace (1 g/t Au lower cut, no upper cut required)			
Indicated	93,000	2.8	8,400
Inferred	13,000	1.6	600
Total	106,000	2.7	9,000
Coonega (1 g/t Au lower cut, 12 g/t Au upper cut)			
Inferred	106,000	2.2	7,500
Total	106,000	2.2	7,500
Sand Prince West (1 g/t Au lower cut, no upper cut required)			
Measured	53,000	2.7	4,600
Indicated	46,000	2.2	3,200
Inferred	21,900	2.1	1,500
Total	121,000	2.4	9,300
Combined Resources (1 g/t Au lower cut)			
Measured	53,000	2.7	4,600
Indicated	139,000	2.6	11,600
Inferred	141,000	2.1	9,600
Total	333,000	2.4	25,800

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