

BARRAMBIE VANADIUM PROJECT

7 MAY 2008

FEASIBILITY STUDY UPDATE AND REVISED MINERAL RESOURCE ESTIMATE

Highlights

- Expansion of Definitive Feasibility Study to produce Ferrovandium:
**Achieves significant price premium over vanadium pentoxide.
Enhances project economics.**
- Significant increased recoveries and reductions in throughput rates from Optimisation Study testwork and metallurgical characterisation.
- New Mineral Resource estimate increases resource by 50 % and confirms Barrambie as an **exceptionally high-grade deposit with 0.82 % V₂O₅** (using a 0.5 % V₂O₅ block cut-off grade). This is the highest resource grade of any of the major vanadiferous magnetite deposits in Australia.

EXPANSION OF DFS TO PRODUCE FERROVANADIUM

The Company is pleased to announce the addition of a Ferrovandium circuit to the Definitive Feasibility Study ("DFS"). The conversion of vanadium pentoxide (V₂O₅) (9,000 tpa) to ferrovandium (FeV80) (6,300 tpa) as the final product, will add significant value to the product stream, as ferrovandium achieves a significant price premium over vanadium pentoxide.

We expect to further enhance the economics of the operation by producing ferrovandium from vanadium trioxide (V₂O₃), rather than from vanadium pentoxide (V₂O₅). An optimisation study testing the economics of this is currently running in parallel with the DFS.

SIGNIFICANT RESULTS FROM OPTIMISATION STUDY

Early results from an Optimisation Study running in parallel with the DFS indicate that the inclusion of reverse floatation and 'high grading' the deposit, based on metallurgical characterisation, indicate significantly increased recoveries and reduced throughput rates are achievable.

The Company's aim is to establish Barrambie as the world's most technologically advanced vanadium mine and processing plant, thereby maximising the sustainable competitive advantages generated by the highest grade resource in Australia.



The Board has approved the drill-out of the remaining 6 km of strike at the northern end of the granted Mining Lease. Wide-spaced drilling in 2007 confirmed the continuation of the vanadiferous magnetite-ilmenite mineralisation throughout the full length of the Mining Lease. The additional drilling will contribute to a substantial increase in Mineral Resources.

MINERAL RESOURCE ESTIMATE

Snowden Mining Industry Consultants Pty Ltd (Snowden) has completed an update of the Mineral Resource estimate for the Barrambie deposit, with inclusion of assay and density results from the latest phase of drilling, and updated weathering interpretations. The new density data is considered to be of better quality than previous work, and has resulted in a significant increase in the tonnage estimated for the Barrambie mineralisation compared with the previous resource. The Resource has been reported by weathering type ('oxide', 'transitional' and 'fresh') and resource classification for cut-off grades of 0.3% V_2O_5 and 0.5% V_2O_5 (Attachment 1).

The Mineral Resource has been estimated over a strike length of 5 km between 7535 mN and 12600 mN (local grid). This is equivalent to about 40% of the interpreted total strike length of about 11 km of vanadiferous-titaniferous magnetite mineralisation within Mining Lease M57/173.

The total **Indicated and Inferred Mineral Resource** is estimated at 36.3 Mt at **0.82% V_2O_5** , 17.7% TiO_2 and 49.2% Fe_2O_3 at a block cut-off grade of 0.5% V_2O_5 (Attachment 1). This cut-off grade appears to best represent the higher grade massive magnetite bands that will be the target for any selective mining of the deposit. This is also the highest resource grade of any of the major vanadiferous magnetite deposits in Western Australia.

The estimated Mineral Resource grade of 0.82% V_2O_5 is consistent with the company's aim of achieving as higher head grade as possible to feed the processing plant.

The deposit tonnage within the resource envelope is sensitive to lower block cut-off grades. If a block cut-off grade of 0.3% V_2O_5 is applied there is a substantial increase in tonnage to an estimated 110.4 Mt but at a reduced grade of 0.52% V_2O_5 , 10.8% TiO_2 and 34.2% Fe_2O_3 (Attachment 1).

FORWARD WORK

A final phase of RC drilling has been permitted and will commence this month with a second phase of diamond drilling to commence in July, enabling a final resource and reserve estimate by the end of September 2008, after which time the Company will release the results of its financial modelling.

The addition of the Ferrovandium circuit will delay the release of the DFS results until mid August 2008. The concurrent Optimisation Study will result in revised Capital and Operating Costs and a Financial Model being available in early January 2009, at which time the Board will make its investment decision.

The decision to defer the investment decision until the completion of the Optimisation Study is a prudent approach given the magnitude of its potential revenue and cost benefits, the cost pressures in the WA construction market and international debt markets.

The counterparty to the Sales and Marketing Agreement has agreed to extend the date for DFS completion as a condition precedent, to 15 August 2008.

Chris Reed
MANAGING DIRECTOR

Competent Persons Statement

Information in this report that relates to Mineral Resources is based on information compiled by Ms Stephanie Gotley and Mr Paul Blackney both Members of the Australasian Institute of Mining and Metallurgy (AusIMM), and Dr Bryan Smith a Member of the Australian Institute of Geoscientists (AIG).

Ms Stephanie Gotley, Consultant Resource Geologist, and Mr Paul Blackney, Divisional Manager Resource Evaluation, are employed as consultants at Snowden and produced the resource estimate based on assay data and geological interpretations provided by Reed Resources Ltd. Ms Gotley and Mr Blackney have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results Mineral Resources and Ore Reserves". Ms Gotley and Mr Blackney consent to the inclusion in this report of the matters based on their information in the form and context in which it appears.

Dr Bryan Smith (Bryan Smith Geosciences), employed as a consultant geologist by Reed Resources Ltd, has compiled and provided drilling results and geological interpretations for Mineral Resource estimates. Dr Smith has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity, which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results Mineral Resources and Ore Reserves". Dr Smith consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Reed Resources is a gold miner based in the Eastern Goldfields of Western Australia, with modest production and sound margins we are expanding and diversifying our production base into steel minerals. Reed Resources has three main projects all in Western Australia:



Comet Vale - High-grade underground gold mine in JV with Kingsose Mining Limited. Increasing production to 35k oz in 2008/09. Nickel Laterite JV with Heron Resources NL.

Mt.Finnerty – Iron Ore JV with Portman Ltd
Nickel JV with Western Areas NL

Barrambie – Completing Bankable Feasibility Study on 20M lb per annum equivalent Vanadium Pentoxide operation.

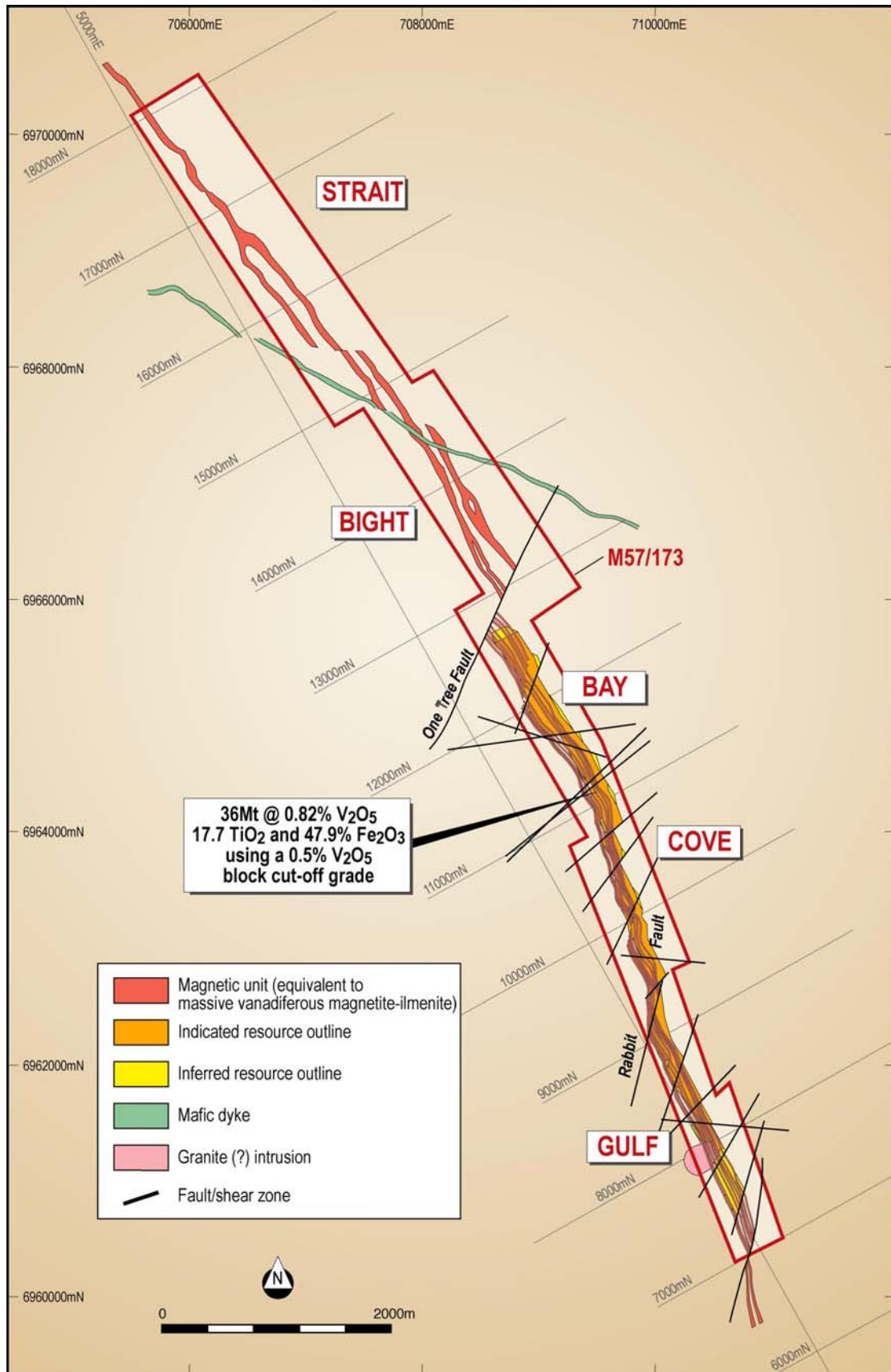


Figure 1 Barrambie Vanadium Project showing Plan of Mineral Resource Estimate over local grid. Distribution of vanadiferous magnetite mineralisation is based on interpretation of aeromagnetic survey data

ATTACHMENT 1

Mineral Resource estimates for the Barrambie V-Ti deposit, as at March 2008, for lower block cut-off grades of 0.50 % V₂O₅ and 0.30 % V₂O₅.

Mineral Resource estimate for a block cut-off grade of 0.50 % V₂O₅

Category	Ore type	Tonnes (Mt)	V ₂ O ₅ (%)	TiO ₂ (%)	Fe ₂ O ₃ (%)
Indicated	'Oxide'	16.0	0.83	17.4	46.0
	'Transitional'	7.3	0.85	17.7	50.9
	'Fresh'	0.8	0.73	19.2	56.7
	Sub-total	24.1	0.83	17.6	47.9
Inferred	'Oxide'	1.2	0.83	16.9	48.9
	'Transitional'	3.4	0.82	18.2	51.6
	'Fresh'	7.6	0.81	18.2	52.6
	Sub-total	12.2	0.81	18.1	52.0
Total	'Oxide'	17.2	0.83	17.4	46.2
	'Transitional'	10.7	0.84	17.8	51.1
	'Fresh'	8.4	0.80	18.3	53.0
	Total	36.3	0.82	17.7	49.2

Mineral Resource estimate for a block cut-off grade of 0.30% V₂O₅

Category	Ore type	Tonnes (Mt)	V ₂ O ₅ (%)	TiO ₂ (%)	Fe ₂ O ₃ (%)
Indicated	'Oxide'	56.2	0.50	10.1	31.4
	'Transitional'	9.9	0.73	15.9	46.3
	'Fresh'	1.9	0.53	14.0	43.3
	Sub-total	67.9	0.53	11.1	33.9
Inferred	'Oxide'	8.0	0.43	8.6	29.4
	'Transitional'	7.7	0.56	12.4	39.2
	'Fresh'	26.8	0.49	10.1	35.0
	Sub-total	42.5	0.49	10.3	34.7
Total	'Oxide'	64.2	0.49	10.0	31.1
	'Transitional'	17.6	0.65	14.4	43.2
	'Fresh'	28.7	0.49	10.4	35.5
	Total	110.4	0.52	10.8	34.2

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

Notes to accompany Mineral Resource estimates:

1. Resource estimation has been completed by Snowden Mining Industry Consultants Pty Ltd ('Snowden') using the geology, weathering, mineralisation interpretations, drilling and density data supplied by Reed Resources Ltd ('Reed').
2. The reported tonnages and grades are in accordance with the guidelines and recommendations of the JORC Code (December 2004).
3. The resource estimate is based on 414 reverse circulation (RC) and 16 diamond drill holes that were drilled by Reed in 2007, and 18 RC and 10 diamond drill holes from historical drilling campaigns (i.e., pre-2000 drilling).
4. Snowden has reviewed the drilling and sampling database underlying the resource estimate and has undertaken an analysis of the available QAQC data. Snowden believes that the drilling data is of sufficient quality to support the resource classifications applied to the Barrambie Mineral Resource estimate.
5. Assay determinations were carried out by XRF analysis, as outlined in previous announcements (2 March, 4 April, 1 May, 14 June and 23 July 2007), except for four early diamond drill holes which used AAS.
6. Variograms were developed and interpreted by Snowden to define the observable spatial characteristics of the V_2O_5 , TiO_2 , Fe_2O_3 assay grades.
7. Block grades were interpolated into a 3D block model with a block size of 10 mE by 40 mN by 5 mRL, and a minimum subcell resolution of 0.25 mE by 10 mN by 1.25 mRL.
8. Ordinary kriging was used to estimate V_2O_5 , TiO_2 , and Fe_2O_3 grades into a constrained block model reflecting the interpreted mineralised zones and the interpreted structural regime. Where appropriate, grade capping was applied prior to estimation. Search ellipses and ranges used in the estimation reflect the spatial continuity and the mineralisation trends of the mineralised domains.
9. Densities were applied to the block model using multiple regression equations with Fe_2O_3 , SiO_2 and Al_2O_3 derived from density measurements taken from diamond drill core. There were a total of 86 diamond drill core samples taken for density measurements. The average densities of the blocks for the Indicated and Inferred resource at the 0.5% V_2O_5 cut-off grade are 2.82 t/m³ for oxide, 3.28 t/m³ for transitional and 3.85 t/m³ for 'fresh'.
10. Current drill spacing at Barrambie can be divided into two configurations of approximately 120 mN by 25 mE and 200 mN by 25 mE. Along strike maximum grade continuity range for V_2O_5 in the Eastern and Central bands is 200 m.
11. Areas with 120 m by 25 m drill spacing have been classified as Indicated Resources, except in some areas where kriging variance has identified lower confidence grade extrapolation. These areas are included in the Inferred Resources.
12. Areas of 200 m by 25 m drill spacing have been classified as Inferred Resources. An Inferred Resource classification has also been applied to material extrapolated below the base of drilling.
13. Snowden's recommended resource classification is based upon a number of criteria, including the geological confidence, the integrity of the data, the spatial continuity of the mineralisation as demonstrated by variography, and the quality of the estimation.