

## QUARTERLY ACTIVITIES REPORT

**30 JUNE 2009**

### Highlights

- Comet Vale (gold) – Accessed Sand George deposit on 4 Level. Grade control sampling of first stope on 4L averages 18 g/t Au. Current stockpiles total 3,200t @ 12.5 g/t Au.
- Secured option over strategic Nimbus Processing Plant to enable expansion of gold production.
- Barrambie (vanadium) – Definitive Feasibility Study (DFS) materially complete. Attractive economics highly leveraged to recovering vanadium prices
- Vanadium prices up 50% from last quarter to US\$29/kg of V as Ferrovandium; higher in China.
- Initial Probable Ore Reserve at Barrambie of 39.7M tonnes at 0.82% V<sub>2</sub>O<sub>5</sub>, at 80% conversion of Indicated Mineral Resources, delivering +12 year mine life.
- Cliffs NR commenced resource definition drilling program of iron ore prospects at Mount Finnerty; initial resource estimate expected in Nov 2009.
- Cash and term deposits of \$9.3m.

Reed Resources' exploration and development activities during the quarter continued to focus on the Comet Vale gold operations and advancing the Barrambie vanadium project. Cliffs Asia Pacific Iron Ore Pty Ltd ("Cliffs") (formerly Portman Iron Ore Limited) and Western Areas NL are continuing with exploration of the Mount Finnerty project for iron ore and nickel sulphide mineralisation, respectively, under joint venture agreements. The Bell Rock Range project in central Australia is progressing steadily.

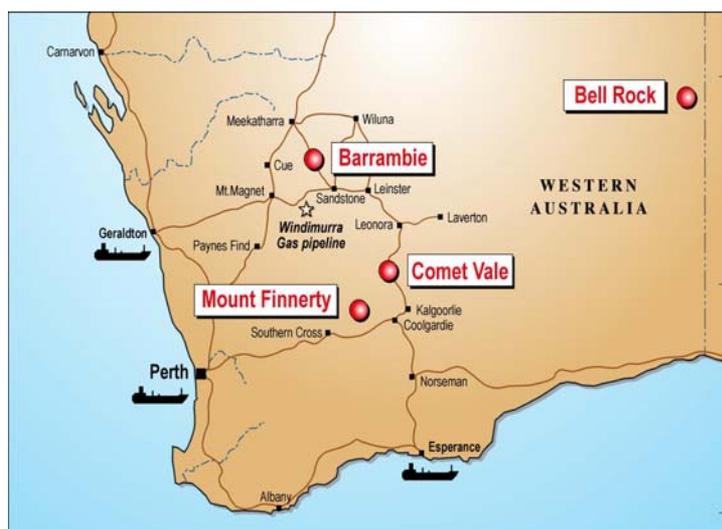


Figure 1 Location of Reed Resources' projects in Western Australia.



# COMET VALE PROJECT (gold, nickel)

## Sand Queen Mine Operations

(Reed Resources 100 %, Kingsrore Mining Limited earning 50 %)

### Mining

Production of ore from the Sand Queen gold mine for the June 2009 quarter amounted to 2,731 tonnes of ore at an estimated grade of 13.1 g/t Au. At the end of the quarter there was 3,197 tonnes of ore on stockpiles at an estimated grade of 12.5 g/t Au.

Mining during the Quarter focused on development along the 4 Level to access the Sand George ore body. A total of 205m of development in waste was completed and a further 90m of development was completed along the Sand George ore body. Grade control sampling of the Hanging Wall Block 1 Stope on 4 Level has indicated an average mining grade (including dilution) of 18.2 g/t Au and stoping of this Block is well advanced. Initial grade control sampling of the less advanced Footwall Block 1 Stope is also encouraging. Underground diamond drilling is underway to test for parallel lodes on the 2, 3 and 4 Levels.

### Milling

The next parcel of ore for toll treatment is being generated from stoping ore from the 4 Level and remnant ore from the 3 Level. This parcel is projected to be 7,000t of ore grading about 14 g/t Au, and is booked to start mid-September. A return to toll treatment from the previous practice of ore sales is expected to reduce projected costs from A\$675/oz to A\$400/oz.

Gold production from Sand Queen is not hedged and therefore fully leveraged to further upward movements in the price of gold.

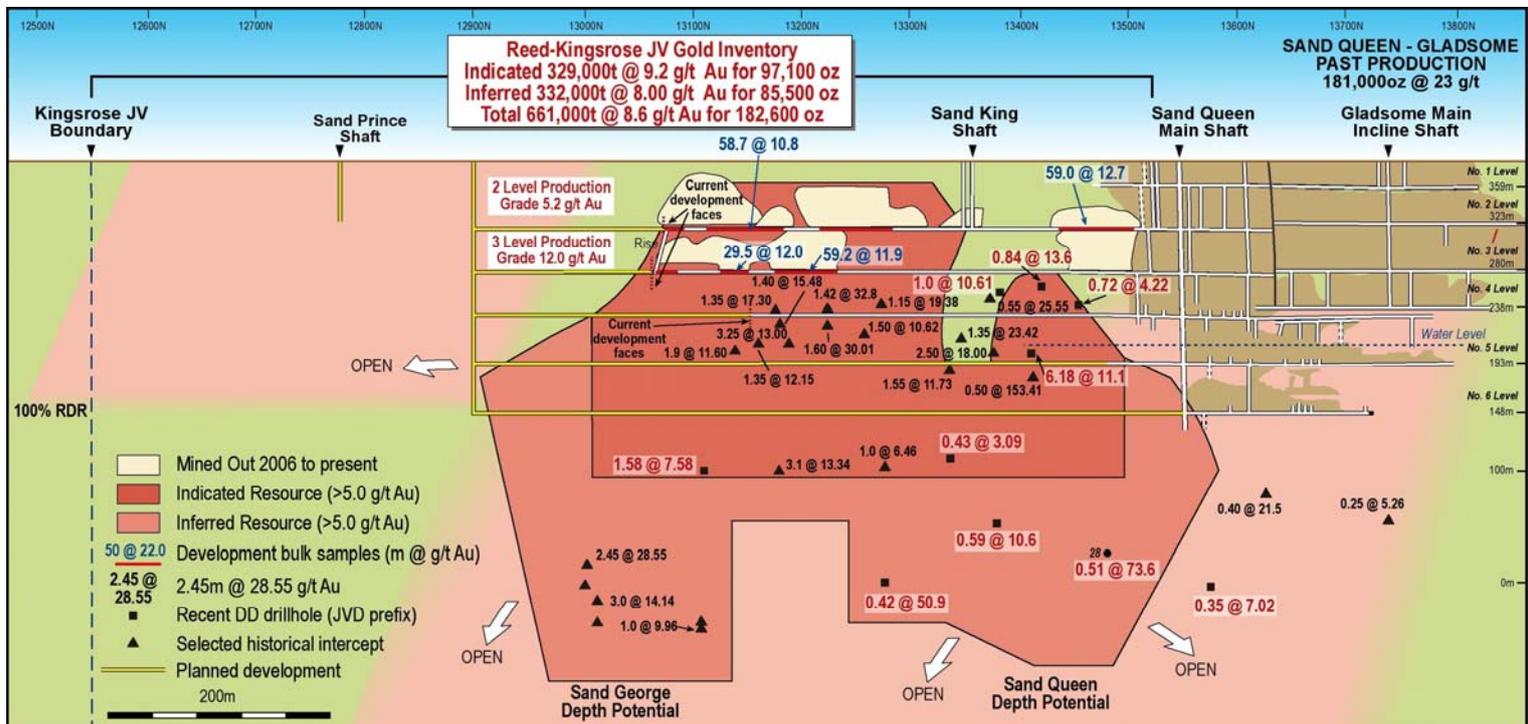


Figure 2. Longitudinal projection of the Sand Queen gold mine (looking west) with current and planned mine development in relation to the outlines of Indicated and Inferred Mineral Resources (at a cut-off grade of 5 g/t Au).

## Option on Processing Plant

In April, the Company announced it had 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 (“Nimbus Project”), 15km east of Kalgoorlie (Figure 3, 4). Reed and PGPL have since executed a detailed option agreement.

Key terms terms of the Nimbus Project agreement are:

- \$50,000 option fee payable to PGPL;
- Option exercisable by Reed on or before 31 August 2009; and
- A\$2.25 million cash payable by Reed on exercise of option.



**Figure 3** Tenement plan and location of the Nimbus Silver Project and Processing Plant, which includes two granted mining leases (M26/490, M26/598) and associated infrastructure.

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 hence represents significant value to the Company.

A precious metal 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 and in its own right through the exploitation of shallow gold resources, in unweathered rock, amenable to open pit mining and processing through a Merrill-Crowe circuit that is currently installed at Nimbus. Comet Vale gold ores are highly amenable to gravity recovery followed by leaching and the Nimbus plant (and yet to be installed gravity circuit) will enable both open pit and underground ores to be treated at their optimal conditions.

The Nimbus plant (Figure 4) produced approximately 3Moz of silver from two open pits during the period early 2004 and to late 2006. The plant was placed on care and maintenance in late 2007. The project also has significant base metal exploration upside and *in-situ* high-grade silver mineralization beneath the current pit floor.



**Figure 4** Part of the Nimbus processing plant showing the ball mill (centre) and leaching tanks (photo courtesy PGPL).

## **Regional exploration**

No significant regional gold or nickel exploration was undertaken during the quarter.

## **Forward Work**

An underground drilling program will continue to test for extensions to known lodes and for high grade lodes in structurally favourable sites in close proximity to existing mine development on the 2, 3 and 4 Levels.

Technical and environmental due diligence on the Nimbus project and plant is currently being undertaken. 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 Nimbus mill.

A re-evaluation of the open-pit potential of the Sand Prince West and Princess Grace deposits will be completed during the next quarter in conjunction with due diligence on the Nimbus Project. Previous pit-optimisations and reserve calculations indicated that a large proportion of the Sand Prince West and Princess Grace resources could be economically mined.

## **BARRAMBIE VANADIUM PROJECT (Reed 100%)**

During the quarter, the Phase Three (Addendum) to the Definitive Feasibility Study and Ore Reserve estimates were completed.

Although the global financial crisis is currently restricting access to previously available funding alternatives for a project of this nature the Company continues to investigate various project development alternatives and strategies.

### **Probable Ore Reserve**

Snowden Mining Industry Consultants Pty Ltd (“Snowden”) completed an open pit optimisation study on the previously reported Mineral Resources (announced 13<sup>th</sup> February 2009) and provided an Ore Reserve estimate and recoverable mining reserve (announced 5<sup>th</sup> May 2009), as outlined in Table 1 and Figure 5.

Table 1 Probable Ore Reserve\* estimate for the Barrambie vanadium deposit, as at April 2009.

<b>Diluted Ore Tonnes (Mt)</b>	<b>Diluted V<sub>2</sub>O<sub>5</sub> (%0)</b>	<b>Diluted TiO<sub>2</sub> (%)</b>	<b>Diluted Fe<sub>2</sub>O<sub>3</sub> (%)</b>	<b>Diluted Al<sub>2</sub>O<sub>3</sub> (%)</b>	<b>Diluted SiO<sub>2</sub> (%)</b>
39.7	0.82	15.69	48.77	11.59	16.12

\* Probable Ore Reserve is reported for a diluted cut-off grade of 0.6% V<sub>2</sub>O<sub>5</sub>. All tonnes are estimated as dry tonnes.

The Probable Ore Reserve has been calculated in accordance with the guidelines in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004). The Ore Reserve has been assigned to the Probable Reserve classification as it is based on an Indicated Mineral Resource. Conversion of 49.2 Mt of Indicated Mineral Resource to 39.7 Mt of Probable Ore represents a conversion rate of 81%.

The deposit remains open at depth and along strike to the northwest and southeast of M57/173 within Exploration Licences E57/769 and E57/770 (Figure 5).

### **Definitive Feasibility Study (DFS)**

The Company’s engineering consultants, Sinclair Knight Merz (SKM), completed Phase Three (Addendum) to The Definitive Feasibility Study in April 2009.

This study indicated that, based on the existing mineralisation, the Barrambie vanadium processing plant and associated infrastructure will target a throughput of 3.2 million tonnes per annum of vanadium bearing magnetite mineralisation at a grade of 0.82% V<sub>2</sub>O<sub>5</sub> and produce either approximately 11,200 tonnes of vanadium pentoxide (V<sub>2</sub>O<sub>5</sub>) or 7,700 tonnes of ferro vanadium (FeV<sub>80</sub>) per annum, for a minimum 12 year period.

### **Operating Costs**

Details of the operating costs are commercial-in-confidence at this time. Guidance was given in the announcement of the DFS results on 5 May 2009 that the operating costs were less than US\$20/kg V.

## Capital Costs

The capital cost estimate covers the cost of managing, designing, procuring and constructing the processing plant, mine and associated infrastructure.

Owner's costs include initial mining costs, plant EPCM, recruitment and management of an owners team prior to construction and sufficient capital to cover the owners site-based team from recruitment through to commissioning plus a contingency factor of 10%.

<b>Capital Costs Barrambie Mine Development*</b>	<b>Aus \$</b>
Site Establishment and Construction Costs	\$9.5M
Beneficiation Plant	\$108.3M
Roasting and Leaching	\$109.7M
Refinery	\$22.7M
Reagents	\$39.8M
Plant Services	\$57.5M
Infrastructure	\$68.9M
Ferro Vanadium	\$39.8M
<b>Total Direct Construction Cost</b>	<b>\$456.2M</b>
<b>Pre commissioning, owner's costs, and EPCM</b>	<b>\$172.7M</b>
<b>Total Construction and Development Cost</b>	<b>\$628.9M</b>

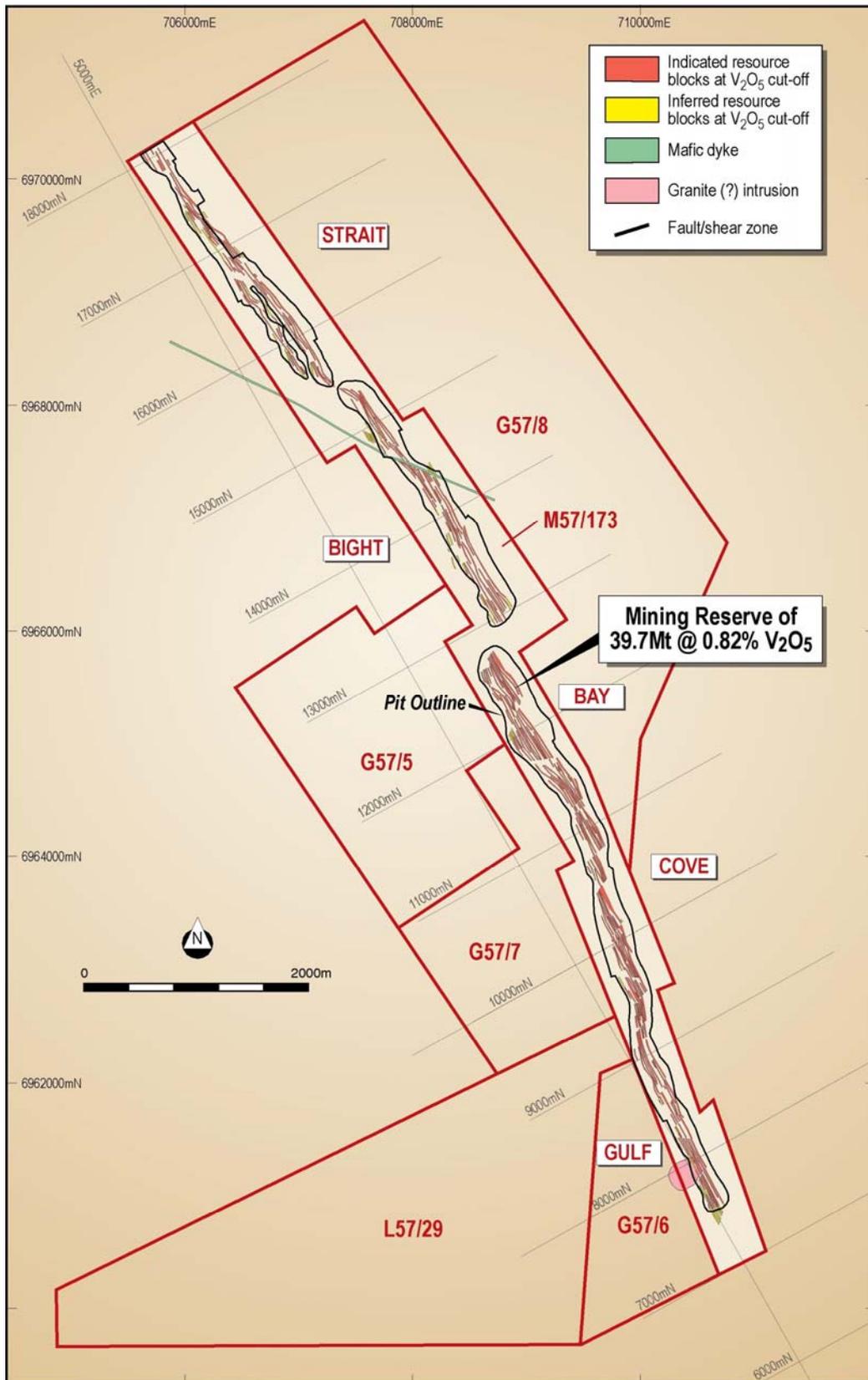
\* This cost estimate provides a Definitive Feasibility level capital cost for the defined scope to an assessed accuracy of +12.5% and -10.9% at the 90% confidence range.

## Environmental matters

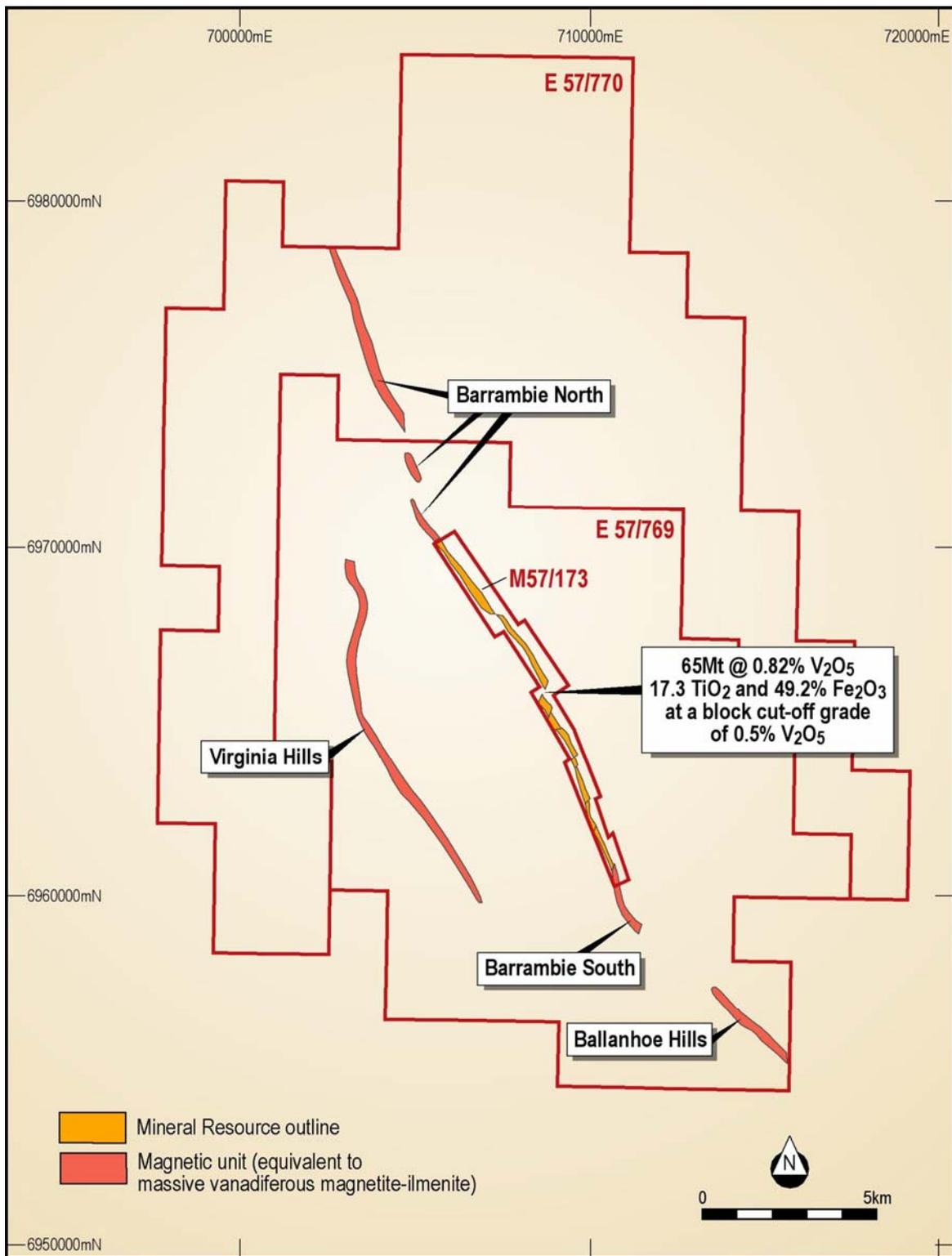
As part of the DFS, a draft Public Environmental Review (PER) document was lodged with the Environmental Protection Authority (EPA) during the quarter. The EPA has commented on the draft and the Company is preparing a revised PER document for re-submission.

## Market price

The current price of vanadium is quoted by the Ryans Notes at US\$6/lb for V<sub>2</sub>O<sub>5</sub> and US\$29/kg of V as Ferrovandium (FeV<sub>80</sub>), as at 28 July 2009, up 50% from last quarter. Chinese domestic prices are reported to be in the US\$31-32/kg range. The primary use for vanadium is to harden steel.



**Figure 5** Barrambie vanadium project showing the extent of the Probable Ore Reserves within M57/173 and an outline of the planned open pit. The other tenements (G57/5-8, L57/29) are for mining plant infrastructure.



**Figure 6** Barrambie vanadium project showing the extent of the Mineral Resources within M57/173 and potential extensions of vanadiferous magnetite mineralisation along strike and to the west of the Barrambie deposit. The distribution of vanadiferous magnetite mineralisation within E57/769 and E57/770 is based on interpretation of aeromagnetic survey data and is yet to be tested by drilling.

## MOUNT FINNERTY PROJECT (iron, nickel, gold)

### Iron Ore Exploration (Reed Resources 20 %, Cliffs 80 %)

Iron ore exploration is undertaken by Cliffs Asia Pacific Iron Ore Pty Ltd (“Cliffs”) in joint venture with Reed Resources Ltd. The principal aim of this exploration is to locate sufficient iron mineralisation within trucking distance of Cliffs’ Koolyanobbing Iron Ore operation, which is about 65km to the west. The key exploration target is banded iron formation (BIF) hosted iron enrichment (BID) deposits such as that identified at the FIN1 to FIN11 prospects (Figure 7).

During the quarter, Cliffs completed 29 RC drill holes (for 3,907 m) at the FIN9 prospect (drilling completed) and at FIN10 (drilling continuing). A total of 3,617 RC drill samples were submitted for assay (results pending). Down-hole surveys were completed on 12 RC holes, including open-hole gyro surveying and geophysics (resistivity, caliper, density and magnetic susceptibility).

Cliffs also commenced rehabilitation of previously completed RAB drill lines.

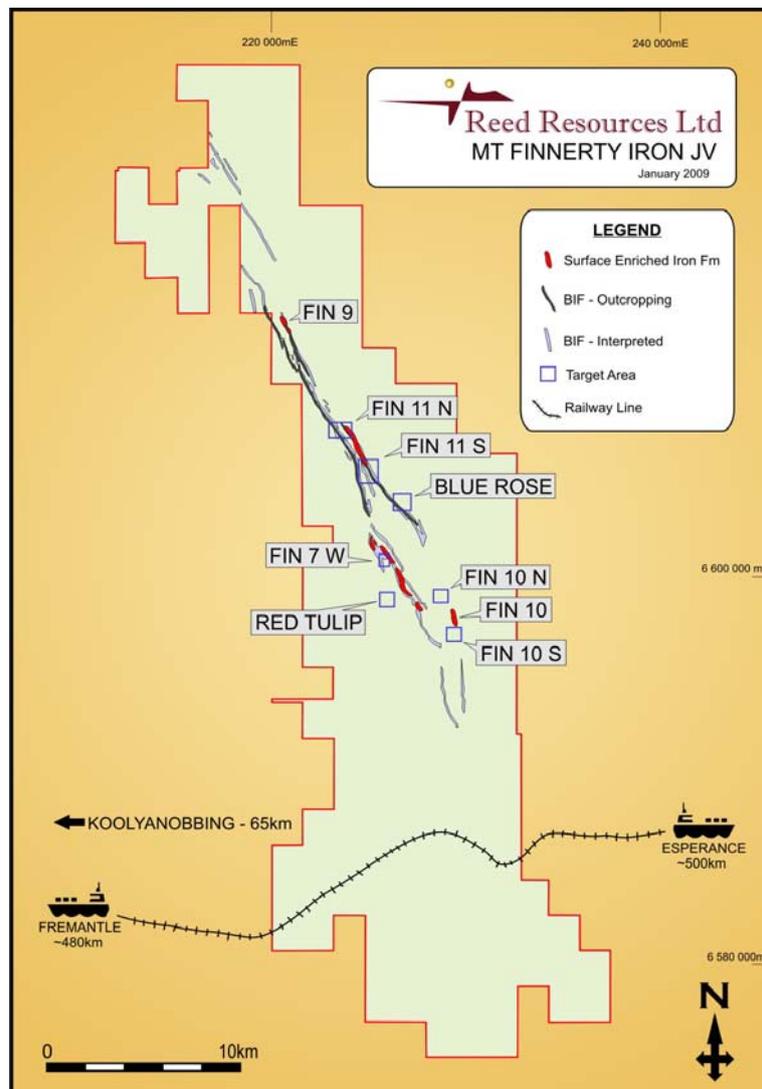


Figure 7 Key BIF-hosted RC drill targets in relation to outcropping and interpreted banded iron formations within the Mt Finnerty project.

## **Nickel Exploration (Western Areas NL earning 65 %)**

Exploration by Western Areas NL (WSA) during the June quarter focussed on assessment of the results of a five hole RC drilling program (WMFC005 to 009; total 330m) that was completed in the previous quarter. This drilling program tested the prospective basal ultramafic contact and other potentially favourable lithologies in the Western Ultramafic unit. NITON XRF results showed no significant elevated nickel values. Drill hole MFRC006 testing an IP target returned assays of 1m @ 0.9 g/t Au and 0.5 % Cu from 48 to 49m; associated with sulphides and quartz veining.

Compilation and review of previous exploration is continuing to identify new targets.

## **Gold and other minerals exploration (Reed 100 %)**

Draft mineralisation reports have been completed for the Flinders, Tasman and Giles-Forrest gold prospects in preparation for lodgement of Mining Lease applications.

## **Forward Work**

Iron exploration by Cliffs will continue drilling of the FIN9, FIN10 and FIN11 prospects. The results of this drilling program will be used to undertake mineral resource estimations later in the year.

Nickel exploration by Western Areas is planned to include a review data from recent RC and RAB drilling of targets drilled on the western ultramafic sequence and to assess the nickel potential of recent drilling by Cliffs in areas where they may have drilled into the central and eastern ultramafic sequences.

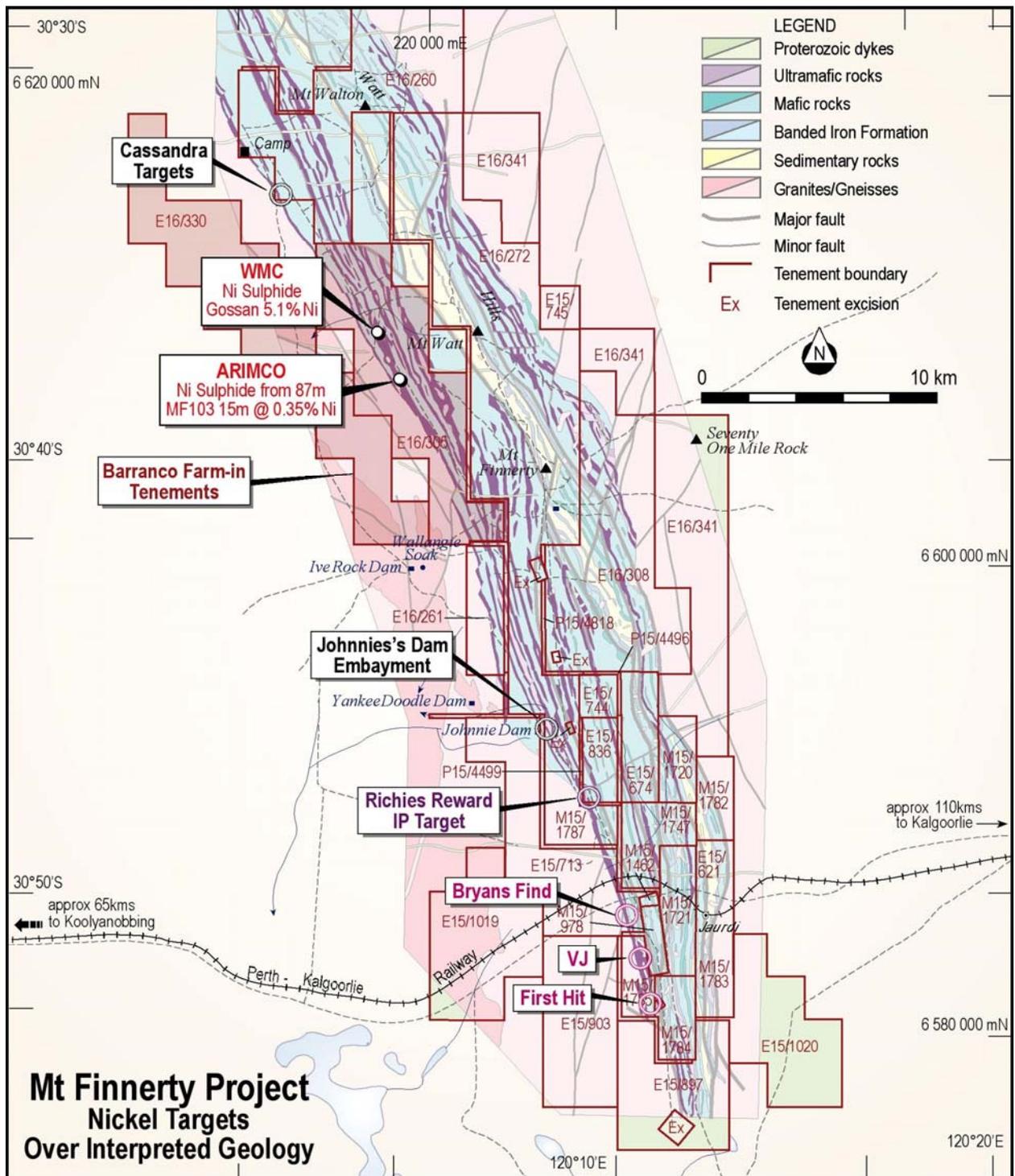


Figure 8 Plan of Nickel Targets drill holes along the targeted Western Ultramafic Unit in the vicinity of the Johnnie Dam-Yalenberine Creek area, Mt Finnerty project.

<b>BELL ROCK RANGE PROJECT (Reed 100%)</b>
--

The Bell Rock Range project within the western part of the Proterozoic Musgrave Province in central Australia is highly prospective for several commodities, particularly Ni-Cu sulphide and PGE mineralisation in area that is underexplored.

During the quarter, the company continued discussions with parties interested in farming into the project.

<b>CORPORATE</b>
------------------

At the end of the quarter the Company had \$9.3 million in cash and term deposits.



C J Reed  
**MANAGING DIRECTOR**

---

*Geological aspects of this report that relate to Exploration Results 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.*

*Although Reed Resources remain optimistic about the potential of its exploration projects, any reference to the terms "ore", "high-grade" and "low-grade" in this report is conceptual in nature. Use of the term "Ore" is not intended to represent an Ore Reserve except where expressly indicated. Use of the term "grade" is not intended to represent the grade of a resource except where expressly indicated.*