

BARRAMBIE VANADIUM PRE-FEASIBILITY STUDY RESULTS

The Board is pleased to release the findings of its Pre-Feasibility Study ("PFS") on the Barrambie vanadium deposit, which is located 80km north of Sandstone, WA. The study has confirmed that Barrambie is a highly competitive vanadium project.

In February 2005, Reed engaged Mineral Engineering Technical Services ("METS") to manage a Pre-Feasibility Study to determine the viability of developing the Barrambie vanadium resource. Key work packages were sub-contracted to various acknowledged industry experts. The PFS aimed to determine operating and capital cost estimates and to identify any environmental, marketing, financial or physical parameters that would impede successful development of the Project.

HIGHLIGHTS OF THE PFS REPORT

- No major impediments to successful development of Barrambie were identified
- Excellent metallurgical recoveries based on test work by AMMTEC Limited
- Marketing Studies indicate demand is derived from steel production levels, accordingly outlook for demand is positive.
- At a throughput of 2Mt per year, producing 20M/lbs per year, mine life exceeds 12 years, capital cost is A\$256 million, and the project has, on an un-g geared pre-tax basis:
 - **Net Present Value of A\$379 million using 12% discount rate**
 - Internal Rate of Return of 40%
 - Payback of 4 years
 - **Operating Cost of A\$2.67 (US\$2.00) per pound V₂O₅.**

Project economics are not optimised and may be improved substantially. The financial model is based on a V₂O₅ price of US\$6/lb (currently US\$8.50/lb) and a USD/AUD exchange rate of 0.75:1.

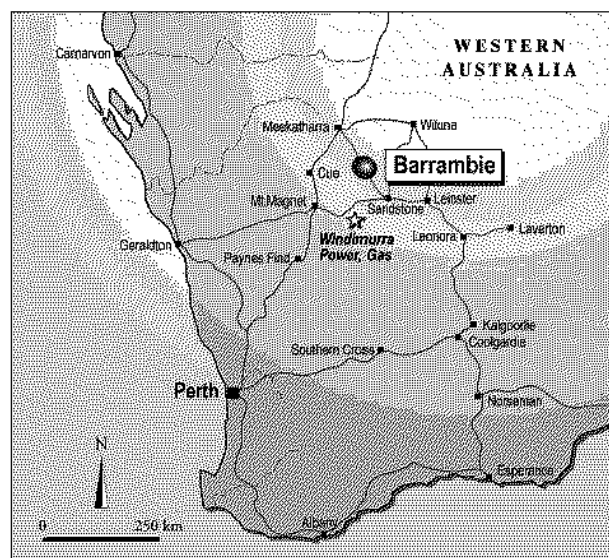


Figure 1 Location of Barrambie, between Sandstone and Meekatharra, Western Australia.



OVERVIEW OF THE PFS

1.1 Resources

The deposit was discovered in 1960's by Hector Ward and was acquired by Reed in April 2003 from Precious Metals Australia Limited and Magnum Properties Pty Ltd. Following extensive drilling, metallurgical and mining studies very little work has been undertaken in the last twenty years. Barrambie contains over 148 million tonnes of mineralisation in the Central and Eastern Bands (Appendix 1), with 25 million tonnes planned to be mined from the Eastern Band down to a depth of 50 metres below in this study.

The Resource Estimate prepared by Ravensgate Py Ltd stands at:

Mineral Resource Statement @ 0.30% V₂O₅ Cut-off grade				
Material	Tonnes (Mt)	V₂O₅ (%)	TiO₂ (%)	Fe₂O₃ (%)
Indicated	19.4	0.48	9.6	20.7
Inferred	19.8	0.50	13.0	23.8
Total	39.2	0.49	11.3	22.3

The Mineral Resources listed below have been estimated using the Ordinary Kriging method and from a standard 3-D block model, following a thorough review of the localised deposit geostatistics.

Further additions to the resource along strike of the open pits would be expected to result in further expansion of the open pits and would significantly enhance financial performance.

1.2 Mining

Mining would employ conventional open pit drill, blast, load and truck haul.

The mine plan included Inferred material in the optimisation process.

Orelogy Pty Ltd calculated that the optimised pits contain:

Optimal Pits @ 0.375% V₂O₅ Cut-off grade				
Material	Tonnes (Mt)	V₂O₅%	TiO₂%	Fe₂O₃%
Indicated	10.3	0.52	12.53	22.48
Inferred	14.9	0.55	14.62	22.95
Total	25.2	0.53	13.77	22.76
Waste	16.3			
Total Material	41.6			

For the purposes of reporting the number of tonnes and calculating subsequent scheduling, a single global cut-off grade of 0.375% V₂O₅ was used. This cut-off was back-calculated as the weighted average of the variable Whittle cut-off grade within the pit design.

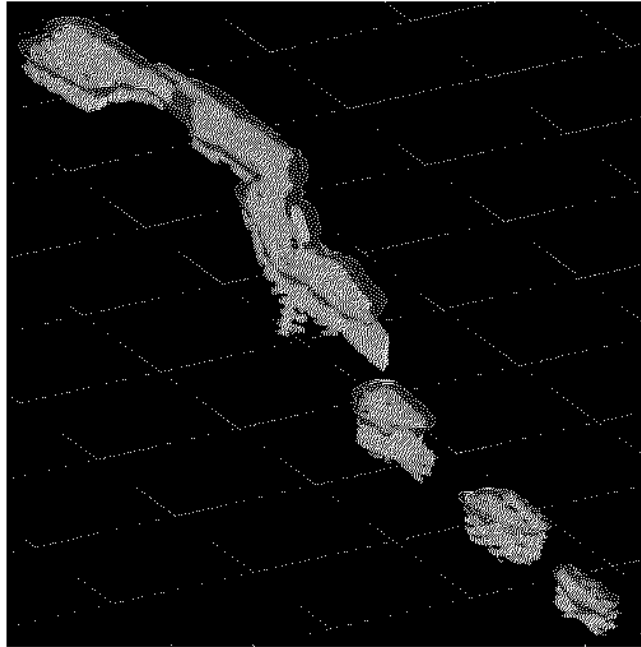


Figure 2 Barrambie Orebody and 2 Mtpa Pits.

1.2 Processing

The proposed treatment route is a conventional salt roast – leach of a magnetic concentrate (Appendix 2). The ore will be crushed and ground using a conventional SAG mill before being subjected to low intensity magnetic separation and rare-earth drum to produce a concentrate.

Feed (125 μm)	Recovery % mass	V_2O_5 %	SiO_2 %	Al_2O_3 %
Oxide	36.1	1.37	2.74	2.39

Samples of the concentrate produced from the magnetic separation test work were successfully roasted and leached with recoveries from the oxide concentrate **exceeding 95%**.

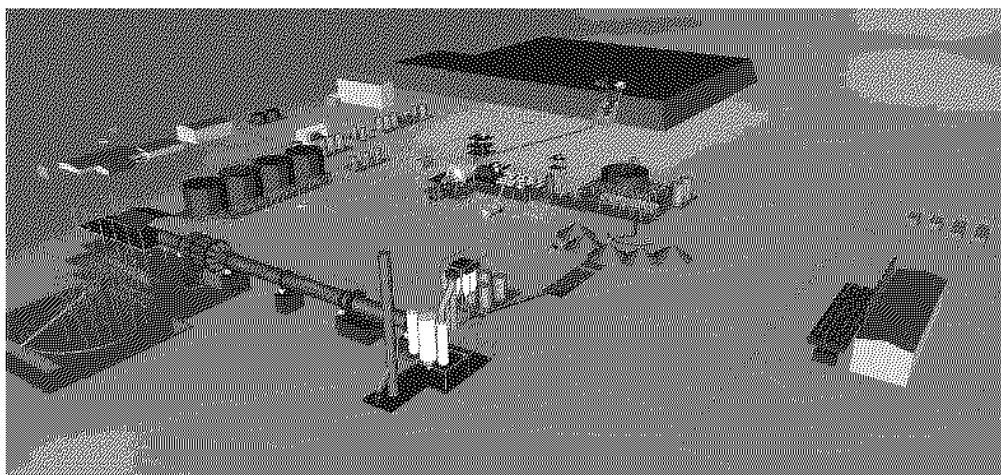


Figure 3 Barrambie Conceptual Site Layout

1.3 Capital Cost

The estimated capital costs captures recent industry wide cost escalations and is based on all new equipment. All estimates were made by Sinclair Knight Merz, to Pre-feasibility Study standards ($\pm 30\%$) are :

Plant Direct (Processing plant & Infrastructure)	A\$ 174.8 m
Plant Indirect (EPCM, commissioning, first fill and Contingency allowance)	A\$ 61.7 m
Natural gas turn key package	A\$ 19.5 m
Total	A\$ 256.0 m

1.4 Operating Cost

An estimate of the plant operating cost of the Barrambie plant treating 2.0 Mtpa run of mine producing 20.8 M lb of V_2O_5 has been derived by engineers Sinclair Knight Merz. Mining costs were estimated by METS. The costs are expressed in Australian dollars and were valid during Q4 2005.

Plant Operating Costs include processing plant, infrastructure and administration. Costs are estimated at A\$ 2.50 /lb V_2O_5 produced. Mining costs were estimated at A\$1.73 per tonne of ore milled or A\$0.17/lb V_2O_5 produced. The operating costs have been based upon preliminary plant lay-out and metallurgical data and assumptions of plant staff levels.

1.5 Revenues and Financial

The PFS used discounted cashflow modelling to determine the economic viability of constructing and operating a plant. Key model assumptions are that the project would be 100% equity funded, WA State Royalty of 1.5% would apply and assets would be depreciated over 10 years.

Market studies indicate that vanadium consumption is strong and growing worldwide. The current price of vanadium is currently quoted by Ryans Notes at US\$8.50/lb.

The primary use for vanadium is to harden steel, the current surge in global steel production and the move toward higher-strength specialty steels drives the demand for vanadium. China's role in the growing demand for vanadium represents a long-term shift in worldwide consumption but it should be noted that the increase in US demand has matched the Chinese on a year-on-year comparison, reflected in the increasing Average Mean Prices (US\$/lb V_2O_5) below:

1 Year	3 Year	5 Year
15.00	7.66	5.17

1.6 Permitting

Reed has a granted mining lease over Barrambie and has completed baseline environmental, ethnographic and hydrological studies, as part of the Environmental Impact Statement (EIS) process.

1.7 Forward Work Schedule

The Board is assessing a number of options in relation to funding a Definitive Feasibility Study, the first stage of which would entail more drilling for the following purposes:

- To improve the confidence of the currently inferred ore into either indicated or measured status.
- To extend the existing resource both laterally and to depth. Resource extension drilling must be of a level sufficient to classify additional material as measured or indicated.
- To confirm the older drilling results and the grades and material densities as they are currently modelled.
- To supply a range of material samples at various grades for a comprehensive program of metallurgical testwork at pilot scale.

The Company's consultant geologist, Dr Bryan Smith is currently planning the proposed drilling programme.

David Reed
Executive Chairman
Tel: 08 9322 1182

Indicated and Inferred Mineral Resources detailed in this statement are in accordance with the JORC Code for Reporting of Mineral Resources and Ore Reserves (2004) and have been compiled by Mr Stephen Hyland, an employee of Ravensgate Pty Ltd, consulting geologists. Mr Hyland is a Member of the Australasian Institute of Mining and Metallurgy (AUSIMM) and has sufficient experience that is 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 under the Code. Mr Hyland consents to the inclusion in the report of the matters in the form and context in which it appears.

Metallurgical aspects of this report in relation to the Barrambie Project have been compiled by Damian Connelly (BAppSc, CPE, MAusIMM), of Mineral Engineering Technical Services Pty Ltd. Mr Connelly has sufficient experience relevant to the style of mineralisation and types of deposit under consideration and to the activity which is being reported on to qualify as a Competent Person as defined in the JORC Code (2005). Mr Connelly consents to the inclusion in the report of the matters in the form and context in which it appears.

Appendix 1: Mineral Resources

Mineral Resource estimates have focussed on a 4 km section of the Barrambie deposit referred to as the Bay-Cove and Gulf (Figure 4). Here the Ti-V mineralisation is divided into a massive **Eastern Band** and a **Central Band** consisting of several narrow band and lenses (Figure 5).

The Bay-Cove section of the deposit and its southern extension are open along strike and at depth. Geological mapping and geophysics indicate the Eastern and Central Bands continue some 6 km to northern tenement boundary.

The high grade **Eastern Band** of massive ilmenite and magnetite between the Bay and Gulf area, a strike distance of 4.4 km, is estimated to contain a combined Mineral Resource of **48 Mt at an average grade of 0.496% V₂O₅** and 22.4 % TiO₂. This resource estimate has been extended down to 80m metres depth (ASX Announcement 3 June 2005).

Mineral Resource estimates for the **Central Band** for the Bay-Cove area and its extension to the southern boundary were calculated for previous owners Precious Metals Australia Ltd by BFP Consultants (2000) and Snowdens (1999) indicate a total of **100 Mt at an average grade of 0.34% V₂O₅**. (ASX Announcement 16 February 2005).

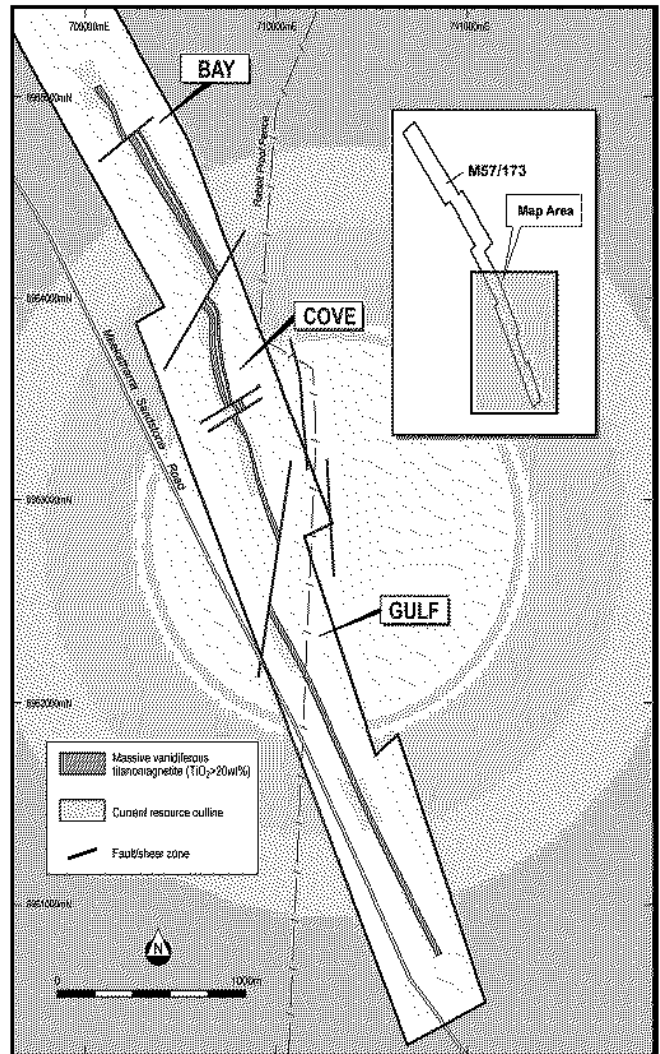


Figure 4. Location of Barrambie Resources

Bay-Cove Central (BFP 2000)

Indicated 23 Mt @ 0.43% V₂O₅

Inferred 17 Mt @ 0.35% V₂O₅

Cove-South Central (Snowden 1999)

Inferred 60 Mt @ 0.30% V₂O₅

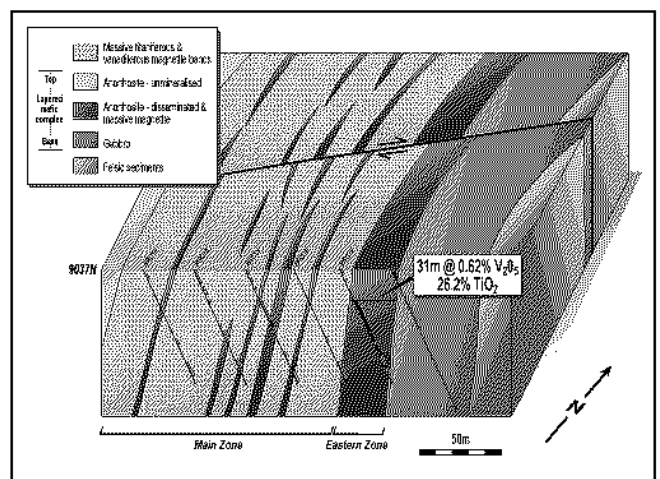


Figure 5. Cross Section through Cove Area

