

13 AUGUST 2009

REED RESOURCES SECURES OPTION TO ACQUIRE HIGH GRADE GOLDFIELDS LITHIUM PROJECT

Highlights

- Reed reaches agreement to acquire Option for Mount Marion Lithium Project in Goldfields region of Western Australia.
- Extensive drilling and evaluations previously conducted by WMC.
- Exploration Target of 4-5 Mt at 1.5-2 % Li₂O based on historical reserves.
- Project has significant infrastructure advantages and low strip ratios.
- RC/Diamond drilling program scheduled to commence next quarter.
- Bill Crossley appointed as Project manager for the Mount Marion project.
- Reed builds on position as a diverse commodity company.

Australian diversified resources company Reed Resources Ltd (ASX: RDR) (the "Company" or "Reed") has further enhanced its tenement portfolio of "in-demand" commodities by, entering into an Option agreement to acquire the high grade Mount Marion Lithium Project, located approximately 40km south of Kalgoorlie in the Goldfields region of Western Australia (refer Figure 1).

Summary of Key Terms regarding Mount Marion Project

- A\$200,000 option fee;
- Option period of two years;
- A\$1.5M cash on exercise of option;
- A\$1.5M cash on decision to mine; and
- A 2.5% gross royalty on spodumene concentrates, 3% gross on lithium carbonate produced in Australia, 2% gross royalty on all other minerals

The Mount Marion project comprises two Mining Lease applications, M15/999 and M15/1000, which cover the outcropping pegmatites. The Company is in possession of a full Native Title Agreement and State Deeds enabling grant have been lodged with the Department of Mines and Petroleum.

During the 1960's - 1980's, Western Mining Corporation (WMC) carried out extensive exploration on the Mount Marion tenements and completed a study which considered mining, beneficiation and chemical processing to produce 5,000t of lithium carbonate per annum over a mine life of 10 years. In 1996, Associated Minerals Pty Ltd completed a pre-feasibility study to produce lithium and potassium products. Pilot test work has produced spodumene (lithium) concentrates of 6.5 to 7 % Li₂O, with lithium recoveries of between 75 and 83%.



Since that time the project has been held by a private individual, with no further meaningful exploration activities conducted.

Reed Resources managing director, Chris Reed said the Option agreement for Mount Marion was in line with the company's strategy of gaining an exposure to "in demand" commodities in a low risk fashion.

"We are really excited by this opportunity which provides us with a low risk exposure to the Lithium market, an increasingly strong performing sector", he said.

"Importantly, this project has been substantially de-risked by previous extensive test work and evaluation.

"In addition it is located close to existing rail and energy infrastructure, being less than 40km from the mining town of Kalgoorlie, ticking all the boxes we were looking for in a new project acquisition," Mr Reed added.

The Company will be **targeting** a Mineral Resource of **4-5Mt** of spodumene pegmatite at a grade of **1.5-2 % Li₂O**. The potential quantity and grade of the exploration target is conceptual in nature and there has been insufficient exploration to define it as a mineral resource and that it is uncertain if further exploration will result in the determination of a mineral resource. The Company has based its exploration target on historical estimates of reserves that were reported as part of the pre-feasibility study in 1996 and reported in accordance with the JORC Code (1989). The review confirmed the original resource/reserve estimates by Western Mining Corporation (WMC) in the 1970s, supported by some check drilling in the 1990's. This work identified reserves of 1.49 Mt at an average grade of 1.67 % Li₂O in the No.1 deposit (refer Figure 2), including 'proved reserves' of 0.54 Mt at 1.9 % Li₂O and 'probable reserves' of 0.95 Mt at 1.5 % Li₂O (at a cut-off grade of 1.2 % Li₂O and bulk density of 2.80 t/m³).

In addition, the review also confirmed an inferred resource of 1.0 Mt at 1.5 % Li₂O at depth in the No.1 deposit (using a 1.2 % Li₂O cut-off grade); 'probable reserves' of 0.3 Mt at 1.2 % Li₂O in the No.2 deposit; and resources of 0.8 Mt at 1.17 % Li₂O in the No.2 West deposit and 0.3 Mt at 1.3 % Li₂O in the No.4 deposit (Figure 2). A minimum cut-off grade has not been applied at the No.2, No.2 West and No.4 deposits. Strip ratios for the deposits ranged from 1:1 to 2:1.

The Company confirms that Mr Bill Crossley has been appointed as project manager for Mount Marion. Relevantly, Bill has previously held the position of open cut/underground manager for Greenbushes, the world's largest spodumene (lithium) and tantalum mine.

Forward Work Program

The Mount Marion pegmatite group has potential for resources additional to the historical resource/reserve estimates, which are based on only four of the outcropping pegmatite bodies (Figure 2). The other outcropping pegmatites have not been fully tested, particularly in the southern half of M15/1000.

A comprehensive drill program to enable resource estimation and provide metallurgical samples is currently scheduled to commence in the December Quarter 2009. Reed plans to then undertake a feasibility study with a view to commencing open pit mining, processing and export of spodumene concentrates.

About the Lithium market

The Lithium market has included some of the best performing stocks of the year due to the short supply and high future demand growth of products which use lithium. The demand for lithium carbonate is forecast to triple over the next ten years (Source: 2009 Lithium Markets & Supply Markets Conference, Santiago, Chile). Main uses for lithium are batteries (particularly in relation to electric/hybrid powered cars), glass, lubricants, pharmaceuticals, airconditioning and chemicals. There are currently two ASX listed companies who aim produce lithium, Galaxy Resources Limited (ASX: GXY) and Orocobre Limited (ASX: ORE).

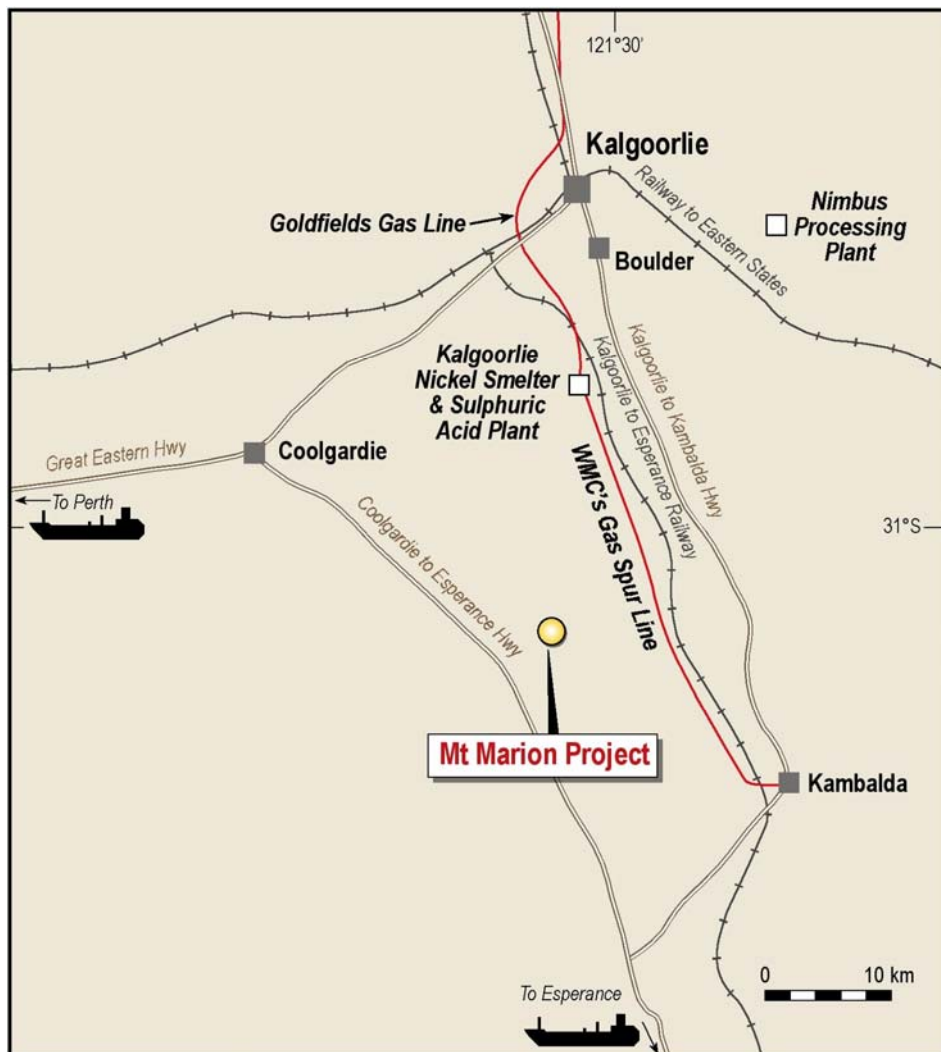


Figure 1 Location of the Mount Marion project.

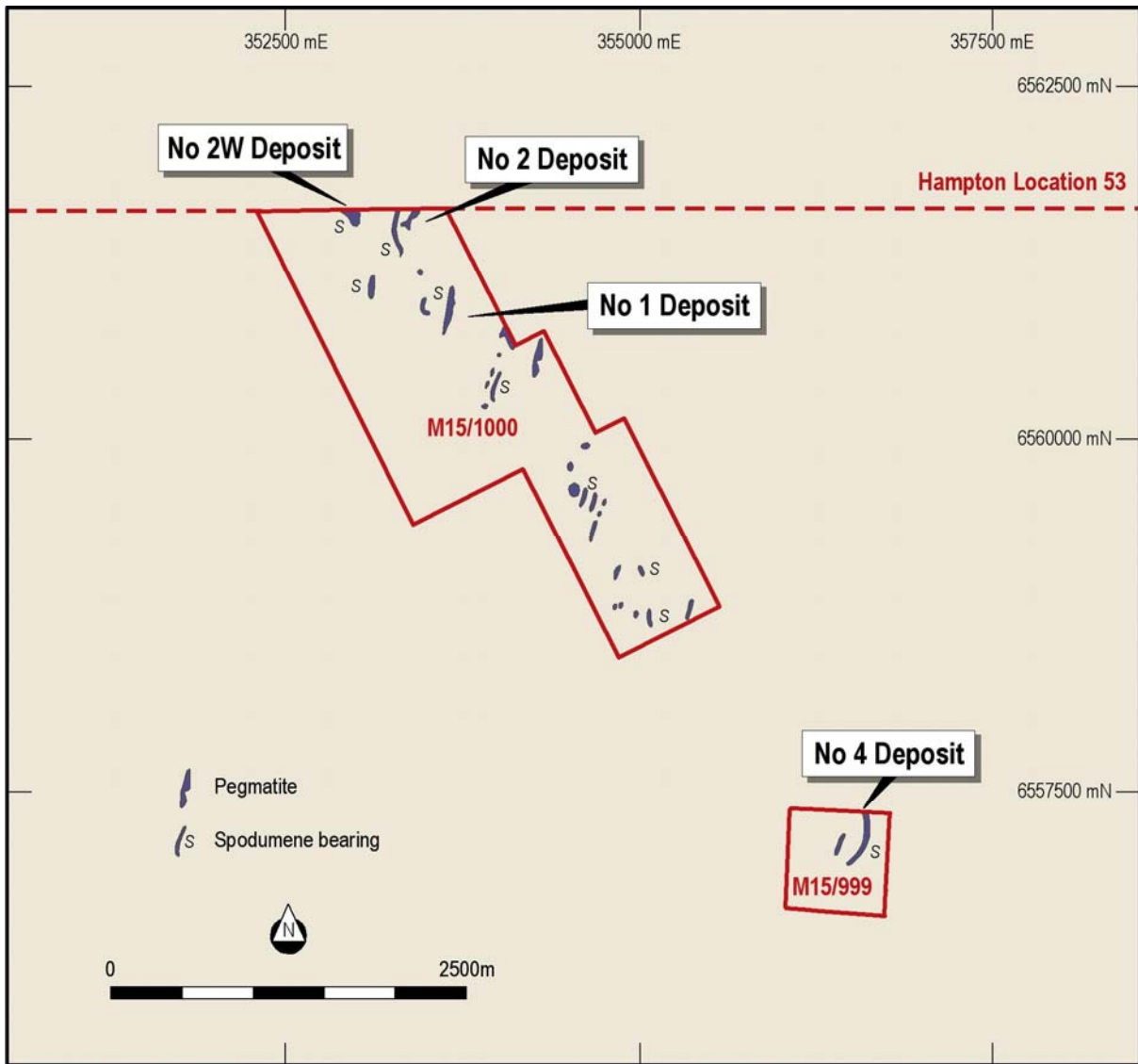


Figure 2 Mount Marion pegmatite group within mining leases M15/999 and M15/1000.

ENDS

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About Reed Resources

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 including;

- Comet Vale – High-grade underground gold mine in JV with Kingsose Mining Limited. Nickel Laterite JV with Heron Resources NL. Option to Purchase the Nimbus Processing Plant.
- Barrambie – Completed in May 2009 a Definitive Feasibility Study on Ferrovandium operation to produce 6300t of vanadium per annum; and
- Mt.Finnerty – Iron Ore JV with Cliffs Natural Resources. Nickel JV with Western Areas NL.



Website: www.reedresources.com.au

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 Mount Marion project, 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.