

**ASX Announcement**

**11 November 2010**

## **Reed Resources enters into MoU with Chinese conglomerate NFC for development of Barrambie Vanadium Project in Western Australia**

- **Reed Resources enters into Memorandum of Understanding (MoU) with China Nonferrous Metal Industry's Foreign Engineering and Construction Co Ltd ("NFC") and Australian firm Arcon Pty Ltd,**
- **The MoU covers an engineering procurement and construction contract (EPC) and project financing assistance for Reed's Barrambie Vanadium Project,**
- **NFC and Arcon to provide revised, fixed-price EPC estimate, and**
- **Use of Chinese equipment and services expected to deliver significant savings on original Definitive Feasibility Study capital cost estimate of A\$628.9 million (subject to escalation and foreign exchange movements).**

Australian diversified resources company Reed Resources Ltd (**ASX: RDR**) ("Reed" or "the Company") is pleased to announce it has entered into a Memorandum of Understanding (MoU) with Chinese conglomerate **China Nonferrous Metal Industry's Foreign Engineering and Construction Co. Ltd ("NFC")** for the Barrambie Vanadium Project in Western Australia.

The MoU formalises discussions to date between Reed and NFC, specifically covering an engineering procurement and construction contract (EPC) and project financing, and represents the next step towards the successful development of the Barrambie Vanadium Project, which is recognised as one of the world's highest grade vanadium deposits.

The MoU envisages NFC will undertake the engineering procurement and construction ("EPC") contract for Barrambie in conjunction with West Australian based engineering and construction company Arcon (WA) Pty Ltd ("Arcon"). NFC will also assist Reed in securing debt and equity funding for the development of Barrambie.

As part of the MoU, NFC and Arcon have agreed to provide Reed with an updated fixed-price EPC estimate by early 2011.

The updated estimate from NFC will specify the use of Chinese equipment and services for the Barrambie project and Reed expects the updated estimate will deliver significant savings compared to original Definitive Feasibility Study capital cost estimate of A\$628.9 million, subject to escalation and foreign exchange movements.



The involvement of both NFC and Arccon in the EPC consortium enables Reed to access the cost benefits of a Chinese contractor, whilst retaining appropriate Australian expertise and experience, to ensure Australian standards and work practices are adhered to and construction of the Project can be executed smoothly.

Reed and NFC are in discussions with banks and potential equity financing partners and will ensure the market remains fully informed about further developments as they arise.

Reed is being advised by Azure Capital Limited in relation to this transaction.

China Nonferrous Metal Industry's Foreign Engineering and Construction Co. Ltd. is a China-based company primarily engaged in international projects contracting construction, development of non-ferrous metal resources, as well as manufacture and sale of non-ferrous metal products. The Company is also involved in the manufacture of equipment, international technology contracting services, international labour force cooperation, as well as import and export trading, among others. The Company operates projects in Kazakhstan, Zambia, Italy, Vietnam, India and Iran, among others.

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#### **About Reed Resources**

Reed Resources Ltd (ASX: RDR, OTC: RDRUY) is a diversified mining and exploration Company based in Western Australia. Reed's American Depositary Receipts (ADR's) trade under the code RDRUY (CUSIP Number: 758254106). Each Reed ADR is equivalent to 10 ordinary shares of Reed as traded on the ASX. The Bank of New York Mellon is the depository bank.

Reed Resources has five main projects (all in Western Australia) including:

- **Mount Marion** – High-grade Lithium project located about 40km south of Kalgoorlie in JV with Mineral Resources Limited. First production planned by end March 2011.
- **Barrambie** – Definitive Feasibility Study completed on a Ferrovandium operation to produce 6300t of vanadium per annum. Currently in approvals process. MOU with China Nonferrous Metals for EPC & Financing assistance.
- **Comet Vale** – Evaluating recommencement of high-grade underground gold production and refurbishment of processing plant, both currently on care & maintenance.
- **Mount Finnerty** – Iron ore JV with Cliffs Natural Resources & Nickel Farm-in with Barranco Resources NL.
- **Bell Rock Range** – Grassroots Nickel-Copper-PGM Exploration.

Website: [www.reedresources.com](http://www.reedresources.com)