

ASX Announcement

26 May 2011

**REED DELIVERS SECOND  
“MILLION TONNE OPEN PIT RESERVE”  
AT MEEKATHARRA GOLD PROJECT**

**HIGHLIGHTS:**

- **New open-pit reserve at Prohibition of 1.11Mt @ 2.7g/t Au for 96,000 oz.**
- **Since acquisition open-pit reserves increased 137,000 oz or 32% to 250,000oz, with Total Reserves now 559,000oz.**
- **New Underground mine plan at Paddys Flat to commence in June – current Reserve 1.99Mt at 4.8 g/t Au for 308,000oz.**
- **Metallurgical drilling and optimisations to commence on the 600,000oz Mickey Doolan/Phar Lap resource.**

Australian diversified resources company Reed Resources Ltd (**ASX: RDR**) (the “Company” or “Reed”), is pleased to announce another increase in ore reserves as part of its evaluation to resume operations at the recently acquired Meekatharra Gold Project, Western Australia.

A Probable Ore Reserve of **1.11Mt @ 2.7g/t Au for 96,000** contained ounces at the Prohibition Deposit has been identified through re-optimisation of the recently released resource model (ASX announcement 5<sup>th</sup> May, 2011). This new reserve is pivotal to recommencement of operations, as it represents a second base-load feed for the mill, and compliments the current 1.4Mt Probable Ore Reserve in the Bluebird Pit. GR Engineering Services is currently conducting a mill configuration and refurbishment study.

The Ore Reserve Inventory for Meekatharra is now totals 560,000 oz of gold, with open pits contributing 250,000 oz. The Mineral Resource Inventory for Meekatharra is 2.7 Moz.

Managing Director, Mr Christopher Reed said, **“This is the second plus-million tonne open pit that we have identified through simply re-working the legacy database at the Meekatharra Gold Project, and this work continues to prove up the value of this under-appreciated project. A second base-load, open-pit feed source de-risks the mining plan for almost the first two years of operation; we are now looking at underground operations to compliment our long-term open pit mining strategy at Meekatharra.”**

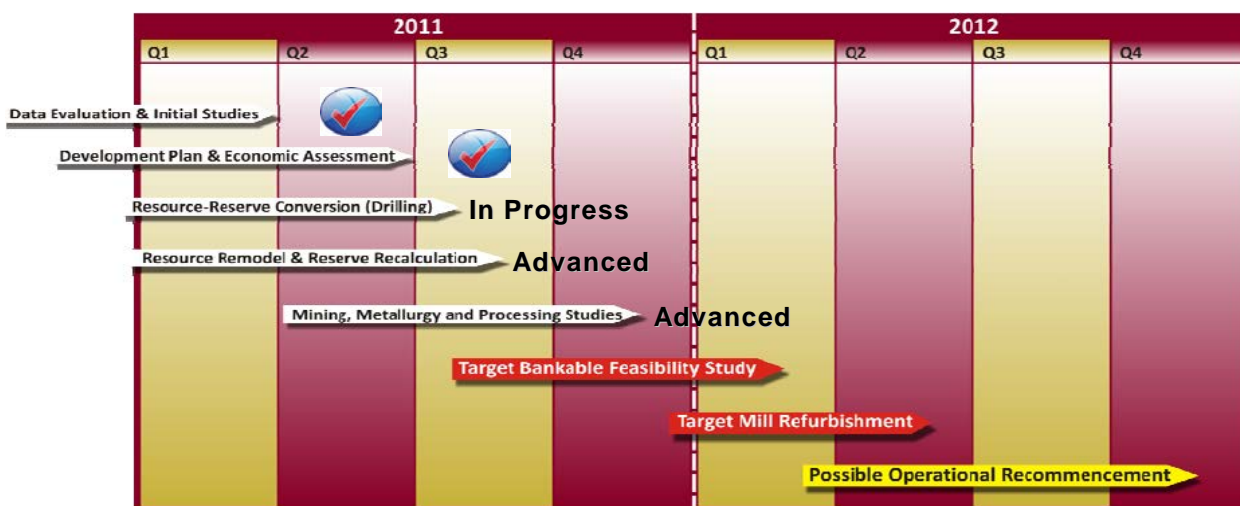


“Our newly appointed Principal Planning Engineer, Elizabeth Jones, comes with almost 20 years of underground experience. She will be redesigning the Paddy’s Flat (Prohibition-Vivian-Consols-Mudlode-Fatts) underground mine that will contribute higher grade feed material and balance the operational grade,” he added.

“We will be undertaking metallurgical test work on the Mickey Doolan-Phar Lap ore bodies that host over 600,000 oz in resources, preliminary optimisations suggesting a favourable outcome should target recoveries be confirmed. Resource conversion and reserve re-optimisation continues to be the immediate focus to form a long-term open pit mining strategy, one that is not dependent on new discoveries.”

Reed has built a dedicated technical team whose sole focus is to progress the Meekatharra Gold Project. The remaining engineering, processing and technical studies are in various stages of progression, but all within the budgeted timeframe to meeting the Bankable Feasibility Study deadline and scheduled recommencement of operations. The Company expects additional reserves will be identified through the technical studies, further bolstering the mine plan and produce a low-risk recommencement strategy.

Reed continues to refocus its broader business to three distinct commodity streams being gold, lithium and vanadium, with discrete strategies being developed for each asset class to progress their commercialisation to optimise corporate opportunity and enhance shareholder value.



-ENDS-

For further information please contact:

Chris Reed  
 Reed Resources Ltd  
 T: +61 89322 1182  
 E: [chris@reedresources.com](mailto:chris@reedresources.com)

David Tasker  
 Professional Public Relations  
 T: +61 89388 0944/ +61 433 112 936  
 E: [david.tasker@ppr.com.au](mailto:david.tasker@ppr.com.au)

## **COMPETENT PERSONS STATEMENT**

*Geological aspects of this report have been compiled by Mr Craig Fawcett (MAIMM), a full time employee of Reed Resources Ltd. Mr Fawcett 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 (2004). Mr Fawcett consents to the inclusion in this report of the matters in the form and context in which it appears.*

*Information in this report that relates to the Ore Reserves at Prohibition was compiled by Gary McCrae, a full time employee of Minecomp Pty Ltd which is a corporate member of the Australian Institute of Mining and Metallurgy. Gary McCrae is a qualified mining engineer who has sufficient experience which 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 as defined in the Code for Reporting of Mineral Resources and Ore Reserves (2004). Gary McCrae consents to the inclusion in the report of the matters based upon the information in the form and context in which it appears.*

### **Notes to accompany Ore Reserve estimate:**

The ore reserve is that part of the Mineral Resource which can be economically mined by open pit mining methods. Dilution of the Mineral Resource and an allowance for ore loss was included in the Ore Reserve estimate. All the Indicated Ore Resource has been classified as Probable Ore Reserves after consideration of all mining, metallurgical, social, environmental and financial aspects of the Prohibition deposit.

Slope angles used in the Ore Reserve estimation are based on standard pit slope angles for that rock type and weathering profiles.

The following ore related parameters have been used in the optimisation (prices quoted are in AUS\$):

- Processing costs \$21.01/t (oxide) and \$23.80/t (fresh);
- Metallurgical recovery of 94%;
- A gold price of AUS\$1,300;
- Government royalty of 2.5% plus 1% prospectors royalty;
- Mining costs are variable depending on material and mining depth;
- Total cost of A\$885/oz.

Metallurgical recovery is based on recoveries encountered from previous processing of the Prohibition ore and metallurgical test work on the primary ore.

Mining costs are based on estimates from a mining contractor.

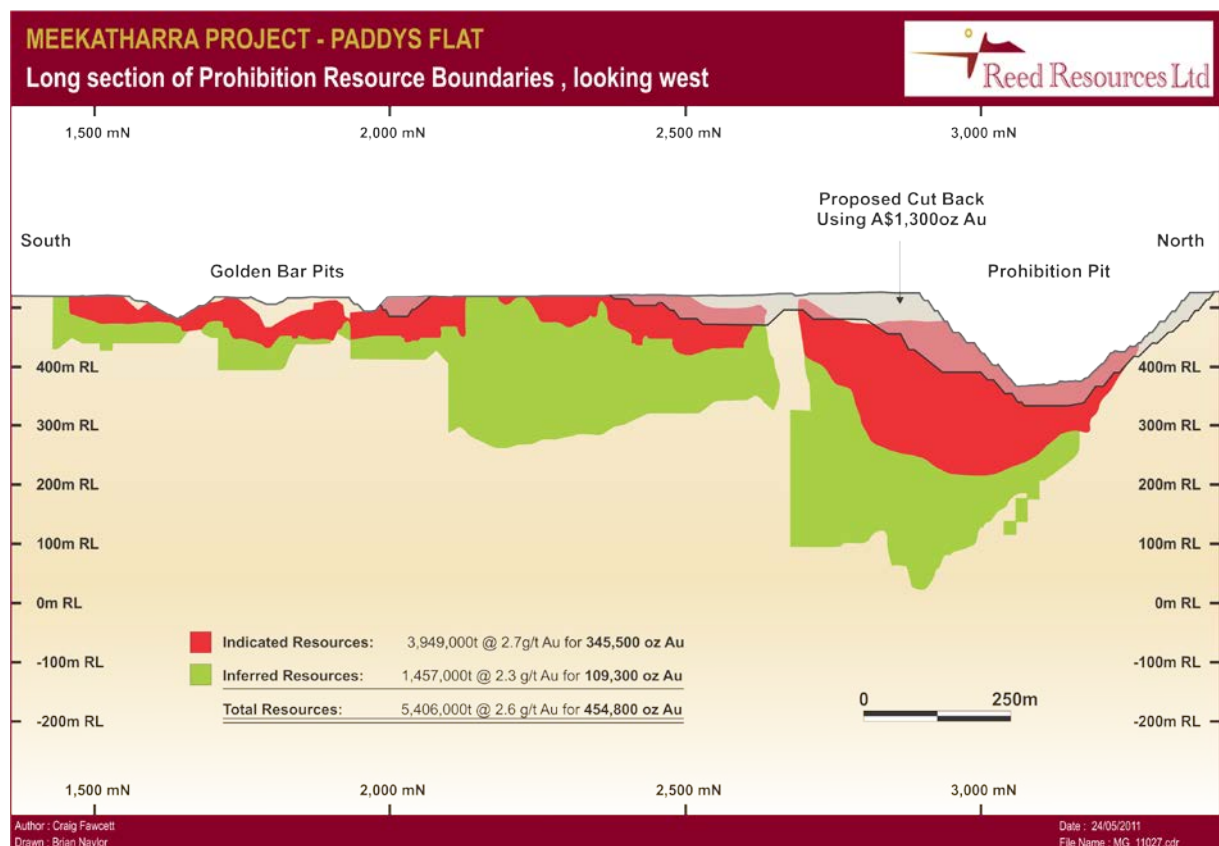
## **APPENDIX A: Supporting Information to the Announcement**

The Prohibition Ore Reserve was estimated using economic parameters to accurately reflect current operating costs and gold prices. The final design will be based on the A\$1300/oz optimisation shell. Operational costs are derived from contractor costs, calculated operational costs and peer equivalent costs.

This optimisation exploits the continuous geological unit (cherty BIF) that extends from the northern portion of the Prohibition Pit to the southern part of the Golden Bar Pit (Figure 1). This represents a continuous mineralisation trend of almost 2km in strike length and accessible for mining from open pits. Existing open pit reconciliations from Prohibition and Golden Bar have de-risked this area from a mining and metallurgical perspective.

A definitive pit design will now be created and from there the mining approval process will commence. As there are no existing open pit reserves in either Prohibition or Golden Bar, the additional 96,000oz is a direct addition to the reserve inventory.

Drilling to upgrade the inferred resource areas will be undertaken aimed at further expanding this pit.



**Figure 1.** Long section through the Prohibition ore body and a representation of the preliminary pit shell.

## **Mickey Doolan/Phar Lap Metallurgical Test Work & Optimisation**

The Mickey Doolan ore body is a massive, 100m wide, low grade deposit hosted in ultramafic rocks and a porphyry (Figure 2). The mineralisation has a grade of 1-1.5g/t Au and this is reflected in the current global resource of 19.5Mt @ 1.0g/t for 610,000oz. The size of the deposit makes this a very attractive target and may potentially provide many years independent feed for the mill.

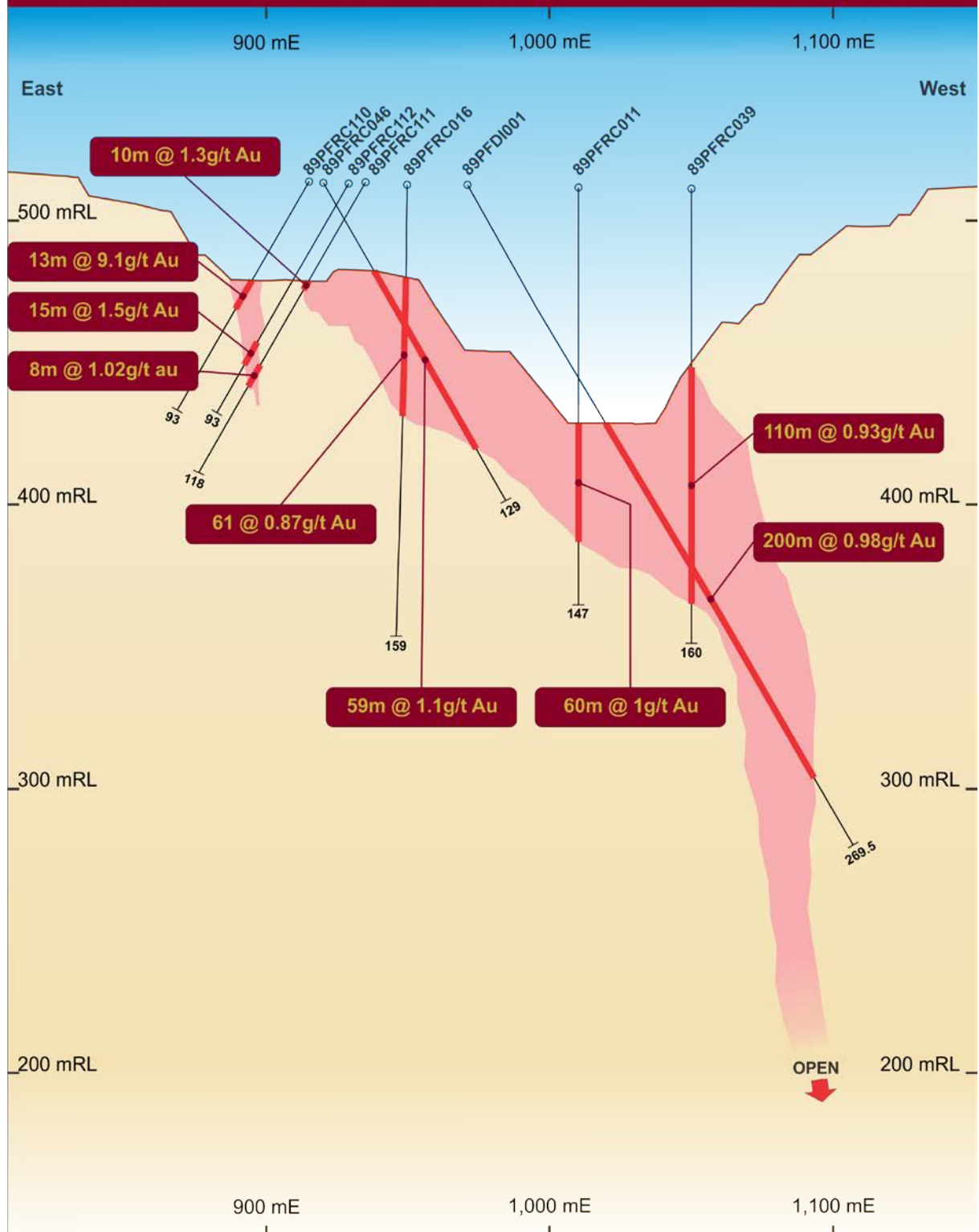
The portion of the ore body contained within the Porphyry has no significant reported metallurgical problems, however test work on the portion contained within the ultramafic rocks indicates that additional grinding may be required. This has detracted previous owners from exploiting this deposit. Test work to date has been undertaken to emulate how the ore would recover through the legacy milling circuit, which was designed for open pit oxide material, utilising a single stage crush before SAG and ball milling. Reed Resources' planned strategy is to feed a mix of fresh and oxide material from underground and open pit operations, which will require re-configuration of the milling circuit to accommodate fresh ore, an appropriate crushing circuit and a finer mill-grind. This process has already commenced, and GR Engineering has been engaged to undertake an optimisation study of the mill and the circuit to provide the Company with detailed engineering plans required to undertake the milling modifications.

A preliminary optimisation of this ore body using both Indicated and Inferred resources (ASX announcement 5 May 2011) was recently undertaken. The results of this optimisation indicate that if historical recoveries can be increased through finer grinding, then an attractive large open pit target is present at Mickey Doolan.

A new optimisation will be run on the "porphyry mineralisation" to ascertain the extent of the cutback that can be undertaken on the free-milling ore type.

Metallurgical drilling at Mickey Doolan is due to commence in June. Four holes are planned to be drilled into the mineralised ultramafic rocks, and subsequent metallurgical testwork will follow to assess the optimal grind and extraction process.

**MEEKATHARRA PROJECT - PADDYS FLAT**  
**Cross Section of Mickey Doolan, Looking North**



**Figure 2.** Cross section at 1,550mN through the Mickey Doolan ore body

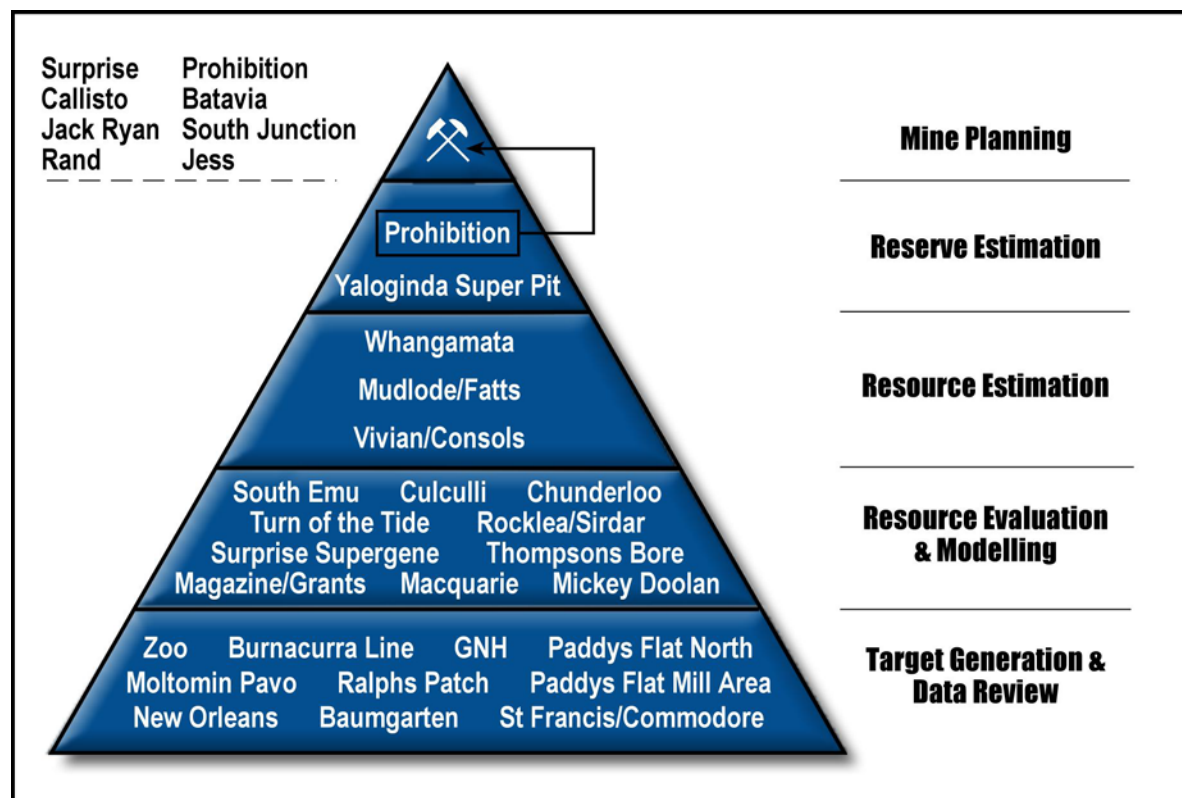
## Forward Work Programme

The re-modelling and optimisations are ahead of the planned schedule. The underground optimisation has been slightly delayed due to the availability of appropriately qualified and skilled personnel. A Principal Planning Engineer (Elizabeth Jones) has been appointed. Elizabeth brings almost 20 years of underground experience to the team with a background balance of both Mine Management and Mine Planning. Elizabeth will commence work with Reed in early June. The underground mine design at Paddys Flat is a priority work item.

Reverse circulation drilling is due to commence at Meekatharra in July. This drilling will cover a suite of targets from immediate resource/reserve expansions through to testing some potential high-yield targets that have previously been neglected for various reasons. A total of 10,000m of drilling has been planned. This is in addition to the metallurgical diamond drilling that will take place imminently at Mickey Doolan.

Further resource and reserve optimisations are to be undertaken at some of the smaller pits at the Reedys prospect, and a large holistic optimisation will be undertaken at the Yaloginda area that covers an 800m section of the Mystery-Rhens-Anarchist mineralisation trend (Figure 3). With the recent re-optimisation success realised at Prohibition, the Company is looking forward to the result. A number of other smaller targets (+10,000oz) are also being worked on that will hopefully complement the mining plan.

### Resource Evaluation Work Program



**Project Mineral Resource Statement (inclusive of Reserves)**

Project	Resource Classification	Tonnes	Gold Grade (g/t)	Total Ounces
Meekatharra North	Indicated	706,000	1.3	29,000
	Inferred	174,000	1.2	6,000
	<b>Sub-Total</b>	<b>880,000</b>	<b>1.3</b>	<b>35,000</b>
Paddy's Flat	Indicated	19,402,000	1.7	1,056,200
	Inferred	9,183,700	1.5	437,330
	<b>Sub-Total</b>	<b>28,585,700</b>	<b>1.6</b>	<b>1,493,530</b>
Yaloginda	Indicated	9,961,000	1.7	536,300
	Inferred	4,328,000	1.7	240,400
	<b>Sub-Total</b>	<b>14,289,000</b>	<b>1.7</b>	<b>776,700</b>
Reedys	Indicated	1,794,000	2.7	153,400
	Inferred	3,095,000	2.4	241,200
	<b>Sub-Total</b>	<b>4,889,000</b>	<b>2.5</b>	<b>394,600</b>
<b>TOTAL</b>	<b>Indicated</b>	<b>31,863,000</b>	<b>1.7</b>	<b>1,774,900</b>
	<b>Inferred</b>	<b>16,780,700</b>	<b>1.7</b>	<b>924,930</b>
	<b>TOTAL</b>	<b>48,643,700</b>	<b>1.7</b>	<b>2,699,830</b>

*\*Resources are compiled from current and historical reports and remain current estimates of the Mineral Resource.*

**Project Ore Reserve Statement.**

Type	Project	Reserve Classification	Tonnes	Gold Grade (g/t)	Total Ounces
Open Pit	Bluebird	Probable	1,410,000	1.9	87,000
	Prohibition	Probable	1,110,000	2.7	96,000
	South Junction	Probable	97,000	1.45	4,500
	Surprise	Probable	136,000	3.0	13,000
	Batavia	Probable	200,000	2.4	14,000
	Jack Ryan	Probable	222,500	3.1	21,800
	Callisto	Probable	72,500	3.1	7,200
	Rand	Probable	100,000	2.4	7,600
	<b>Sub-Total</b>	<b>Probable</b>	<b>2,238,000</b>	<b>2.2</b>	<b>251,100</b>
Underground	Prohibition	Probable	1,372,000	4.1	179,000
	Vivian/Consols	Probable	256,000	10.4	83,000
	Fatts/Mudlode	Probable	362,000	4.0	46,000
	<b>Sub-Total</b>	<b>Probable</b>	<b>1,990,000</b>	<b>4.8</b>	<b>308,000</b>
<b>Meekatharra Package - TOTAL</b>			<b>4,228,000</b>	<b>3.41</b>	<b>559,100</b>

*\*Reserves are compiled from current and historical reports and remain current estimates of the Ore Reserves*

## 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):

- **Mount Marion** – High-grade Lithium project located about 40km south of Kalgoorlie in JV with Mineral Resources Limited. World's second biggest lithium concentrate operation under construction. Commissioning to occur in December 2011.
- **Meekatharra** – Recently acquired 2.5M oz Gold project with 3Mtpa processing plant and associated infrastructure, conducting resource re-optimisation and feasibility study to recommence gold production in second half of 2012.
- **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.

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

