

ASX Release

23 June 2011

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

### **HIGHLIGHTS**

- **Reed Resources enters into replacement MOU with NFC and Arcon in relation to Barrambie project.**
- **Replacement MOU is on the same terms as the original MOU, but extends the period for provision of fixed price EPC quote by NFC and Arcon to 31 July 2011.**
- **An estimate to +/- 7.5% accuracy expected by end of June 2011.**
- **SKM appointed to estimate revised operating costs for Barrambie based on plant optimisations arising from NFC and Arcon's design work. Initial indications suggest savings are achievable, despite higher input costs.**
- **Financing discussions ongoing.**

Australian diversified resources company Reed Resources Ltd (**ASX: RDR**) (the "Company" or "Reed Resources") is pleased to announce that it has entered into a replacement Memorandum of Understanding ("MOU") with a consortium of China Nonferrous Metal Industry's Foreign Engineering and Construction Co. Ltd ("NFC") and Arcon (WA) Pty Ltd ("Arcon") for the Barrambie Vanadium Project ("Barrambie"), which replaces the MOU previously announced on 11 November 2010.

The replacement MOU is on the same terms as the original MOU, but extends the period to 31 July 2011 by which NFC and Arcon are required to provide Reed with an updated, fixed price Engineering, Procurement and Construction ("EPC") contract quote for Barrambie.

As previously announced, the updated EPC quote from NFC and Arcon will, where possible, specify the use of Chinese equipment and services for Barrambie, and Reed expects it to achieve significant savings compared to the original Definitive Feasibility Study ("DFS") capital cost estimate of A\$628.9 million, subject to escalation and foreign exchange movements. Reed expects to receive an estimate of the EPC pricing from NFC and Arcon to an accuracy of +/- 7.5% before the end of June.



Reed Resources has concurrently appointed the authors of the original DFS, Sinclair Knight Merz (“SKM”), to work with NFC and Arcon to provide an update of the processing plant operating cost estimates. Reed Resources has recently received a draft from SKM which indicates that operating cost savings of approximately 6% may be achievable over the DFS estimate on a like-for-like basis. This is due primarily to reductions in power and soda ash consumption, which are expected to arise from plant optimisations identified by NFC and Arcon as part of the design work for their EPC quote. These expected operating cost savings are despite increases in the price of certain inputs, including gas and labour, since the original DFS estimates were completed.

Reed Resources and NFC remain in discussions with potential equity financing partners and lenders to the project, and will ensure that the market remains fully informed about all further developments regarding Barrambie as they arise.

### **Ends**

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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 Resources’ American Depositary Receipts (ADR’s) trade under the code RDRUY (CUSIP Number: 758254106). Each Reed Resources’ ADR is equivalent to 10 ordinary shares of Reed Resources 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 2.7M oz Gold project with 3Mtpa processing plant and associated infrastructure, conducting feasibility study to recommence gold production in second half of 2012.
- **Barrambie** – Definitive Feasibility Study completed on the production 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, 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)

## **About NFC**

NFC is a state controlled company mandated by the Chinese central government to develop overseas mineral resources to meet China's growing demand for metals. Listed on the Shenzhen Stock Exchange, NFC is the largest Chinese contractor for foreign industrial projects in the nonferrous metals sector, and had built and financed mining plants and smelters across Asia and Africa. NFC's overseas projects include:

- Kazakhstan Aluminum Smelter Project
- Chambishi Copper Mine of Zambia
- Vietnam Sin Quyen Copper Mine
- Iran Yazd Zinc Smelter
- Faryab Ferroalloy Plant of Iran
- Arak Aluminum Smelter of Iran
- Upgrading Project of Iran Jajarm Alumina Plant
- Iran Khatoon Abad Copper Plant

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