

## QUARTERLY ACTIVITIES REPORT

31 MARCH 2009

### Highlights

- Comet Vale (gold) – Net cash flow from gold operations of A\$1.18M and initial development on the 4 Level.
- Barrambie (vanadium) – Mineral Resource increased to 65.2M tonnes at 0.82% V<sub>2</sub>O<sub>5</sub> and Definitive Feasibility Study (DFS) materially complete.
- Cash and receivables of \$11m.

Reed Resources' exploration and development activities during the quarter continued to focus on the Comet Vale gold operations and advancing the Barrambie vanadium project. Cliffs Natural Resources ("Cliffs") (formerly Portman Ltd) and Western Areas NL are continuing with exploration of the Mt Finnerty project for iron ore and nickel sulphide mineralisation, respectively, under joint venture agreements. The Bell Rock Range project in central Australia is progressing steadily.

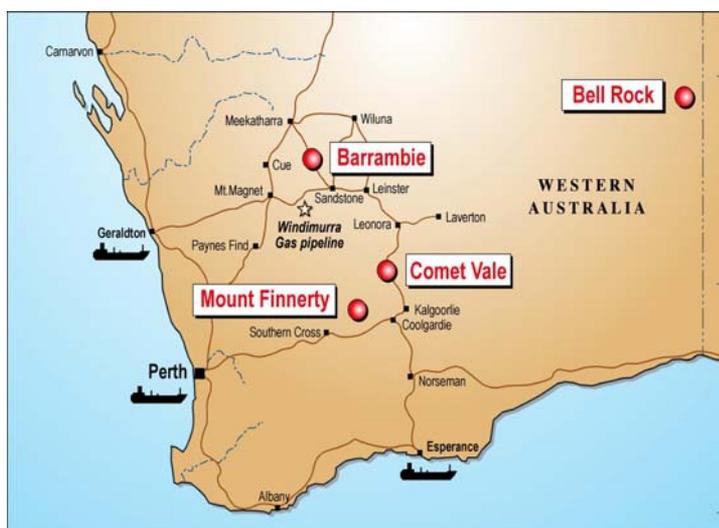


Figure 1 Location of Reed Resources' projects in Western Australia.

### COMET VALE PROJECT (gold, nickel)

**Sand Queen Mine Operations**  
(Reed Resources 100 %, Kingsrose Mining Limited earning 50 %)

#### Mining

Production of ore from the Sand Queen gold mine for the March 2009 quarter amounted to 4,433 tonnes of ore at an estimated grade of 9.05 g/t Au.



Development on the 4 Level commenced during the quarter following de-watering and refurbishment of the Sand Queen shaft to the 4 Level. Ground conditions indicated that conditions will be conducive to mining and work establishing the 4 Level included construction and installation of all necessary rail and rail-mounted equipment and other level development infrastructure.

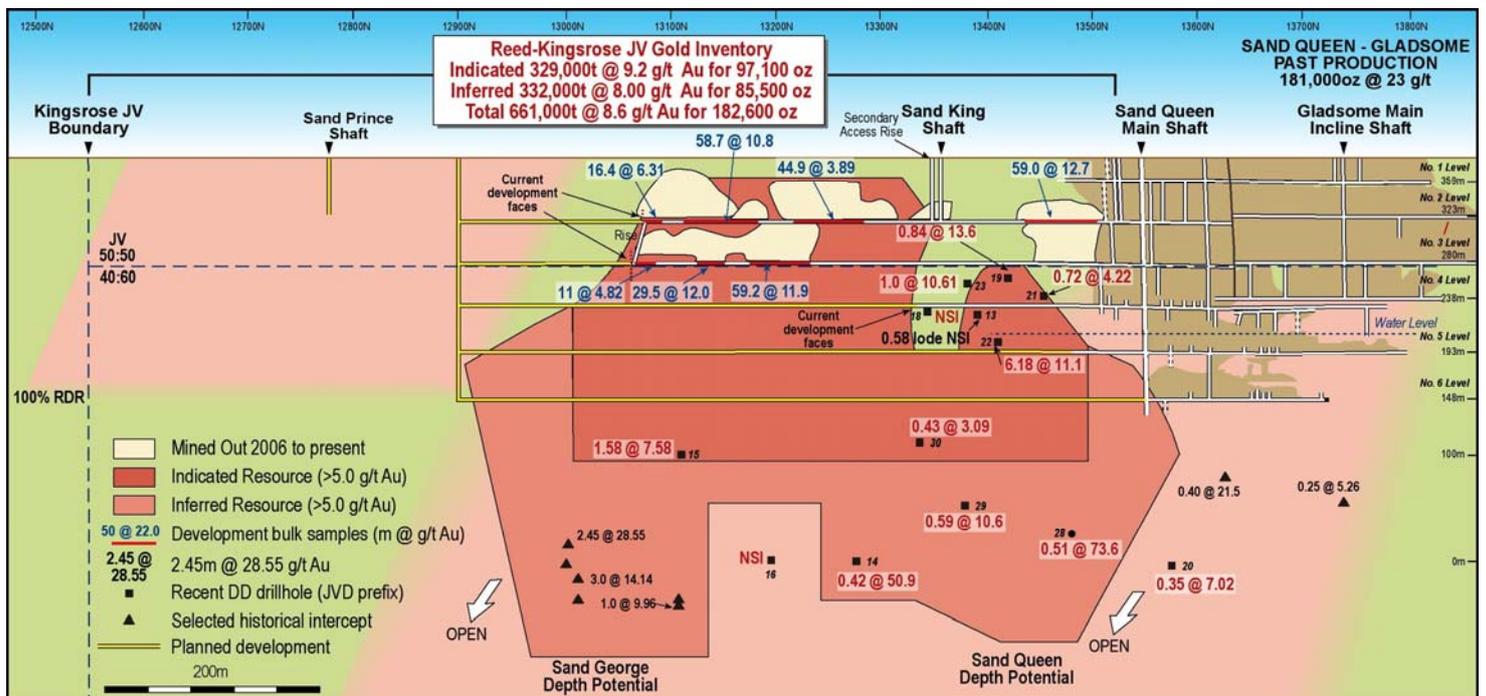
Mining focused on the south development drive towards the Sand Queen South and Sand George ore bodies. A total of 150 metres of level development to the Sand Queen South ore body was completed and a further 20 metres of level development completed towards the Sand George lodes.

## Milling

During quarter, the Company received the proceeds from two ore sales. A parcel processed in December 2008 consisted of 4,262 tonnes of ore grading 14.7 g/t Au, yielding net cash of \$634,000 at cash costs of A\$551/oz. A second parcel in February 2009 consisted of 5,700 tonnes grading 9.21 g.t Au, yielding net cash of \$545,000 at cash costs of A\$675 /oz.

Gold production from Sand Queen is not hedged and therefore fully leveraged to further upward movements in the price of gold.

The next parcel of ore for toll treatment is being generated from remnant ore from the 3 Level and the first development and stoping ore from the 4 Level. This is due to be milled in July 2009.



**Figure 2.** Longitudinal section of the Sand Queen gold mine (looking west) with current and planned mine development in relation to the outlines of Indicated and Inferred Mineral Resources (at a cut-off grade of 5 g/t Au).

## Regional exploration

No significant regional gold or nickel exploration was undertaken during the quarter.

## Forward Work

The Joint Venture partners are planning and implementing a comprehensive underground drilling program to test for extensions of known lodes and for lodes in structurally favourable sites in close proximity to existing mine development on the 2, 3 and 4 Levels.

Gold exploration planned for the June quarter will include a re-evaluation of the open-pit potential of the Sand Prince West and Princess Grace deposits.

## **BARRAMBIE VANADIUM PROJECT (Reed 100%)**

### Resource estimation

On the 13<sup>th</sup> February 2009, the Company announced an increase in Mineral Resources at the Barrambie vanadium deposit to **total Indicated and Inferred Resources of 65.2 million tonnes at a grade of 0.82 % V<sub>2</sub>O<sub>5</sub>, 17.3 % TiO<sub>2</sub>, and 49.2 % Fe<sub>2</sub>O<sub>3</sub>**, at block cut off grade of 0.5 % V<sub>2</sub>O<sub>5</sub> (Table 1).

The Mineral Resource has now been estimated over a strike length of 10.5 km between 7535mN and 18000mN (local grid). This is the total strike length of vanadiferous-titaniferous magnetite mineralisation within Mining Lease M57/173 (Figure 3).

Mineral Resource estimation has been undertaken by Snowden Mining Industry Consultants Pty Ltd ("Snowden"). The resource is reported by weathering type ('oxide', 'transitional' and 'fresh') and resource classification at a block cut-off grade of 0.5 % V<sub>2</sub>O<sub>5</sub>. This cut-off grade coincides with a natural well-defined boundary for the higher grade massive magnetite bands that will be the principal target for selective mining of the deposit.

The Resource has been modelled to a depth of about 60 metres below surface, which is the limit of drilling, which is the planned depth for initial open cut mining of the deposit, based mostly on the 'oxide ore type'.

The deposit remains open at depth and along strike to the northwest and southeast of M57/173 within Exploration Licences E57/769 and E57/770 (Figure 3).

### Definitive Feasibility Study (DFS)

Sinclair Knight Merz (SKM), the Company's engineering consultants, completed a draft of the Definitive Feasibility Study in August 2008. This study indicated that, based on the existing mineralisation, the Barrambie vanadium processing plant and associated infrastructure will target a through-put of 3.2 million tonnes per annum of vanadium bearing magnetite mineralisation at a grade of 0.82 % V<sub>2</sub>O<sub>5</sub> and produce approximately 7,700 tonnes of Ferrovandium per annum.

Mining studies indicated that the selective mining of the Central Zone on mineralisation will result in a feed to the plant in excess of 0.82 % V<sub>2</sub>O<sub>5</sub>, which is the highest grade of any vanadium project in Australia.

## Environmental matters

As part of the DFS, a draft Public Environmental Review (PER) document was lodged with the Environmental Protection Authority (EPA) during the quarter. The Company is currently awaiting feedback from the EPA on this document.

## Forward work

The following activities are planned for the June quarter:

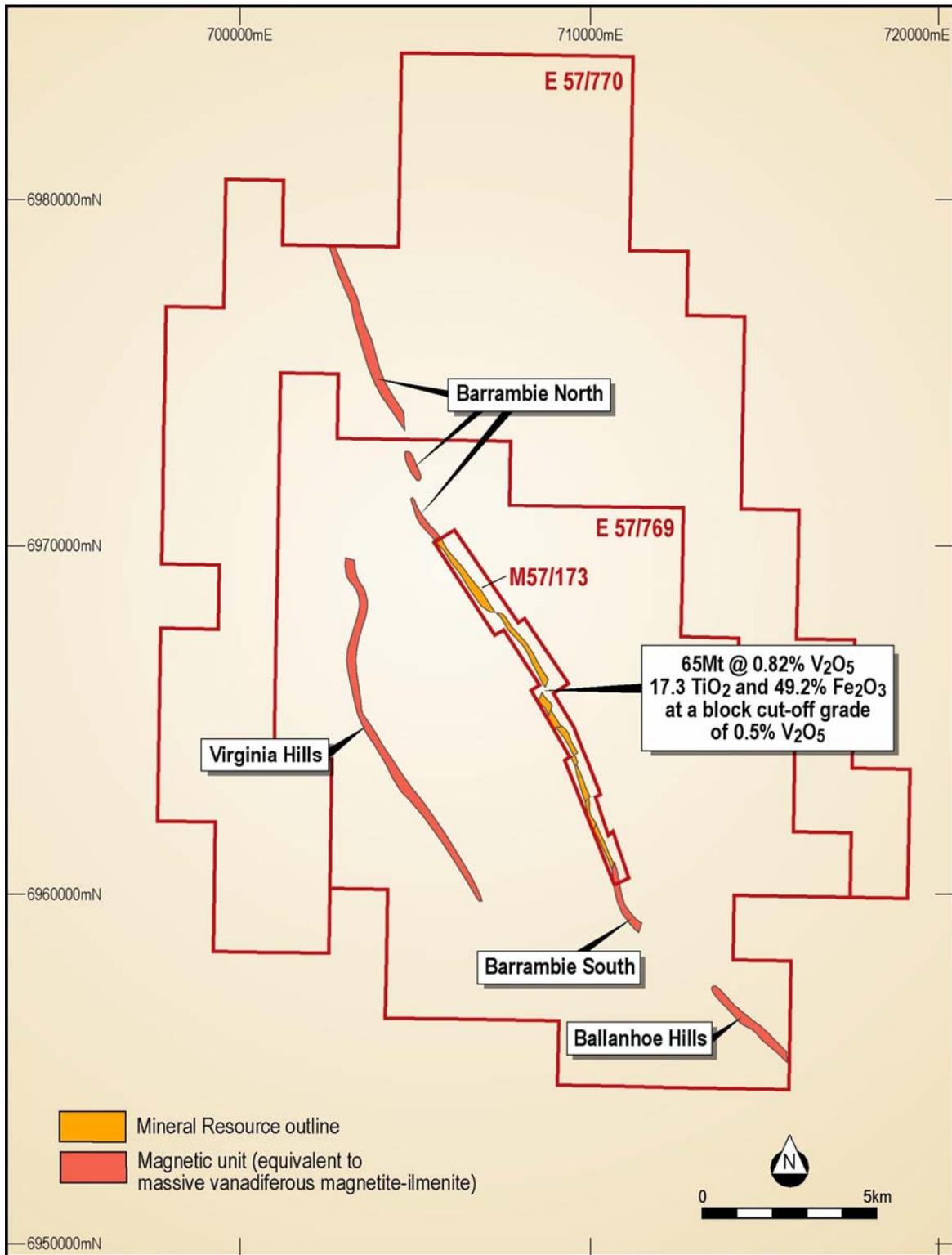
- Completion of a Mining Reserve for the combined northern and southern areas by the Company's resource consultants.
- Complete a review of the draft DFS and finalise the document.
- Finalise the PER document and lodge with the EPA.

## Market price

The current price of vanadium is quoted by the Ryans Notes at US\$4.00/lb for V<sub>2</sub>O<sub>5</sub> and US\$19/kg of V for Ferrovandium (FeV<sub>80</sub>), as at 27 April 2009. The primary use for vanadium is to harden steel.

**Table 1.** Mineral resource estimates for the Barrambie V-Ti deposit as at January 2009, for a block cut-off grade of 0.5 % V<sub>2</sub>O<sub>5</sub>.

Category	Ore Type	Tonnes (Mt)	V <sub>2</sub> O <sub>5</sub> (%)	TiO <sub>2</sub> (%)	Fe <sub>2</sub> O <sub>3</sub> (%)
<b>Indicated</b>	Oxide	33.5	0.83	16.9	46.8
	Transitional	12.9	0.81	18.3	52.6
	Fresh	2.7	0.73	18.8	56.5
	<b>Sub-Total</b>	<b>49.2</b>	<b>0.82</b>	<b>17.3</b>	<b>48.9</b>
<b>Inferred</b>	Oxide	3.0	0.82	15.4	46.3
	Transitional	5.1	0.81	17.5	49.7
	Fresh	7.9	0.81	17.7	52
	<b>Sub Total</b>	<b>16.0</b>	<b>0.81</b>	<b>17.2</b>	<b>50.2</b>
<b>Total</b>	Oxide	36.5	0.83	16.7	46.7
	Transitional	18.0	0.81	18.1	51.8
	Fresh	10.7	0.79	18.0	53.2
	<b>Total</b>	<b>65.2</b>	<b>0.82</b>	<b>17.3</b>	<b>49.2</b>



**Figure 3** Barrambie vanadium project showing the extent of the Mineral Resource within M57/173 and potential extensions of vanadiferous magnetite mineralisation along strike and to the west of the Barrambie deposit. The distribution of vanadiferous magnetite mineralisation within E57/769 and E57/770 is based on interpretation of aeromagnetic survey data and is yet to be tested by drilling.

## **MOUNT FINNERTY PROJECT (iron, nickel, gold)**

### **Iron Ore Exploration (Reed Resources 20 %, Cliffs 80 %)**

Iron ore exploration is undertaken by Cliffs Natural Resources ("Cliffs") in joint venture with Reed Resources Ltd. The principal aim of this exploration is to locate sufficient iron mineralisation within trucking distance of Cliffs' Koolyanobbing Iron Ore operation, which is about 65km to the west. Previous exploration has identified two key exploration targets: banded iron formation (BIF) hosted iron enrichment (BID) deposits (e.g. FIN1 to FIN11 prospects) and channel iron deposits (CID) within broad palaeochannels that have been identified from geophysical interpretation of satellite imagery and aeromagnetic and ground magnetic survey data.

Exploration for BIF-hosted iron mineralisation has identified several new areas of outcropping iron mineralisation and sampling has generated drill targets at FIN7 West, FIN10 North and FIN10 South, and FIN11 North and FIN11 South (Figure 4). Interpretation of geophysical data has identified additional BID targets such as 'Red Tulip', a magnetic and gravity anomaly with discontinuous sub-cropping iron mineralisation, and 'Blue Rose', along strike from FIN11S (Figure 4). These targets have been approved by the Joint Venture and relevant approvals received for drill testing in May 2009.

During the quarter, Cliffs completed sampling of a systematic RAB drilling program to test the extent of iron-enriched detrital material in a number of palaeochannel deposits. Assay results have been received for 690 samples from 73 RAB drill holes. No significant intercepts were noted. Assays are still pending for 318 samples from 3 RAB drill holes.

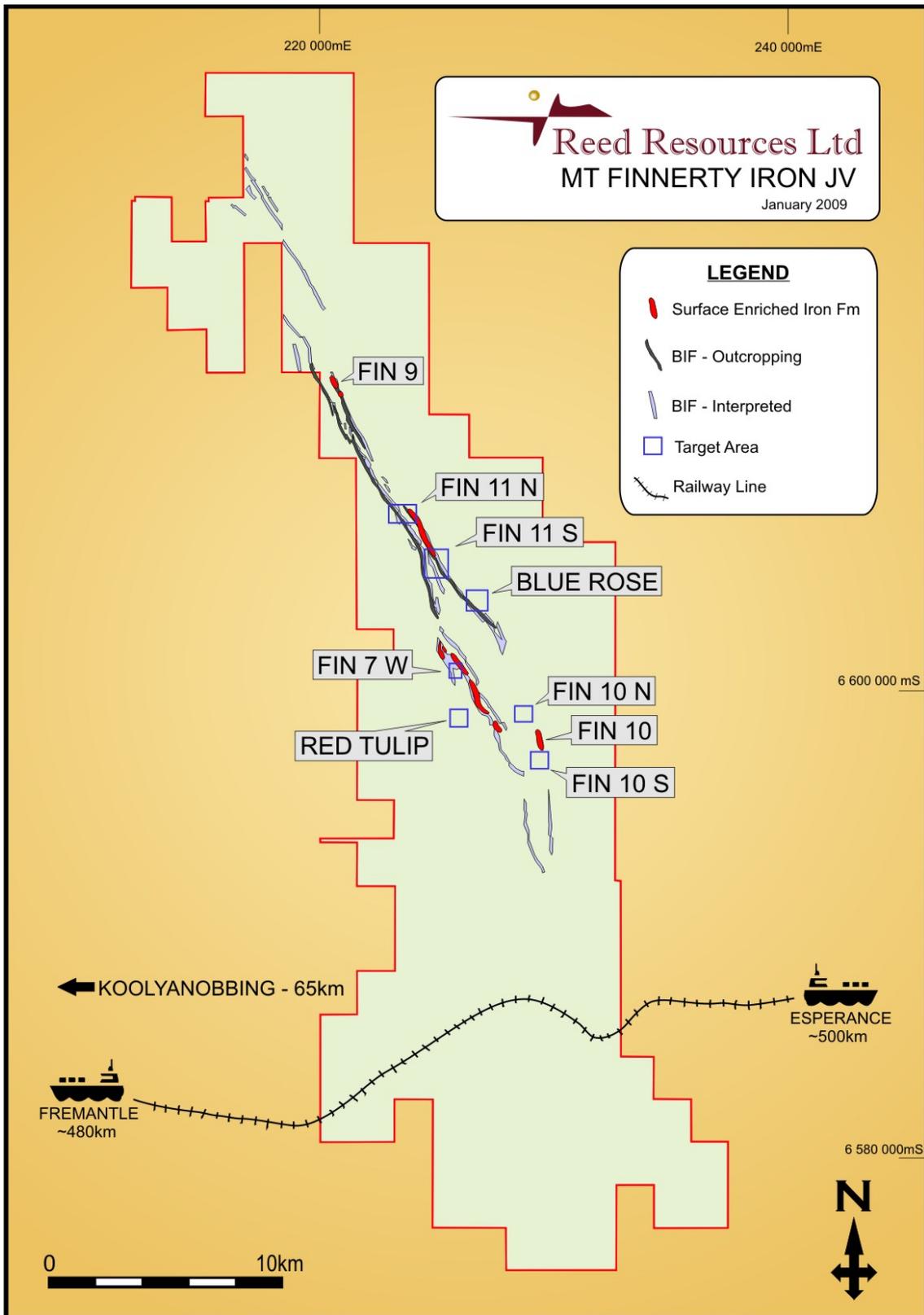
### **Nickel Exploration (Western Areas NL earning 65 %)**

Exploration by Western Areas continued during the quarter with the completion of a five drill hole RC drilling program (total 330 metres). This drilling tested the prospective basal contact of the Western Ultramafic Unit (WUM) and other potentially favourable formations (Figure 5). Assays are awaited, but uncalibrated Niton results showed no significant elevated nickel values.

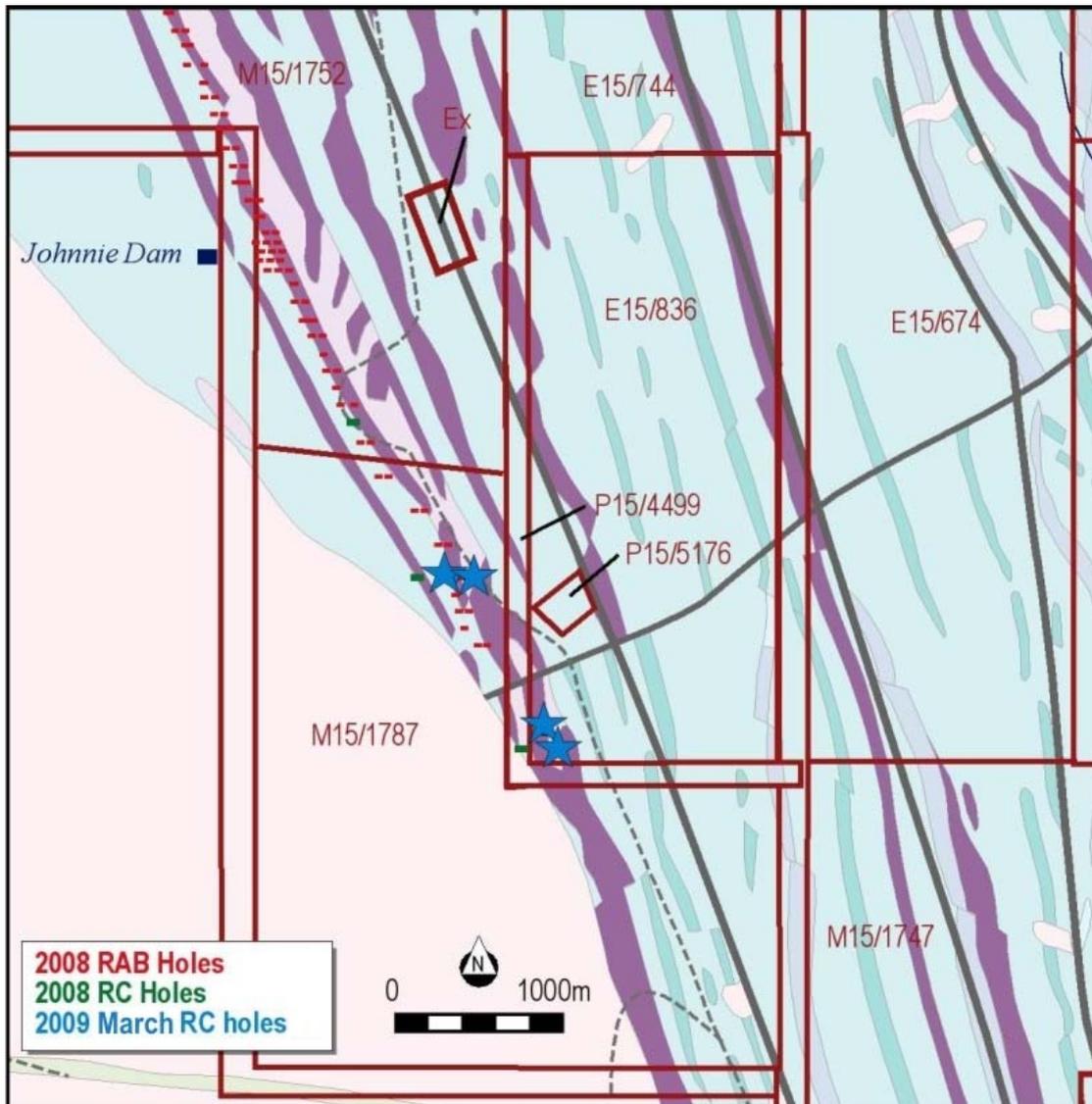
Drill hole MFRC06 intersected 1m @ 0.9 g/t Au and 0.5 % Cu at 48-49 associated with sulphides and quartz veining, up dip from a target IP anomaly. Further drilling is planned for May 2009 following a review of targets after all data has been received.

### **Gold and Other Minerals Exploration (Reed 100 %)**

Mineralisation reports have been prepared for the Flinders, Tasman and Giles-Forrest gold prospects in preparation for lodgement of Mining Lease applications.



**Figure 4** Plan of key BIF-hosted RC drill targets in relation to outcropping and interpreted banded iron formations within the Mt Finnerty project.



**Figure 5** Plan of RAB and RC drill holes along the targeted Western Ultramafic Unit in the vicinity of the Johnnie Dam-Yalenberine Creek area, Mt Finnerty project.

## Forward Work

Planned iron exploration (PMM) includes:

- RC drill testing of the seven iron mineralisation targets.

Planned nickel exploration (WSA) includes:

- Compilation of RAB and RC drilling and assay data and review of targets.
- RC drilling of IP anomaly.

Gold and other minerals exploration is planned to include:

- Review gold and manganese targets, including resource models for the Flinders and Tasman prospects.
- Maintain and update digital database.

<b>BELL ROCK RANGE PROJECT (Reed 100%)</b>
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The Bell Rock Range project within the western part of the Proterozoic Musgrave Province in central Australia is highly prospective for several commodities, particularly Ni-Cu sulphide and PGE mineralisation in area that is underexplored.

During the quarter, the company has conducted anthropological research and continued discussions with local aboriginal communities to finalise agreements for access within the exploration licence.

<b>CORPORATE</b>
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At the end of the quarter the Company had \$9.23 million cash at bank. A receivable relating to proceeds from ore sales for \$1.776 million was received on 1 April.



C J Reed  
**MANAGING DIRECTOR**

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*Geological aspects of this report that relate to Exploration Results have been compiled by Dr Peter Collins (MAIG), a Director of Reed Resources Ltd. Dr Collins 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 Collins consents to the inclusion in the report of the matters in the form and context in which it appears.*

*Although Reed Resources remain optimistic about the potential of its exploration projects, any reference to the terms "ore", "high-grade" and "low-grade" in this report is conceptual in nature. Use of the term "grade" is not intended to represent the grade of a resource except where expressly indicated.*