

ASX Announcement

27 October 2009

Reed signs significant agreement with Mineral Resources for Mount Marion Lithium Project start-up in 2010

HIGHLIGHTS

- **Reed Resources and Mineral Resources reach farm-in agreement for development of Mount Marion Lithium Project in Western Australia's goldfields region,**
- **Mineral Resources to complete feasibility study with a view to build, own and operate processing facilities; fund all development costs and operate the project, to earn 40% of net profit from the operation with accumulated development and operational costs being repaid from future operations,**
- **Reed to retain balance of net profit (60%) and the right to purchase all Spodumene produced,**
- **On current timetable, Mineral Resources will mobilise processing plant and equipment to Nimbus site Q2 2010, with first product shipments expected in Q3 2010, and**
- **Initial production rate is expected to be 17,000 tonnes per month of +6.5% Li₂O concentrate.**

Australian diversified resources company Reed Resources Ltd (**ASX: RDR**) (the "Company" or "Reed") has signed what it believes to be a 'company making' agreement with Mineral Resources Limited (**ASX: MIN**) ("Mineral Resources") to develop the Mount Marion Lithium Project ("Mount Marion Project") located between Kalgoorlie and Kambalda in the Goldfields region of Western Australia (refer to Figure 1).

Under the terms of the binding agreement,

- Mineral Resources will build, own and operate the Mount Marion Project's processing facilities;
- Mineral Resources will fund all development and operating costs with accumulated development costs being amortised and repaid from future operations.
- Reed will be reimbursed for all expenditure incurred to date and be free-carried through the evaluation stage,
- Mineral Resources is to deliver an operations commencement notice by 30 June 2010, with operations to commence by 31 December 2010. If Mineral Resources, at its election, fails to give the operations commencement notice, the agreement will terminate but without recourse to Reed for sunk costs to that date or to reimbursement of Reed expenditure to date.

During the 1960s - 1980s, WMC conducted 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 10-year mine life. 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% Li₂O to 7 % Li₂O, with Lithium recoveries of between 75% and 83%.



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The Feasibility Study, which is underway, will confirm the parameters by which initial production will occur, particularly in relation to the mix of chemical/ glass grade products. Initially, the project is to deliver up to 1Mtpa of ore (or the equivalent of 200,000 tonnes of concentrate at 6.5% Li₂O) to a Mineral Resources designed and built start-up plant alongside Reed's existing Nimbus processing plant. This is planned to continue until a larger plant and increased production is required.

"It is possible for production to be 'fast-tracked' in this manner given the high level of confidence Reed and Mineral Resources has in the resource at the Mount Marion Project, that is based on the extensive work carried out by previous owners," said Reed Resources Managing Director Chris Reed.

The initial 'fast track' production activity at Mount Marion will involve Mineral Resources mining the No.1 deposit, hauling the ore a short distance to Reed's Nimbus tenement for processing through a modular Crushing and DMS plant supplied by Mineral Resources. The Spodumene concentrate would then to be railed by Mineral Resources from Kalgoorlie to Port.

Mineral Resources, which has extensive experience in the construction and operation of significant mining operations throughout Australia, expects to mobilise a processing plant and related equipment to Nimbus in Q2 2010. First shipments of product, at a production rate of 17,000 tonnes per month of +6.5% Li₂O concentrate, is expected to commence from Q3 2010, subject to a decision to mine and obtaining all necessary approvals.

In conjunction with these activities Mineral Resources will also conduct a Feasibility Study on the establishment of a large standalone plant located at the Mount Marion Project, with processed ore railed to Port.

Mineral Resources will be entitled to 40% of net profit from the operations at the Mount Marion Project, with Reed retaining the balance of net profit and the right to purchase all Spodumene produced.

Reed Resources Managing Director Chris Reed believes the agreement with Mineral Resources will ensure the project is successfully developed in a timely and cost effective manner.

"Mineral Resources has extensive experience in the construction and operation of successful low-cost mining operations in Australia and is the perfect partner to assist us to bring the Mount Marion Lithium Project into production in 2010," Mr Reed said.

"This agreement enables Reed to fast-track this project into production and without the need to raise capital or secure project debt."

The Mount Marion Lithium Project is located close to significant infrastructure, including road, rail, grid-power and gas pipeline, and is 40km from the established mining city of Kalgoorlie-Boulder (refer to Figure 1).

"The close proximity of the high-grade resources to existing infrastructure, coupled with Mineral Resources' proven expertise in funding and operating a supply chain from mine to port, will ensure the Mount Marion Lithium Project is monetised as soon as possible and without the necessity for any further dilution to shareholders," Mr Reed added.

The Mount Marion Project is held by Reed Resources under an option agreement (ASX announcement 13 August 2009).

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.

Demand for Lithium Carbonate is forecast to triple over the next 10 years (Source: 2009 Lithium Markets & Supply Markets Conference, Santiago, Chile).

Main uses for Lithium are: batteries (particularly for electric/hybrid cars), glass, lubricants, pharmaceuticals, air-conditioning and chemicals.

There is currently two ASX-listed companies targeting Lithium production, Galaxy Resources Limited (ASX: GXY) and Orocobre Limited (ASX: ORE).

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About Reed Resources

Reed Resources Ltd is a diversified mining and exploration Company based in Western Australia. It has modest gold production and is expanding and diversifying its production base.

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

- **Comet Vale** – High-grade underground gold mine in JV with Kingsrose Mining Limited (until 31 May 2010).
- **Barrambie** – Definitive Feasibility Study completed on a Ferrovandium operation to produce 6300t of vanadium per annum. Currently in approvals process.
- **Mount Finnerty** – Iron ore JV with Cliffs Natural Resources & Nickel JV with Western Areas NL.
- **Mount Marion** – Option agreement over high-grade Lithium project located about 40km south of Kalgoorlie.
- **Bell Rock Range** – Nickel-Copper-PGM JV with Anglo American Exploration.

Website: www.reedresources.com

About Mineral Resources

Mineral Resources Limited is a leading, integrated, Australian-based mining services and processing company with operations in contract crushing, general mine services, infrastructure provision and recovery of base metal concentrate for export.

Operations are supplemented by rehabilitation and sale of heavy duty crushing and processing equipment, hire of engineering and crushing fleet plant and workshop manufacture of polyethylene pipe fittings and components.

Comprising three long standing brands — PIHA, Crushing Services International and Process Minerals International — Mineral Resources has developed a strong reputation for the cost effective delivery of its services and products to the resources and infrastructure sectors.

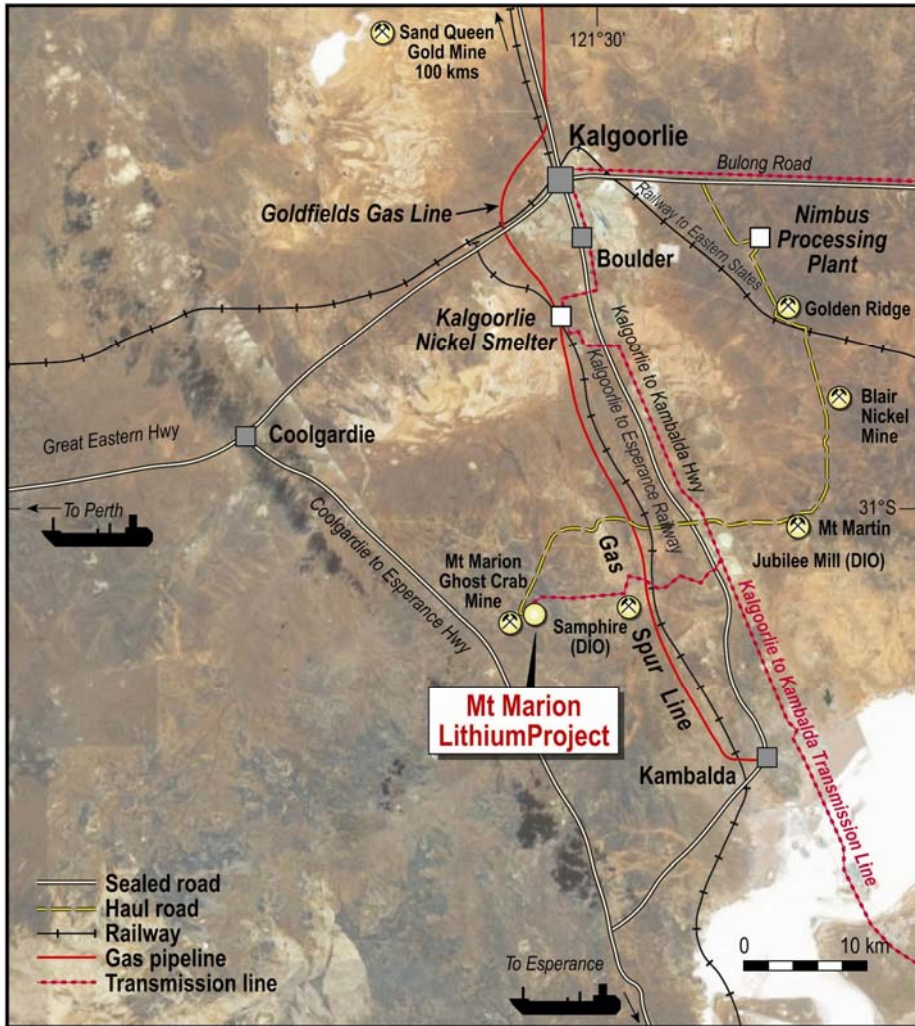
Mineral Resources currently has manganese operations at Woodie Woodie and Peak Hill in Western Australia and in 2010 will commence operations at the Nicholas Downs manganese operation, also in Western Australia.

On 1 October Mineral Resources announced an agreement with Mining Projects Group Limited (ASX: MP) and Oakover Gold Pty Ltd to acquire the rights to all of the iron ore mineralisation on the Talga Peak tenements in Western Australia.

Mineral Resources has also made a bid for ASX-listed Polaris Metals NL (ASX: POL).

Website: www.mineralresources.com

Figure 1: Mount Marion Lithium Project Location



MIN's 1.0 Mtpa Manganese Fines Beneficiation Plant for relative size/footprint illustration

