

16 October 2009

Reed Resources to retain 100% ownership of high-grade Sand Queen Gold Mine

Highlights

- Reed and Kingsrose have agreed to terminate the Production Joint Venture effective 1 June 2010
- Reed will be entitled to 100% of production from 1 June 2010
- Cost A\$1M in cash and A\$2M in shares
- Acquisition of associated mining assets and infrastructure for A\$1M cash
- Allows expansion of production from underground to compliment open-pit production.

Australian diversified resources company Reed Resources Ltd (**ASX: RDR**) (the "Company" or "Reed") will retain 100% ownership of the Sand Queen Gold Mine at the Comet Vale Project in Western Australia from 1 June 2010, having reached an agreement with current Production Joint Venture partner Kingsrose Mining Limited (**ASX: KRM**) ("Kingsrose") to terminate the existing joint venture arrangement. Under the agreement Reed will also assume ownership of all associated joint venture assets and infrastructure.

The agreement will enable Reed to further develop its strategy of increasing its level of gold production from the Sand Queen Gold Mine, 100kms north of Kalgoorlie (Figures 1 and 2).

Under the terms of the agreement, Reed will:

- Pay Kingsrose \$1M cash on 31 October 2009;
- Issue Kingsrose \$2M in Reed shares at the five business day volume-weighted average price (VWAP) up to and including 31 May 2010; and
- Purchase all mine assets and infrastructure for \$1M cash on 31 May 2010.

Reed has commenced an operational review of the Comet Vale Project to define the quantity and grade of the underground resources that may be converted to ore reserves with the aim of increasing production from the existing underground operations.

As part of this review, Reed will also evaluate the potential of its existing shallow, open pit gold resources at Comet Vale (e.g. Sand Prince West and Princess Grace prospects; Figure 2) to provide base-load feed to enable a decision to refurbish and re-commission its recently purchased Nimbus Processing Plant (Figures 3 and 4) at an initial rate of 100,000 tonnes per annum.



The Sand Prince West deposit is adjacent to existing underground operations (Figure 2) and a small open pit could be utilised as a box cut for a potential decline to access deeper levels of the Sand Queen mine.

The Company commenced toll treating a parcel of ore on Monday 12th October. The parcel is projected to be between 8,000 and 9,000t, including 6,150t @ 15.8 g/t Au stockpiled as at 30 September 2009 and high-grade stoping ore produced in October.

Reed Resources managing director Chris Reed believes the agreement represents significant value to the Company in conjunction with the recent acquisition of the Nimbus Processing Plant.

“Kingsrose has done a first class job mining the Sand Queen and Sand George lodes, and the life of mine (LOM) grade of 9 g/t Au compared with an Indicated Resource grade of 9.2 g/t Au is testament to that. Unfortunately the current operational scale is restricted by haulage capacity in the shaft and by split ownership. It is more suited to ownership by one company. We have agreed a fair deal that will allow Reed to concentrate and expand our wholly owned gold projects,” he said.

Under the agreement, Kingsrose will continue to mine from and above the 4 Level under the existing arrangement until 31 May 2010. Reed plans to continue mining the 4 Level from the existing shaft until economic resources are exhausted.

ENDS

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About Reed Resources

Reed Resources is a diversified mining and exploration Company based in Western Australia, with modest gold production the Company 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 approximately 40km south of Kalgoorlie.
- Bell Rock Range – Nickel-Copper-PGM JV with Anglo American Exploration.

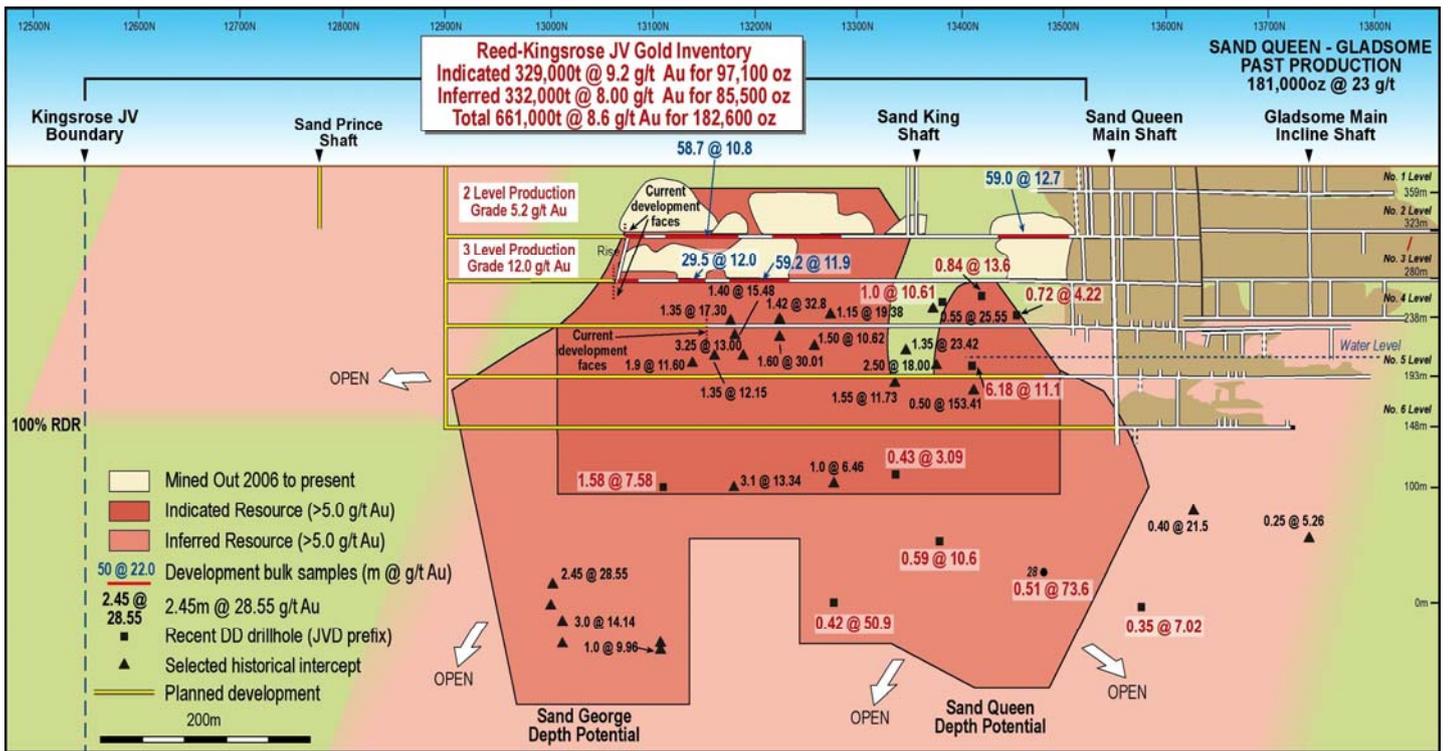


Figure 1 Longitudinal projection of the Sand Queen gold mine (looking west) with current and planned mine development in relation to the outlines of Indicated and Inferred Mineral Resources (at a cut-off grade of 5 g/t Au). Resource outlines are for a global resource which may include overlapping lodes.

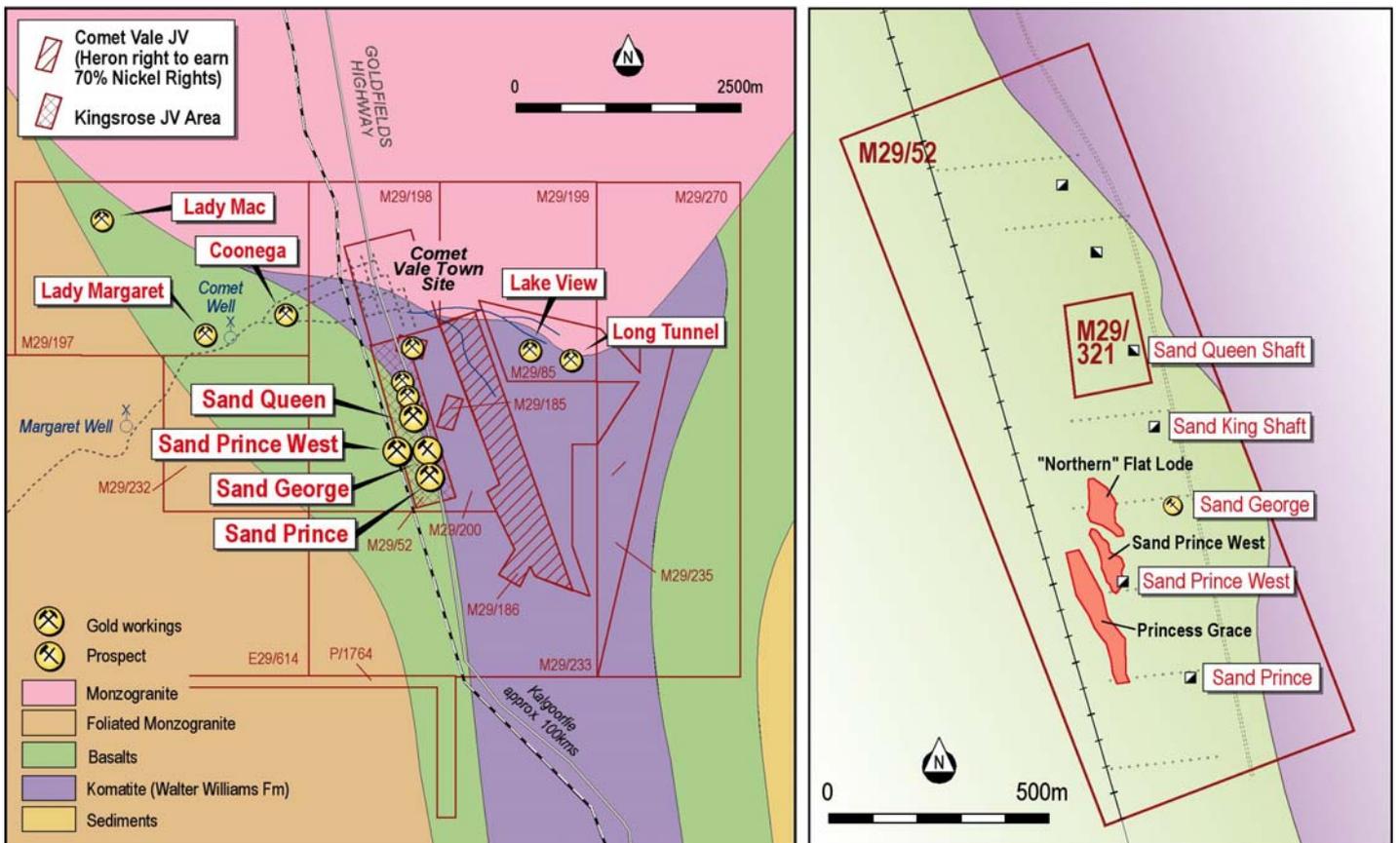


Figure 2. Location of gold deposits, on the current Reed-Kingsrore Production Joint Venture tenements (M29/321 and M29/52), including the position of the Sand Princess West and Princess Grace deposits in relation to the Sand George lodes.

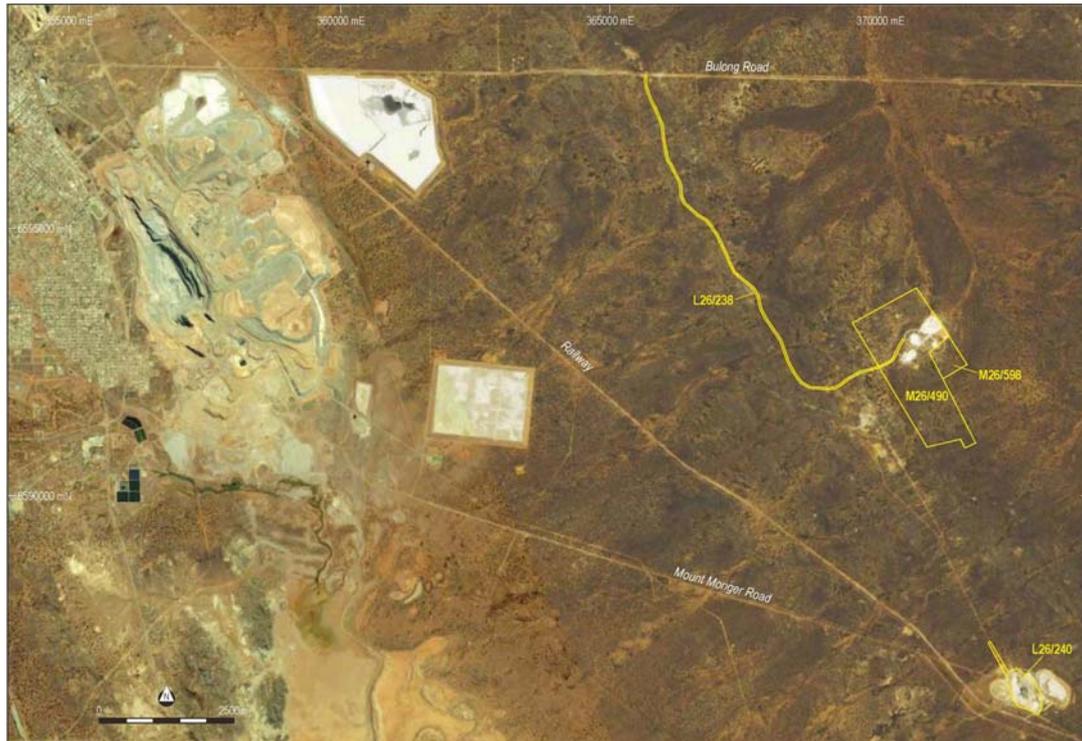


Figure 3 Location of the Nimbus Silver Project and Processing Plant, which includes two granted mining leases (M26/490, M26/598) and associated infrastructure within about 20 km by road from Kalgoorlie.



Figure 4 Part of the Nimbus Processing Plant showing the ball mill (centre) and leaching tanks.

Competent Person

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 "ore" is not intended to represent an Ore Reserve except where expressly indicated. Use of the term "grade" is not intended to represent the grade of a resource or reserve except where expressly indicated.