

QUARTERLY ACTIVITIES REPORT 30 September 2010

Highlights:

Mount Marion

- Decision to Mine, Exercised Option to Acquire 100% of project tenements
- Mount Marion Lithium Resource Estimate – 10.5Mt of 1.4% Li₂O - 18% Increase
- Lithium Carbonate Downstreaming Opportunities – working with shortlisted joint venture proponents

Barrambie

- Negotiations with NFC to construct and finance Barrambie – Exclusivity period expired on 30 September 2010

Comet Vale

- Resource Expansion drilling commenced
- Reserve completed on Open Pit at Sand Prince West – 109,000t @ 2.6g/t 9,200oz

MT MARION LITHIUM PROJECT

(Reed 100%)

(Production JV with Mineral Resources Limited)

On 16 July 2010 the Company announced it had received from its joint venture partner Mineral Resources Limited (**ASX: MIN**) (“Mineral Resources”) an Operations Commencement Notice for the Mt Marion Lithium Project located near Kalgoorlie Western Australia. Production of lithium concentrate (spodumene) from the pegmatite ore bodies is anticipated to commence in the March 2011 quarter at an initial rate of 200,000 tpa of spodumene concentrate grading a nominal 6.5% Li₂O, and containing approximately 13,000 tonnes of lithium oxide (Li₂O).



The Joint Venture has been expanded to include mica, tantalum and potash feldspars; testwork has highlighted the potential to recover significant volumes of these by-products.

The Company exercised its rights under the Option Agreement announced to the ASX on 13th August 2009 and acquired 100% of the granted mining leases. Mineral Resources funded both the exercise price and the decision to mine payment to the prospector at settlement.

Subsequent to the quarter the Company secured a Works Approval from the Department of Environment and Conservation (DEC) to commence erection of the mineral processing plant at the Mt Marion Lithium Project.

Construction of the plant in modular form by Mineral Resources at its workshops in Kwinana, is well advanced. Approval has also been granted for site clearing and this will commence upon approval of the Mining Proposal, expected to be received Q4 2010.

Mineral Resource Estimate

During the quarter the Company advised that it had increased its mineral resource estimate for Mt Marion by 18% to a total of 10,522,000 tonnes of 1.4% Li₂O from the previously announced total of 8,924,000 tonnes of 1.4% Li₂O. The upgraded resource classification and increased confidence in the estimate was based upon additional geological modelling, bulk density and quality control work undertaken on the drilling at the Mt Marion lithium project.

The geological model was prepared by way of a collaborative effort by Hellman and Schofield Pty Ltd ("H&S") and Reed, from data provided by Reed. Independent consultants H&S have completed data validation, analysis, domain coding and interpretation and subsequently undertaken a re-run of the Mineral Resource Estimates. The total combined mineral resource for the Mt Marion deposit contains an estimated 146,500 tonnes of lithium oxide (Li₂O) above a cut off grade of 0.3 % Li₂O (Table 1).

Table 1. Mt Marion Mineral Resource Estimate for a 0.3 % Li₂O lower block cut off grade (ASX announcement 12 August 2010).

		Tonnes	Li ₂ O	Li ₂ O Tonnes	Fe ₂ O ₅
Deposit 1	Measured	1,298,000	1.5	18,984	0.9
	Indicated	1,415,000	1.4	19,287	1.1
	Inferred	1,286,000	1.2	16,066	2.5
	TOTAL	3,999,000	1.4	54,336	1.5

Deposit 2	Measured	154,000	1.4	2,132	1.5
	Indicated	438,000	1.4	5,953	1.4
	Inferred	749,000	1.4	10,129	1.2
	TOTAL	1,341,000	1.4	18,214	1.3

Deposit 2W	Measured	694,000	1.6	10,877	1.2
	Indicated	2,051,000	1.5	30,176	1.2
	Inferred	2,080,000	1.4	28,196	1.1
	TOTAL	4,825,000	1.4	69,249	1.2

Deposit 5	Measured				
	Indicated	4,000	1.5	60	2
	Inferred	353,000	1.3	4,453	2.4
	TOTAL	357,000	1.3	4,514	2.4

TOTAL		10,522,000	1.4	146,500	1.3
--------------	--	-------------------	------------	----------------	------------

Figures may not sum due to rounding and notation of significant figures does not imply an added level of precision.

Lithium Carbonate Production Opportunities

Reed is continuing discussions with local and international companies to downstream from spodumene concentrate to battery grade lithium carbonate through toll treatment and/or a joint venture.

Although Reed believes that this opportunity can progress in a constructive and commercial manner, no party is under any obligation to proceed with any downstream processing proposal and regulatory requirements still need to be considered and addressed with no certainty that a transaction will eventuate. A decision on how the Company intends to proceed is expected by Q4 2010.

BARRAMBIE VANADIUM PROJECT

(Reed 100%)

Construction and Financing Update

Since May 2010 Reed Resources has been in discussions with China Non-Ferrous Metal Industry's Foreign Engineering and Construction Co. Ltd ("NFC") about NFC participating in development of the Barrambie Vanadium Project.

Reed and NFC initially entered into an exclusivity agreement that expired on the 31st August 2010 (the agreement was subsequently extended to 30th September 2010, and then lapsed). During that time negotiations have been underway with NFC for the provision of a fixed price engineering procurement and construction contract as well as financing assistance by NFC.

During the quarter a delegation of senior NFC executives visited Barrambie and due diligence and negotiations are continuing. NFC's approach to Reed has been facilitated by Western Australian engineering and construction company Arccon (WA) Pty Ltd.

Approvals - Public Environmental Review (PER)

A Public Environmental Review Document (PER) was approved for release to the public on 17th June 2010 and closed on 26th July 2010. A number of submissions were received from interested parties, and the EPA is currently considering the Company's response to the submissions before preparing its report and recommendations for the Minister.

The PER document was based on the Definitive Feasibility Study (DFS) completed in April 2009 that targeted treating 3.2 million tonnes per annum of vanadium bearing magnetite/hematite mineralisation at a grade of 0.82% V₂O₅ to produce 6,300t of V as Ferrovandium (FeV80) per year for a minimum of 12 years.

The DFS estimated that the total cost from the investment decision through construction and commissioning (including contingencies) is A\$630 million and indicative operating costs would be less than US \$20/kg of V₂O₅. The Ferrovandium price is currently US \$30/Kg of V₂O₅ (Ryans Notes 25 October 2010).

Barrambie Ore Reserve

The Barrambie vanadium deposit is one of the worlds highest grade vanadium deposits with a Probable Ore Reserve of 39.7 million tonnes at a grade of 0.82% V_2O_5 . This ore reserve is based on an Indicated Mineral Resource of 49.2 million tonnes at 0.82% V_2O_5 .

COMET VALE GOLD PROJECT (Reed 100%)

The Company resumed 100% ownership of the Sand Queen Gold Mine at the Comet Vale Gold Project in Western Australia from 1 June 2010. Under the agreement Reed has also assume ownership of all associated joint venture assets and infrastructure.

During the quarter a holistic review of the area was undertaken with a view to creating a mining centre with multiple sources of feed from the project. This has involved reviewing the current resources and planning of a resource extension drilling program.

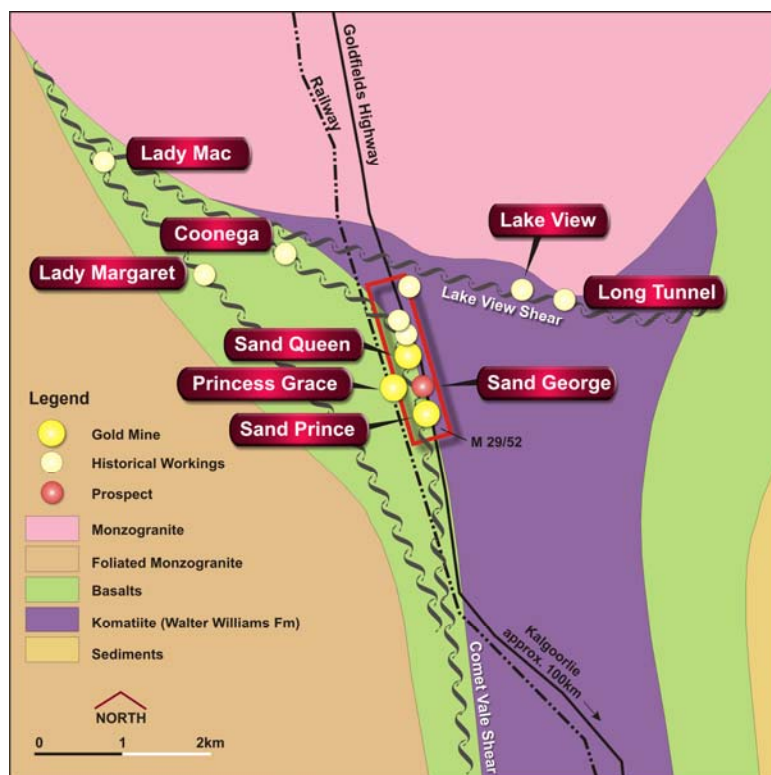


Figure 1. Location of gold deposits at Comet Vale in relation to geology and key structures.

Gold Production – Sand Queen Gold Mine

There was no production from Sand Queen during the quarter. The mine remains on care and maintenance.

Reserve Estimate

During the quarter, the Sand Prince West pit was optimised and redesigned by Minecomp Pty Ltd. Extensional drilling is designed to delineate the Princess Grace lode system and thus provide impetus for a decline access into both the Princess Grace and Sand Queen/Sand George Lodes. A reserve for the Sand Prince West pit above an undiluted grade of 1.5g/t @ A\$1,250/oz gold price is summarised in Table 2.

Table 2. Reserve estimates for the Sand Prince West deposit, Comet Vale project

Pit	Category	Tonnage	Grade g/t Au	Ounces
Sand Prince West	Probable	103,000	2.7	8,500

Resource Extension Drilling

As part of a geological review of the project, a three-phase drilling program has been designed to extend the existing resources (Princess Grace), delineate further surface targets and extend the Sand Queen-Sand George lode system along strike and down dip.



Figure 2. Location of Phase 1 drilling, Comet Vale.

Phase 1 drilling (Figure 2) commenced at the end of the quarter, with a total estimate of 4,500m to be drilled as part of the immediate resource expansion. Completion of drilling and assay results is expected by the end of November.

Following the completion of the drilling program, a review of the geology and assay data will be undertaken. It is anticipated that a new resource estimate will commence in the Q3 2011.

Comet Vale continues to be a focus of the Company to expand the project and delineate further resources to allow a more holistic mining plan to be generated.

Exploration Forecast

Phase 2 and 3 drilling will commence following compilation of geology and assay data from Phase 1. A further 10,000m is planned to be drilled Comet Vale as part of the expansion program.

NIMBUS PROCESSING PLANT

(Reed 100%)

The Nimbus precious metals processing plant and mining leases M26/490 and M26/598 were purchased in September 2009. The plant is capable of treating 250,000 tpa of oxide ore and is situated approx 15 km south-southeast of Kalgoorlie (Figure 3).

During the quarter the Company continued to progress the Pre-Feasibility Study for recommissioning of the Nimbus Treatment Plant. Results of the study indicate that the most capital effective improvement would be to refurbish the existing plant “as is” with an immediate target of 250,000 tonnes per annum of hard rock ore but allowing space within the plant footprint to expand the plant to 500,000 tonnes per annum in the future.

The current treatment plant has a Merrill Crowe circuit for the recovery of gold but this will be replaced by a carbon in pulp circuit which is seen as an important step to reduce the operational risk and improve the plant recovery.

Refurbishment of Nimbus Ball Mill Commenced

As a first step in refurbishment of the plant, the existing ball mill was removed from its trunnion bearings and placed on supports within a bunded area where the end plate was removed to enable the ball charge to be removed and the inside of the mill to be pressure cleaned. The mill will be removed from site to allow for re machining of the end plate and replacement of some of the rubber liners. Overall the ball mill is in reasonable condition.

Supply of Power to Nimbus Site Commenced

Western Power has commenced work on the Bulong Road to enable power to be delivered to site via a power line easement that runs directly south from the Bulong road and into Nimbus mining lease M26/490 (Figure 3).

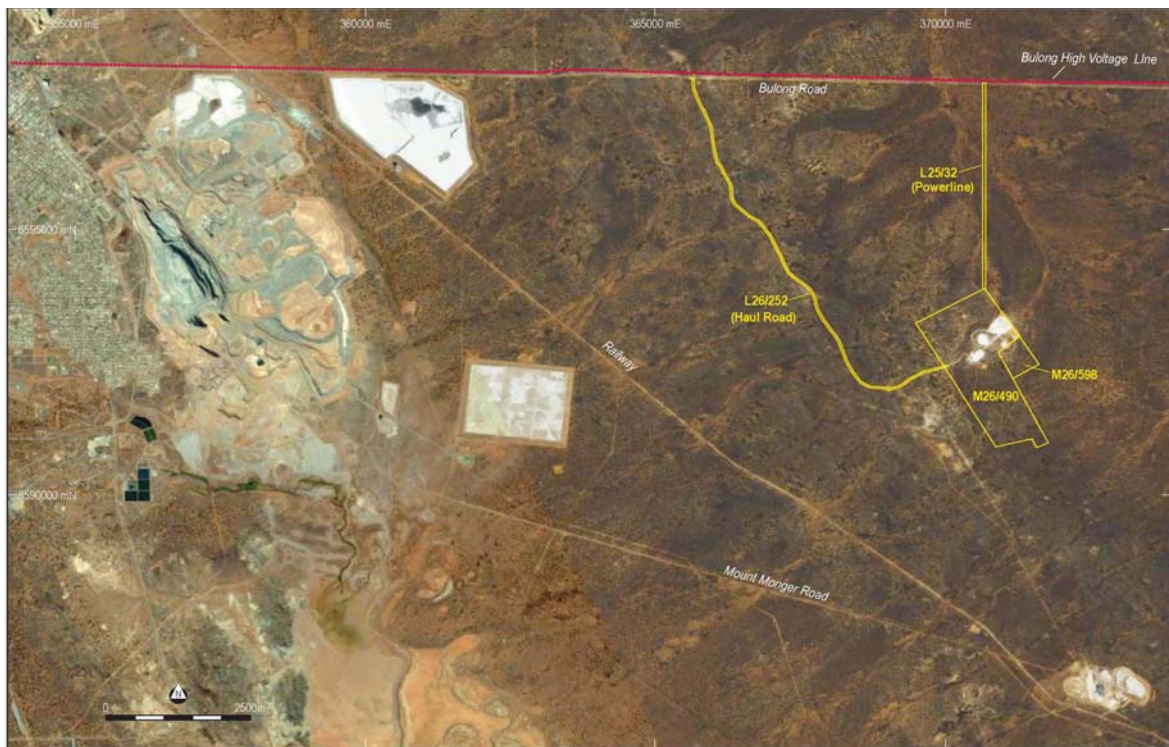


Figure 3. Location of the Nimbus project mining leases (M26/490, M26/598) and processing plant.

Geological Review

As part of the Nimbus recommissioning strategy, detailed work has commenced in collating, validating and reviewing all previous geological data at the project. Particular focus is being placed on creating a tenement scale geological model with a view to finding repeats of the mineralising system. The area has been intensely faulted.

MT FINNERTY PROJECT

The Mt Finnerty Project, located about 65 km east of Koolyanobbing, is currently being explored for iron ore in joint venture with Cliffs Natural Resources ("Cliffs") and nickel mineralization, partly in joint venture with Barranco Resources NL ("Barranco").

Iron Ore (Cliffs 80%)

A resource definition program will be undertaken during the December 2010 quarter at a total cost \$400,000 of which Reed will contribute approximately \$150,000. Stage 1 of the program totals 25 RC holes, with Phase 2 being drilled shortly after (pending results on phase 1).

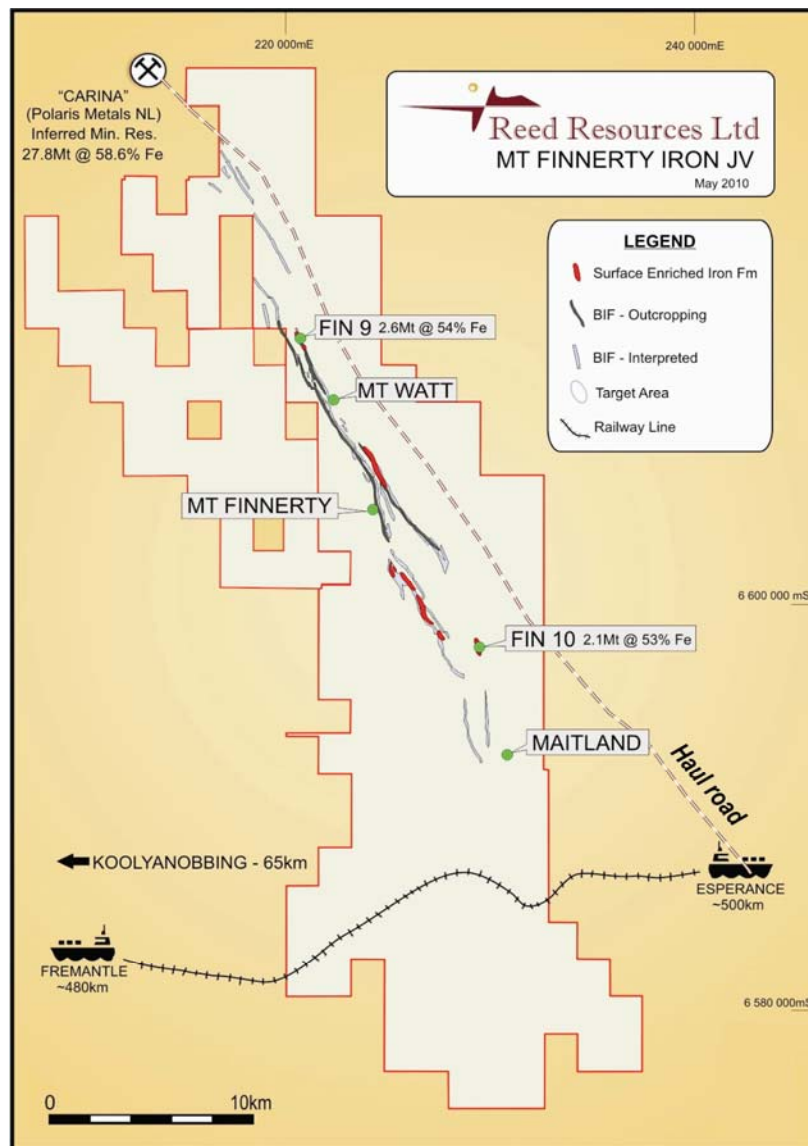


Figure 4 Location of major iron mineralisation prospects, including FIN9, and iron exploration targets within the Mt Finnerty project.

Nickel (Barranco 100%, Reed earning 60%)

During the quarter, exploration continued on the western flank of the Mt. Finnerty greenstone belt (in Exploration Licences E16/305, E16/330) following up the diffuse IP target from fixed loop TEM that was reported in the December quarter.

Two favourable targets encountered in GDD003 (down-hole EM and assay anomalies; Figure 5) will be followed up with additional diamond drilling planned for the December quarter. These targets are a 4m thick pyrrhotite enriched sediment (black shale intercalated with ultramafic bands) and a strong conductive horizon logged as cumulate textured ultra-mafics with disseminated pyrrhotite throughout a 15m wide zone. Interpretation on the DHTEM indicate that this hole was drilled within 10m of a favourable anomaly. This was also complimented with anomalous nickel and copper assays in the anomalous geophysical zones.

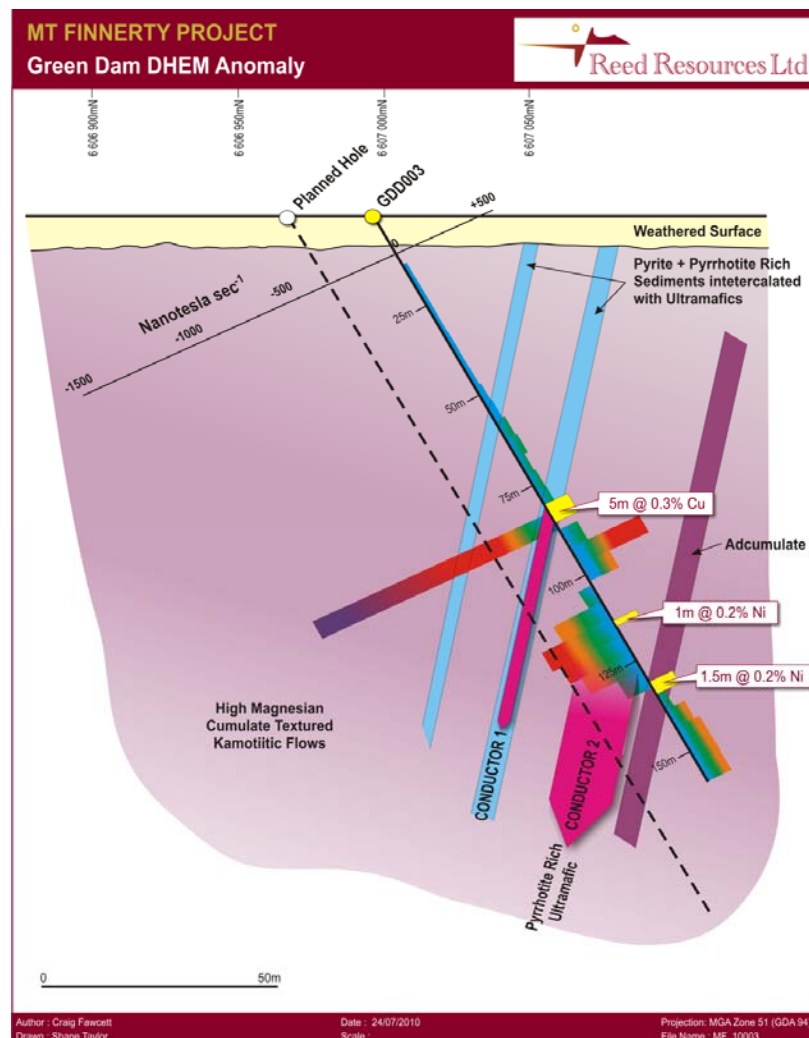


Figure 5 Cross section of diamond drill hole GDD003 with anomalous assays and DHTEM anomalies.

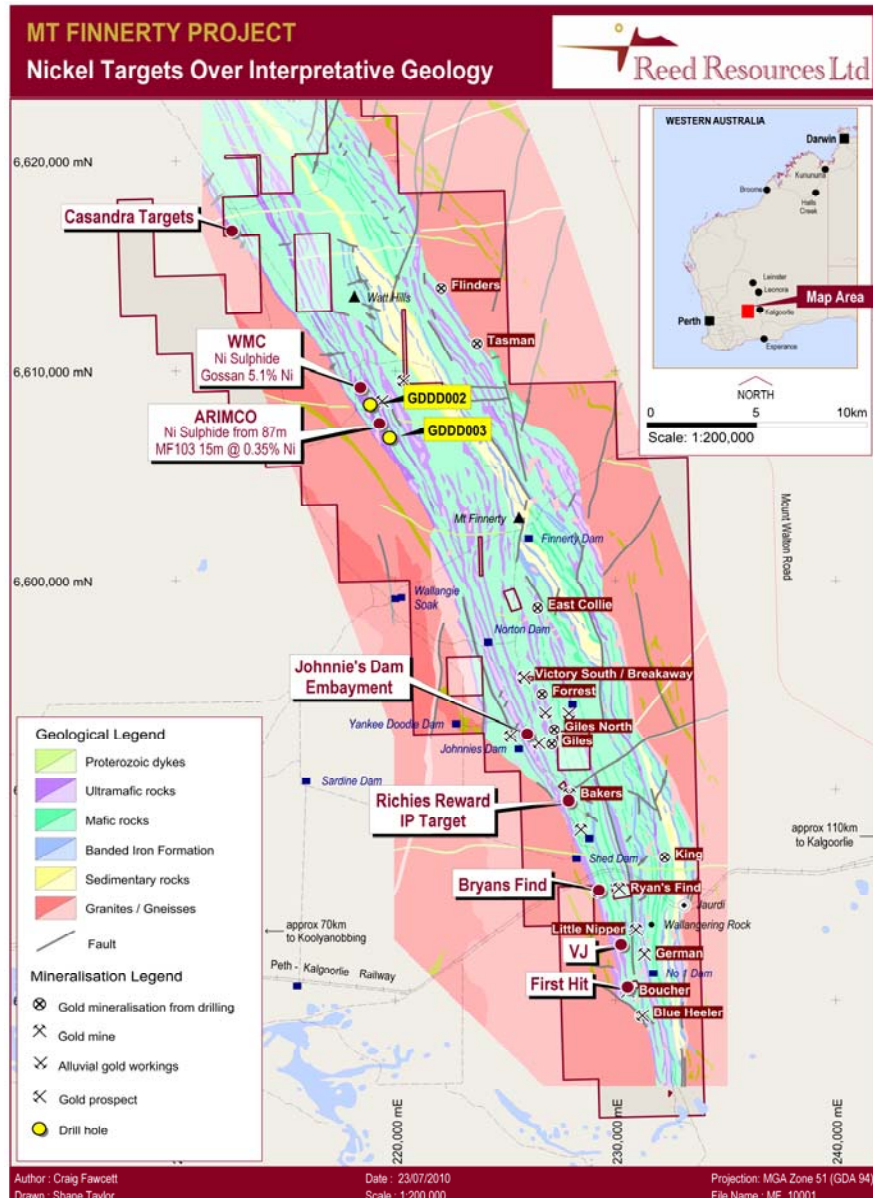


Figure 6 Plan of Nickel Targets over Interpreted Geological

This part of the Mt Finnerty project remains prospective for massive nickel sulphide mineralisation. There are favourable high MgO ultramafic host rocks with intact basal contacts and highly anomalous geochemical results (high Cu and Ni) that have yet to be satisfactorily explained. The effectiveness of TEM as a search tool for massive sulphides in this area is compromised by the presence of a conductive overburden.

The search for nickel sulphides is still at an early stage and will now focus on shallow RAB drilling along favourable basal contacts to locate indicative geochemical anomalies.

Nickel (Reed 100%)

Since the lapse of the WSA agreement on 26th February, 2010 (ASX announcement 8 March 2010), this area has been reviewed by Reed Resources and continues to be ranked as having significant anomalism that will be followed up in due course.

BELL ROCK RANGE PROJECT

(Reed 100%)

The Bell Rock Range Project (E69/2293) covers some 471 km² within the western part of the Proterozoic Musgrave Block in central Australia (Figure 11). It is highly prospective for several commodities, particularly Ni-Cu sulphide and PGE mineralisation.

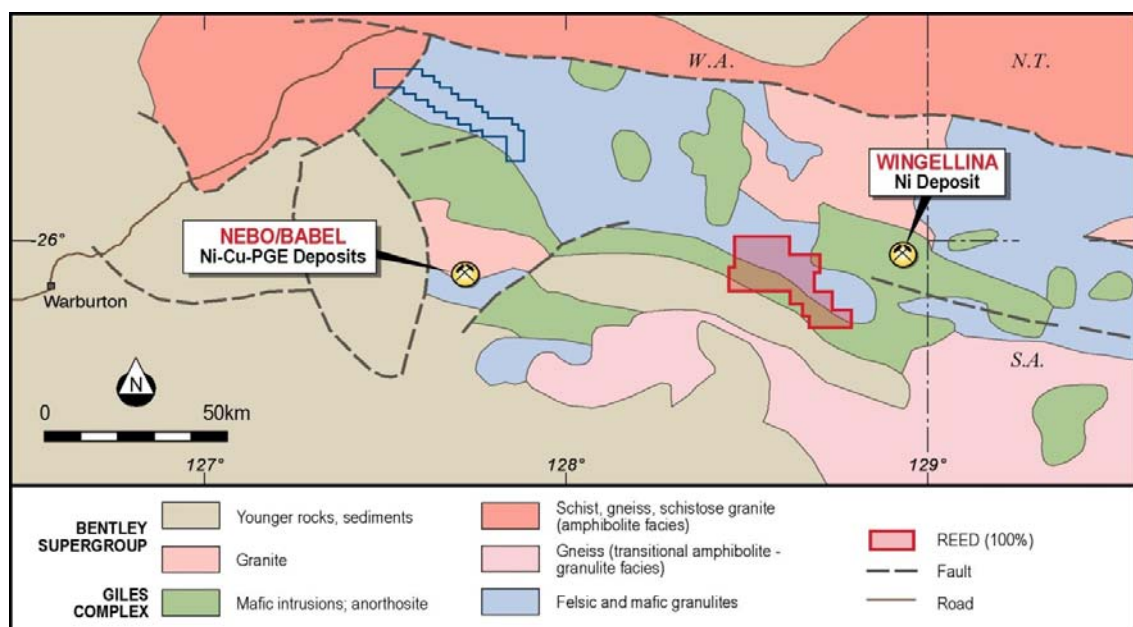


Figure 7 Project Location over Interpreted Geology

During the quarter, Anglo American (AAE) advised that it was unable to obtain Access Approval from the Ngaanyatjarra Land Council to conduct exploration on the tenement and the purpose of the option agreement cannot be realised. Accordingly both parties have exchanged letters recording that the Option Period and Option Agreement are terminated. Reed therefore maintain 100% of the project.

CORPORATE

The following corporate events took place during the quarter;

- 1 July 2010 – the Company’s American Depositary Receipt (“ADR”) program commenced with the Bank of New York Mellon acting as the depositary bank. The ADRs trade under the code RDRUY (CUSIP Number: 758254106) on the Over the Counter (OTC) market in the USA.
- 2 July 2010 – 1,333,333 unlisted options with an exercise price of \$1.08 lapsed without being exercised.
- 26 July 2010 – There was an issue of 750,000 unlisted options to a key employee. The options have an exercise price of \$1 and expiry date of 1 July 2013.
- 27 July 2010 – The Company’s shares were placed in a trading halt pending the finalisation of a capital raising. This raising was finalised on 4 August 2010 with 15 million shares placed at 50 cents per share. Patersons Securities Ltd acted as the lead manager to the placement.
- 4 August 2010 – The Company presented at the annual Diggers and Dealers mining forum in Kalgoorlie Western Australia.
- 27 August 2010 – The Company confirmed the issue of 2,400,000 unlisted options to staff and consultants pursuant to the Company’s Employee Share Option Plan 2007. The options have an exercise price of \$1 and expiry date of 1 July 2013.
- 8 September 2010 – The Company presented at the Lithium Asia Conference in Seoul South Korea.
- 22 September 2010 – The Company’s Full year accounts were released to the market.

At the end of the quarter the Company had \$15.8 million in cash and term deposits, including \$9 million in restricted-use term deposits supporting performance bonds.



CJ Reed

MANAGING DIRECTOR

COMPETENT PERSONS STATEMENTS

Mt Marion Competent Persons Statement

The information in this report that relates to Mineral Resources and Ore Reserves is based on information compiled by Mr Robert Spiers who is a full time employee of Hellman and Schofield Pty Ltd and who is a member of the Australian Institute of Geoscientists. Mr. Spiers has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Spiers consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Geological aspects of this report that relate to Exploration Results have been compiled by Dr Bryan Smith (MAIG), (MAIMM) a consultant to Reed Resources Ltd. Dr Smith 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 2004 Edition of the 'Australasian Code for Reporting of Mineral Resources and Ore Reserves'. Dr Smith consents to the inclusion in the report of the matters in the form and context in which it appears.

Comet Vale Competent Persons Statement

Geological aspects of this report that relate to Exploration Results have been compiled by Mr Craig Fawcett (MAusIMM), a full-time employee of Reed Resources Ltd. Mr Fawcett has sufficient experience relevant to the styles of mineralisation and types of deposit under consideration and to the activity being reported on to qualify as a Competent Person as defined in the Code for Reporting of Mineral Resources and Ore Reserves. Mr Fawcett consents to the inclusion in the report of the matters in the form and context in which it appears.

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 has modest gold production and is diversifying and expanding its production base. Reed Resources has five main projects (all in Western Australia) including:

- **Mount Marion** – High-grade Lithium project located about 40km south of Kalgoorlie in JV with Mineral Resources Limited. First production planned by March 2011.
- **Barrambie** – Definitive Feasibility Study completed on a Ferrovandium operation to produce 6300t of vanadium per annum. Currently in approvals process. Discussions with China Nonferrous Metals for EPC & Financing ongoing.
- **Comet Vale** – High-grade underground gold mine on care & maintenance.
- **Mount Finnerty** – Iron ore JV with Cliffs Natural Resources & Nickel Farm-in with Barranco Resources NL.
- **Bell Rock Range** – Grassroots Nickel-Copper-PGM Exploration.

Website: www.reedresources.com