

**ASX RELEASE**

24 February 2011

## **Reed to raise \$40 million through Placement and underwritten Share Purchase Plan**

- **\$30 million Placement to sophisticated and institutional investors in two tranches;**
- **\$10 million underwritten Share Purchase Plan to existing shareholders;**
- **Funds raised to be applied to the acquisition of the 2.5M Oz Meekatharra Gold Project and to supplement existing working capital;**
- **The Placement was heavily oversubscribed, demonstrating strong investor interest in the Company's gold, lithium and vanadium assets.**

Australian diversified resources company Reed Resources Ltd (ASX: RDR) ("**Reed**" or "**the Company**") is pleased to announce a \$40 million capital raising involving a Placement and a Share Purchase Plan ("**SPP**"). Both raisings are to be conducted at an issue price of \$0.58 per fully paid ordinary share in the capital of the Company ("**Share**").

Bedford Capital Partners Pty Limited ("**Bedford**") has acted as corporate adviser to the Company and manager of the capital raising.

Reed Managing Director Chris Reed said: "The Company is very pleased with the overwhelming support received for this capital raising, from both international and domestic institutional investors. Investors are clearly aware of the bright future and growth expected for the Company, and existing shareholders are provided with an opportunity to participate at the same issue price via the SPP. The success of the capital raising will put the Company in a strong cash position to complete the Meekatharra acquisition and enable Reed to push ahead with its aggressive development plans."

### **Placement**

The \$30 million placement has been lead managed by Bligh Capital Partners Pty Ltd ("**Bligh Capital**") and irrevocable commitments have been received by sophisticated and institutional investors.

The Placement will be conducted in two tranches. The first tranche representing 27.5 million Shares (approximately \$16 million) will be completed in the coming days within the Company's available 15% placement capacity. The second tranche representing 24.2 million Shares (approximately \$14 million) will be completed subject to shareholder approval for the purposes of the ASX Listing Rules, to be sought at an Extraordinary General Meeting in early April 2011 ("**EGM**").



## **Share Purchase Plan**

In recognition of the Company's existing shareholders, Reed is also conducting a \$10 million SPP to give its eligible shareholders the opportunity to each acquire up to a maximum of \$15,000 worth of new Shares, at \$0.58 cents per Share. The SPP provides eligible shareholders with the opportunity to increase their shareholding in the Company at the same price paid by the institutional investors under the Placement.

Under the SPP, Reed is offering each eligible shareholder (being those with a registered address in Australia or New Zealand who held Shares as at 5.00pm Western Standard Time on 23 February 2011) the opportunity to acquire up to a maximum of \$15,000 worth of Shares at the issue price of \$0.58 cents per Share (being an additional 25,862 new Shares). The issue price represents a 13.7% discount to the volume weighted average Share price for the period between 15 February 2011 and 23 February 2011 (inclusive). Shares acquired under the Plan will not attract brokerage or any other transaction costs.

The SPP is capped at \$10 million and is underwritten by Bligh Capital, subject to shareholder approval for the purposes of the ASX Listing Rules at the EGM in early April 2011. Reed will scale back applications if they exceed \$10 million in aggregate. Shareholders can expect to receive full details of the SPP and the EGM shortly.

The \$40 million of new funding raised will be used to satisfy the purchase consideration for the recently acquired Meekatharra Gold Project, for working capital and the advancement of the Company's other assets.

An investor presentation regarding the capital raising is attached.

Further details about the Company's projects, including the Meekatharra Gold Project can be accessed by visiting [www.reedresources.com](http://www.reedresources.com)

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'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 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 2.5M oz Gold project with 3Mtpa processing plant and associated infrastructure, conducting resource re-optimisation and feasibility study to recommence gold production in 2012.
- **Barrambie** – Definitive Feasibility Study completed on a Ferrovandium operation to produce 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 and refurbishment of processing plant, both 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)



Reed Resources Ltd

**INVESTOR PRESENTATION**

MEEKATHARRA GOLD ACQUISITION

**February 2011**

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More detailed information about Reed Resources Ltd and their projects is available online at: <http://www.reedresources.com/>

All figures quoted in the Document are in Australian dollars unless otherwise stated.

The Document is current as of close of business 21 February, 2011.

## Background

- Reed Resources Ltd (ASX: RDR) is a WA-focused exploration and mining company established in 2001
- 3 main projects across gold, lithium and vanadium
- Proven strategy has been to acquire and develop undervalued assets across varying commodities
- Now in a strong position to evaluate market opportunities for its more advanced projects, including:
  - Mt Marion lithium - poised to be the world's 2<sup>nd</sup> largest spodumene producer
  - Barrambie vanadium – project has the highest grade reserves in Australia and is forecast to produce +\$180 million EBITDA per year in operation
- Gold assets including Comet Vale and Nimbus now being rolled into an SPV with dedicated management team (please refer to appendices for more information)

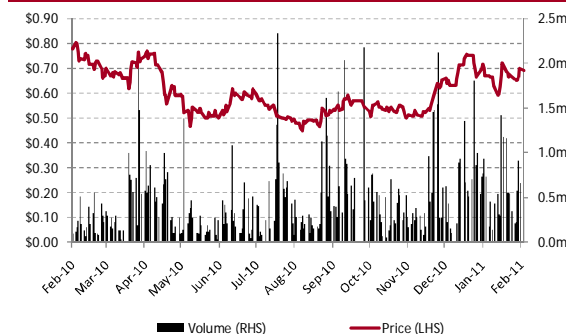


## Market Capitalisation

Last price (21-Feb-11)	\$	0.69
Shares on issue*	\$	193.3
<b>Market capitalisation</b>	<b>\$m</b>	<b>133.4</b>
Cash (31-Dec-10)	\$m	13.4
Debt	\$m	0.0
<b>Enterprise value</b>	<b>\$m</b>	<b>120.0</b>

\* RDR also has 20.5m unlisted executive options on issue (exercisable between \$0.75 and \$1.20)

## 12 Month Share Price



## Directors & Shareholdings

Director	# Shares	% Held
David Reed	21,750,251	11.3%
Christopher Reed	2,909,202	1.5%
Ian Junk	781,102	0.4%
Peter Collins	285,705	0.1%
Steven Cole	17,034	0.0%
<b>Total</b>	<b>25,743,294</b>	<b>13.3%</b>

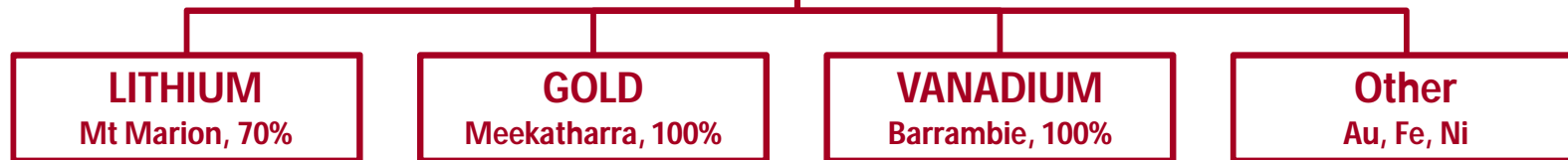
## Distribution of Equity Securities

Range	# Holders	% Issue
1 - 1,000	360	0.1
1,001 - 5,000	866	1.4
5,001 - 10,000	688	3.0
10,001 - 100,000	1,559	28.0
+100,000	250	67.5
<b>Total</b>	<b>3,723</b>	<b>100.0</b>

## Trading Statistics

12 month high (22-Feb-10)	\$	0.81
12 month low (25-Aug-10)	\$	0.45
5 day VWAP	\$	0.6721
10 day VWAP	\$	0.6718
30 day VWAP	\$	0.6831
Avg. daily trade value	\$	183,617
3 month turnover (% of total)	%	19.8

# Reed Project Snapshot



	<b>LITHIUM</b> Mt Marion, 70%	<b>GOLD</b> Meekatharra, 100%	<b>VANADIUM</b> Barrambie, 100%	<b>Other</b> Au, Fe, Ni
<b>Resource</b>	10.5Mt @ 1.4% Li <sub>2</sub> O	2.5Moz (contained)	65.2Mt @ 0.82% V <sub>2</sub> O <sub>5</sub>	<b>Gold – care &amp; maintenance</b>
<b>Asset Stage</b>	Under construction	Care & maintenance	Evaluation	<ul style="list-style-type: none"> <li>Reed 100%</li> <li>Includes the high grade Comet Vale mine and 250ktpa Nimbus plant</li> </ul>
<b>JV Partners</b>	<b>Mineral Resources</b> <ul style="list-style-type: none"> <li>Incorporated JV with MIN who are fully funding evaluation, construction and further exploration</li> <li>MIN now has 30% direct ownership in lithium SPV</li> </ul>	<ul style="list-style-type: none"> <li>Reed to fully fund and develop the project</li> <li>Near ready production with 3Mtpa mill and camp (\$100m replacement cost)</li> <li>Assets to merge into wider gold play</li> </ul>	<b>China Nonferrous Metal Industry (NFC)</b> <ul style="list-style-type: none"> <li>MOU with NFC for fixed price EPC and financing</li> <li>NFC are a Chinese-listed industrials company with a market cap of +\$3.2bn</li> </ul>	<b>Iron ore (DSO) – exploration</b> <ul style="list-style-type: none"> <li>Reed 20%</li> <li>JV with Cliffs Natural Resources at Mt Finnerty</li> <li>Maiden JORC resource 4.7Mt @ 53.5% Fe</li> </ul>
<b>Total Funding</b>	\$40 million (inc. BOO)	\$30 million	TBA	
<b>Cost to Reed</b>	0%	100%	TBA	
<b>Production</b>	<b>December Qtr, 2011</b> <ul style="list-style-type: none"> <li>200,000 tpa of +6% Li<sub>2</sub>O</li> <li>Mining approval granted (February 2011)</li> <li>Assessing downstream processing options</li> </ul>	<b>Target late 2012</b> <ul style="list-style-type: none"> <li>Target 120koz pa and 4-5 year production plan</li> <li>BFS underway</li> <li>Resource re-estimates, optimise reserves</li> </ul>	<b>Target 2014</b> <ul style="list-style-type: none"> <li>\$186m EBITDA pa</li> <li>Fixed price EPC estimate from NFC by March 2011</li> <li>NTA in place, PER lodged, EA by June Qtr 2011</li> </ul>	<b>Nickel – exploration</b> <ul style="list-style-type: none"> <li>Reed earning 60%</li> <li>JV with Barranco Resources at Mt Finnerty</li> <li>Prospective for massive nickel sulphide mineralisation</li> </ul>

# Reed Board and Senior Management



**David Reed** *FCPA, OAM*  
**Executive Chairman**

Fellow member of CPA Australia with 40 years experience in stockbroking. Extensive public company experience and has a long history in the gold mining industry, including chairman of fund raising for the Australian Prospectors and Miners Hall of Fame and a founder of the Diggers and Dealers forum in Kalgoorlie



**Chris Reed** *BCom, GradCertMinEcon, MAusIMM*  
**Managing Director and CEO**

Over 15 years experience in the mineral exploration and mining industry and is currently Vice-President of the Association of Mining and Exploration Companies. Graduated from the University of Notre Dame and holds a Graduate Certificate in Mineral Economics from the WA School of Mines. Also an Associate Member of CPA Australia



**Steven Cole** *Llb(Hons), FAICD*  
**Non-Executive Director**

35 years of professional, corporate and business experience through senior legal consultancy, as well as a range of executive management and non-executive appointments. Extensive experience across the industrial, financial, educational, professional services, health and resources sectors



**Craig Fawcett** *BSc(Hons), GDipMining*  
**General Manager – Gold**

Qualified geologist and engineer who has previously held the positions of Chief Mine Geologist at Tanami Gold and Avoca Resources during both of their respective start-up phase of operations. Also held the position of Geology & Mining Manager at Apex's Wiluna Gold Mine during their re-start of operations



**Peter Collins** *BSc(Hons), PhD, MAIG*  
**Non-Executive Director**

Over 35 years experience as a geologist and has been an economic geologist and tin-tungsten commodity specialist with the Tasmanian Geological Survey. Has lectured in geology at Curtin University of Technology since 1987 and has been widely active in the investigation of mineral deposits in Western Australia



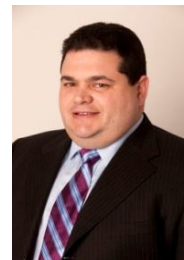
**Bill Crossley** *BApdSc, WA 1<sup>st</sup> Class Mine Manager*  
**Project Manager – Lithium/Gold**

Mining engineer with over 35 years experience in the management of mines. Previously Project Manager of the Barrambie Vanadium Project for Reed Resources, General Manager of the Macraes Gold Mine in NZ and Operations Manager for Dominion Mining in the Northern Territory. Fellow of both AusIMM and AICD



**Ian Junk** *BEng(Hons), MAusIMM*  
**Non-Executive Director**

Highly respected mining engineer with considerable experience in narrow vein underground mining and project development, having managed several private mining companies and commissioned various mining operations. National finalist in the Ernst & Young – Entrepreneur of the Year awards



**Jason Carone** *BCom, CA*  
**Financial Controller and Company Secretary**

Member of the Institute of Chartered Accountants since 2000. Joined Reed in September 2007 as Financial Controller and in March 2009 was appointed joint Company Secretary. Over 10 years experience working in various professional and corporate capacities in Australia and South East Asia

# Mt Marion Lithium Project Update

## Mt Marion (Reed 70%)

- Incorporated JV with Mineral Resources Limited (ASX 200: MIN)
  - » MIN is a diversified contractor with a \$2.2 billion market cap
- Under the JV terms, MIN will:
  - » Operate the project
  - » Fully fund evaluation and development costs
  - » BOO processing plant - **construction underway**
  - » Decision to mine - 16 July 2010
  - » Commissioning by December 2011
  - » MIN now 30% direct ownership in Reed lithium SPV
- Initial output **200,000 tpa of +6% Li<sub>2</sub>O** (chemical grade) – Mt Marion will be the world's 2<sup>nd</sup> largest spodumene producer
  - » Target first shipment March Qtr 2012
  - » By-products include mica and tantalum
- **Final mining approval from DMP received** allowing siteworks to commence immediately (refer ASX release 3 February 2011)
- Lithium carbonate PFS completed by Hatch in 2010 indicating:
  - » Capital cost of US\$63m (PR China) - US\$70m (Malaysia)
  - » **NPV of US\$404 million** (12% discount) and IRR of 68% providing a <2 year pay back
- Gresham appointed December 2010 to advise Reed on downstream processing options – several under consideration

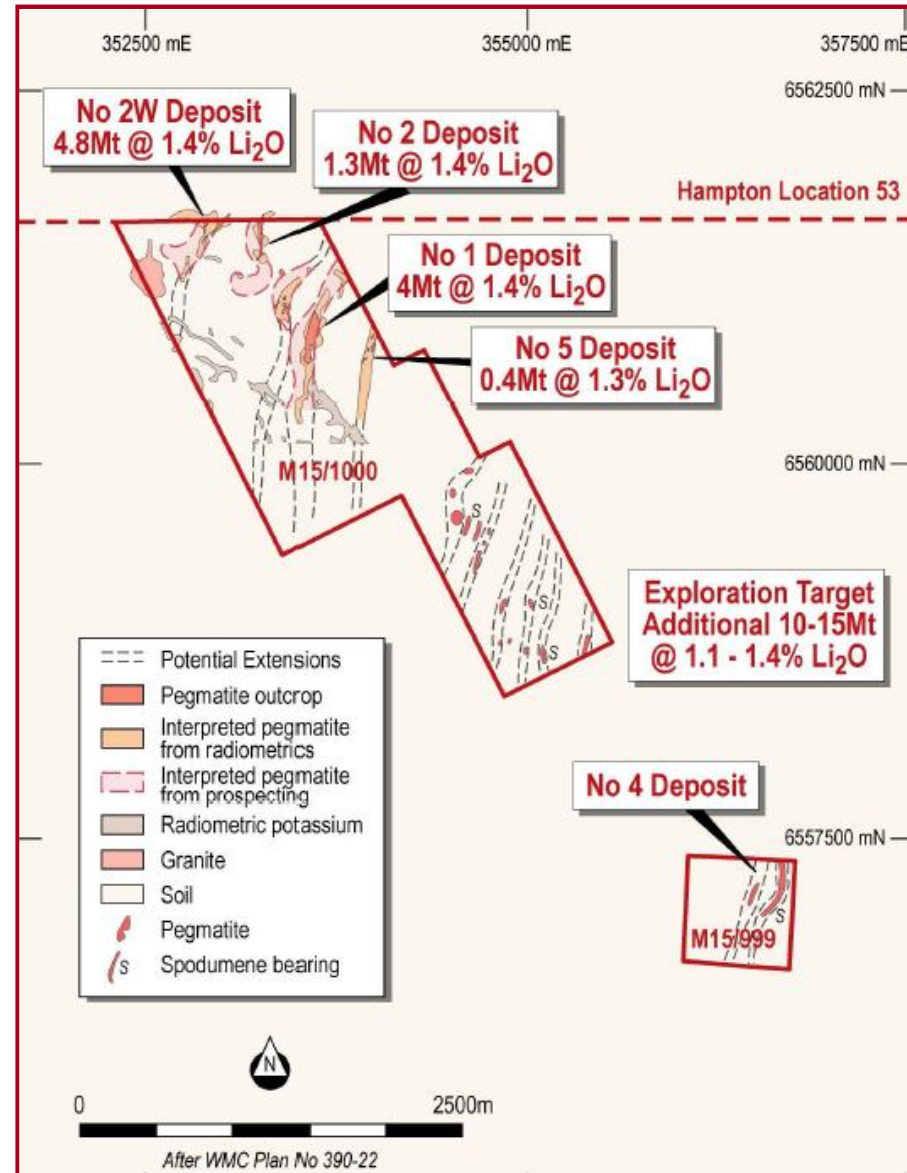
Construction and site preparation underway at Mt Marion: [1] part of the secondary cone crusher (top) and [2] administration office pad (foreground) and site construction offices (at rear)



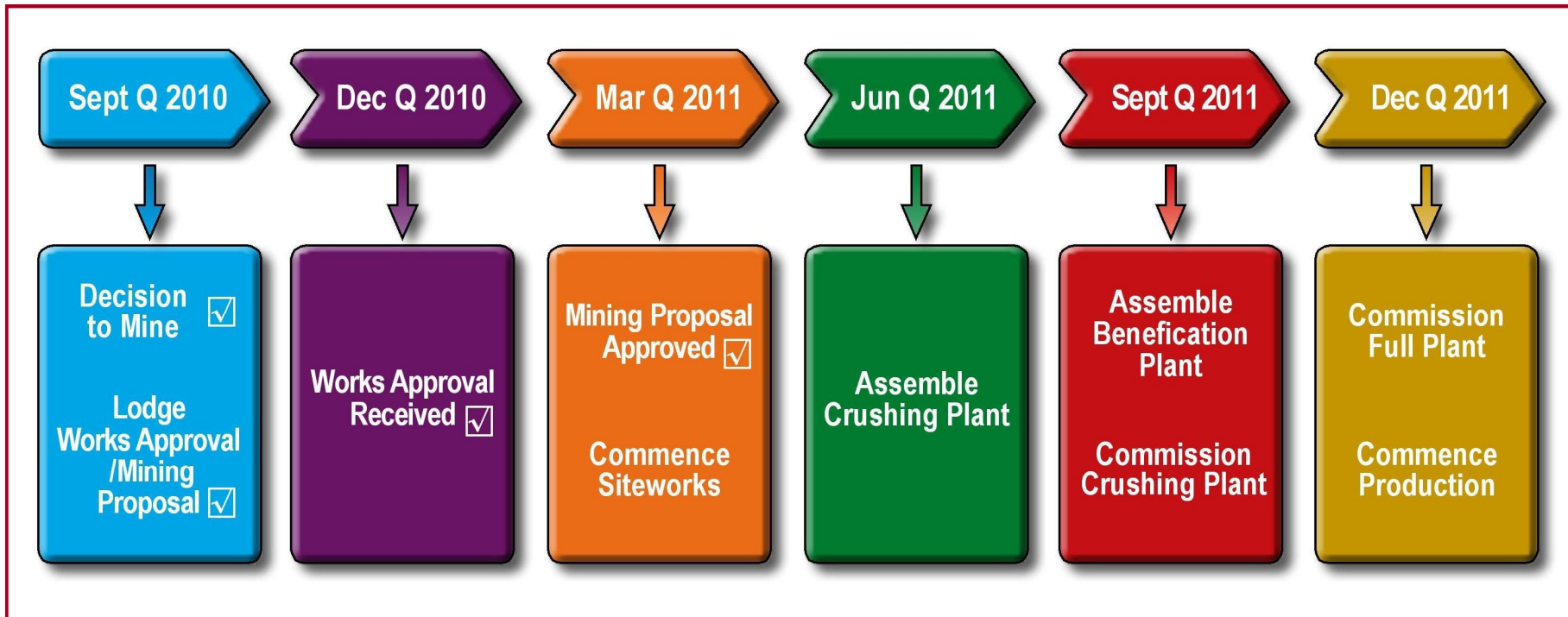
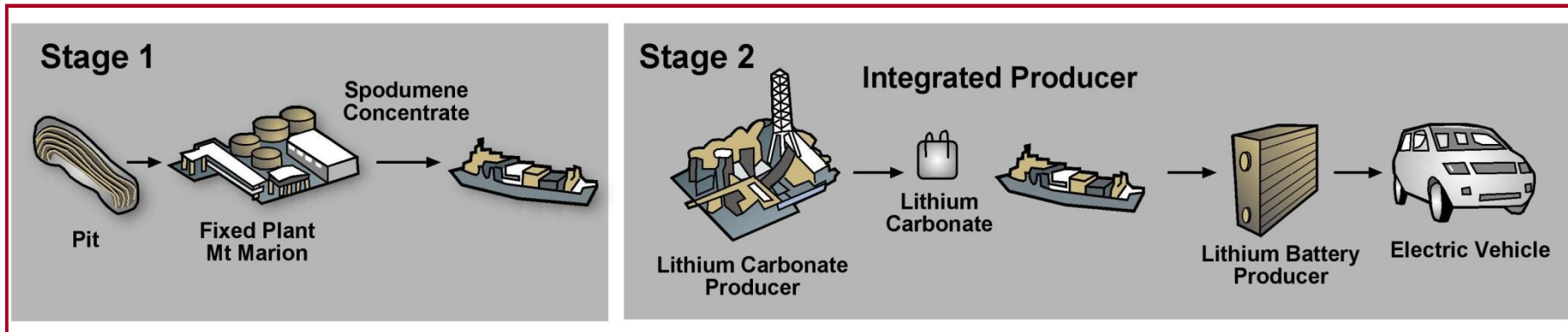
# Lithium Resource Estimate

Resource Classification	Tonnes (Mt)	Li Grade (% Li <sub>2</sub> O)	Fe Grade (% Fe <sub>2</sub> O <sub>3</sub> )
Measured	2.1	1.5	1.1
Indicated	3.9	1.4	1.2
Inferred	4.5	1.3	1.9
<b>Total</b>	<b>10.5</b>	<b>1.4</b>	<b>1.4</b>

- Current JORC-compliant resource of **10.5Mt @ 1.4% Li<sub>2</sub>O**
  - 5 deposits all open along strike and at depth
  - Ore fresh from surface** and visually distinguished (white)
- Potential for significant addition to current resource base
  - Only 1 of 3 pegmatite groups have been explored
  - Additional exploration target **10-15Mt @ 1.1-1.4% Li<sub>2</sub>O**



# Lithium Strategy – Integrated Producer



# Comparison – Australian Lithium Mineral Producers

**Mt Marion project valuation (EV) using:**  
**Talison = \$356m**  
**Galaxy = \$653m**  
**Hatch study >\$600m**

Assumptions

- [1] 1 AUD = 1 CAD
- [2] Annualised based on December Qtr 2010 production of 12.4kt LCE
- [3] Galaxy EV = market cap – cash at commencement of production + project loan facility + new raising
- [4] Production CY 2011: 137,000t @ 6% Li<sub>2</sub>O (source: ASX announcement 2 June 2010)

Australian Lithium Mineral Producers	Share Price \$	Market Cap \$m	EV \$m	(1) Prod <sup>n</sup> kt pa LCE	(2) EV/Prod \$/t LCE	Implied EV (1x2)
Talison Lithium (TSX: TLH)						
Greenbushes Concentrate producer	6.41	678	600 <sup>[1]</sup>	50.0 <sup>[2]</sup>	12,000	\$356m
<b>Reed Resources (ASX: RDR)</b>						
<b>Mt Marion LiC developer</b>			?	29.7		
Galaxy Resources (ASX: GXY)						
Mt Cattlin Integrated LiC developer	1.60	245	450 <sup>[3]</sup>	20.3 <sup>[4]</sup>	22,000	\$653m

## Deposit Comparisons

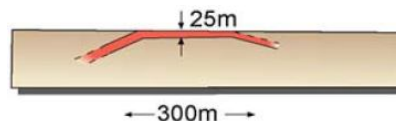
Talison - Greenbushes

- Incline vein pegmatite
- Head grade 3% Li<sub>2</sub>O
- Glass, ceramic, chemical grade
- Strip ratio 5.6 :1



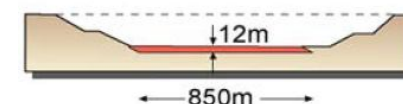
Reed – Mt Marion

- Flat lying vein pegmatite
- Head grade 1.3% Li<sub>2</sub>O
- Chemical grade
- Strip ratio 3.3:1



Galaxy – Mt Cattlin

- Flat lying pegmatite
- Head grade 1% Li<sub>2</sub>O
- Chemical grade
- Strip ratio 2.4:1

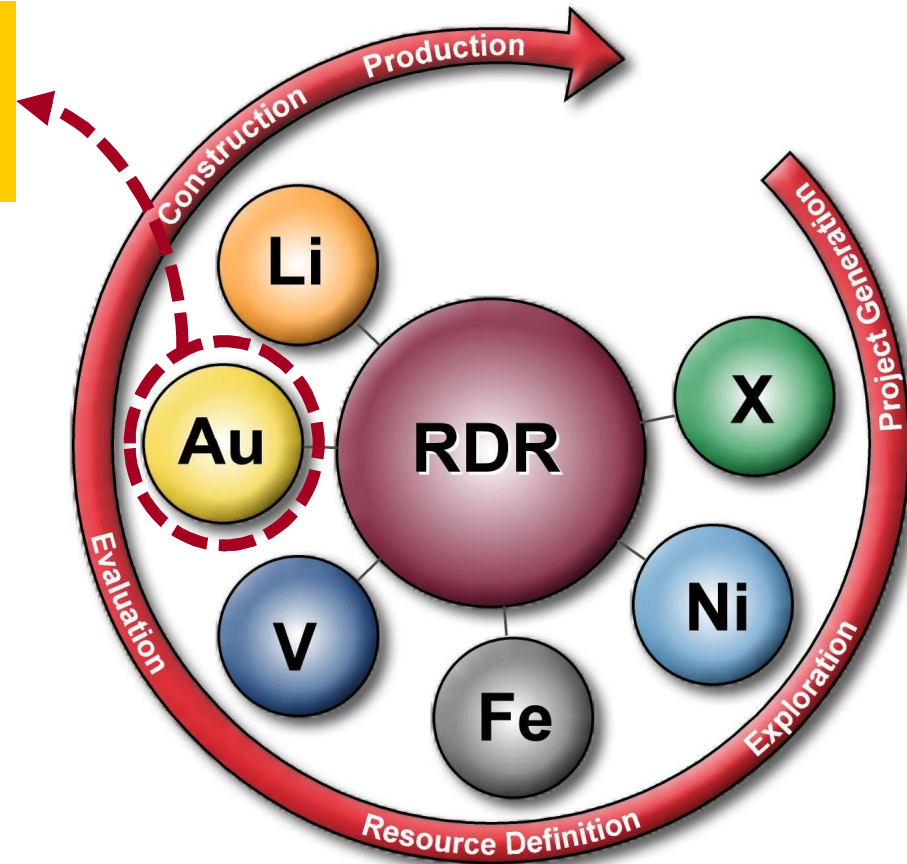


Source: Reed Resources Ltd

# Meekatharra Gold Acquisition Summary

Opportunity to participate in a **capital raising of \$40 million** to support Reed in the 100% acquisition and development of the **Meekatharra gold project** which has a current JORC-compliant **2.5Moz resource base**

- Located in the Murchison region of WA, 800km<sup>2</sup> project area contains a JORC-compliant **resource of 2.5Moz and reserve of 0.4Moz** with significant expansion potential
- **Acquisition at \$12/oz resource** in line with Reed's proven strategy of sourcing and developing quality undervalued assets and will give Reed's existing high grade gold suite **critical mass at a time of sustained record gold prices**
- Near turnkey operation with **+\$100 million of infrastructure in place** ("came free") including 3Mtpa processing plant and 200-man camp - **strong short-term cash flow potential**
- **Dedicated gold management team** led by Reed's GM – Gold, Craig Fawcett, who was part of the management team in the start-up phases of Tanami, Avoca and Apex
- **Turnaround strategy in place** focusing on re-optimisation of existing resources, reserve expansion and targeted exploration drilling – **BFS underway and due for completion February 2012**
- Capital raising is being executed via a **private placement and underwritten share purchase plan** at \$0.58 (16% discount to last close) raising \$30 million and \$10 million, respectively



**"Acquisition strategically positions the Company to create a mid-tier gold producer and is part of a broader strategy to consolidate, incubate and potentially spin - out its gold assets into a new company" - Reed**

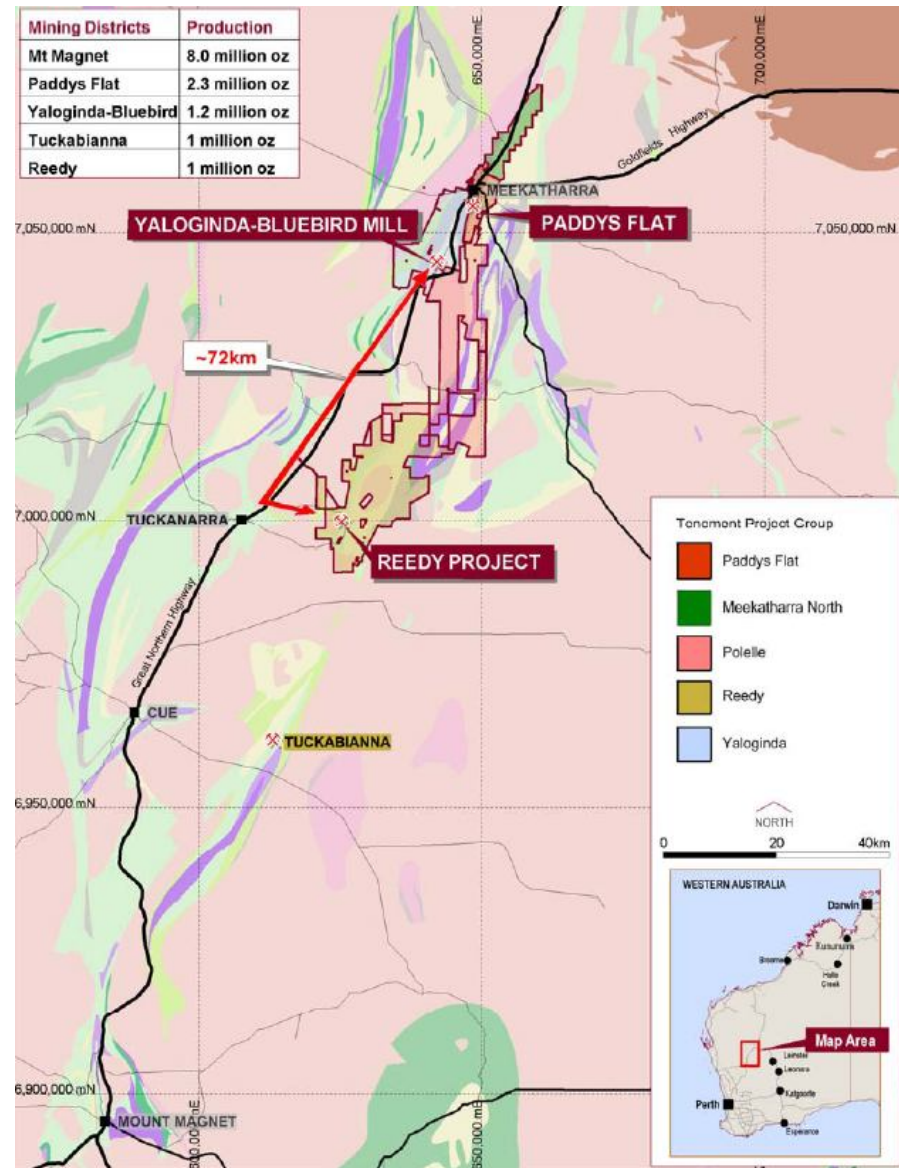
# Meekatharra Project Background

## Geology

- Located 640km northeast of Perth and 10km south of Meekatharra, in the Murchison Region of WA
- 800km<sup>2</sup> tenement holding with over 100km identified strike length on Murchison greenstone belt, a proven fertile greenstone hosting multi-million ounce deposits
  - » Greenstone belt hosts multi-million ounce deposits at Mt Magnet, Tuckabianna, Reedy, Bluebird and Paddys Flat
- 5 projects within Reed's tenements including the 3 principal areas of Paddys Flat, Yaloginda-Bluebird (including 3Mtpa mill) and Reedy's - all production areas within 70km of Bluebird mill
- Historical production of 3.5Moz in acquired project area and proximal mining centre production of 9Moz

## History

- Mercator Gold Australia Pty Ltd purchased the Meekatharra interests from St Barbara Mines in 2004 for \$38m
- Mercator then spent \$26m on exploration to establish a JORC resource of 2.5Moz and reserve of 0.4Moz by 2007
- Following a mining review and feasibility study, Mercator spent \$6m refurbishing the Bluebird mill to produce 120koz pa
- Mill feed was planned to be derived from local sources; the first main source of ore being the Surprise Pit at Yaloginda
- Mining commenced in early 2007 and produced 44,000oz prior to suspension of operations in October 2008



# Meekatharra Assets Acquired

Key infrastructure inclusive in Reed's purchase includes a 3Mt/pa processing plant (below), a 200-man camp and fully furnished offices (bottom) with a replacement value >\$100 million



Resources have been estimated by a number of recognised industry professionals including Snowden, Runge and Cube. These are global resources and include low-grade material

JORC Resources				
Project	Classification	Tonnes	Grade (g/t)	Contained Oz
Meekatharra North	Indicated	706,000	1.3	29,000
	Inferred	174,000	1.2	6,000
Paddys Flat	Indicated	17,879,000	1.7	986,000
	Inferred	7,925,000	1.4	349,000
Yaloginda	Indicated	9,693,000	1.7	528,000
	Inferred	3,856,000	1.8	227,000
Reedy	Indicated	2,043,000	2.4	159,000
	Inferred	2,404,000	2.4	182,000
<b>SUB-TOTAL</b>	<b>INDICATED</b>	<b>30,321,000</b>	<b>1.7</b>	<b>1,702,000</b>
<b>SUB-TOTAL</b>	<b>INFERRED</b>	<b>14,359,000</b>	<b>1.7</b>	<b>764,000</b>
<b>TOTAL INDICATED &amp; INFERRED</b>		<b>44,680,000</b>	<b>1.7</b>	<b>2,466,000</b>

Reserve estimates undertaken in 2007 at an indicative gold price of \$750-\$800/oz and reviewed by Snowden in 2010. Reserves represent 3-4 years of mining at initial projected milling rates

JORC Reserves				
Project	Classification	Tonnes	Grade (g/t)	Contained Oz
Bluebird	Probable	1,500,000	1.9	87,000
Surprise	Probable	136,000	3.0	13,000
Batavia	Probable	200,000	2.4	14,000
<b>SUB-TOTAL OPEN PIT</b>	<b>Probable</b>	<b>1,836,000</b>	<b>2.0</b>	<b>114,000</b>
Prohibition	Probable	1,372,000	4.1	179,000
Vivian/Consols	Probable	256,000	10.4	83,000
Fatts/Mudlode	Probable	362,000	4.0	46,000
<b>SUB-TOTAL UNDERGROUND</b>	<b>Probable</b>	<b>1,990,000</b>	<b>4.8</b>	<b>308,000</b>
<b>TOTAL PROBABLE</b>		<b>3,826,000</b>	<b>3.4</b>	<b>422,000</b>

## Operational

The Meekatharra gold project was a failure of Mercator's due to a number of factors, most notably a poor mine plan:

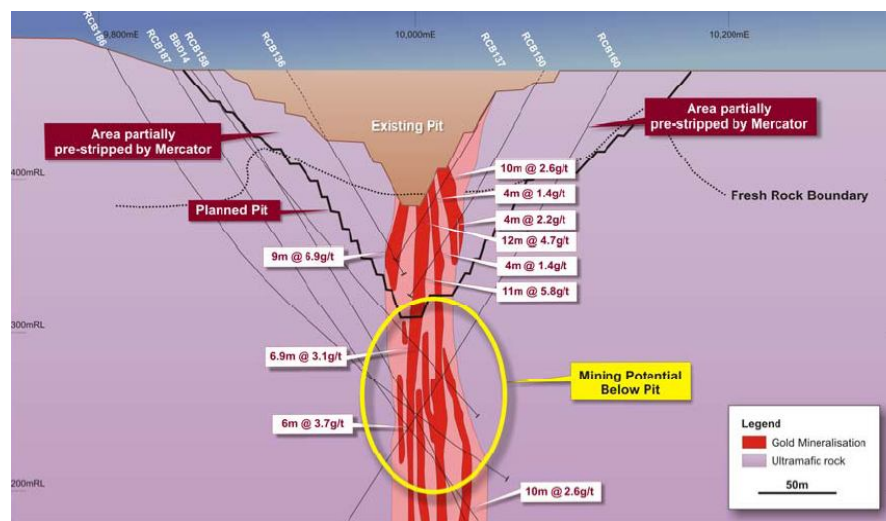
- ❌ Proximity of Surprise Pit to the Great Northern Highway caused cracking in the road when mining commenced. This immediately suspended pit works and required a costly realignment of the highway
- ❌ Development at Bluebird Pit (closest to mill) incurred significant upfront capital for a cutback with minimal immediate available ore. This created a large cash flow drain with no realised revenue
- ❌ Mill at Bluebird was fed with ore outside of specification in an effort to achieve a 3Mtpa throughput rate
- ❌ Reliance on a single ore source with little perceived succession planning or operational longevity

## Financial

The ultimate failure of Mercator arose by being unable to raise further working capital during the 2008 financial crisis:

- ❌ Insufficient working capital was raised to support any contingencies at Surprise Pit
- ❌ Mercator unable to raise additional funding following operational problems
- ❌ Operations ceased in October 2008 after only 18 months of mining and production

[1] Rebuild of the Great Northern Highway to the west of the Surprise Pit following cracking in original highway (below) and [2] poor mine plan at Blue Bird pit (bottom)



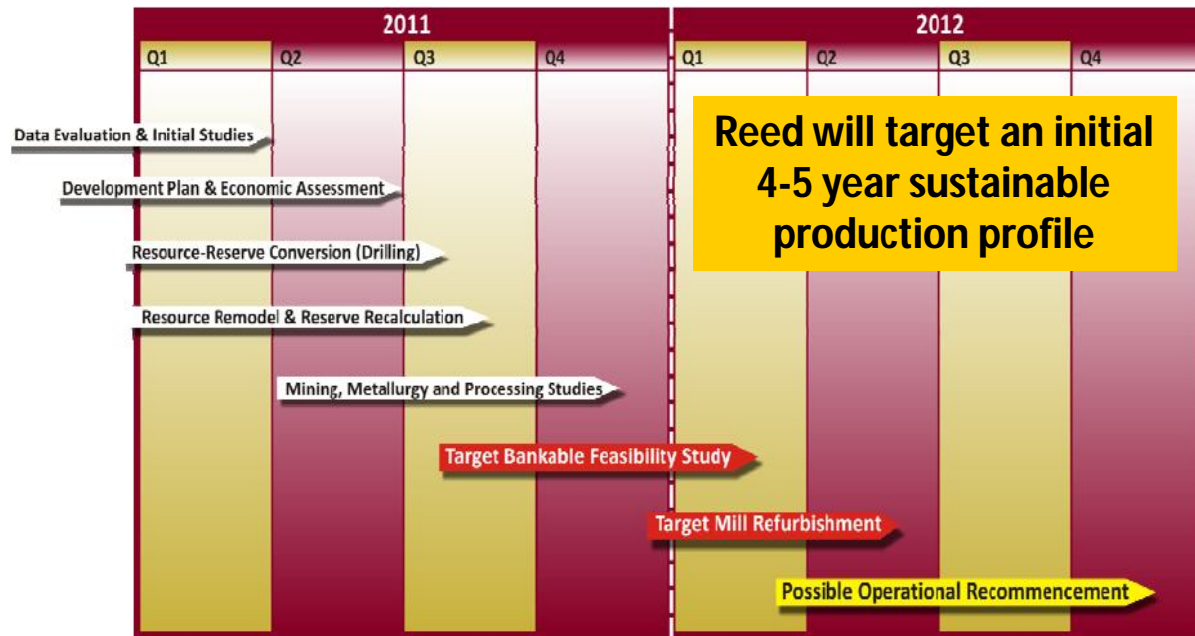
# Reed Turnaround Strategy

## First steps

- ✓ Review all newly acquired data to upgrade resources and increase reserves through targeted resource and exploration drilling
- ✓ Initial review of existing workings has already identified potential for immediate expansion
- ✓ BFS already underway and targeted for completion by February 2012
- ✓ Dedicated gold team led by Reed's chief geologist and General Manager – Gold, Craig Fawcett. Full team is now in place

## 2011: Intensive evaluation

- ✓ Focus on 10 best ore bodies from extensive database (under review)
- ✓ Resource re-estimates, optimise reserves to deliver higher grades
- ✓ Five main pits at Reedy's all have significant intersections beneath existing workings
- ✓ Cutbacks at both Jack Ryan and Rand pits aborted in 1997 when gold price was approx. US\$300/oz



## 2012: Operations

- ✓ Modifications to optimise mill at a cost of approx. \$10 million
- ✓ Target operational recommencement and a 120,000oz pa production rate

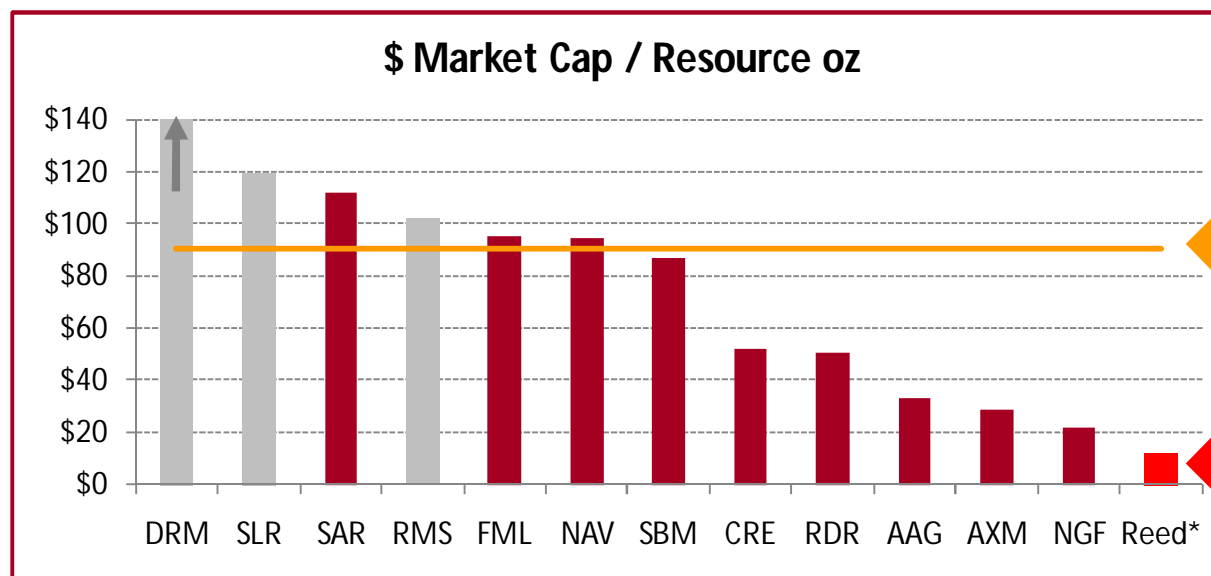
## 2013: Aggressive exploration

- ✓ Separate team to be appointed to advance regional exploration
- ✓ Density of drilling sparse in relation to size of the land holding
- ✓ Limited drilling beneath 100m around historical mining centres – exploration success in deep holes has been high within project area

# Gold Peer Comparisons

Peers (*close to Reed project area)	ASX Code	Shares (m)	Price (\$)	Mkt Cap (\$m)	Resource (Moz)	Mkt Cap/Res (\$/oz)
Apex Minerals NL	AXM	3917.8	0.02	62.7	2.2	28.2
Aragon Resources Limited	AAG	233.0	0.28	65.2	2.0	33.3
Crescent Gold Limited	CRE	1077.9	0.10	107.8	2.1	51.7
<b>Doray Minerals Limited*</b>	<b>DRM</b>	<b>58.8</b>	<b>1.07</b>	<b>62.9</b>	<b>0.1</b>	<b>452.2</b>
Focus Minerals Ltd	FML	2865.5	0.07	194.9	2.1	95.1
Navigator Resources Limited	NAV	465.5	0.19	88.4	0.9	94.5
Norton Gold Fields Limited	NGF	684.8	0.19	126.7	5.8	22.0
<b>Ramelius Resources Limited*</b>	<b>RMS</b>	<b>291.2</b>	<b>1.23</b>	<b>358.2</b>	<b>3.5</b>	<b>102.3</b>
Saracen Mineral Holdings Limited	SAR	492.2	0.75	369.1	3.3	111.9
<b>Silver Lake Resources Limited*</b>	<b>SLR</b>	<b>178.9</b>	<b>1.99</b>	<b>355.1</b>	<b>3.0</b>	<b>119.7</b>
St Barbara Limited	SBM	325.6	2.04	664.3	7.7	86.8
<b>Average (exc. Doray)</b>						<b>90.7</b>
<b>Reed Resources Ltd</b>	<b>RDR</b>	<b>193.3</b>	<b>0.69</b>	<b>133.4</b>	<b>2.7</b>	<b>50.3</b>
<b>Reed Resources Ltd - Meekatharra only</b>				<b>28.0</b>	<b>2.5</b>	<b>12.0</b>

- Meekatharra represents a world class deposit that can develop into a strong long term producer of gold
- Reed is acquiring 100% of the Meekatharra project from Mercator for \$28m with no outstanding obligations being passed onto Reed
- Highly attractive pricing with an acquisition cost of \$12/oz resource inclusive of +\$100m infrastructure
- Current peer average of \$91/oz resource – higher in immediate vicinity of Reed



**Reed is raising \$40 million (before costs) via a placement (\$30m) and fully underwritten share purchase plan (\$10m) to fund the 100% purchase and initial development of Meekatharra**

## Pricing

- Pricing is \$0.58 per new share in Reed Resources Ltd
  - » 16% discount to last share price close (21-Feb-11)
  - » 15% discount to 30 trading day volume weighted average price ('VWAP')

## [1] Placement (\$30 million)

- 15% capacity: \$16.0 million and 27.5 million new shares issued (T1)
- Balance of \$14.0 million and 24.2 million new shares issued with EGM approval (T2)
- All subscribers to the placement will be allocated shares between T1 and T2 on a pro-rata basis

## [2] Share Purchase Plan (\$10 million)

- Underwritten
- 17.2 million new shares issued
- Incumbent investors may participate (up to \$15,000 per investor)
- Reed currently has approx. 3,500 eligible shareholders in Australia and NZ

**Lead manager to the capital raising is Bligh Capital**

Proforma Capital Structure	Shares (m)	Raise (\$m)
Current shares on issue	193.3	
<b>Placement</b>	<b>51.7</b>	<b>30.0</b>
-15% capacity	27.5	16.0
-EGM approval	24.2	14.0
<b>Share purchase plan</b>	<b>17.2</b>	<b>10.0</b>
Sub-total new issue	69.0	40.0
<b>Total post raising</b>	<b>262.2</b>	

Pricing	\$	Discount
<b>Capital raising price</b>	<b>0.58</b>	
Last close (21-Feb-11)	0.69	<b>15.9%</b>
5 day VWAP	0.67	<b>13.7%</b>
10 day VWAP	0.67	<b>13.7%</b>
30 day VWAP	0.68	<b>15.1%</b>

Use of Funds		
Meekatharra acquisition	\$m	24.7
Bonding	\$m	1.7
Working capital	\$m	11.2
Costs of raising	\$m	2.4
<b>Total</b>	<b>\$m</b>	<b>40.0</b>

Indicative Timetable	
Trading halt	22 February
Placement roadshow	22-23 February
<b>Record date for SPP</b>	<b>23 February</b>
Capital raising announcement	24 February
<b>SPP offer closes</b>	<b>24 March</b>
EGM	5 April
<b>Completion</b>	<b>6 April</b>

**1**

**Additional Meekatharra Technical Information**

**2**

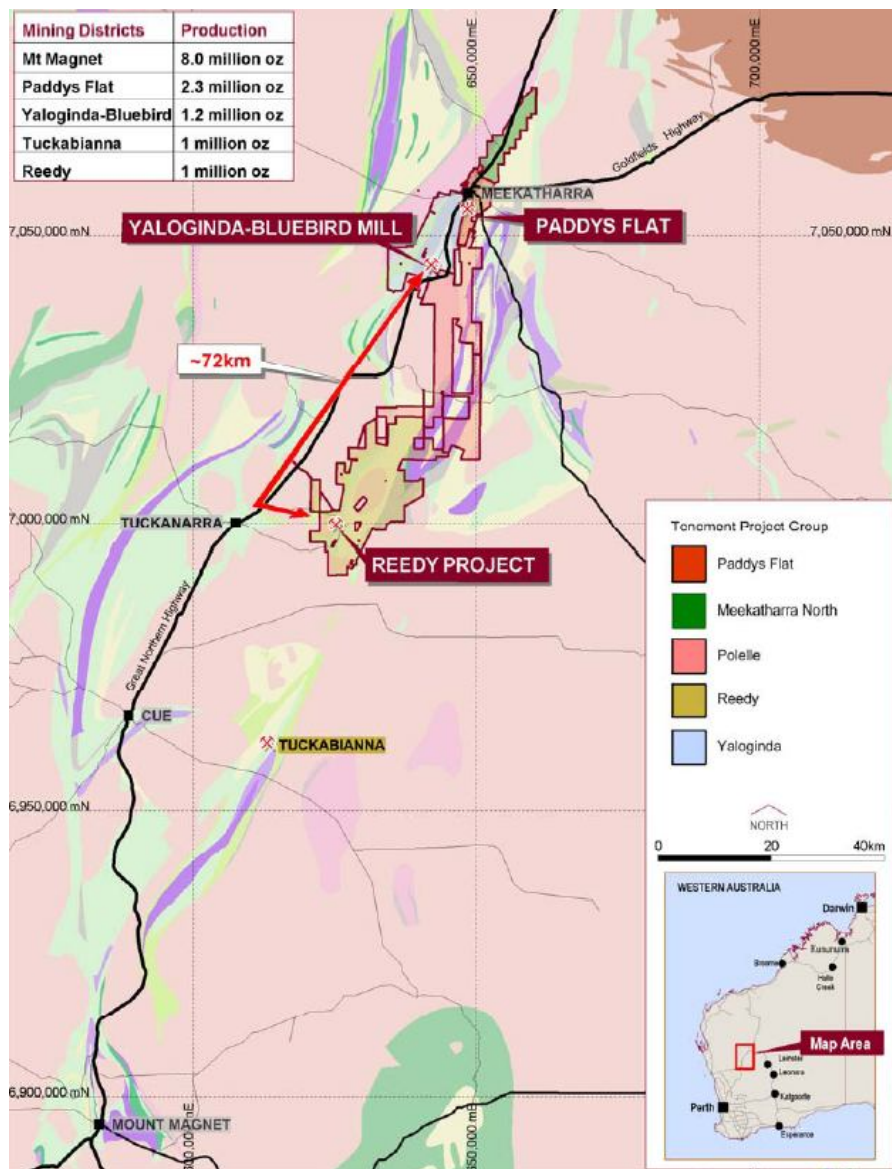
**Barrambie Vanadium Project**

**3**

**Comet Vale Gold Project**

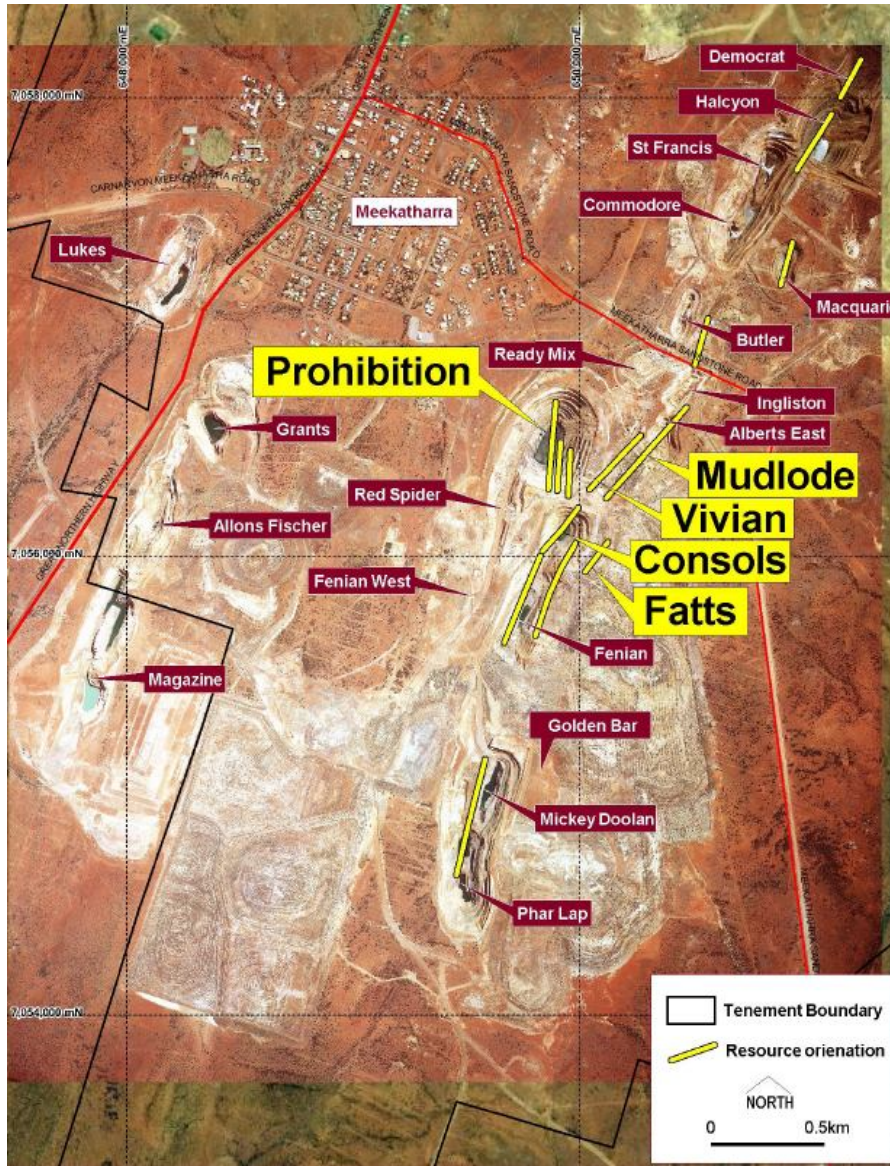
**4**

**Nimbus Silver Project and Processing Plant**



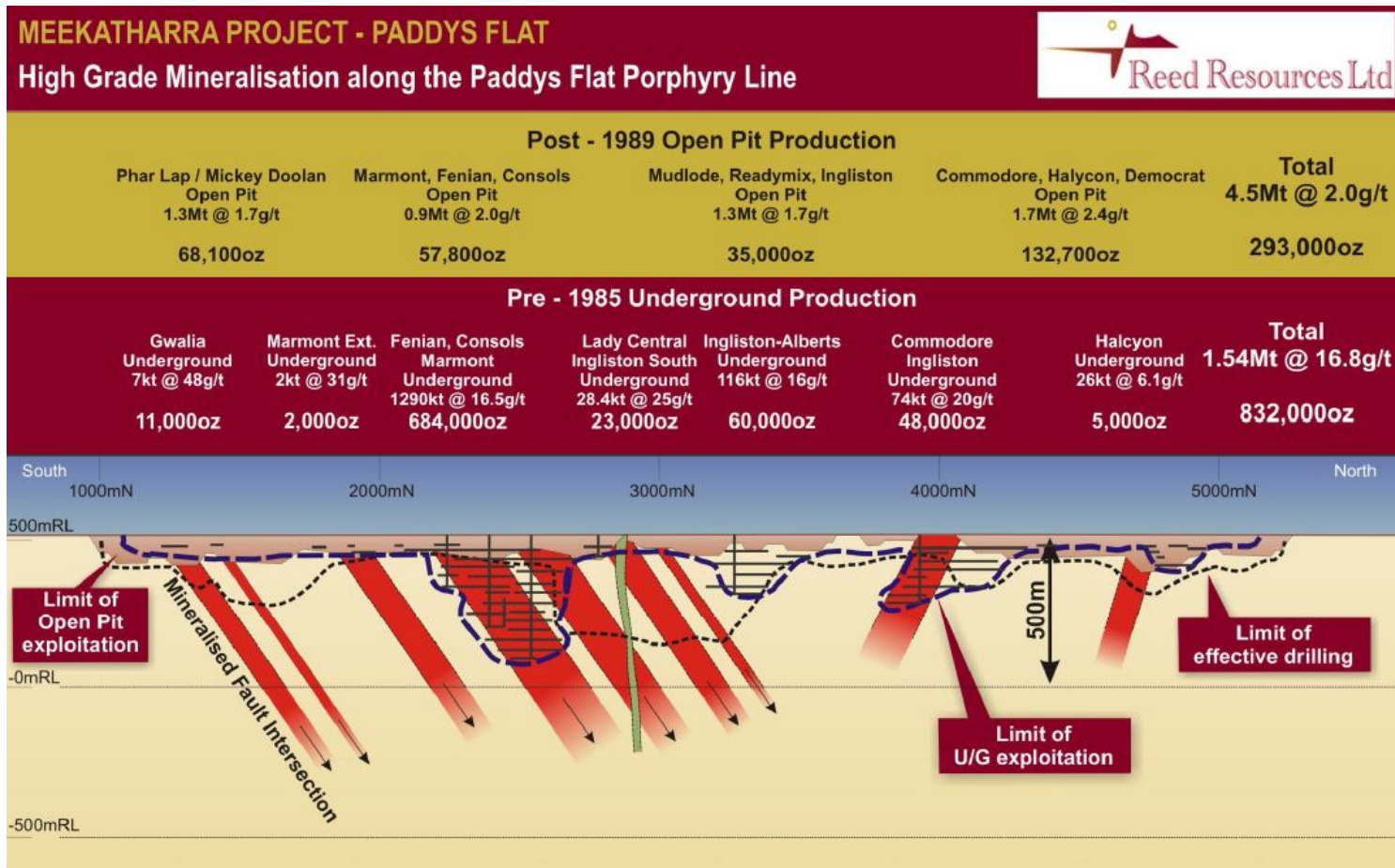
## Comments

- 800km<sup>2</sup> tenement holding with over 100km identified strike length on Murchison greenstone belt, a proven fertile greenstone hosting multi-million ounce deposits
- 5 projects within Reed's tenements including the 3 principal areas Paddys Flat, Yaloginda-Bluebird (including 3Mtpa Bluebird mill, camp and offices) and Reedy
  - » All production areas are within 70km of Bluebird mill
- Total JORC resource of 2.5Moz and reserves of 0.4Moz
  - » Reserves were last calculated at US\$750-800/oz and resources at a weighted average of US\$630/oz
- Other local multi-million ounce deposits in the area are at Mt Magnet (Ramelius) and Tuckabianna (Silver Lake Resources)
  - » Silver Lake has successfully expanded resources at Tuckabianna through resource extensions and discovery success
- Meekatharra is a near turnkey operation - refurbishments are estimated to take approx. 3 months to undertake with minimal capex requirement
  - » In contrast, constructing an entirely new milling facility and camp would potentially take 18 months and cost \$150m
- Acquisition price based on reserves and resources alone
  - » +\$100m infrastructure not part of the valuation hence why transaction is such an attractive proposition to Reed



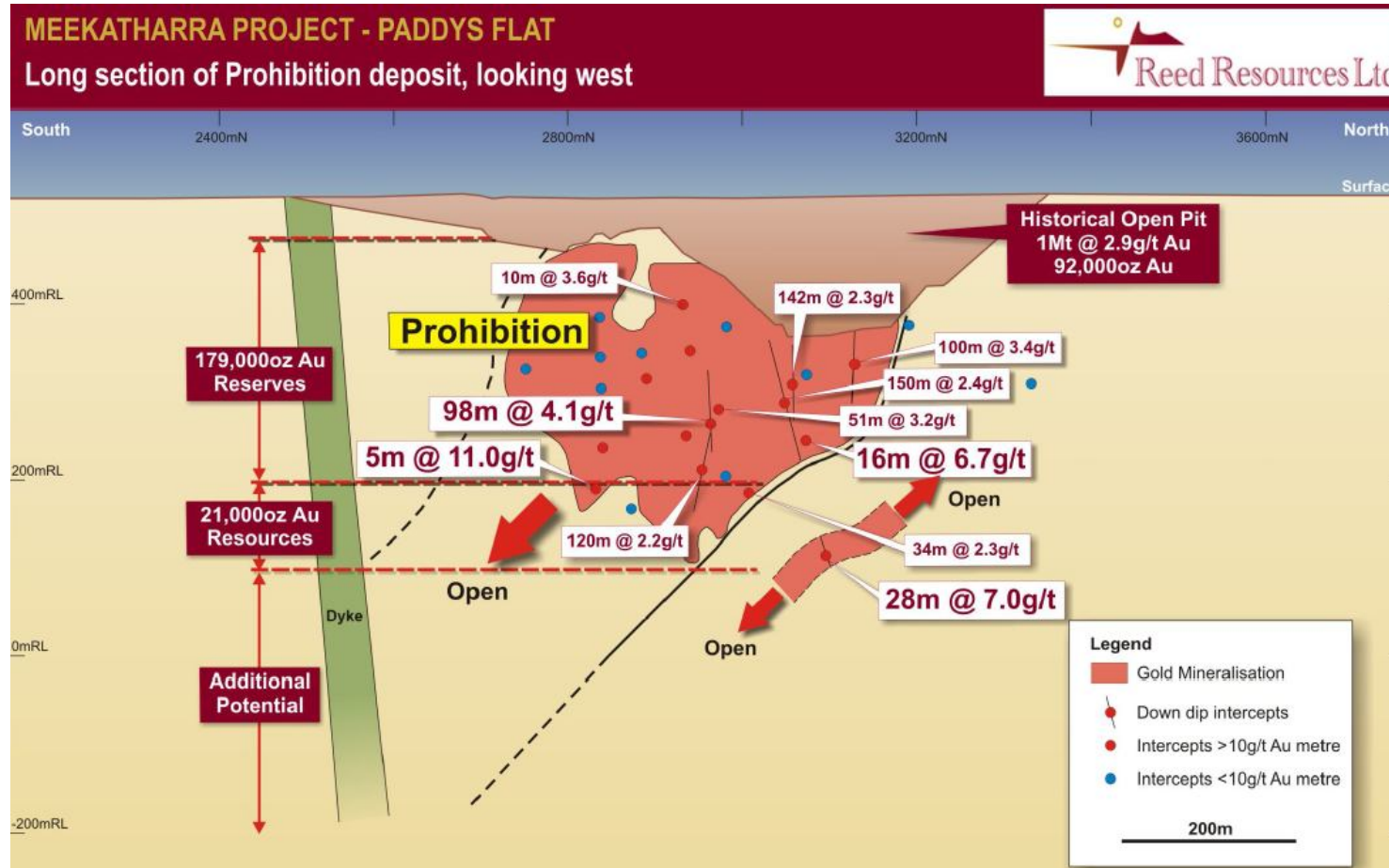
## Comments

- Historical production of 2.3Moz including surrounding pits and lodes
- Mainly open pit mining from modern mining (since 1989)
- Underground mining pre-1985 for 832koz
- Reserves of 0.31Moz
- Immediate gains on resource to reserve conversion expected at the highlighted areas
- Significant upside on current known orebodies



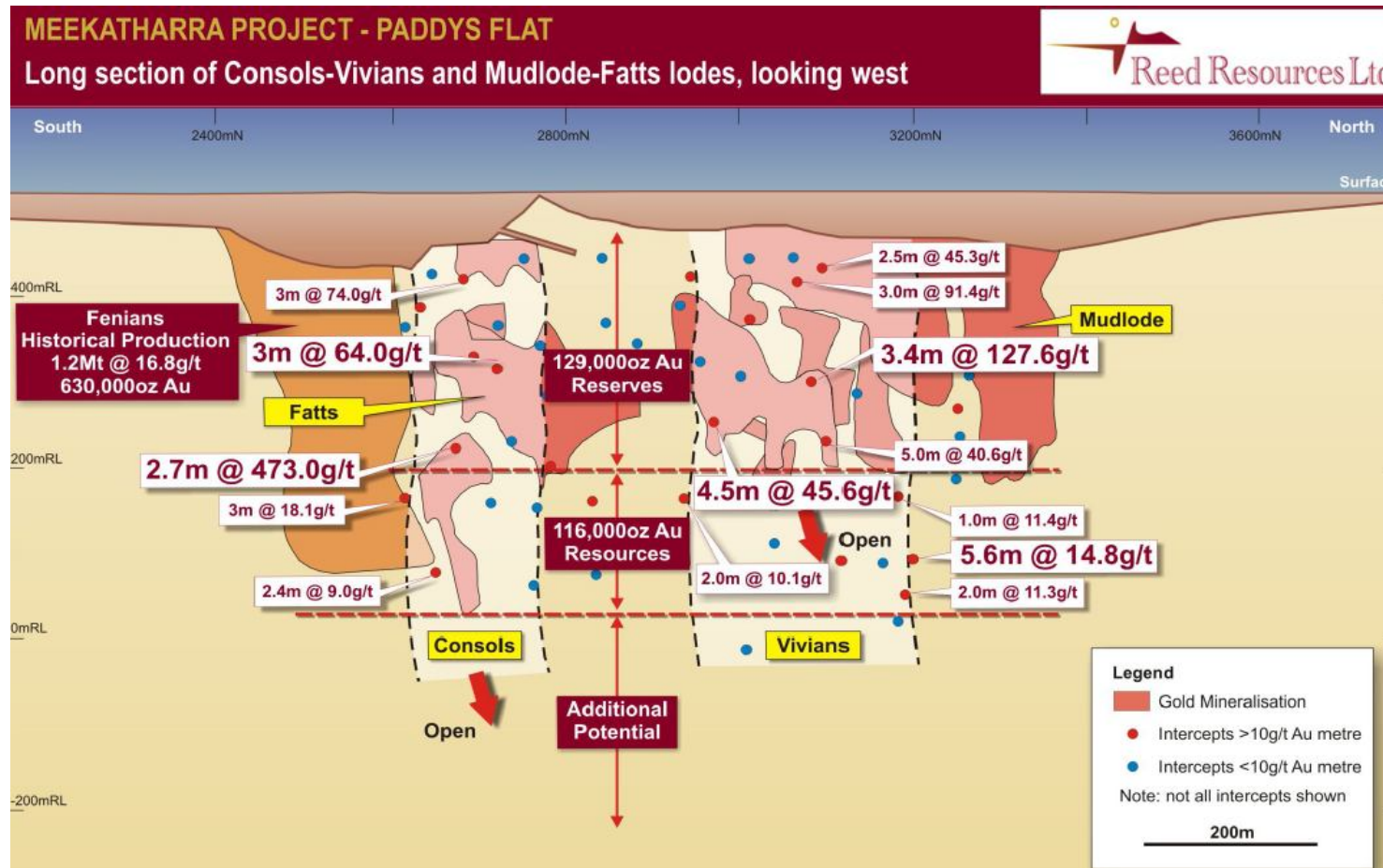
## Comments

- Pits generally a maximum depth of 100m with some exceptions
- Reserves of 0.31Moz at Prohibition-Mudlode-Fatts-Consols-Vivians. No other reported reserves in the area
- Immediate gains on resource to reserve conversion expected
- Significant upside on current known orebodies
- Holistic re-evaluation to be undertaken of entire area



## Comments

- Prohibition represents a source of immediate open pit cutback potential and future underground
- Excellent width and grade for a low risk mining opportunity
- Open at depth with a stacked parallel lode system
- This has been a historically proven mining area with excellent future potential
- Intersections are highlighted as above



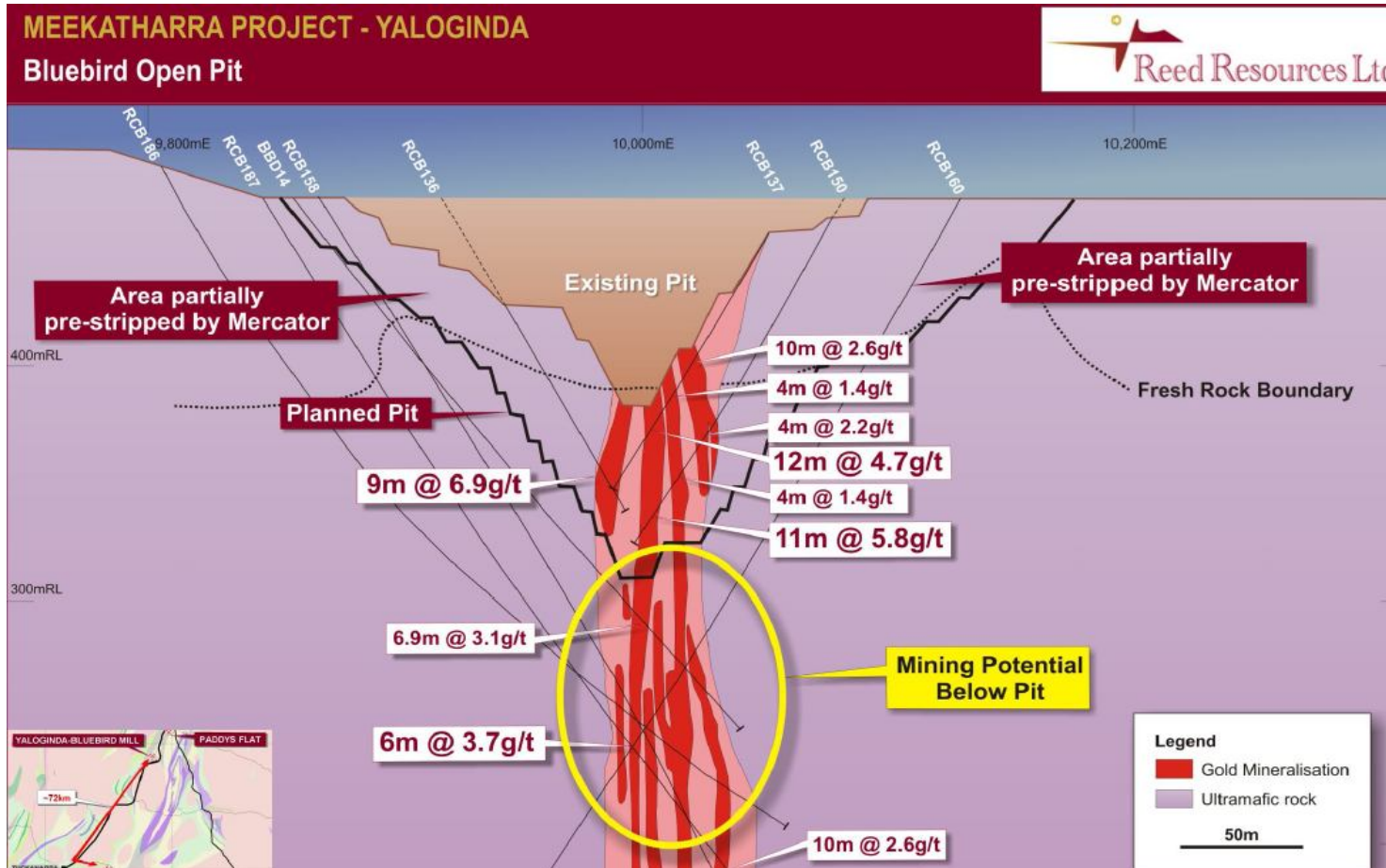
## Comments

- This part of the orebody represents the narrower higher grade section
- Resources and reserves were calculated by Snowdens
- From the intersections shown a re-optimisation of the entire area is warranted for either open pit or underground potential
- This will allow a feed stream of higher grade material to blend with lower grade material from Prohibition or other open pits



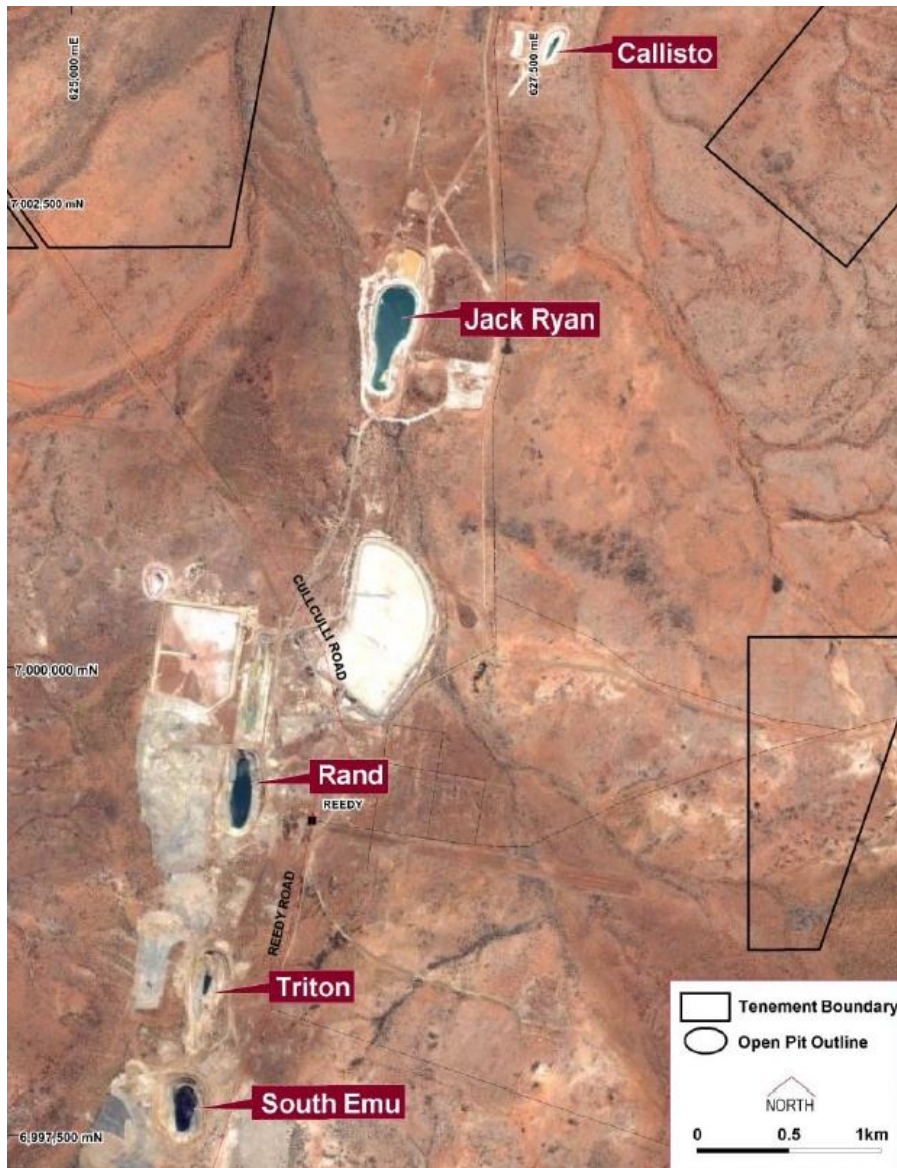
## Comments

- Yaloginda is the site of the 3Mtpa Bluebird processing plant
- Approximately 18 open pits in the surrounding area
- 13,000oz of ore is immediately available from Surprise pit at a grade of 3g/t
- Open pit cutback commenced on Bluebird
- Indications of forming a super pit linking South Junction and Bluebird pits
- Potential to reopen Gibraltar underground
- Potential to expand South Junction pit to the south
- Holistic data and resource review required
- Significant geological and mining leg-work already completed



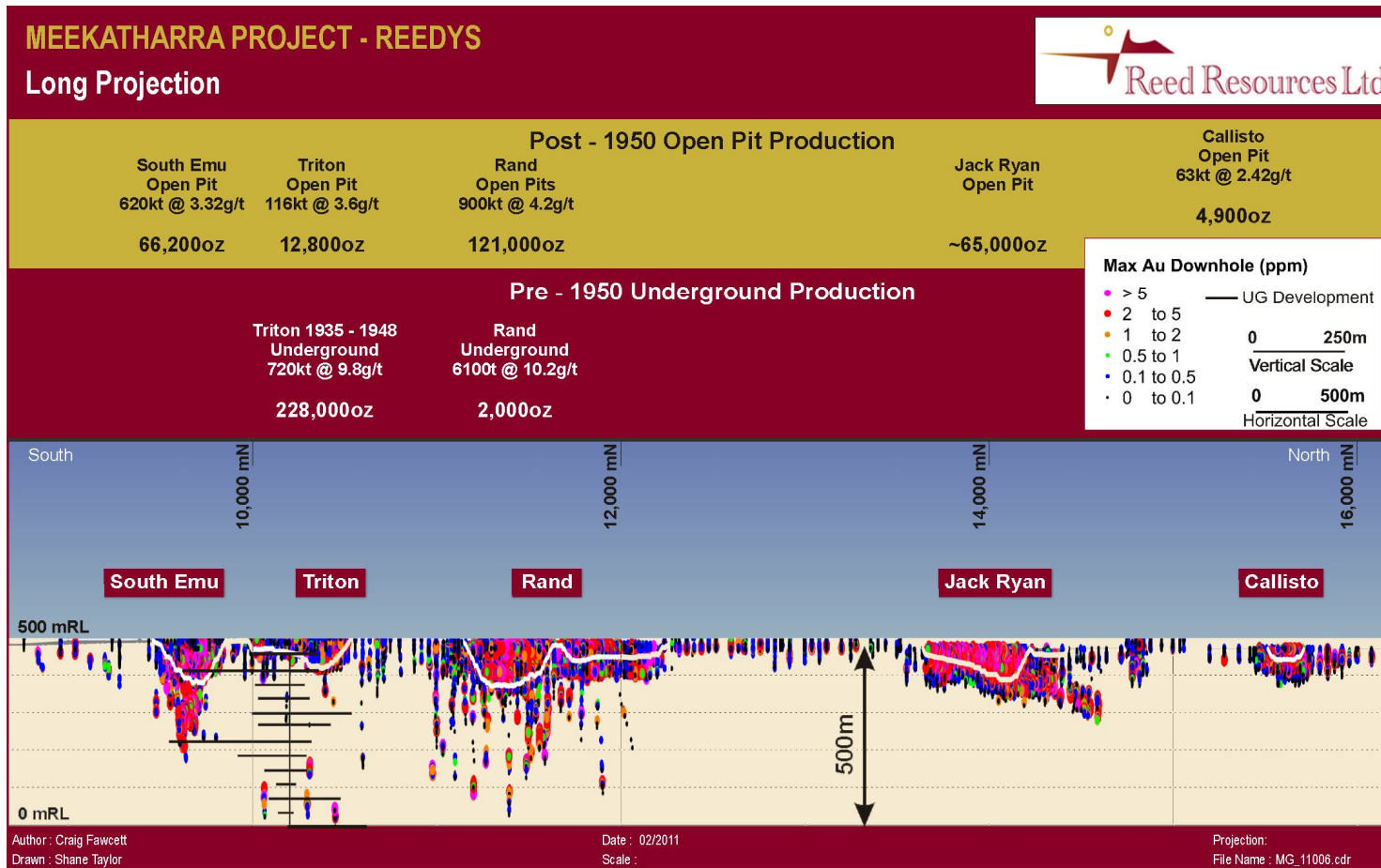
## Comments

- Assessed by Coffey Mining as being a robust open pit design
- Expansion to bulk underground operations on completion of open pit cutback
- Re-optimisation and potentially staged cutbacks to be undertaken once the mining plan has been evaluated
- Cutbacks are costly which is why Reed will spend time formulating a robust and sustainable mining plan
- Derisked through metallurgy, geology and design



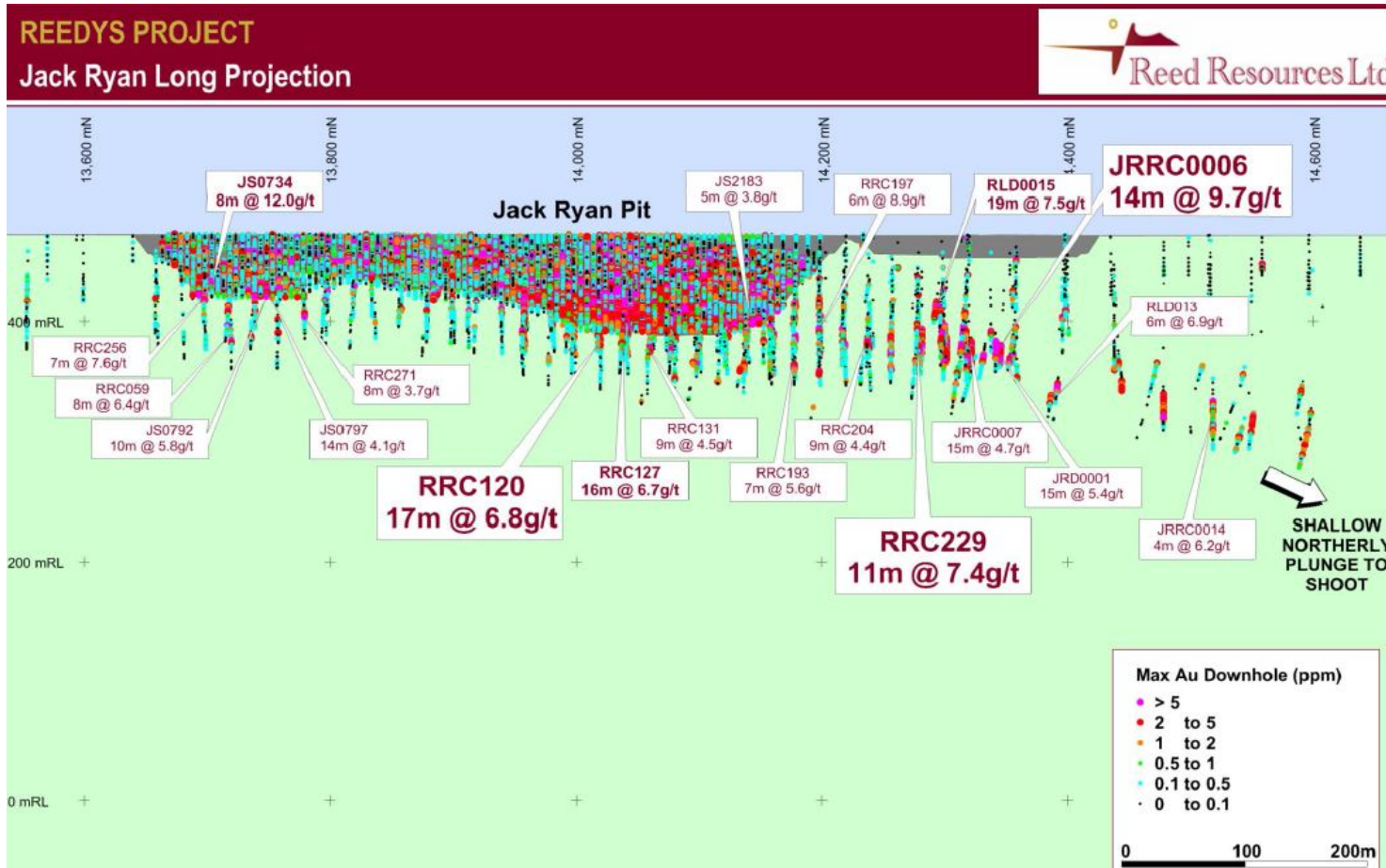
## Comments

- Closed in 1997 when gold price was US\$300/oz
- Cutbacks commenced on Jack Ryan and Rand
- Last review undertaken when gold was around US\$429/oz
- Initial review under the 5 main pits indicate significant immediate open pit and underground reserve conversion
- Only 5 of a total 12 open pits that will ultimately be reviewed
- Excellent potential around these workings for expansion
- No current reserves reported at Reedys
- Resource remodelling well underway



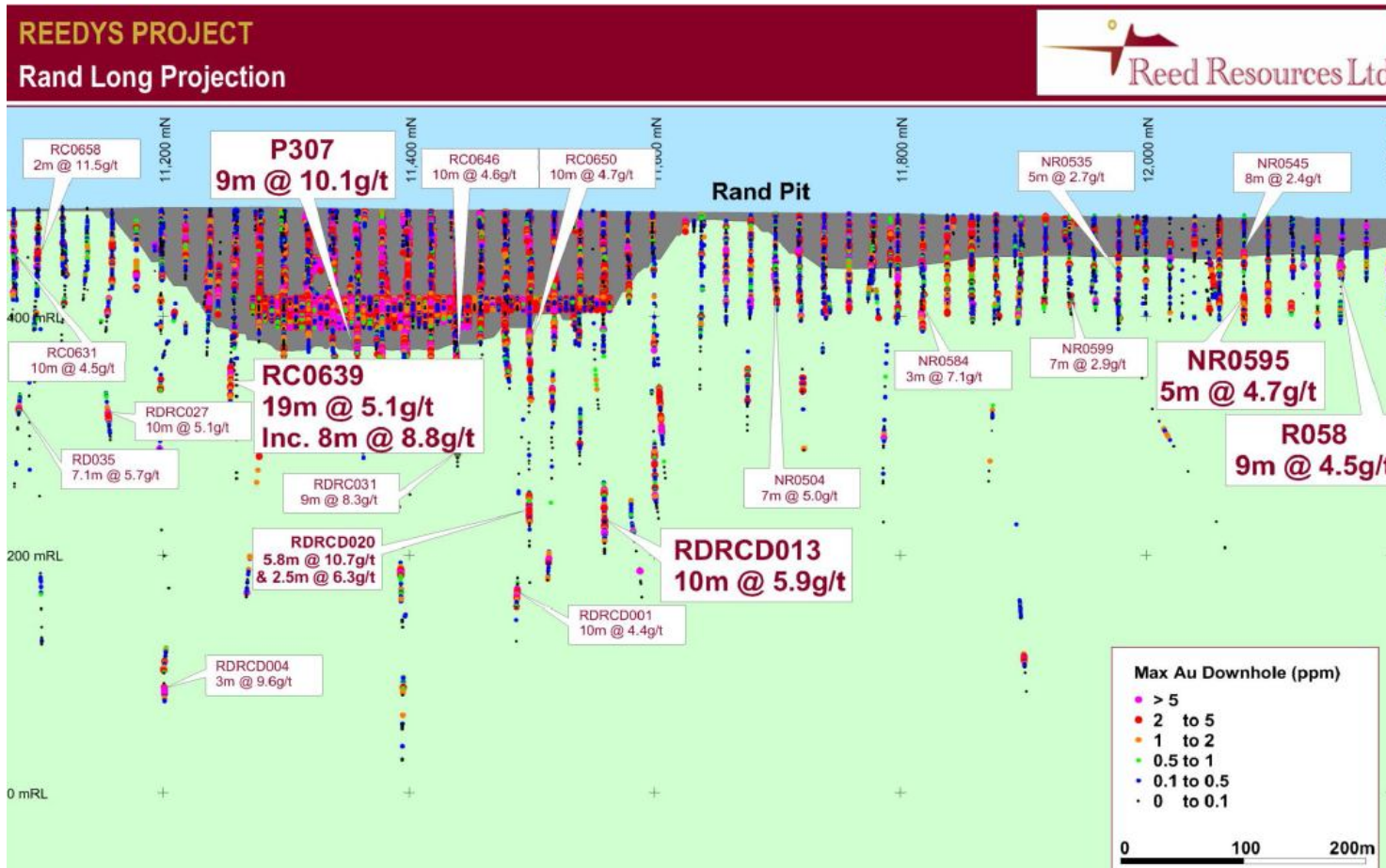
## Comments

- 95% of drilling <100m deep. Drilling deeper than 100m indicates economic intersections for a sustainable and long minelife
- Mining ceased at US\$300/oz
- Geologically well understood despite lack of development
- Underground and/or open pit cut-back potential on every pit
- Resources and reserves to be reassessed and re-optimised with current economics



## Comments

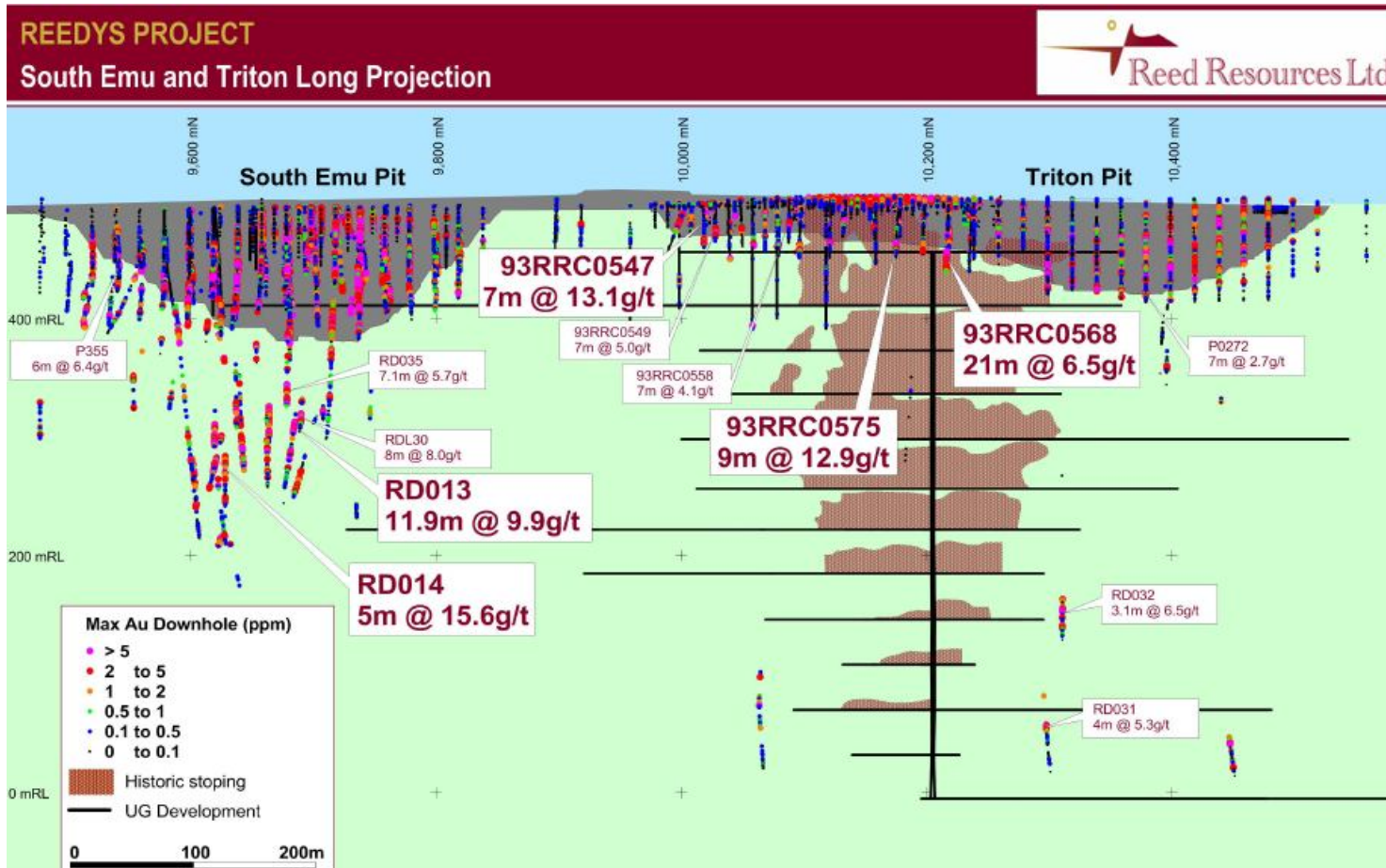
- Shallow northerly plunging shoot showing exceptional grade and continuity
- Area will be re-optimised for an open pit expansion to de-risk mining
- Cutback already commenced



## Comments

- Rand pits have highly favourable recommencement potential
- Cutback commenced at the northern end – stopped when gold price was US\$300/oz

- Likely open pit cutback will transition to underground workings
- South Rand portrays excellent potential for underground operations
- Optimisations underway, expect to have new resource by end March 2011



## Comments

- South Emu exhibits excellent potential for an underground operation
- Lack of drilling beneath both pits, despite there being (unsurveyed) working beneath the Triton Pit
- Underground at South Emu should emulate the underground already mined at Triton – derisking through historical reconciliations

## Barrambie (Reed 100%)

- Located 125km north-east of the Windimurra Vanadium Project in the Murchison region of WA
- 100% owned by Reed, Barrambie has the highest grade vanadium reserves in Australia
- Project is serviced by major regional roads and safe water supply from Barrambie borefield
- DFS completed in May 2009 indicating total capex of \$630m, initial 12.5 year mine life and \$186m annual EBITDA at 5 year average vanadium price
- Native Title Agreement in place and PER lodged, with Environmental Approval expected in June Quarter 2011
- MOU signed with Chinese conglomerate NFC covering fixed price EPC arrangements and financing of the project (expected to deliver significant savings on DFS) - represents the next step towards the successful development of Barrambie
- NFC are a Chinese company, listed on Shenzhen stock exchange with a market capitalisation of +\$3.2bn - primarily engaged in international projects including construction and development of non-ferrous metal resources and the manufacture and sale of non-ferrous metal products
- Reed and NFC currently in discussion with lenders and potential equity financing partners
- Significant exploration upside along strike, at depth and at Virginia Hills, with potential to add to existing resources and extend project life

Location of the Barrambie vanadium project showing proximity to the Windimurra vanadium project and key infrastructure including the Midwest gas pipeline and Geraldton port



JORC Resources				
Project	Classification	Tonnes (Mt)	V <sub>2</sub> O <sub>5</sub> (%)	TiO <sub>2</sub> (%)
Barrambie	Indicated	49.2	0.82	17.3
	Inferred	16.0	0.81	17.2
<b>TOTAL INDICATED &amp; INFERRED</b>		<b>65.2</b>	<b>0.82</b>	<b>17.3</b>

JORC Reserve				
Project	Classification	Tonnes (Mt)	V <sub>2</sub> O <sub>5</sub> (%)	TiO <sub>2</sub> (%)
Barrambie	Probable	39.7	0.82	15.7
<b>TOTAL PROBABLE</b>		<b>39.7</b>	<b>0.82</b>	<b>15.7</b>

## Comet Vale (Reed 100%)

- Located 100km north of Kalgoorlie and covers an area of 25km<sup>2</sup> surrounding the historic Comet Vale gold mining centre
- Tenements include the historic Sand Queen-Gladsome Gold Mines which produced 185,372 ounces of gold at a recovered grade of 22.7 g/t up to 1937
- In FY2003, Reed refurbished Sand Queen with JV partners Kingsrose and underground gold production recommenced in June 2006
- In FY10 a total of 8,818 ounces of gold was produced at an average cash cost of \$733/oz for a margin of \$560/oz
- Kingsrose JV was wound up in May 2010 and the project was placed into a production hiatus, pending suitable ore treatment facilities, on June 1, 2010
- Strategy now is to establish Nimbus as a standalone toll-milling facility and resume gold production in 2011
- Excellent scope for resource expansion at Comet Vale with diamond drilling continuing to intersect high grade gold
- Potential for open pit operations at Sand Prince West/Princess Grace – open pit ore is treatable at Nimbus
- Also prospective for nickel laterite and copper

**JORC Resources (Revised resource from Cube Consulting March Quarter 2010)**

Project	Classification	Tonnes	Grade (g/t)	Contained Oz
Comet Vale	Indicated	238,000	10.8	82,500
	Inferred	296,000	10.9	103,500
<b>TOTAL INDICATED &amp; INFERRED</b>		<b>534,000</b>	<b>10.8</b>	<b>186,000</b>



## Nimbus (Reed 100%)

- Comprises two mining leases and a 250ktpa oxide processing plant (care and maintenance from 2007) 15km SE of Kalgoorlie
- Purchased in September 2009 for \$2.4m (plant has \$15m replacement cost) and will enable open pit and underground ores from Comet Vale to be processed. Reed has completed:
  - » Cleanup and rehabilitation of the mine site and plant
  - » PFS (FY10) for the recommissioning of Nimbus – conversion to 250ktpa hardrock CIP plant appears optimal
  - » Order of long lead items and commenced refurbishment of ball mill
- HV power connection target June Qtr 2011 and securing toll milling client to complete full refurbishment of mill
- Significant base metal exploration upside and in-situ high-grade silver mineralisation beneath and between the open pits



Location of the Nimbus Processing Plant and key regional infrastructure – 15km southeast of Kalgoorlie and approx. 100km from Comet Vale by highway and rail

