

QUARTERLY ACTIVITIES REPORT

30 September 2011

Highlights:

Meekatharra Gold Project

- Bankable Feasibility Study ahead of schedule
- Mineral Resource Inventory increased 86,900 oz to 2.84 Moz Au
- New Paddy's Flat Underground Reserve 225,000 oz at 3.6g/t Au & 1,125oz per vertical metre
- Staged Recommencement of Mining Strategy – Stage 1 Low risk, Open Pit only
- Joint project finance advisors appointed

Mt Marion Lithium Project

- Mineral Resource Inventory increased 38% to 14.9Mt at 1.35% Li₂O
- Construction of modular processing plant well advanced
- Reviewing timing/production profile pending marketing review of high-grade mica products

Barrambie Vanadium Project

- EPC estimate indicates \$100m saving over original DFS
- Draft EPC Contract received – formal discussions per MOU cease
- Evaluation of broadening recovery to produce titanium and iron feedstocks

Nimbus

- Sale of Nimbus silver mine to Macphersons Reward Gold Limited completed

Cash and Listed Securities A\$17.9m

MEEKATHARRA GOLD PROJECT **(Reed 100%)**

On 12 January 2011 Reed Resources Ltd (ASX: RDR) ("the Company" or "Reed Resources") announced the acquisition, via its wholly owned subsidiary GMK Exploration Pty Ltd, of 100% of the landholdings and assets of Mercator Gold Australia Pty Ltd (subject to Deed of Company Arrangement) ("Mercator") (ASX release 12 January 2011). The settlement of the acquisition took place on 1 July 2011.

The Meekatharra Gold Project, centred on the Bluebird processing plant, is located 640km northeast of Perth and 10 km south of Meekatharra, in the Murchison Region of Western Australia (Figure 1).



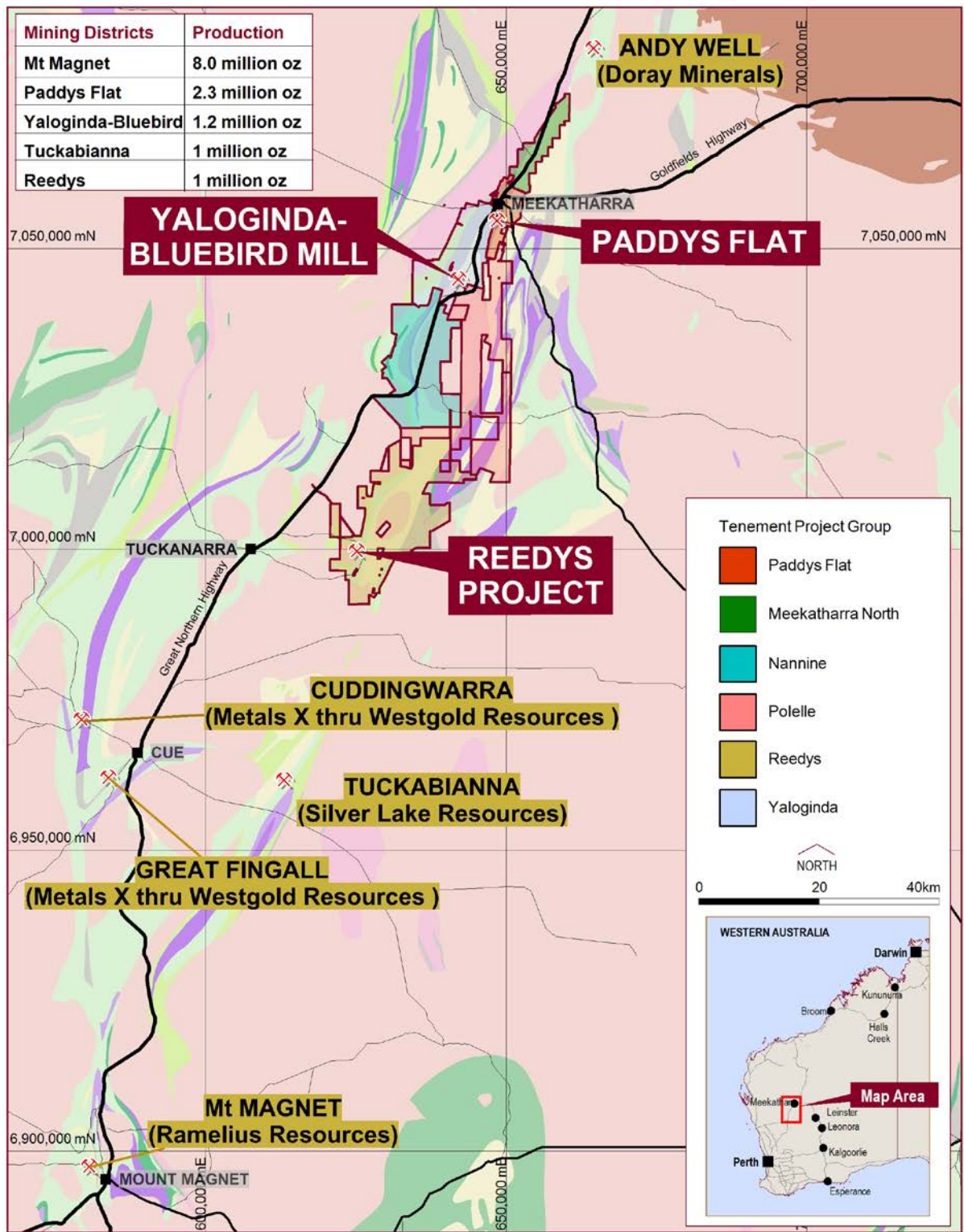


Figure 1: Location of tenement holdings overlain on bedrock geology of the Meekatharra – Mt Magnet region of the Murchison Province showing gold production from key Reed Resources mining camps and the location of other mining camps in the area.

Bankable Feasibility Study - Work Packages and Upgrade Studies

Bankable Feasibility Study

The Company is advanced on the physical document. As information is received, the document is updated and will remain a work in progress throughout the next quarter. The final document remains within the timeframe to be delivered in February, 2012.

Catering

Action Industrial Catering (AIC) have been awarded the construction catering contract. The construction phase for the village and processing plant is expected to commence in December 2011 and work through to October 2012. AIC are experienced with construction sites and can quickly and easily mobilise additional resources as required.

Village

The tender document for the Village refurbishment and upgrade was released. Six interested parties submitted Expressions of Interest.

Processing Plant

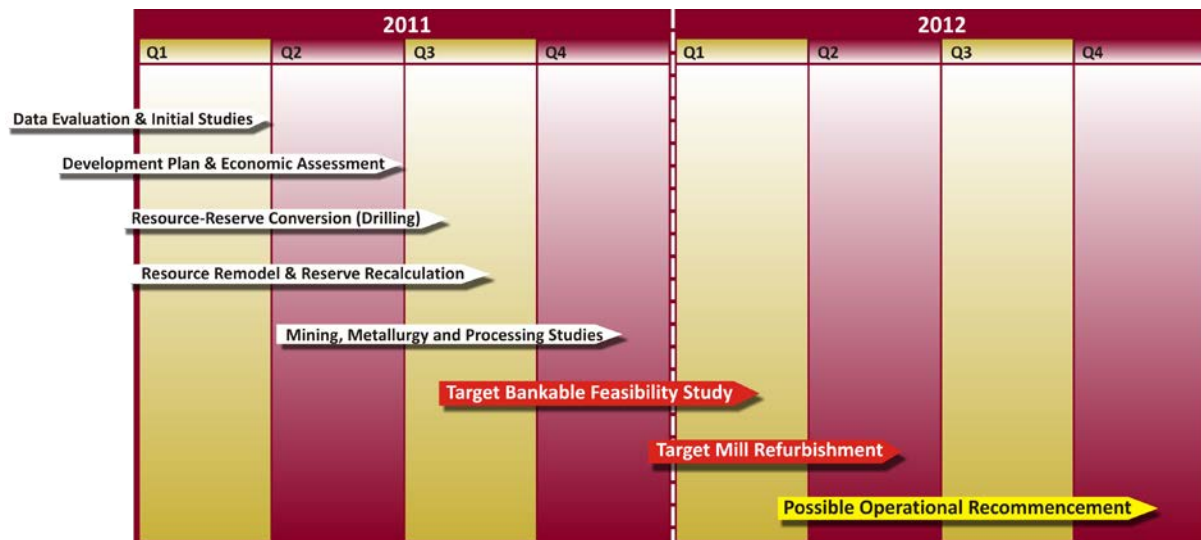
GR Engineering have been working on the processing options for the processing facility. The metallurgical work is in the final stages of assessment and it is expected that a costed proposal and scoping study to refurbish and enhance the facility will be received in November 2011.

Power Station

It has been decided that a Build-Own-Operate (BOO) arrangement will be undertaken on the power facility. Reed Resources is engaging with providers of power to run this facility on diesel fuel.

Overall Project Timeline

The Project is within the projected delivery dates for the key items on the project and it is anticipated that the milestones to recommence will be achieved.



Recommencement of Mining - Strategy

The technical team at Reed Resources has successfully evaluated a number of operational options. To ensure that recommencement is not delayed through over-evaluation or through waiting for metallurgical test work results, the recommencement has been staged. The initial recommencement (Stage 1) will comprise ore from open pits alone, with the expansion (Stage 2) taking production past the initial planned 3 year open pit mining.

Stage 1 - Recommencement

The open pit mining plan on the existing reserves demonstrates that a 37 month (3 year) mine life can be maintained at an average feed rate of approximately 1.65Mtpa, blending soft oxide and fresh rock through the Bluebird Mill. Two fleets of open pit machinery of different sizes will be required to best optimise the mining of the various ore bodies. The larger fleet will concentrate on the base-load pits (Bluebird and Prohibition) and assist with pre-stripping the other pits. The smaller fleet will concentrate on the smaller pits and more discrete ore bodies.

An additional 80 rooms will be added to the village that will replace 72 “shared en suite” rooms and the replacement of the dining facility to accommodate 200 people. The existing en suite rooms are planned to be refurbished by the end of the 2011 calendar year.

The mill will be refurbished and the crushing circuit upgraded.

The Underground mine at Paddys Flat was discounted from the Stage 1 strategy due to risk, complexity and required capital for recommencing operations simultaneously with the open pits and underground together.

Stage 2 - Expansion

The second phase of the operational strategy is to ensure that the mine continues to operate at a sustainable level for a minimum of 6 years, with options to expand Stage 1 production levels, and potentially involve multiple operations.

A number of expansion options are being examined including:

- Metallurgical test work on the 600,000oz Mickey Doolan resource is in progress. Diamond core was drilled into this ore body in August and the resultant rock was transferred to AMMTEC. This metallurgical work should be completed in early December.
- Evaluation of the Paddys Flat “Super Pit” option. This will incorporate a full resource and reserve evaluation of the entire field (see announcement 29th August, 2011). The resource models are being completed by Snowden. These will be passed to Minecomp for open pit optimisations.
- The Paddys Flat underground operation is a profitable entity and has been accurately scheduled to produce a 3 year mine life in its own right. It was decided to delay recommencement of this underground mine pending the results from the Super Pit optimisation as this could form part of a larger operational strategy at Paddys Flat, without the added risk and complexity compounding Stage 1.
- Reedy evaluations are ongoing with several options to pursue underground and further open pit cutbacks. The South Emu-Rand trend represents an ore body with a 2km strike length boasting a grade that in places reaches in excess of 10g/t.

Ongoing Evaluations

As part of the ongoing process in converting resources to reserves the Company's technical team is continuing to re-evaluate ore bodies. From the drilling undertaken in August 2011, new resources are being generated for a number of the targets that will be re-optimised with the new drilling information. In addition to this, several areas at Reedys, Yaloginda and Nannine are being evaluated and may further bolster the mine plan.

Since Reed Resources acquired this landholding in January 2011 the Mineral Resource Inventory has increased by 0.3Moz or 12% to now total 2.84 million ounces of gold and the reserves have increased by 13% to 0.48Moz.

MINERAL RESOURCE INVENTORY

Project Area	Category	Tonnes (Mt)	Au (g/t)	Au (koz)
Meekatharra North	Indicated	0.7	1.3	29.0
	Inferred	0.2	1.2	6.0
Paddys Flat	Indicated	18.7	1.6	987.2
	Inferred	9.4	1.6	499.5
Yaloginda	Indicated	8.8	1.8	509
	Inferred	6.4	1.7	346
Reedys	Indicated	2.0	3.4	219
	Inferred	3.0	2.6	246
Total		49.2	1.8	2,841.7

ORE RESERVE INVENTORY

Deposit	Category	Tonnes (Mt)	Au (g/t)	Au (koz)
Bluebird	Probable	1.4	1.9	87.0
South Junct.	Probable	0.1	1.5	4.5
Prohibition	Probable	1.1	2.7	96.0
Surprise	Probable	0.1	3.0	13.0
Batavia	Probable	0.2	2.4	14.0
Jack Ryan	Probable	0.2	3.1	21.8
Callisto	Probable	0.1	3.1	7.2
Rand	Probable	0.1	2.4	7.6
Total (Open Pit)	Probable	3.3	2.3	251.1
Prohibition	Probable	1.3	2.4	104.1
Vivian/Cons.	Probable	0.3	7.7	63.6
Fatts/Mud.	Probable	0.4	4.7	57.2
Total (Underground)	Probable	2.0	3.6	224.9
Total	Probable	5.3	2.8	476

Notes:

- Resources and Reserves comply with the Australian JORC Code (2004) reporting guidelines.
- Resources are inclusive of Reserves.

Project Finance advisors appointed

During the quarter the Company appointed Noah's Rule Pty Ltd and Bligh Capital Partners Pty Ltd as joint project finance advisors in relation to the Meekatharra Gold Project. These advisors together bring excellent experience to the process of raising project finance, and the Company sees their appointment as an important step towards reaching a final decision to recommence gold mining at Meekatharra.

MT MARION LITHIUM PROJECT (Reed 70%, Mineral Resources Limited 30%)

During the quarter the Company together with partner Mineral Resources Limited ("Mineral Resources") continued to advance the Mount Marion Lithium Project.

The Mount Marion Project is planned to initially commence operations with a capacity of 200,000 tpa of 6% Li₂O chemical grade spodumene concentrate, 60,000 tpa of mica and 30 tpa tantalite concentrate.

Development Update

Construction of the plant in modular form by Mineral Resources at its workshops in Kwinana is well advanced. Clearing of the mining areas has been completed. A Native Title Agreement has been executed and new miscellaneous licences have been granted securing alternative site access after an existing access arrangement with neighbouring land owners was terminated.

The Company is working with Mineral Resources to establish the most effective production profile and optimal timing for the commencement of operations in light of the prevailing industry, economic and financial market conditions. Project development is fully funded by Mineral Resources.

A marketing study, due for completion in the December quarter, seeks to confirm the potentially significant economic contribution from producing high-grade mica products as a by-product of the spodumene recovery plant. Mt Marion has the potential to be one of the world's largest sources of mica products, a silicate mineral, used in metallic automotive paints, building products, paper and plastics and cosmetics. The results of this study will assist the Company and Mineral Resources in establishing a preferred production profile and timing for the commencement of operations.

Lithium Carbonate Development Strategy

The Company is continuing strategic discussions with third parties in relation to various proposed transaction structures ranging from downstream toll treatment and/or joint ventures through to partial and outright acquisition of the upstream (spodumene concentrate) operations. It should be stressed that discussions remain preliminary and there can be no assurance that a binding proposal will emerge.

The Company is also working with Mineral Resources on a review of the most appropriate methods for the Project's special purpose vehicle to become an independently financed, industrial mineral company. Reed and Mineral Resources will keep the market informed as matters develop further.

Mineral Resource Estimate

A Mineral Resource estimate was undertaken by Hellman and Schofield and reported on 22 July 2011. Total resources now stand at 14.9 Mt at 1.35 % Li_2O for 201,000 tonnes of contained lithium oxide (Li_2O), representing a 38% increase over the previous estimate of 146,000 tonnes of contained Li_2O . The exceptional homogeneity of the deposit is evident in the grade-tonnage curves, which also demonstrate a clear natural cut-off between the ore and barren country rock.

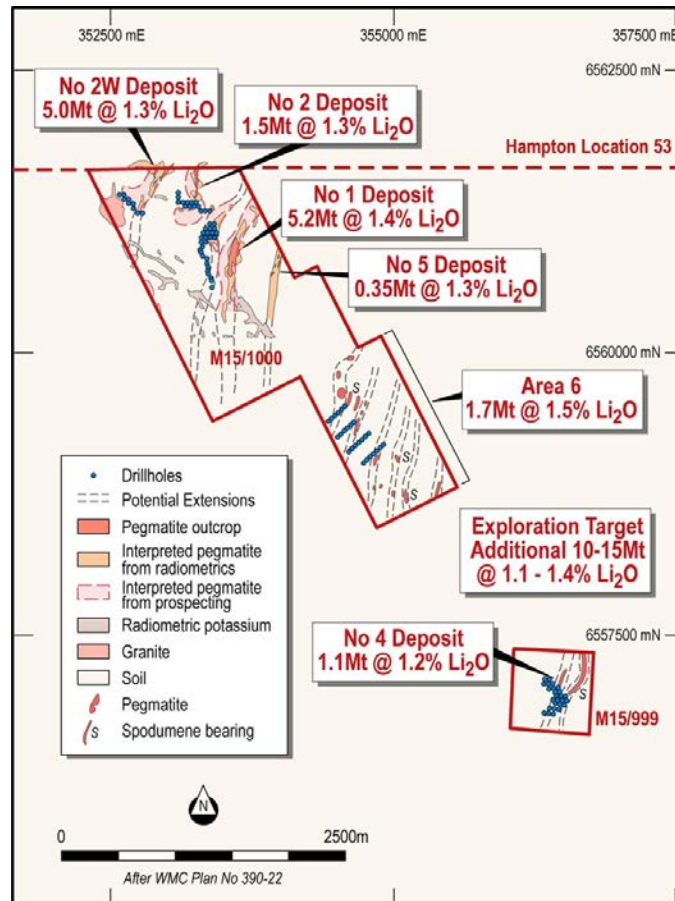


Figure 2: Mount Marion pegmatite group and individual deposit resources.

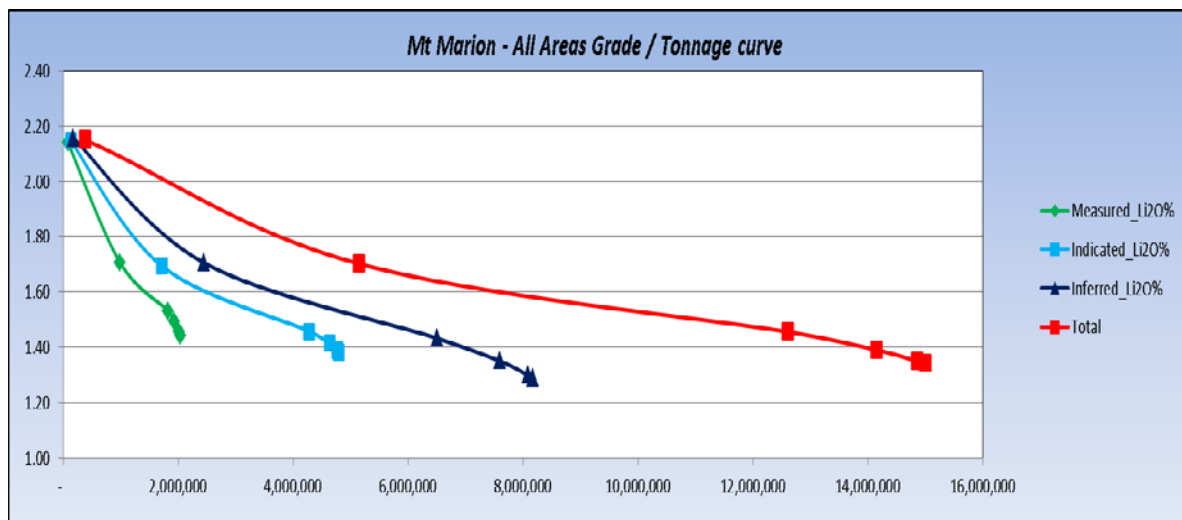


Figure 3: Mount Marion grade/tonnage curve for lithium resources 0.1, 0.3, 0.7, 1.0, 1.5 and 2.0 % Li_2O cutoffs.

BARRAMBIE VANADIUM PROJECT

(Reed 100%)

On 23 June 2011 Reed signed a replacement Memorandum of Understanding (MOU) with China Nonferrous Metal Industry's Foreign Engineering and Construction Co Ltd ("NFC") and West Australian based engineering and construction company Arcon (WA) Pty Ltd ("Arcon") for the development of the Barrambie Vanadium Project situated in the Mid West Region of Western Australia. The MOU formalises discussions that had taken place between Reed and NFC, relating to an engineering procurement and construction contract ("EPC") and project financing.

During the quarter the Company received an EPC budget estimate for the Barrambie Vanadium Project (ASX Release 20 July 2011). The NFC / Arcon budget estimate indicates a potential capital cost saving of approximately A\$100 million over the original Definitive Feasibility Study completed in 2009 ("2009 DFS"). The Direct Construction Costs and EPCM Fee estimate has been reduced from the 2009 DFS estimate of A\$539 million, to A\$439 million. In August, the parties commenced negotiating a draft EPC contract quoting a fixed price lump sum to design, build and commission the Barrambie Vanadium Project as described in the technical specifications accompanying and forming part of the Contract.

Considerable work has been undertaken by all parties towards various aspects of the Project, including refining the project design and costings, progressing the EPC contract and progressing financing discussions. However, in light of ongoing weak market conditions for vanadium (the V2O5 price is currently US\$6.25/lb, compared to US\$6.95/lb at the time of signing the original MOU with NFC / Arcon in November 2010), the Company advises that the parties have now made the decision to cease further formal discussions under the MOU. The Company anticipates that informal discussions between the parties will continue.

The Company, in consultation with its advisers, is currently broadening its evaluation of the project to include potential recovery of titanium and steel products (in addition to vanadium). To the best of the Company's knowledge, Barrambie is currently the second highest grade hard rock titanium ore reserve globally (behind Rio Tinto's Lac Tio mine in Canada) and following its discovery in the late 1960s, a feasibility study was conducted on a smelting operation to produce a titanium slag, with vanadium slag and pig iron as by-products.

The Company is currently undertaking a desktop review combining the 2009 DFS mining and beneficiation physicals with the original feasibility study smelting physicals. Using current market pricing for the three product streams, the Company's initial view is that the project economics have the potential to be significantly more robust than as a vanadium-only operation. A forward work programme and titanium resource estimate is expected to be released in the current quarter.

NIMBUS PROCESSING PLANT

As announced on 9 September 2011, the Company completed the sale of its subsidiary company, Kalgoorlie Ore Treatment Company Pty Ltd (KOTC), to MacPhersons Reward Gold Limited (ASX Code: MRP) (MRP). KOTC owns the Nimbus processing plant and associated assets near Kalgoorlie.

Reed Resources received consideration comprising of \$3 million cash, 5.36 million MRP Shares, and \$0.3 million for the reimbursement of certain costs. As part of the disposal of KOTC, Reed Resources has retained a 1% net smelter royalty on zinc production from KOTC's two mining leases.

Reed Resources has also secured a toll treatment option at the Nimbus processing plant for ore from its Comet Vale gold project. Toll treatment will be for a period of 4 years from the commencement of milling the first parcel of ore, at cost plus 15%.

COMET VALE GOLD PROJECT (Reed 100%)

The Company resumed 100% ownership of the Sand Queen Gold Mine and all associated joint venture assets and infrastructure at the Comet Vale Gold Project in Western Australia from 1 June 2010. The mine remains on care and maintenance and there was no production from the Sand Queen Mine during the March quarter. Reed is updating the mine plan for the resumption of operations at Sand Queen to coincide with the recommissioning of Nimbus by MRP.

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%, Reed 20%)

In the reporting period, no work was undertaken at the Mt Finnerty prospects. Planning for the next phase of work to be undertaken at Mt Finnerty for submission to the Joint Venture Management Committee was undertaken.

Nickel (Barranco 100%, Reed earning 60%)

Barranco Resources NL (Barranco) is the 100% registered holder of E16/305 and E16/330 ("Tenements"). Barranco and Reed Resources were parties to a farm-in and joint venture agreement under which the earn-in period for Reed Resources to earn a 60% interest was due to expire on 31 August 2011. On 19 July 2011, the parties agreed to revised arrangements regarding the Tenements. Reed Resources withdrew from the JVA and Barranco granted Reed Resources an exclusive option to acquire the Tenements (Option). The Option is for an initial 1 year period, in return for the payment of an option fee of \$10,000. The option period may be extended by Reed Resources for three subsequent 1 year periods by the payment of \$20,000 for each extension. The consideration payable for the exercise of the Option is \$500,000 cash and 1,500,000 Reed Resources shares. Reed Resources is responsible for maintaining the Tenements in good standing for the option period.

During the quarter, nine drill traverses were completed with a total of 31 holes aggregating 2,628 metres. Seven northern sections were spaced at 200 metres and two sections to the south were spaced at 400 metres. Most holes intersected the basal contact of the stratigraphically lower high MgO ultramafic unit (mainly talc carbonates) to metamorphosed and foliated basalt. On some sections a quartz feldspar porphyritic unit has intruded and obliterated the ultramafic to basalt contact.

Disseminated sulphides have been intersected on a number of the cross sections although so far nickel sulphides have not been identified. However, there are elevated copper and PGE values at the contact positions in addition to the high MgO tenor of the ultramafics and all of these features are favourable indicators for nickel sulphides.

A program for further drill testing of the basal contact in the gaps left after the recent program is being compiled.

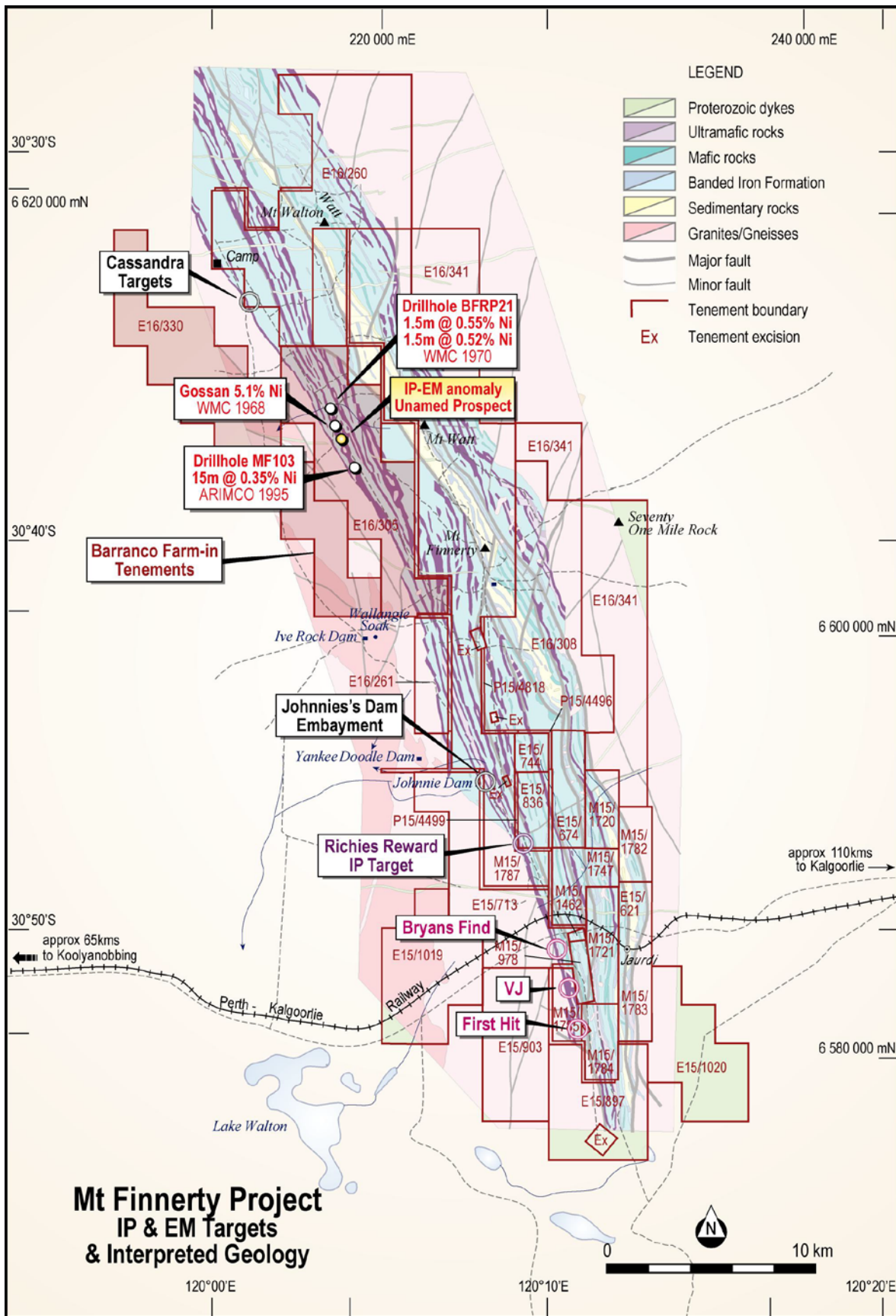


Figure 4: Drilling during the quarter focussed on the prospective ultramafic-basalt contact within E16/305.

BELL ROCK RANGE PROJECT

The Bell Rock Range project (E69/2293) covers some 471 km² of the western part of the Proterozoic Musgrave Block in central Australia.

The inability to obtain timely Access Approval from the Ngaanyatjarra Council to conduct exploration on the tenement has resulted in the Company surrendering the tenement during the quarter.

CORPORATE

The following corporate events took place during the quarter;

- 1 July 2011 – 2,700,000 unlisted options exercisable at \$0.75 each which expired on 30 June 2011 were not exercised and lapsed.
- 1 August 2011 – the Company adopted a Performance Rights Plan for its staff and a total of 285,000 performance rights were offered to, and accepted by certain Company staff, none of whom are related parties of the Company. These performance rights may result in the issue of a total of 285,000 shares if the applicable vesting and performance criteria are satisfied over the next 12 to 24 months.
- 8 August 2011 – the Company changed registered office to Level 1, 672 Murray Street West Perth Western Australia 6005.

At the end of the quarter the Company had \$16.3 million in cash and term deposits, including \$9 million in restricted-use term deposits supporting performance bonds.

CJ Reed

MANAGING DIRECTOR

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.
