

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES



Prospectus

for a fully underwritten 3 for 4 non-renounceable pro rata entitlement offer of ordinary shares in Reed Resources Ltd at an offer price of \$0.20 per share

The entitlement offer is scheduled to close at 5.00pm (Perth time) on 2 May 2012

This is an important document and requires your immediate attention.

If you are an Eligible Shareholder, you should read this Prospectus in its entirety before deciding whether to apply for New Shares.

If you do not understand any part of this Prospectus, or are in any doubt as to how to deal with it or your Entitlement, you should consult your stockbroker, solicitor, accountant or other professional adviser.

Important notices

You should read this entire Prospectus carefully before deciding whether to invest in New Shares. In particular, you should consider the key risks that could affect the performance of Reed or the value of an investment in Reed, some of which are outlined in section 5 of this Prospectus.

However, the information provided in this Prospectus is not financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs. Before deciding whether to apply for New Shares, you should consider whether they are a suitable investment for you in light of your own investment objectives and financial circumstances and having regard to the merits or risks involved. If, after reading this Prospectus, you have any questions about the Entitlement Offer, you should contact your stockbroker, solicitor, accountant or other professional adviser.

Regulatory information

This Prospectus is dated 2 April 2012 and was lodged with ASIC on that date. This Prospectus has been prepared by Reed.

Reed will apply to ASX for quotation of the New Shares within 7 days of the date of this Prospectus.

Neither ASIC nor ASX take any responsibility for the contents of this Prospectus.

This Prospectus expires on the date 13 months after the date of this Prospectus. No securities will be allotted, issued or sold on the basis of this Prospectus after that date.

This is a Prospectus for an offer of 'continuously quoted securities' (as defined in the Corporations Act) of Reed and has been prepared in accordance with section 713 of the Corporations Act. Accordingly, this Prospectus does not contain the same level of disclosure as an initial public offering prospectus.

Disclaimer

Except as required by law, and only then to the extent so required, neither Reed nor any other person warrants the future performance of Reed, or any return on any investment made under this Prospectus. An investment in the New Shares offered by this Prospectus should be considered speculative.

No person is authorised to give any information or make any representation in connection with the Entitlement Offer described in this Prospectus which is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by Reed in connection with the Entitlement Offer.

Forward-looking statements

This Prospectus includes forward-looking statements that have been based on current expectations about future acts, events and circumstances. These forward-looking statements are, however, subject to known and unknown risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially from the expectations described in or implied by the forward-looking statements in this Prospectus.

In particular, this Prospectus details some important factors and risks that could cause Reed's actual results to differ from the forward-looking statements in this Prospectus.

The pro-forma financial information provided in this Prospectus is for illustrative purposes only and is not represented as being indicative of Reed's view on its future financial condition and/or performance.

Prospectus availability

Shareholders with registered addresses in Australia and New Zealand can obtain a copy of this Prospectus during the Offer Period on Reed's website at www.reedresources.com or by calling Computershare Investor Services Pty Limited on 1300 557 010 (within Australia) or on +61 3 9415 4000 (from outside Australia) at any time from 8.30am to 5.00pm (Perth time) Monday to Friday during the Offer Period. If you access the electronic version of this Prospectus, you should ensure that you download and read the entire Prospectus.

The electronic version of this Prospectus on Reed's website will not include a personalised Entitlement and Acceptance Form. You will only be entitled to accept the Entitlement Offer by completing and returning your personalised Entitlement and Acceptance Form, which accompanies this Prospectus, or by making a payment via BPAY® using the information provided on your personalised Entitlement and Acceptance Form (refer to section 3 of this Prospectus for further information).

The Corporations Act prohibits any person from passing the Entitlement and Acceptance Form on to another person unless it is attached to a hard copy of this Prospectus or a complete and unaltered electronic version of this Prospectus.

The distribution of this Prospectus (including an electronic copy) outside Australia may be restricted by law. If you come into possession of this Prospectus, you should observe any such restrictions and should seek your own advice on those restrictions. Any non-compliance with the restrictions may contravene applicable securities laws.

This document may not be released or distributed in the United States.

Foreign jurisdictions

This Prospectus has been prepared to comply with the requirements of the laws of Australia. No action has been taken to register the New Shares or otherwise permit an offering of New Shares in any jurisdiction outside of Australia.

New Zealand

The New Shares are not being offered or sold to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of New Shares is being made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand).

This Prospectus has not been registered, filed with or approved by any New Zealand regulatory authority under the Securities Act 1978 (New Zealand). This Prospectus is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

United States

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. In particular, this Prospectus does not

constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this Prospectus have not been, and will not be, registered under the US Securities Act and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

See section 2.6 of this Prospectus for further details in relation to persons in other jurisdictions.

Glossary

Terms and abbreviations used in this Prospectus are explained in the Glossary in section 7 of this Prospectus.

A reference in this Prospectus to time is a reference to the local time in Perth, Western Australia, unless otherwise stated.

All financial amounts in this Prospectus are expressed in Australian dollars, unless otherwise stated.

Enquiries

If you have any questions in relation to the Entitlement Offer, please contact your stockbroker, solicitor, accountant or other professional adviser.

If you have questions in relation to the Existing Shares upon which your Entitlement has been calculated, or how to complete the Entitlement and Acceptance Form or take up all or part of your Entitlement, please call Computershare Investor Services Pty Limited on 1300 557 010 (within Australia) or on +61 3 9415 4000 (from outside Australia) at any time from 8.30am to 5.00pm (Perth time) Monday to Friday during the Offer Period.

Privacy

Please read the privacy statement located in section 6.6 of this Prospectus.

It is important you understand that by submitting an Entitlement and Acceptance Form accompanying this Prospectus or by making a payment via BPAY® using the information provided on the Entitlement and Acceptance Form, you consent to the matters outlined in that privacy statement.

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Chairman's letter

2 April 2012

Dear Shareholder,

On behalf of Reed Resources Ltd (**Reed**), I am pleased to invite you to participate in a 3 for 4 fully underwritten pro rata non-renounceable entitlement offer of new ordinary shares in Reed (**New Shares**) at an offer price of \$0.20 per New Share (**Entitlement Offer**) to raise approximately \$39.7 million. The offer price represents a 29.8% discount to Reed's closing price of \$0.285 on 30 March 2012 and a 30.8% discount to the volume-weighted average price of Reed shares during the 20 trading days up to and including 30 March 2012 (being the trading day before the Entitlement Offer was announced).

Reed intends to use the proceeds of the Entitlement Offer primarily to fund the development of Reed's Meekatharra Gold Project, including accommodation facilities upgrade, plant refurbishment, infrastructure, pre-commissioning costs and capital raising costs, and for general working capital purposes. Further details of the use of the funds raised are set out in section 2.1 of this Prospectus.

The Entitlement Offer is non-renounceable, which means that entitlements to take up New Shares (**Entitlements**) are non-transferable and will not be tradeable on ASX. Shareholders who do not take up all or any part of their Entitlement will not receive any payment or value in respect of the Entitlement not taken up and their equity interest in Reed will be diluted.

This Prospectus contains important information about the Entitlement Offer. With this Prospectus, you will also find a personalised Entitlement and Acceptance Form that contains details of your Entitlement. Details of how to accept the Entitlement Offer are provided on the form and in section 3 of this Prospectus.

The Entitlement Offer closes at 5.00pm (Perth time) on 2 May 2012. To participate, you need to ensure that you have completed and returned the Entitlement and Acceptance Form and paid all monies before this time and date or, alternatively, that you have paid all monies via BPAY® by that date.

For further information regarding the Entitlement Offer, please call Computershare Investor Services Pty Limited on 1300 557 010 (within Australia) or on +61 3 9415 4000 (from outside Australia) between 8.30am and 5.00pm (Perth time) Monday to Friday, or visit our website at www.reedresources.com for more information about our company.

You should also consult your stockbroker, solicitor, accountant or other independent professional adviser to evaluate whether or not to participate in the Entitlement Offer.

On behalf of the Board of Reed, I thank you for your support of our company.

Yours faithfully,



David Reed
Chairman
Reed Resources Ltd

Key offer information

Offer Price per New Share under the Entitlement Offer	\$0.20
Eligible Shareholders' Entitlement	3 New Shares for every 4 Existing Shares held on the Record Date
Approximate maximum Entitlement Offer Proceeds	\$39.7 million (before costs)
Approximate number of New Shares to be issued in respect of the maximum Entitlement Offer Proceeds	198.5 million
Approximate maximum number of Shares on issue on completion of the Entitlement Offer	463.3 million

Key dates

Prospectus lodged with ASX and ASIC	2 April 2012
'Ex' date	5 April 2012
Record Date	5.00pm (Perth time), 13 April 2012
Opening Date	17 April 2012
Prospectus and Entitlement and Acceptance Forms dispatched to Eligible Shareholders	By 17 April 2012
Closing Date for acceptance and payment	5.00pm (Perth time), 2 May 2012
Deferred settlement trading commences	3 May 2012
Issue and allotment of New Shares	10 May 2012
Commencement of trading of New Shares	11 May 2012

All dates (other than the date of the Prospectus and date of lodgement of the Prospectus with ASX and ASIC) are indicative only. Reed reserves the right, subject to the Corporations Act, ASX Listing Rules and other applicable laws, to vary the dates of the Entitlement Offer, including extending the Closing Date or accepting late applications, either generally or in particular cases, without notice.

1 Investment overview

1.1 Investment highlights

Overview

Reed is focused on the Meekatharra Gold Project

Reed has completed a Bankable Feasibility Study for the Meekatharra Gold Project. The Project is the Board's primary focus and it has assembled a team dedicated specifically to bringing the Project into production.

Strong resources and reserve inventory

The Meekatharra Gold Project hosts 3.59Moz of gold in Resources and 752koz of gold in Reserves.

Staged development to mitigate Project risk

Reed is commencing with a lower risk multiple open pit mine plan as Stage 1 of the recommencement of operations, following mill refurbishment and accommodation and infrastructure upgrades.

Targeting production in the December quarter 2012

Reed is targeting commencement of production in the December quarter of 2012 at a production rate of 95,000oz pa.

Meekatharra Project

Overview of Project

Reed acquired the Meekatharra Gold Project in 2011 and has now completed a Bankable Feasibility Study for recommencing operations.

Reed's current inventory of gold at Meekatharra comprises 3.59Moz of gold in Resources and 752Koz of gold in Reserves. A detailed breakdown of the Project resources and reserves is provided in section 4.1.

The existing 3Mtpa processing facilities and infrastructure will undergo a refurbishment and upgrade as part of Reed's project strategy.

Project strategy

Gold production is planned to proceed in three stages:

- **Stage 1** – start up from the Bluebird, Whangamata, Batavia and Surprise open pits, all within a 6km radius of the Bluebird processing plant. Mill refurbishment, and accommodation and infrastructure upgrades will commence immediately after the Entitlement Offer is successfully completed. Mining and milling are scheduled to commence in the December quarter of 2012. The mining and milling phases of Stage 1 are expected to last 21 months and 19 months respectively.
- **Stage 2** – planned to commence in 2014 and to include production from eight existing and identified open pit reserves at Yaloginda and Paddy's Flat. A bankable feasibility study-level evaluation of Stage 2 is anticipated to be completed by the March quarter in 2013.
- **Stage 3** – currently under continuing evaluation and is anticipated to supplement the Stage 2 open pits with ore from the Paddy's Flat underground reserve. A bankable feasibility study-level evaluation of

Stage 3 is anticipated to be completed by the June quarter in 2013.

Highlights of BFS

Reed announced the completion of a BFS for the Meekatharra Gold Project on 27 February 2012. The headline summary target operational statistics are shown in section 4.1. The BFS substantially uses live tendered prices, providing solid confidence in cost inputs.

Reed believes that with strong gold prices and appropriate finance structuring, the economic viability of the Project is robust.

Debt funding requirements

In addition to the \$39.7 million of equity funding sought pursuant to this Prospectus, the Company will also be seeking a traditional project finance debt facility of approximately \$20 million (**Debt Funding**).

The Company is seeking to establish the debt facility so that it is in place for when the mining phase of operations at Meekatharra commences. The Debt Funding will provide the Company with a comfortable working capital/cost overrun buffer for when mining operations commence, to cover unscheduled costs or delays.

A finance sourcing process is underway and the Company has received expressions of interest and indicative term sheets from a number of leading banks and financiers.

The Company intends to put in place hedging arrangements to mitigate the risk of adverse movements in the gold price. Further details are provided in section 2.1.

Other projects

Reed also has interests in other projects

Although an emerging gold producer, Reed is a diversified resources company with interests in the following projects, all located in Western Australia:

- the Mount Marion Lithium Project
- the Barrambie Titanium/Vanadium Project
- the Comet Vale Gold Project, and
- the Mount Finnerty iron ore and nickel projects.

Further details regarding these projects are provided in section 4.2.

1.2 Key risks

A more detailed explanation of these and other risks is set out in section 5 of this Prospectus.

Operation and development risks	<p>Reed's Meekatharra Project is expected to recommence production in late 2012. The Company also has plans to expand its operations at Meekatharra.</p> <p>Reed's ability to meet operating and capital expenditure estimates on a timely basis or achieve production targets cannot be assured. Decisions regarding development and expansion projects may be subject to the successful outcome of operational reviews, test work, studies and trial mining, and Reed is exposed to uncertainty from a range of factors beyond its control (eg storms). In addition, although Reed believes there is a reasonable basis for its production targets, actual production could vary from targeted production for a variety of reasons.</p> <p>If faced by Reed, these circumstances could result in the Company not realising its operational or development plans, or in such plans costing more than expected or taking longer to realise than expected.</p>	Section 5.2
Funding risks	<p>Reed expects that the Entitlement Offer and the Debt Funding will provide sufficient funding to support the first phase of the Company's development of its Meekatharra Project. Reed has received expressions of interest and indicative term sheets from a number of leading banks and financiers and is confident that it will be able to obtain the Debt Funding. However, there can be no guarantee that the funding will be available on acceptable terms or at all.</p> <p>If the Company is unable to obtain the funding it requires, it may have to reduce, delay or suspend its operations, and this could have an adverse affect on the Company's financial position and operations.</p>	Section 5.2
Commodity prices	<p>Reed's revenues and cash flows in the near-term will be largely derived from the sale of gold from its Meekatharra Project and, subject to successful development of its other projects, lithium, vanadium, nickel and/or iron ore. Adverse movements in the prices of these commodities may adversely impact Reed's financial performance and its ability to implement risk mitigation strategies (eg hedging).</p>	Section 5.2
Cost risks	<p>Whilst every care has been taken in estimating the capital cost and future operating costs for the Meekatharra Project and Reed's other projects, the actual costs experienced in constructing facilities and operating mines may vary from current estimates. Any variations in forecast capital and operating costs could adversely affect Reed's financial position and performance.</p>	Section 5.2

In addition, Reed will have commodity and energy requirements and will rely on being able to fulfil those requirements at a cost which does not negatively impact on its cash flows.

<p>Exploration risks</p>	<p>Reed is currently engaged in various exploration activities. Reed also intends to continue to explore and develop parts of the Meekatharra Project (see further section 4.1).</p> <p>Exploration activities are speculative by nature and are therefore often unsuccessful, meaning there is the potential for an adverse effect on the Company's financial position and performance.</p> <p>In addition, Reed's ability to exploit successful discoveries depends on a number of factors, such as obtaining the necessary licences which may not be given on acceptance terms.</p>	<p>Section 5.2</p>
<p>Personnel risks</p>	<p>Reed is dependent upon a number of key management personnel and executives to manage the day-to-day requirements of its businesses. The loss of the services of such key management personnel, or Reed's inability to recruit additional appropriate skilled and qualified personnel, could have an adverse effect on Reed.</p>	<p>Section 5.2</p>
<p>Foreign exchange risk</p>	<p>Reed expects to derive revenue from the sale of commodities typically priced in US dollars. It will therefore be exposed to movements in the US\$/A\$ exchange rate.</p>	<p>Section 5.2</p>
<p>Litigation and counterparty risks</p>	<p>Like any corporation operating in a commercial setting, Reed is exposed to potential legal and other claims or disputes in the course of its business, including claims by employees, regulators or other third parties. As with any litigation, there is a risk that defending such claims, or the outcome of the claims, may have an adverse impact on Reed. Reed's financial performance is also exposed to and may be adversely impacted by the actions of counterparties to its contracts.</p>	<p>Section 5.2</p>
<p>Asset impairment risk</p>	<p>The carrying value of assets in Reed's accounts may need to be treated as impaired, in accordance with applicable accounting standards, if the carrying values do not reflect current valuations of those assets.</p>	<p>Section 5.2</p>
<p>Risks associated with mining exploration and operations</p>	<p>There are risks inherent in the mining exploration and operating activities undertaken by Reed, which could result in an adverse impact on Reed's ability to conduct those activities and on its financial position and performance. These include:</p> <ul style="list-style-type: none"> • potential adverse effects from changes in legislative and administrative regimes, taxation 	<p>Section 5.3</p>

laws or other legal and governmental policies, including the potential impact of the carbon price mechanism implemented in Australia;

- Reed's ability to conduct its exploration and production activities is dependent on its title to the relevant tenements and authorisations to conduct such activities, which may not be granted or may be withdrawn or made subject to onerous conditions, or affected by native title;
- while Reed attempts to conduct its operations and activities to the highest standard of environmental obligation, there is an inherent risk of significant liability arising from non-compliance with environmental laws and regulations;
- although Reed's resource and reserve estimates are prepared in accordance with the JORC Code, they are expressions of judgement and no assurance can be given that any particular level of recovery will be realised; and
- Reed's insurance may not always be of a nature or level to provide adequate cover, and appropriate insurance may not be available on acceptance terms.

Entitlement Offer

There are certain risks associated with participating or not participating in the Entitlement Offer, including:

Section 5.4

- your Shareholding in Reed may be diluted as a result of not taking up your full Entitlement; and
- if Reed is unable to successfully complete the Entitlement Offer, it will have to consider alternative funding options, which may or may not be available on acceptable terms or may result in dilution to Shareholders.

General risks

There are a number of general risks attaching to an investment in New Shares, including:

Section 5.5

- risks associated with the effectiveness and results of the application of Reed's capital resources;
 - adverse interest rate movements may have an adverse impact on Reed's financial position and ability to service its future debt obligations;
 - the market price of Shares may rise or fall as a result of a number of factors affecting the liquidity of Shares and/or the stock market generally; and
 - changes in macroeconomic conditions may result in a change in demand for Reed's products, which may adversely affect Reed's future revenues and Share price.
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1.3 The Entitlement Offer

What is the Entitlement Offer?	The Entitlement Offer is a pro rata offer made to Eligible Shareholders to subscribe for New Shares.	Section 2.2
What is my Entitlement?	Each Eligible Shareholder is entitled to subscribe for 3 New Shares for every 4 Existing Shares held on the Record Date, subject to the terms of this Prospectus.	Entitlement and Acceptance Form
What is the Offer Price?	The Offer Price is \$0.20 per New Share.	Section 2.4
Am I an Eligible Shareholder?	Eligible Shareholders are those persons who: <ul style="list-style-type: none">• are registered as a holder of Shares as at 5.00pm (Perth time) on the Record Date;• have a registered address in Australia or New Zealand or are, in the opinion of Reed and the Underwriter, otherwise eligible under all applicable securities laws to receive an offer of New Shares under the Entitlement Offer; and• are not in the United States and are subscribing for the New Shares in an 'offshore transaction' (as defined in Rule 902(h) under the US Securities Act).	Sections 2.5 and 2.6
How much will be raised from the Entitlement Offer?	The Entitlement Offer will raise approximately \$39.7 million (before costs).	Sections 4.4 and 4.5
What is the purpose of the Entitlement Offer and how will the funds raised be used?	The proceeds of the Entitlement Offer will be used primarily to fund the development of Reed's Meekatharra Gold Project, including accommodation facilities upgrade, plant refurbishment, infrastructure, pre-commissioning costs and capital raising costs, and for general working capital purposes. See section 2.1 for further details.	Section 2.1
Is the Entitlement Offer underwritten?	Yes – the Entitlement Offer is fully underwritten by Bligh Capital Partners Pty Ltd.	Section 6.5
What are the tax implications of participating in the Entitlement Offer?	Taxation implications will vary depending upon the specific circumstances of individual Shareholders. A general summary of the Australian tax implications is set out in section 6.10 of this Prospectus. However, investors should obtain their own professional advice as to the particular taxation treatment which will apply to them.	Section 6.10
Can I apply for additional New Shares above my Entitlement?	Yes – Eligible Shareholders may also apply for New Shares in excess of their Entitlement, subject to there being a sufficient Shortfall and subject to the Board's discretion.	Section 2.3

Where can I find more information about Reed?	For more information on Reed, see section 4 of this Prospectus.	Section 4
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1.4 Actions for Eligible Shareholders

How do Eligible Shareholders find out what their Entitlement is?	Your Entitlement is set out on the personalised Entitlement and Acceptance Form accompanying this Prospectus.	Entitlement and Acceptance Form
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What can I do with my Entitlement?	<p>You can do the following:</p> <ul style="list-style-type: none"> • take up all or part of your Entitlement; • do nothing, in which case your Entitlement will lapse. <p>You may also choose to apply for Additional New Shares, as described in section 2.3.</p>	Section 3.1
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Can I trade my Entitlement?	No – the Entitlement Offer is non-renounceable, meaning you cannot trade your Entitlement.	Section 2.8
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What happens if I do not take up my Entitlement, or take up only part of my Entitlement?	If you do not take up all of your Entitlement by the Closing Date, then New Shares representing the number of New Shares not taken up under your Entitlement will form part of the Shortfall. Because the Entitlement Offer is fully underwritten, this will result in your interest in Reed being diluted.	Section 3.3
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How do I accept the Entitlement Offer? And how do I apply for Additional New Shares?	<p>If you wish to take up all or part of your Entitlement (and if you wish to apply for Additional New Shares), you must either:</p> <ul style="list-style-type: none"> • complete and return the personalised Entitlement and Acceptance Form to the Share Registry together with a cheque, bank draft or money order for the full Application Monies so that it is received by the Share Registry by no later than 5.00pm (Perth time) on the Closing Date; or • pay the full Application Monies via BPAY® by no later than 3.00pm (Perth time) on the Closing Date. 	Section 3.4
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1.5 Further information

If you have any questions about the Entitlement Offer that are not answered in this Prospectus you should consult your accountant, stockbroker, lawyer or other professional adviser before deciding to invest or call Computershare Investor Services Pty Limited on 1300 557 010 (within Australia) or on +61 3 9415 4000 (from outside Australia) at any time from 8.30am to 5.00pm (Perth time) Monday to Friday during the Offer Period.

2 Details of Entitlement Offer

2.1 Purpose of Entitlement Offer and use of funds

The purpose of the Entitlement Offer is to raise approximately \$39.7 million (before costs), to enable the Company to fund the development of the Meekatharra Gold Project.

The Entitlement Offer Proceeds are planned to be used in accordance with the table set out below:

Use of funds	\$ (millions)
Accommodation facilities upgrade	6.8
Plant refurbishment	12.0
Infrastructure	2.3
Pre-commissioning owner's costs	11.4
Costs of the issue (including capital raising costs)	2.1
Allowances	3.0
Working capital	2.1
Total	39.7

The above table is a statement of the Board's current intention as at the date of this Prospectus. However, Shareholders should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of operational and development activities, regulatory developments, market and general economic conditions and environmental factors. In light of this, the Board reserves the right to alter the way the funds are applied.

Debt funding for Meekatharra

The Company will also be seeking a traditional project finance debt facility of approximately \$20 million (**Debt Funding**). As at the date of this Prospectus, the Debt Funding has not been arranged, but Reed, with the assistance of its advisers, has commenced a finance sourcing process and has received expressions of interest and indicative term sheets from a number of leading banks and financiers. It is proposed that the Debt Funding will be in place for the commencement of the mining phase of operations, currently scheduled to occur in the December quarter of 2012. The Debt Funding will provide the Company with a comfortable working capital/cost overrun buffer to cover unscheduled costs or delays.

As part of its risk management strategy for the Meekatharra Project, the Board intends to put in place hedging arrangements to mitigate the risk of adverse movements in the gold price that may otherwise have an adverse effect on Reed's financial position and capacity to service its debt obligations. The Board will establish a hedging policy after taking into account the requirements of its debt financiers (once known) and its own risk management objectives. However, the Board's position is that it will not:

- enter into any hedging arrangements that would be classified as speculative transactions;

- enter into any hedging arrangements that would commit more than a sensible percentage of the Project's projected production; or
- sell any naked call options.

2.2 Structure of Entitlement Offer

Approximately 198,556,876 New Shares are being offered at an Offer Price of \$0.20 per New Share. Each Eligible Shareholder has the opportunity to subscribe for 3 New Shares for every 4 Existing Shares held on the Record Date. Eligible Shareholders may also apply for New Shares in excess of their Entitlement – see section 2.3 for details.

Due to rounding of Entitlements under the Entitlement Offer to shareholdings on the Record Date, among other things, the exact number of New Shares to be issued will not be known until completion of the Entitlement Offer.

The Entitlement Offer is intended to raise up to approximately \$39.7 million (before costs) and is fully underwritten by Bligh Capital Partners Pty Ltd.

Eligible Shareholders are being sent this Prospectus together with a personalised Entitlement and Acceptance Form and are invited to apply for New Shares. The Entitlement Offer opens on 17 April 2012 and closes at 5.00pm (Perth time) on 2 May 2012.

2.3 Additional New Shares

Eligible Shareholders may also apply for New Shares in excess of their Entitlement (**Additional New Shares**).

Any Additional New Shares will be limited to the extent that there are sufficient New Shares from Eligible Shareholders who do not take up their full Entitlements (ie that form part of the Shortfall) or from New Shares that would have been offered to Ineligible Shareholders (as defined below) if they had been entitled to participate in the Entitlement Offer.

Additional New Shares will only be allocated to Eligible Shareholders, if and to the extent that Reed so determines, in its absolute discretion, having regard to circumstances as at the time of the close of the Entitlement Offer and subject to the Corporations Act and the ASX Listing Rules. Reed may apply any scale-back in its absolute discretion. Reed's decision on the number of Additional New Shares allocated to you will be final.

To the extent that there remains any shortfall in the take-up of the Entitlement Offer following allocations of Additional New Shares, the Directors reserve the right to issue the shortfall at their discretion, subject to the Company's obligations under the Underwriting Agreement (see further section 6.5).

2.4 Offer Price

The Offer Price is \$0.20 per New Share. This is payable on taking up your Entitlement.

Additional New Shares are also offered at \$0.20 per New Share, payable at the time of applying for Additional New Shares.

The Offer Price represents a 29.8% discount to Reed's closing price of \$0.285 on 30 March 2012 and a 30.8% discount to the volume-weighted average price of Reed shares during the 20 Trading Days up to and including 30 March 2012 (being the Trading Day before the Entitlement Offer was announced).

2.5 Eligible Shareholders

Eligible Shareholders are those persons who:

- are registered as a holder of Shares as at 5.00pm (Perth time) on the Record Date;
- have a registered address in Australia or New Zealand or are, in the opinion of Reed and the Underwriter, otherwise eligible under all applicable securities laws to receive an offer of New Shares under the Entitlement Offer; and
- are not in the United States and are subscribing for the New Shares in an 'offshore transaction' (as defined in Rule 902(h) under the US Securities Act).

See below regarding the treatment of Foreign Shareholders.

2.6 Treatment of Foreign Shareholders

This Prospectus and the accompanying Entitlement and Acceptance Form does not constitute an offer of New Shares in any jurisdiction in which it would be unlawful.

Return of a duly completed Entitlement and Acceptance Form or BPAY® payment will be taken by Reed to constitute a representation by the Applicant that there has been no breach of applicable securities laws.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and anyone who receives this Prospectus should seek advice on and observe such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register or qualify the New Shares or the Entitlement Offer, or otherwise permit a public offering of New Shares, in any jurisdiction outside Australia. New Shares may not be offered or sold in any country outside Australia except to the extent permitted below.

New Zealand

The New Shares are not being offered or sold to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of New Shares is being made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand).

This Prospectus has not been registered, filed with or approved by any New Zealand regulatory authority under the Securities Act 1978 (New Zealand). This Prospectus is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

Singapore

This Prospectus and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This Prospectus has been given to you on the basis that you are (i) an existing holder of Shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) a "relevant person" (as defined under section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this Prospectus immediately. You may not forward or circulate this Prospectus to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be

applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

Switzerland

The New Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This Prospectus has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the New Shares may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Prospectus nor any other offering or marketing material relating to the New Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this Prospectus will not be filed with, and the offer of New Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA).

This Prospectus is personal to the recipient only and not for general circulation in Switzerland.

United Kingdom

Neither the information in this Prospectus nor any other document relating to the offer has been delivered for approval to the Financial Services Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the New Shares. This Prospectus is issued on a confidential basis to "qualified investors" (within the meaning of section 86(7) of FSMA) in the United Kingdom, and the New Shares may not be offered or sold in the United Kingdom by means of this Prospectus, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) FSMA. This Prospectus should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of FSMA does not apply to the Company.

In the United Kingdom, this Prospectus is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this Prospectus relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this Prospectus or any of its contents.

United States

This Prospectus may not be released or distributed in the United States. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this Prospectus have not been, and will not be, registered under the US Securities Act and may not be offered or sold in the United

States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

Ineligible Shareholders

Shareholders who are not Eligible Shareholders are **Ineligible Shareholders**.

Reed has determined, in reliance on Listing Rule 7.7.1, that it would be unreasonable to extend the Entitlement Offer to Ineligible Shareholders, having regard to the:

- small number of Ineligible Shareholders;
- small number and value of the New Shares which would be offered to Ineligible Shareholders if they were Eligible Shareholders; and
- cost of complying with the legal and regulatory requirements in the respective overseas jurisdictions.

Accordingly, the Entitlement Offer is not being extended to any Shareholders outside Australia and New Zealand, unless, in the opinion of Reed and the Underwriter, that Shareholder would be eligible under all applicable securities laws to receive an offer of New Shares under the Entitlement Offer.

Reed will notify all Ineligible Shareholders of the Entitlement Offer and advise that Reed is not extending the Entitlement Offer to those Shareholders.

2.7 Nominees, trustees and custodians

The foreign selling restrictions under the Entitlement Offer summarised in section 2.6 apply to the underlying beneficial holder. Nominees, trustees or custodians must not apply on behalf of any beneficial holder that would not itself be an Eligible Shareholder.

Shareholders who hold Shares on behalf of persons whose registered address is not in Australia or New Zealand are responsible for ensuring that accepting the Entitlement Offer does not breach securities laws in the relevant overseas jurisdictions.

Shareholders who are nominees, trustees or custodians are therefore advised to seek independent advice as to how they should proceed. Failure to comply with restrictions set out in this Prospectus may result in violations of applicable securities laws.

In particular, nominees, trustees and custodians must not:

- send any materials relating to the Entitlement Offer into the United States or to any other country outside Australia and New Zealand except to beneficial shareholders who are institutional or professional investors in other countries listed in, and to the extent permitted under, section 2.6 above; or
- submit an Application or otherwise accept the Entitlement Offer on behalf of a person in the United States or any other country outside Australia and New Zealand except beneficial shareholders who are institutional or professional investors in other countries listed in, and to the extent permitted under, section 2.6 above.

2.8 Trading of Entitlements

Entitlements cannot be traded on ASX or any other exchange, or privately transferred.

2.9 ASX quotation and trading of New Shares

Reed will apply to ASX for the official quotation of the New Shares. Subject to approval being granted, it is expected that normal trading of New Shares issued under the Entitlement Offer will commence on 11 May 2012. If ASX does not permit quotation within three months from the date of this Prospectus, the Application Monies will be refunded in full without interest.

Holding statements are expected to be dispatched to Eligible Shareholders on 11 May 2012. It is the responsibility of each Applicant to confirm their holding before trading in New Shares commences. Any Applicant who sells New Shares before receiving confirmation of their holding in the form of their holding statement will do so at their own risk. Reed disclaims all liability, whether in negligence or otherwise (and to the maximum extent permitted by law), to persons who trade New Shares before receiving their holding statements, whether on the basis of confirmation of the allocation provided by Reed or the Share Registry.

2.10 Rounding and determining Entitlements

All Entitlements will be rounded up to the nearest whole number of New Shares.

Reed reserves the right (in its absolute discretion) to reduce the number of New Shares allocated to Eligible Shareholders, or persons claiming to be Eligible Shareholders, if their claims prove to be overstated.

2.11 Ranking of New Shares

New Shares will be issued on a fully paid basis and will rank equally in all respects with Existing Shares.

2.12 Application Monies

All Application Monies will be held by Reed in a bank account on trust for Applicants until the New Shares are issued or, if the New Shares are not issued, until the Application Monies are returned to Applicants.

The bank account will be established and maintained by Reed solely for the purposes of depositing Application Monies and retaining those funds for as long as required under the Corporations Act.

Interest earned on the Application Monies will be for the benefit of, and will remain the property of, Reed and will be retained by Reed whether or not the allotment and issue of New Shares take place.

Amounts received by Reed in excess of your Entitlement (**Excess Amount**) may be treated as application to apply for as many Additional New Shares as your Excess Amount will pay for in full. Alternatively, your application may not be accepted.

Any Application Monies received for more than your final allocation of New Shares and Additional New Shares (if any) will be refunded as soon as practicable after the Closing Date (except for where the amount is less than the Offer Price, in which case it will be retained by the Company).

If the New Shares are not issued to you, a cheque will be drawn and relevant Application Monies will be refunded as soon as practicable after the Closing Date.

2.13 Withdrawal of the Entitlement Offer

Reed reserves the right to withdraw the Entitlement Offer at any time, in which case Reed will refund Application Monies in accordance with the Corporations Act and will do so without interest.

2.14 CHES

Reed participates in the Clearing House Electronic Subregister System (**CHES**). ASX Settlement Pty Ltd (**ASX Settlement**), a wholly-owned subsidiary of ASX, operates CHES in accordance with the ASX Listing Rules and ASX Settlement Operating Rules.

Under CHES, Applicants will not receive a certificate but will receive a statement of their holding of New Shares.

If you are broker sponsored, ASX Settlement will send you a CHES statement. The CHES statement will set out the number of New Shares issued to you under this Prospectus, and provide details of your holder identification number and the participant identification number of the sponsor. A CHES allotment advice will be despatched from the Share Registry on 11 May 2012.

If you are registered on the Issuer Sponsored sub-register, your statement will be dispatched by the Share Registry on 11 May 2012 and will contain the number of New Shares issued to you under this Prospectus and your security holder reference number.

A CHES statement or Issuer Sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their shareholding changes. Shareholders may request a statement at any other time. However, a charge may be incurred for additional statements.

3 How to apply

Eligible Shareholders

You should read this section in its entirety for instructions in relation to the choices available to you as an Eligible Shareholder. You should also refer to section 2 for an overview of the Entitlement Offer.

Foreign Shareholders

Please refer to section 2.6 to determine whether you are an Eligible Shareholder.

3.1 Choices available

Eligible Shareholders may do any of the following:

- take up all or part of their Entitlement (refer to section 3.2); or
- do nothing (refer to section 3.3).

Eligible Shareholders may also choose to apply for Additional New Shares as described in section 2.3.

The Entitlement Offer is a pro rata offer to Eligible Shareholders and is fully underwritten. Eligible Shareholders who take up their Entitlement in full will not have their percentage shareholding in Reed diluted by the Entitlement Offer. The percentage shareholding of Eligible Shareholders who do not take up all of their Entitlement will be diluted.

For further details on the effect of the Entitlement Offer on Reed, please refer to section 4.4.

3.2 If you wish to take up all or part of your Entitlement

If you wish to take up all or part of your Entitlement, complete the Entitlement and Acceptance Form in respect of the number of New Shares (including any Additional New Shares) you wish to subscribe for and arrange for payment of the Application Monies in accordance with section 3.4.

3.3 Allow all or part of your Entitlement to lapse

If you decide not to accept all or part of your Entitlement to New Shares, or fail to accept by the Closing Date, the part of your Entitlement not accepted will lapse. The New Shares not subscribed for will form part of the Shortfall.

You should note that if you do not take up your Entitlement, then although you will continue to own the same number of Shares, your percentage holding in Reed will be reduced.

3.4 Payment and return of Entitlement and Acceptance Form

You have two payment options in order to take up your Entitlement.

Option 1: Submit your completed Entitlement and Acceptance Form together with a cheque, bank draft or money order.

To follow Option 1, you should:

- complete the personalised Entitlement and Acceptance Form accompanying this Prospectus in accordance with the instructions set out on that form, and indicate the number of New Shares (including any Additional New Shares) you wish to subscribe for; and

- return the form to the Share Registry (address details below) together with a cheque, bank draft or money order which must be:
 - in respect of the full Application Monies (being \$0.20 multiplied by the number of New Shares (including any Additional New Shares) you wish to subscribe for); and
 - in Australian currency drawn on an Australian branch of a financial institution; and
 - made payable to 'Reed Resources Ltd' and crossed 'Not Negotiable'.

You should ensure that sufficient funds are held in the relevant account(s) to cover the Application Monies. If the amount of your cheque for Application Monies (or the amount for which the cheque clears in time for allocation) is insufficient to pay for the number of New Shares you have applied for in your Entitlement and Acceptance Form in full, you will be taken to have applied for the lower number of whole New Shares as your cleared Application Monies will pay for (and to have specified that number of New Shares on your Entitlement and Acceptance Form). Alternatively, your Application will be rejected.

Cash payments will not be accepted. Receipts for payment will not be issued.

You need to ensure that your completed Entitlement and Acceptance Form and cheque, bank draft or money order reaches the Share Registry at the address below by no later than 5.00pm (Perth time) on 2 May 2012.

Your completed Entitlement and Acceptance Form should be returned to the Share Registry at the following address:

Computershare Investor Services Pty Limited
GPO BOX 505
Melbourne VIC 3001
Australia

For the convenience of Eligible Shareholders, a reply paid envelope addressed to the Share Registry has been enclosed with this Prospectus. If mailed in Australia, no postage stamp is required.

Entitlement and Acceptance Forms (and payment of Application Monies) may not be accepted if received after 5.00pm (Perth time) on 2 May 2012 or at Reed's registered or corporate offices.

Option 2: Pay via BPAY® payment

To follow Option 2, you should pay the full Application Monies, being \$0.20 multiplied by the number of New Shares comprising your Entitlement (plus any Additional New Shares), or, if you are subscribing for only part of your Entitlement, the number of New Shares you wish to subscribe for, via BPAY® payment in accordance with the instructions set out on the personalised Entitlement and Acceptance Form (which includes the biller code and your unique customer reference number). You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution.

Please note that if you choose to pay by BPAY® payment:

- you do not need to submit the personalised Entitlement and Acceptance Form but are taken to make the statements on that form; and
- if you subscribe for less than your Entitlement or do not pay for your full Entitlement, you are taken to have taken up your Entitlement in respect of such whole number of New Shares which is covered in full by your Application Monies.

You need to ensure that your BPAY® payment is received by the Share Registry by no later than 3.00pm (Perth time) on 2 May 2012. Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. It is

the responsibility of the Applicant to ensure that funds are submitted through BPAY® by the date and time mentioned above.

Effect of returning Entitlement and Acceptance Form or making BPAY® payment

Returning a completed Entitlement and Acceptance Form or making a BPAY® payment will be taken to constitute a representation by the Applicant that they:

- have received a printed or electronic copy of this Prospectus accompanying the form and have read it in full;
- agree to be bound by the terms of this Prospectus and the Constitution;
- make the representations and warranties in section 2.6 of this Prospectus;
- declare that all details and statements in the Entitlement and Acceptance Form are complete and accurate;
- declare that they are over 18 years of age and have full legal capacity and power to perform all their rights and obligations under the Entitlement and Acceptance Form;
- acknowledge that once the Entitlement and Acceptance Form is returned or a BPAY® payment made their acceptance may not be withdrawn;
- agree to being issued the number of New Shares they apply for at the Offer Price (or a lower number issued in a way described in this Prospectus) and, subject to section 2.3, to being issued up to the number of Additional New Shares they apply for at the Offer Price;
- authorise Reed to register them as the holder(s) of the New Shares allotted to them;
- acknowledge that the information contained in this Prospectus is not investment advice or a recommendation that New Shares are suitable for them, given their investment objectives, financial situation or particular needs; and
- authorise Reed and its officers or agents to do anything on their behalf necessary for New Shares to be issued to them, including correcting any errors in their Entitlement and Acceptance Form or other form provided by them and acting on instructions received by the Share Registry using the contact details in the Entitlement and Acceptance Form.

3.5 Enquiries

If you are in doubt as to the course you should follow, you should consult your stockbroker, accountant, solicitor or other professional adviser before deciding to invest.

If you:

- have questions in relation to the Existing Shares upon which your Entitlement have been calculated; or
- have questions on how to complete the Entitlement and Acceptance Form or take up your Entitlement;
- have lost your Entitlement and Acceptance Form and would like a replacement form,

please call Computershare Investor Services Pty Limited on 1300 557 010 (within Australia) or on +61 3 9415 4000 (from outside Australia) at any time from 8.30am to 5.00pm (Perth time) Monday to Friday during the Offer Period.

4 Overview of Reed

4.1 Meekatharra Gold Project

The Meekatharra Gold Project, centred on the Bluebird processing plant, is located 640km northeast of Perth and 10km south of Meekatharra, in the Murchison region of Western Australia. Reed entered into an agreement to acquire the Project in January 2011 and the transaction settled in July 2011.

Since acquiring the Project, Reed has completed a thorough review of the assets with a view to recommencing production. This has involved both an optimisation of ore resources and reserves, together with a review of the existing infrastructure, culminating in the completion of a Bankable Feasibility Study, as was announced to ASX on 27 February 2012. Subject to finalising debt and equity financing arrangements, the Board had resolved to commence Project execution.

Reed's current inventory of gold at Meekatharra comprises 3.59Moz of gold in Resources and 752Koz of gold in Reserves, as set out below:

Summary of current Ore Reserves

Type	Project	Reserve Classification	Tonnes	Gold Grade (g/t)	Total Ounces
Open Pit	Bluebird	Probable	1,390,000	1.9	86,200
	Prohibition	Probable	1,110,000	2.7	96,000
	Mickey Doolan	Probable	3,312,000	1.1	121,700
	Maid Marion	Probable	192,100	1.4	8,650
	South Junction	Probable	97,000	1.5	4,500
	Surprise	Probable	136,000	3.0	13,000
	Batavia	Probable	200,000	2.4	14,000
	Whangamata	Probable	258,962	1.4	11,900
	GNH	Probable	880,000	1.3	35,600
	Aladdin	Probable	383,700	1.7	21,450
	Jack Ryan	Probable	222,500	3.1	21,800
	Callisto	Probable	72,500	3.1	7,200
	Rand	Probable	100,000	2.4	7,600
	South Emu	Probable	91,100	4.7	13,900
	TOTT	Probable	505,000	1.8	29,400
	Sub-Total	Probable	8,950,862	1.7	492,900
Underground	Prohibition	Probable	1,325,260	2.4	104,100
	Vivian/Consols	Probable	256,500	7.7	63,600
	Fatts/Mudlode	Probable	380,000	4.7	57,200
	South Emu	Probable	249,700	4.3	34,200
		Sub-Total	Probable	2,211,460	3.6
Meekatharra – TOTAL			11,162,322	2.1	752,000

Summary of current Mineral Resources

Project	Resource Classification	Tonnes	Gold Grade (g/t)	Total Ounces
Meekatharra North	Indicated	1,164,200	1.8	65,700
	Inferred	184,600	1.6	9,300
	Sub-Total	1,348,800	1.7	75,000
Paddy's Flat	Indicated	25,231,700	1.6	1,280,687
	Inferred	13,389,000	1.6	670,034
	Sub-Total	38,620,700	1.6	1,950,722
Yaloginda	Indicated	10,049,000	1.7	563,603
	Inferred	6,291,000	1.7	346,877
	Sub-Total	16,340,000	1.7	910,480
Nannine	Indicated	611,000	1.6	30,900
	Inferred	243,000	1.6	12,700
	Sub-Total	854,000	1.6	43,600
Reedys	Indicated	2,740,000	3.1	276,410
	Inferred	3,955,000	2.7	337,859
	Sub-Total	6,695,000	2.9	614,260
TOTAL	Indicated	39,795,900	1.7	2,217,291
	Inferred	24,062,600	1.8	1,376,770
	TOTAL	63,858,500	1.8	3,594,062

Bankable Feasibility Study ('BFS') – Stage 1: Recommencement of operations

The Company undertook the BFS internally with the assistance of independent consultants. The ultimate Project objective is to bring the Meekatharra gold operations back into production. The BFS was undertaken to enable the technical aspects of the Project to be analysed, in conjunction with the Project economics, so that financial decisions to progress the Project could be made. The scope of the BFS focused on the Company's Stage 1 goal of recommencing operations, utilising open pit ore bodies in close proximity to the existing milling facilities. While operations recommence in Stage 1, the Company can determine the optimal approach for utilising its remaining resources and reserves.

As part of the BFS, the Company obtained live tendered prices for key work packages required to bring the Project back into production, providing the Company with solid confidence for cost inputs.

The headline summary target operational statistics resulting from the BFS are shown below. Reed believes that with strong gold prices and appropriate finance structuring, the economic viability of the Project is robust.

Annual production rate	95,000 oz per annum 1.65 Mtpa @ 1.77g/t (recovered)
Total planned recovered ounces in Stage 1	134,200 oz (after mill recovery of 94%)
Direct construction cost	A\$24.1 million
Pre-commissioning mining and owners' costs	A\$11.4 million
Average cash cost (Stage 1)	A\$1,076/oz
Stage 1 duration	21 months (mining)/19 months (milling)
Stage 1 inventory (@A\$1300/oz)¹	2.2 Mt @ 2.0g/t (Mining Stocks) 0.16 Mt @ 0.8g/t (Low Grade Stocks)
Average strip ratio	7.8:1

Reed is targeting gold production in the December quarter of 2012 at a production rate of 95,000oz p.a. Gold production is planned to proceed in three stages:

- **Stage 1** – start up from the Bluebird, Whangamata, Batavia and Surprise open pits, all within a 6km radius of the Bluebird processing plant. Mill refurbishment, and accommodation and infrastructure upgrades will commence immediately after the Entitlement Offer is successfully completed. Mining and milling are scheduled to commence in the December quarter of 2012. The mining and milling phases of Stage 1 are expected to last 21 months and 19 months respectively.
- **Stage 2** – planned to commence in 2014 and to include production from eight existing and identified open pit reserves at Yaloginda and Paddy's Flat. A bankable feasibility study-level evaluation of Stage 2 is anticipated to be completed by the March quarter in 2013.
- **Stage 3** – currently under continuing evaluation and is anticipated to supplement the Stage 2 open pits with ore from the Paddy's Flat underground reserve. A bankable feasibility study-level evaluation of Stage 3 is anticipated to be completed by the June quarter in 2013.

The staged recommencement of operations has been adopted as a means of mitigating Project risk, allowing for further expansion as subsequent stages are fully evaluated. The Company will also continue to evaluate the various ore bodies through the tenement holding with a view to further enhancing resources and reserves to continue the life of the Project.

Upon completion of the Entitlement Offer, the Company will be in a position to award key contracts to enable the mill refurbishment and crushing circuit upgrade, accommodation upgrades and associate infrastructure works.

¹ The Stage 1 inventory has been calculated based on a gold price of A\$1,300 per ounce. This price has been selected as a relatively conservative input for the inventory calculations.

Since acquiring the Meekatharra Gold Project, the Company has assembled a dedicated Project team to oversee the development of the Project. On 11 January 2012, the Company announced the appointment of key personnel to its management and operations team, in the form of a Chief Financial Officer, Processing Manager and Maintenance Supervisor. Further operational staff will commence with the Company in the coming months. The Company is also actively recruiting for senior executive positions in order to ensure the Project and the Company have adequate key personnel resources.

4.2 Other projects

Although an emerging gold producer, Reed is a diversified resources company with interests in a number of other projects, all located in Western Australia. A brief description of these projects is provided below:

Mount Marion Lithium Project

The Mount Marion Lithium Project is located approximately 40km south west of Kalgoorlie. The Mount Marion Lithium Project commenced originally as a farm-in arrangement with Process Minerals International Pty Ltd (**PMI**) (a wholly owned subsidiary of ASX listed company Mineral Resources Limited) under which PMI earned the right to 40% of profit from the operations. In February 2011 the parties agreed the principles to which the ownership structure of the project was to be amended, and PMI's right to 40% of profit would be replaced with a 30% equity interest in Reed Industrial Minerals Pty Ltd (**RIM**), which owns the project. Project development is funded in all material respects by PMI.

The Company continues to work with PMI 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. The Company is also seeking to confirm the economic contribution from producing high-grade mica products as a by-product of the spodumene recovery plant, which will assist the parties in finalising the preferred production profile and timing for the commencement of operations.

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. The Company is also working with PMI on a review of the most appropriate methods for RIM to become an independently financed, industrial mineral company.

Barrambie Vanadium Project

The Barrambie Project is located 90km north west of Sandstone. The Company completed a definitive feasibility study in May 2009 into the production of ferrovanadium. In the December quarter of 2011, the Company, in consultation with its engineers and metallurgical advisors, commenced a concept study level evaluation of the production of a titanium rich concentrate from the Eastern Band of the Barrambie Fe-Ti-V deposit. The recovery of titanium and iron units via the production and export of a titanomagnetite concentrate, has the potential to make the project economics more robust than as a vanadium-only operation.

Comet Vale Gold Project

The Comet Vale Gold Project, including the Sand Queen Gold Mine, is located approximately 100km north of Kalgoorlie. The Sand Queen mine remains on care on maintenance. The scale of this project in comparison to the Meekatharra Gold Project has rendered it a non-core asset. The Company has engaged advisors to seek expressions of interest for the possible sale of the project. No binding proposals have been received as yet.

Mount Finnerty Iron Ore and Nickel Projects

The Mount Finnerty projects are located in the Yilgarn district of Western Australia.

The Company is involved in an iron ore joint venture with Cliffs Asia Pacific Iron Ore Pty Ltd (**Cliffs**) (Cliffs 80%, Reed 20%).

The Company has an option agreement with Barranco Resources NL to acquire 100% of tenements E16/305 and E16/330, where the Company is exploring the tenements for nickel.

4.3 Corporate structure and ownership

Structure

Reed is a company limited by shares that is incorporated and domiciled in Australia. It is the ultimate parent entity of the Reed Group. The structure of the Reed Group as at the date of this Prospectus is shown on the following page.

Ownership

Substantial Shareholder	Shareholding
M&G Investment Management Limited	24,000,000 (9.07%)
David Reed	21,399,317 (8.06%)

4.4 Effect of the Entitlement Offer on Reed

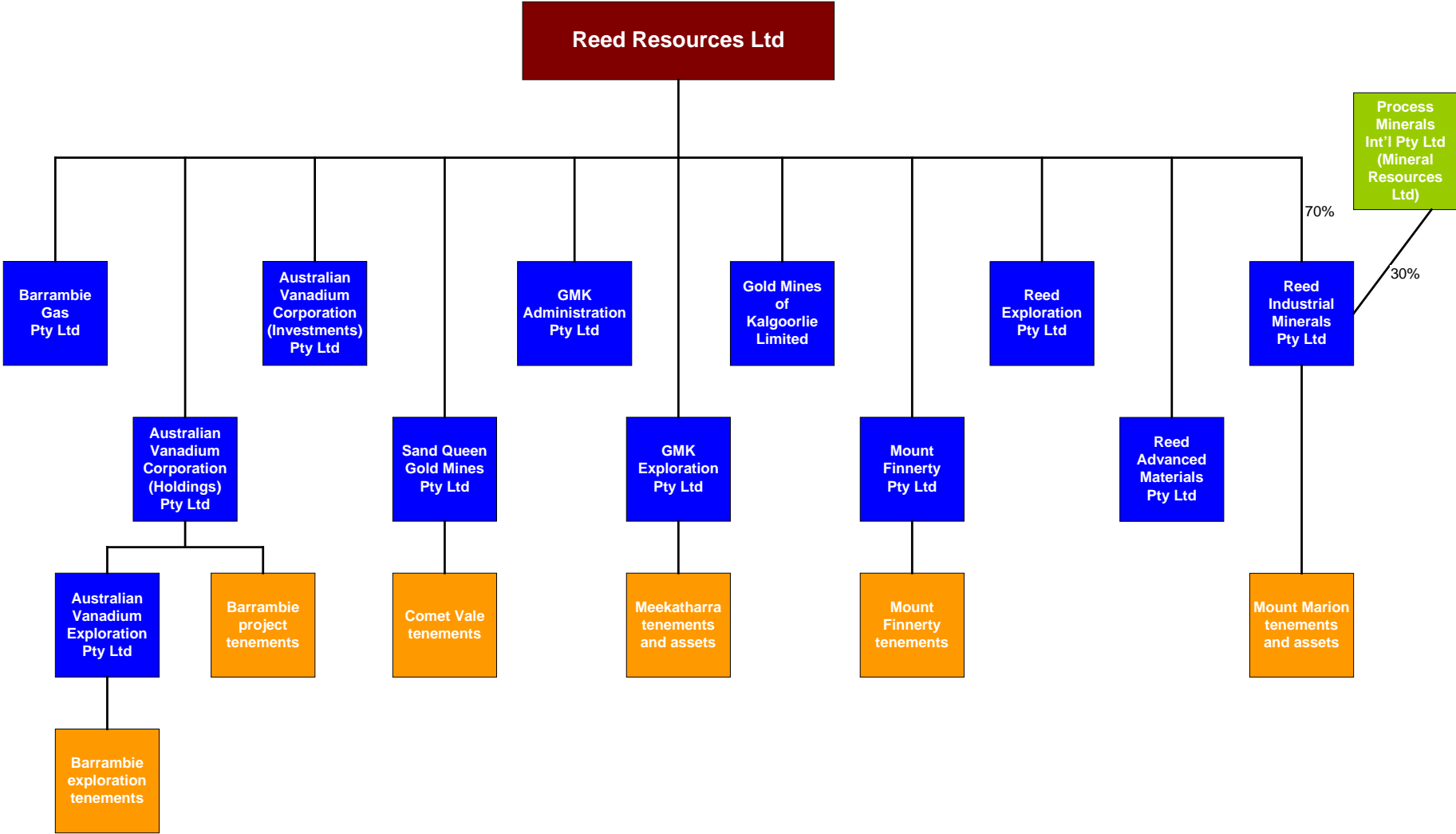
Effect on capital structure

A comparative table of changes in the capital structure of the Company as a consequence of the Entitlement Offer is set out below, assuming that the Entitlement Offer is fully subscribed (on the basis that it is fully underwritten):

Shares on issue at date of this Prospectus	264,742,501
Shares offered pursuant to the Entitlement Offer	198,556,876
Total Shares on issue after completion of the Entitlement Offer	463,299,377

Shareholders should note that due to rounding of Entitlements under the Entitlement Offer to shareholdings on the Record Date, among other things, the exact number of New Shares to be issued will not be known until completion of the Entitlement Offer.

Corporate structure of Reed Group



Other securities on issue

The Company has the following unlisted options on issue:

Options exercisable at \$0.80 each on or before 30 June 2012	4,500,000
Options exercisable at \$1.00 each on or before 1 July 2012	4,000,000
Options exercisable at \$0.85 each on or before 31 December 2012	1,800,000
Options exercisable at \$1.20 each on or before 30 June 2013	1,850,000
Options exercisable at \$1.00 each on or before 1 July 2013	3,000,000
Options exercisable at \$0.80 each on or before 31 December 2013	2,450,000
Options exercisable at \$1.00 each on or before 1 July 2014	500,000
Total Options on issue	18,100,000

As was announced to ASX on 1 August 2011, the Company has also granted 285,000 performance rights to certain employees, under the terms of the Company's Performance Rights Plan. Upon the satisfaction of vesting and performance criteria, each performance right entitles the holder to be issued one Share. The Company may grant further performance rights to eligible employees in accordance with its remuneration policies, in order to attract and retain personnel.

4.5 Financial position

This section provides relevant financial information for Shareholders to consider when assessing whether to participate in the Entitlement Offer, including details of the potential financial impact of the Entitlement Offer.

The pro forma financial information should be read in conjunction with the limitations explained in the Important Notices section of this Prospectus.

All financial information is presented in accordance with the measurement and recognition principles under AIFRS unless otherwise noted.

The impact of the Entitlement Offer is expected to be an increase in cash of approximately \$39.7 million.

The Board notes the 'emphasis of matter' recorded by its auditor on the Company's half-year accounts on the basis of a material uncertainty about the Company's financial position and its ability to continue as a going concern. The Board is satisfied that the funds raised by the fully underwritten Entitlement Offer will address the issue identified by its auditor and remove the material uncertainty about the Company's financial position.

Pro forma Statement of Financial Position

Set out on the following page is the audited Statement of Financial Position for Reed at 30 June 2011, audit reviewed Statement of Financial Position at 31 December 2011 and pro forma Statement of Financial Position as at 31 December 2011.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	30-Jun-11 Audited \$	31-Dec-11 Reviewed \$	Pro forma Adjustments \$	31-Dec-11 Pro forma \$
Current assets				
Cash and cash equivalents	13,824,448	2,574,853	37,711,375	40,286,228
Trade and other receivables	1,118,288	1,239,888		1,239,888
Inventories	51,405	1,143,811		1,143,811
Other financial assets	-	1,294,878		1,294,878
Current tax assets	286,923	-		-
	15,281,064	6,253,430	37,711,375	43,964,805
Assets classified as held for sale	4,269,580	-		-
Total current assets	19,550,644	6,253,430	37,711,375	43,964,805
Non-current assets				
Exploration, evaluation and development expenditure	41,701,430	64,573,970		64,573,970
Other financial assets	39,991,635	9,300,981		9,300,981
Property, plant and equipment	1,304,158	18,280,591		18,280,591
Deferred tax assets	7,320,136	8,150,005		8,150,005
Total non-current assets	90,317,359	100,305,547	-	100,305,547
Total assets	109,868,003	106,558,977	37,711,375	144,270,352
Current liabilities				
Trade and other payables	873,745	1,257,679	141,068	1,398,747
Borrowings	-	190,670		190,670
Other financial liabilities	9,400,000	-		-
Provisions	1,074,568	1,200,780		1,200,780
	11,348,313	2,649,129	141,068	2,790,197
Liabilities directly associated with assets held for sale	27,320	-		-
Total current liabilities	11,375,633	2,649,129	141,068	2,790,197
Non-current liabilities				
Provisions	698,511	7,200,622		7,200,622
Total non-current liabilities	698,511	7,200,622	-	7,200,622
Total liabilities	12,074,144	9,849,751	141,068	9,990,819
Net assets	97,793,859	96,709,226	37,570,307	134,279,533
Equity				
Issued capital	109,790,915	111,043,565	37,570,307	148,613,872
Accumulated losses	(16,714,743)	(18,979,023)	-	(18,979,023)
Reserves	4,717,687	4,644,684	-	4,644,684
Total equity	97,793,859	96,709,226	37,570,307	134,279,533

Notes to pro forma

The unaudited pro forma consolidated Statement of Financial Position set out above has been prepared on the basis and assumption that there has been and will be no material movements in the assets and liabilities of the consolidated entity between 1 January 2012 and the Closing Date other than:

- the issue of 198,556,876 New Shares through the Entitlement Offer raising \$37,711,375 after deducting capital raising fees of \$2,000,000; and
- the payment of estimated expenses of the Entitlement Offer expected to total \$141,068 which are included as "Trade and Other Payables" net of GST.

As noted elsewhere in this Prospectus, the Company will also be seeking a traditional project finance debt facility of approximately \$20 million (**Debt Funding**). As at the date of this Prospectus, the Debt Funding has not been arranged, but Reed, with the assistance of its advisers has commenced a finance sourcing process and has received expressions of interest and indicative term sheets from a number of leading banks and financiers. It is proposed that the Debt Funding will be in place for the commencement of the mining phase of operations, currently scheduled to occur in the December quarter of 2012. The Debt Funding will provide the Company with a comfortable working capital/cost overrun buffer to cover unscheduled costs or delays.

Expenses of Entitlement Offer

	\$000's
Advisory fees	2,000
Legal fees	115
Printing, registry and regulatory fees	26
Total	2,141

4.6 Dividend history

No dividends have been paid by Reed since it was listed on ASX. The Company's dividend policy will be reviewed annually by the Board.

4.7 Directors

The Directors of Reed as at the date of this Prospectus are:

- David Reed (Executive Chairman);
- Chris Reed (Managing Director and CEO);
- Steven Cole (Deputy Chairman and Non-Executive Director);
- Dr Vanessa Guthrie (Non-Executive Director);
- Dr Peter Collins (Non-Executive Director); and
- Ian Junk (Non-Executive Director).

Biographies of each Director are set out in the Directors' Report in Reed's 2011 Annual Report, lodged with ASIC and available on the Company's website at www.reedresources.com. Reed will also provide, free of charge, a copy of the 2011 Annual Report to any person who asks for it during the Offer Period – see further section 6.1.

5 Key risks

5.1 Overview

There are various risks associated with investing in Reed, as with any stock market investment, and specifically because of the nature of Reed's mining business and the present stage of development of its operations.

This section identifies the areas that are believed to be the key risks associated with an investment in Shares, many of which are outside the control of the directors of Reed. Reed will seek to mitigate the risks where possible and economically viable, for example by obtaining appropriate insurances, and by putting in place safeguards and appropriate systems. Before investing or increasing your investment in Reed, you should consider whether this investment is suitable for you having regard to the risk factors set out below, publicly available information, your investment objectives and personal financial circumstances, and following consultation with your professional advisors.

Investors should note that the list of risks set out in this section is not exhaustive. Additional risks and uncertainties of which Reed is unaware, or that it currently considers to be immaterial, may also become important factors that adversely affect Reed's financial position and performance and results of operations. Accordingly, no assurances or guarantees of future performance, profitability, distributions or return on capital are given in respect of Reed.

A reference to Reed in this key risks section should be taken to include, where relevant, a reference to Reed's project interests.

5.2 Risks associated with an investment in Reed

Operating and development risks

Reed's Meekatharra Project is expected to recommence production in late 2012. The Company also has plans to expand its operations at Meekatharra, as outlined elsewhere in this Prospectus.

Reed's ability to meet operating and capital expenditure estimates on a timely basis cannot be assured. For example, development and expansion projects may require approvals, permits or licences that may not be received on a timely basis. In addition, decisions regarding development and expansion projects may be subject to the successful outcome of operational reviews, test work, studies and trial mining.

Reed's assets and mining operations, as any others, are subject to uncertainty with respect to (among other things): ore tonnes, grade, metallurgical recovery, ground conditions, operational environment, funding for development, regulatory changes, accidents and other unforeseen circumstances such as unplanned mechanical failure of plant or equipment, storms, floods, bushfires or other natural disasters. If faced by Reed, these circumstances could result in the Company not realising its operational or development plans, or in such plans costing more than expected or taking longer to realise than expected. Any of these outcomes could have an adverse effect on Reed's financial and operational performance.

The information provided in this Prospectus in relation to Reed's near-term projects is the current estimate of resources and reserves, capital and operating costs, as determined from geological data obtained from drill holes and other exploration techniques and feasibility studies conducted to date.

In addition, Reed's Meekatharra Project is not currently in production. Although Reed believes that there is a reasonable basis for its production estimates, actual future production may vary from targets and projections of future production for a variety of reasons. There is greater risk that actual production will vary from estimates of production

made for properties under exploration or not yet in production or from operations that are to be expanded.

Funding risks

Subject to successful completion of the Entitlement Offer and the successful procurement of the Debt Funding, the directors expect that Reed will have sufficient funding to support the first phase of the Company's development of its Meekatharra Project. Reed has received expressions of interest and indicative term sheets from a number of leading banks and financiers and is confident that it will be able to obtain the Debt Funding. However, Reed may require additional financing for development and exploration and for other capital expenditure.

There can be no guarantee that the Debt Funding or such additional funding will be obtained on acceptable terms or at all, particularly having regard to the current condition of global financial markets. If Reed seeks to obtain funding by way of a further equity raising, this may be dilutive to existing shareholders. If the Company is unable to obtain additional financing as needed, it may be required to reduce, delay or suspend its operations and this could have an adverse affect on the Company's activities and could, in extreme circumstances, affect the Company's ability to continue as a going concern.

In addition, in the ordinary course of its operations and development, Reed is required to issue financial assurances, including insurances and bond/bank guarantee instruments, to secure statutory and environmental performance undertakings and commercial arrangements. Reed's ability to provide such assurances is subject to external financial and credit market assessments, and its own financial position.

Commodity price risks

Reed's revenues and cash flows in the near-term will be largely derived from the sale of gold from its Meekatharra Project and, subject to successful development of its other projects, lithium, vanadium, nickel and/or iron ore. Therefore, Reed's financial performance will be exposed to fluctuations in the prices of these commodities.

These commodity prices may be influenced by numerous factors and events which are beyond the control of Reed, including increased global supply, decreased demand, currency exchange rates, general economic conditions, regulatory changes and other factors. As explained in section 2.1, the Board intends to put in place hedging strategies to mitigate some of its exposure to commodity price risk. However, adverse movements in commodity prices before these strategies are put in place may mean hedging strategies are not available to Reed on acceptable terms or at all.

Cost risks

Whilst every care has been taken in estimating the capital cost and future operating costs for the Meekatharra Project and Reed's other projects, including contingency, the actual costs experienced in constructing facilities and operating mines may vary from current estimates. For example, unplanned expenditure may be required as a result of changes in environmental regulations that apply to Reed or to repair or replace plant and equipment earlier than expected. Any variations in forecast capital and operating costs could adversely affect Reed's financial position and performance.

In addition, Reed will have commodity and energy requirements and will rely on being able to fulfil those requirements at a cost which does not negatively impact on its cash flows. A number of factors (such as rising oil prices, macro-economic factors such as inflationary expectations, interest rates, currency exchange rates, as well as general global economic conditions and political trends) may lead to an increase in commodity and energy costs that may adversely affect Reed's financial position and performance.

Exploration risks and ability to exploit successful discoveries

Reed is currently engaged in various exploration activities, including on its Mt Finnerty Nickel Project and, through its joint venture with Cliffs Natural Resources, the Mt Finnerty

Iron Ore Project. Reed also intends to continue to explore and develop parts of the Meekatharra Project (see further section 4.1).

Exploration activities are speculative by nature and are therefore often unsuccessful. Exploration activities also require substantial expenditure and it can take several years before it is known whether they will result in additional mines being developed. Accordingly, if the exploration activities undertaken by Reed do not result in additional reserves or identified resources cannot be converted into reserves, there may be an adverse effect on the Company's financial position and performance.

In addition, the exploitation of successful discoveries involves obtaining the necessary licences or clearances from relevant authorities, which may require conditions to be satisfied and the exercise of discretions by such authorities. The decision to proceed to further exploitation may also require the participation of other companies whose interests and objectives may not be the same as those of Reed. Any of these circumstances may adversely affect Reed's ability to extract value from successful discoveries.

Personnel risks

Reed is dependent upon a number of key management personnel and executives to manage the day-to-day requirements of its businesses. Although Reed enters into employment and incentive arrangements with its personnel to secure their services, it cannot guarantee the retention of their services.

The loss of the services of one or more of such key management personnel, or Reed's inability to recruit additional appropriate skilled and qualified personnel, could have an adverse effect on Reed. There can be no guarantee that personnel with the appropriate skills will be available within Reed's required timeframes.

Foreign exchange rate risks

Reed is an Australian business that reports in Australian dollars. It expects to derive revenue from the sale of commodities that are typically priced in US dollars, though its costs will be mainly in Australian dollars.

Reed intends to put in place hedging strategies to mitigate some of its exposure to foreign exchange rate risk. However, movements in the US\$/A\$ exchange rate may adversely or beneficially affect Reed's future operations and cash flows in relation to unhedged currency.

Litigation and counterparty risks

Like any corporation operating in a commercial setting, Reed is exposed to potential legal and other claims or disputes in the course of its business, including litigation from employees, regulators or other third parties. As with all litigation, there are risks involved – an adverse outcome in litigation or the cost of responding to potential or actual litigation may have a material adverse impact on the financial performance of Reed.

In particular, the financial performance of Reed will be exposed to and may be adversely affected by any failure by counterparties to agreements for the sale of commodities that Reed has entered into to comply with the terms of those contracts. This risk is beyond Reed's control.

In addition, there is a risk of financial failure or default by a participant in any joint venture to which Reed is or may become a party, or the insolvency or managerial failure by any of the contractors or other suppliers used by Reed in any of its activities, or that any of those agreements are terminated in accordance with their terms. There is also a risk of legal or other disputes between Reed and co-venturers or contractors or other suppliers. In particular, the successful development of the Meekatharra Project is heavily dependent on the services to be provided by Reed's mining services contractor. Any of the above outcomes, particularly in respect of the mining services contract, could result in an adverse effect on Reed's ability to develop and commence operations at the Meekatharra Project, as well as its operations, financial position and performance.

Asset impairment risk

There is a risk that the carrying value of assets in Reed's accounts may need to be treated as impaired, in accordance with applicable accounting standards, if the carrying values do not reflect current valuations of those assets. If the carrying value of assets is assessed to be impaired, this may have an adverse effect on Reed's financial position and performance.

5.3 Risks associated with mining exploration and operations

Regulatory risks

Changes in legislative and administrative regimes, taxation laws, interest rates, other legal and government policies in Australia may have an adverse effect on the assets, operations and ultimately the financial performance of Reed and the market price of Shares.

Exploration and prospective production are dependent upon the granting and maintenance of appropriate licences, permits and regulatory consents and authorisations (**Authorisations**), which may not be granted or may be withdrawn or by made subject to limitations at the discretion of government or regulatory authorities. Although the Authorisations may be renewed following expiry or grant (as the case may be), there can be no assurance that such Authorisations will be continued, renewed or granted, or as to the terms of renewals or grants. If Reed cannot obtain or retain the appropriate Authorisations or there is a material delay in obtaining or renewing them or they are granted subject to onerous conditions, then Reed's ability to conduct its exploration or development operations may be adversely affected.

The Australian Parliament passed legislation in November 2011 to implement a carbon price mechanism in Australia from 1 July 2012. A carbon price will increase the cost of activities that directly or indirectly (ie through their inputs) emit greenhouse gas emissions. For mining activities, such as those to be undertaken by Reed, the key carbon costs will attach to gas, diesel and electricity use. Reed expects to pay, directly or indirectly, for its carbon footprint. Among other things: Reed pays for fuel and electricity use and some power generation it undertakes; the Company's suppliers will most likely look to pass their carbon costs through to Reed; and where Reed exports its products, there will generally be no or only limited carbon cost pass through to the international customer as the commodity price is set by global markets and other competing countries do not face an equivalent carbon price. The introduction of the carbon price mechanism has created a level of uncertainty in price outcomes, such as operating costs to buy permits (if required), operating fuel costs, capital expenditure to introduce greenhouse gas abatement measures and increased supply costs. However, the extent of the potential impact of a carbon price on the company's operations and financial performance remains uncertain and will depend on a range of factors. Reed is preparing to adapt to the new legislation, including assessing whether it can access any Government assistance or reduce its carbon footprint.

Native title risks

Native title may impact on Reed's operations and future plans. For tenements that may still be subject to native title to be validly granted (or renewed), the 'right to negotiate' regime established by the *Native Title Act 1993* (Cth) must be followed. Alternatively, an indigenous land use agreement may be entered into between Reed and relevant native title parties.

The Company must also comply with Aboriginal heritage legislation requirements which require heritage survey work to be undertaken ahead of the commencement of mining and exploration operations.

Environmental risks

Reed's operations and activities are subject to the environmental laws and regulations of Australia and any other places Reed may conduct business. As with most exploration projects and mining operations, Reed's operations and activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. Reed attempts to conduct its operations and activities to the highest standard of environmental obligation, including compliance with all environmental laws and regulations. However, non-compliance with or breach of any conditions attached to Reed's mining or environmental licences may lead to penalties and/or revocation of the licence, and significant liability could be imposed on Reed for damages, clean-up costs or penalties in the event of certain environmental damage. This would require Reed to incur significant costs and may result in an adverse impact on Reed's cash flows, financial position and performance.

Further, Reed is unable to predict the effect of additional environmental laws and regulations which may be adopted in the future, including whether any such laws or regulations would materially increase Reed's cost of doing business or affect its operations in any area. There can be no assurances that new environmental laws, regulations or stricter enforcement policies, once implemented, will not oblige Reed to incur significant expenses and undertake significant investments which could have material adverse effect on Reed's operations, financial position and performance.

Resources estimate risks

The Mineral Resources and Ore Reserves for Reed's assets are estimates only and no assurance can be given that any particular recovery level of metals will in fact be realised. Reed's estimates are prepared in accordance with the JORC Code, but they are expressions of judgement based on knowledge, experience and industry practice, and may require revision based on actual production experience which could in turn affect Reed's mining plans. Estimates that are valid when made may change significantly when new information becomes available.

Insurance risks

Reed will endeavour to maintain insurance within ranges of coverage in accordance with industry practice. However, in certain circumstances, Reed's insurance may not be of a nature or level to provide adequate cover. The occurrence of an event that is not covered or fully covered by insurance could have an adverse effect on the Reed's operations and financial position and performance.

Insurance of risks associated with minerals exploration and production is not always available and, where available, the costs can be prohibitive. There is a risk that insurance premiums may increase to a level where Reed considers it is unreasonable or not in its interests to maintain insurance cover or not to a level of coverage that is in accordance with industry practice. Reed will use reasonable endeavours to insure against the risks it considers appropriate for Reed's needs and circumstances. However, no assurance can be given that Reed will be able to obtain such insurance coverage in the future at reasonable rates or that any coverage it arranges will be adequate and available to cover claims.

5.4 Risks associated with the Entitlement Offer

Dilution

The Entitlement Offer will result in the issue of up to approximately 198,556,876 New Shares. If you do not participate in the Entitlement Offer or you do not take up your full Entitlement, your percentage holding in Reed (held at the Record Date) will be reduced.

Completion of Entitlement Offer

The Entitlement Offer is underwritten by Bligh Capital Partners Pty Ltd. Key conditions and termination events under the Underwriting Agreement for the Offer Period are detailed in section 6.5.

Reed's ability to successfully develop and commence operations at its Meekatharra Project depend on it successfully raising the funds required. If the Underwriting Agreement is terminated before settlement of the Entitlement Offer and Reed is unable to raise approximately \$40 million, it will have to reconsider its funding options for the Meekatharra Project. This may involve taking on more debt. However, as noted in section 5.2, there can be no guarantee that debt funding will be available on acceptable terms, or at all. Alternative means of raising equity may result in dilution to existing Shareholders.

5.5 General risks

Discretion in use of capital

The Board and Reed management have discretion concerning the use of Reed's capital resources as well as the timing of expenditures. Capital resources may be used in ways not previously anticipated or disclosed. The results and the effectiveness of the application of capital resources are uncertain. If they are not applied effectively, Reed's financial and/or operational performance may suffer.

Interest rates

Reed intends on entering into debt funding arrangements to support the development of the Meekatharra Project (see further section 2.1 of this Prospectus). Reed will be potentially exposed to adverse interest rate movements that may increase the financial risk inherent in its business. Changes may have an adverse effect on its operations, cash flows and financial performance, and its ability to service its future debt obligations.

Investment in capital markets

As with all stock market investments, there are risks associated with an investment in the Company.

Securities listed on the stock market, and in particular securities of mining and exploration companies, have experienced extreme price and volume fluctuations that have often been unrelated to the operating performances of such companies. These factors may materially affect the market price of Shares regardless of Reed's performance. The price of Shares might trade below or above the Offer Price for the New Shares.

General factors that may affect the market price of Reed's shares include economic conditions in both Australia and internationally, investor sentiment and local and international share market conditions, changes in interest rates and the rate of inflation, variations in commodity prices, the global security situation and the possibility of terrorist disturbances, changes to government regulation, policy or legislation, changes which may occur to the taxation of companies as a result of changes in Australian and foreign taxation laws, changes to the system of dividend imputation in Australia, and changes in exchange rates.

In addition, there can be no guarantee that there will continue to be an active market for Shares or that the price of Shares will increase. There may be relatively few buyers or sellers of Shares on ASX at any given time. This may affect the volatility of the market price of Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. The past performance of Reed is not necessarily an indication as to future performance of Reed as the trading price of shares can go up or down.

General economic conditions

The operating and financial performance of the Company is influenced by a variety of general economic and business conditions, including levels of consumer spending, oil prices, inflation, interest rates and exchange rates, supply and demand, industrial disruption, access to debt and capital markets and government fiscal, monetary and regulatory policies. Changes in general economic conditions may result from many factors including government policy, international economic conditions, significant acts of terrorism, hostilities or war or natural disasters. A prolonged deterioration in general economic conditions, including an increase in interest rates or a decrease in consumer and business demand, could be expected to have an adverse impact on the Company's operating and financial performance and financial position.

Reed's future possible revenues and Share prices may be affected by these factors, which are beyond the control of the Company.

6 Additional information

6.1 Continuous disclosure

Reed is a 'disclosing entity' under the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules.

Broadly, these obligations require:

- the preparation of yearly and half-yearly financial statements and a report on Reed's operations during the relevant accounting period together with an audit or review report on those operations by Reed's auditor; and
- Reed to notify ASX immediately of any information (subject to certain exceptions) of which it is or becomes aware which a reasonable person would expect to have a material effect on the price value of its securities. That information is available to the public from ASX.

Copies of documents lodged with ASIC in relation to Reed may be obtained from, or inspected at, an ASIC office.

Reed will provide, free of charge, a copy of each of the following continuous disclosure documents to any person who asks for it during the Offer Period:

- Reed's annual report for the period ending 30 June 2011 (being Reed's most recent annual report lodged with ASIC before the date of this Prospectus);
- Reed's half-year results for the period ending 31 December 2011; and
- any of the other continuous disclosure documents released to ASX by Reed after lodgement of Reed's annual report for the period ending 30 June 2011 and before the lodgement of this Prospectus with ASIC:

Date	Document
21/Mar/12	Meekatharra Gold Project - Resource Increase
14/Mar/12	Half Year Accounts
29/Feb/12	BRR Webcast - Meekatharra Gold Project - Decision to Mine
27/Feb/12	Meekatharra Gold Project - Decision To Mine
22/Feb/12	RIU Conference Presentation
2/Feb/12	BRR Webcast - December Quarterly
31/Jan/12	Quarterly Activities Report
31/Jan/12	Quarterly Cashflow Report
20/Jan/12	Substantial Reserve Increase at Meekatharra Gold Project
11/Jan/12	Key Appointments
23/Dec/11	Performance Rights Plan Rules
23/Dec/11	Change in substantial holding
23/Dec/11	Change of Directors' Interest Notice

16/Nov/11	Results of Meeting
15/Nov/11	Annual General Meeting - Presentation
15/Nov/11	Annual General Meeting – Chairman’s Address to Shareholders
15/Nov/11	Meekatharra - Resource and Reserve Upgrade
4/Nov/11	Change of Director’s Interest Notice
31/Oct/11	Quarterly Activities Report
31/Oct/11	Quarterly Cashflow Report
14/Oct/11	Notice of Annual General Meeting/Proxy Form

All requests for copies of the above documents should be addressed to:

Company Secretary
Reed Resources Ltd
Level 1, 672 Murray Street
West Perth WA 6005
Telephone: +61 8 9322 1182

The above documents may also be obtained from Reed’s website (www.reedresources.com) or ASX’s website (www.asx.com.au). Reed’s ASX code is ‘RDR’.

6.2 Market price of Shares on ASX

The highest and lowest sale price of Shares on ASX during the 3 months immediately preceding the date of this Prospectus, and the last sale price on the Trading Day before this Prospectus was lodged with ASIC, are set out below.

3-month high (on 24 January 2012)	3-month low (on 26 March 2012)	Last sale price (on 30 March 2012)
\$0.395	\$0.275	\$0.285

6.3 Rights and liabilities attaching to New Shares

Each New Share issued pursuant to this Prospectus will rank equally with Existing Shares.

The rights and liabilities attaching to Shares are set out in the Constitution. A copy of the Constitution is available on Reed’s website at www.reedresources.com.

The main rights and liabilities attaching to Shares are summarised below.

Meetings of Shareholders and voting rights

Each Shareholder is entitled to receive notice of attend and vote at general meetings of Reed and receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution or the Corporations Act.

At a general meeting, subject to the terms on which Shares are issued, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote on a show of hands and one vote on a poll for each fully paid Share held (with adjusted voting rights for partly paid Shares if any are on issue). Voting at any general meeting of Shareholders is by a show of hands unless a poll is demanded by at least five Shareholders entitled to vote at the meeting, Shareholders entitled to cast at least 5% of the votes that may be cast on the resolution on the poll or the Chairman.

Dividends

The Directors may from time to time declare a dividend in accordance with the Corporations Act. Each Share has the same rights to receive dividends, subject to any special rights, arrangements or restrictions attached to the Shares.

Directors

The number of Directors must be at least three but not more than 10, unless the Shareholders pass a resolution increasing or reducing the number of Directors. Directors are elected at annual general meetings of Reed. Retirement occurs on a rotational basis so that generally one-third of the Directors plus any Director who has held office for three years or more (excluding the Managing Director) must retire at each annual general meeting. A Director retiring by rotation may offer themselves for re-election. The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who will then hold office until the next annual general meeting of Reed.

Transfer of Shares

Shareholders may transfer Shares by a written transfer in the usual form or in any form approved by the Directors or by a proper transfer effected in accordance with the ASX Settlement Operating Rules and ASX requirements. All transfers must comply with the Constitution, the ASX Listing Rules, the ASX Settlement Operating Rules and the Corporations Act. The Directors may decline to register a transfer of Shares in circumstances permitted or required by the ASX Listing Rules or the ASX Settlement Operating Rules. If the Directors decline to register a transfer, they must give written notice in accordance with the ASX Listing Rules of the refusal. Subject to the Corporations Act, the ASX Listing Rules and the ASX Settlement Operating Rules, the Company may at any time close its register for a period not exceeding 30 days in any year.

Alteration of capital

Subject to sections 246B to 246E of the Corporations Act, the rights attached to any class of shares may (unless the terms of issue of the shares in that class say otherwise) be varied in any way with either the written consent of at least 75% of the holders of shares in the class or a special resolution passed at a separate meeting of the holders of shares of the class. The creation or issue of further shares ranking equally with a class of shares already on issue is not a variation of class rights unless required by the Corporations Act or the terms of issue of the existing class of shares on issue.

Winding up

Subject to any rights attaching to any class or classes of shares, all money and property to be distributed among Shareholders on a winding up will be distributed in proportion to the Shares held by them, irrespective of the amount paid-up or credit as paid-up on the Shares.

If the Company is wound up, the liquidator may, with the sanction of a special resolution, divide the assets of the Company among Shareholders in kind.

6.4 ASX waivers and ASIC relief

Reed has confirmed that no waivers from the ASX Listing Rules are required in relation to the Entitlement Offer.

Reed is not relying on any specific ASIC relief in order to conduct the Entitlement Offer.

6.5 Underwriting Agreement

Bligh Capital Partners Pty Ltd has been appointed to act as Underwriter to the Entitlement Offer. Set out below is a summary of the key terms of the Underwriting Agreement.

Appointment as Underwriter

- (a) The Underwriter has agreed to fully underwrite the subscription of New Shares under the Entitlement Offer on the terms and conditions of the Underwriting Agreement.
- (b) Reed has agreed to pay the Underwriter an underwriting fee of 5% of the Entitlement Offer Proceeds.
- (c) Reed has agreed to reimburse the Underwriter's costs and expenses in connection with the Entitlement Offer. Reed will also reimburse the Underwriter's costs and expenses if the Underwriting Agreement is terminated or the Entitlement Offer does not proceed in respect of those costs and expenses incurred up to the date of termination.

Conditions precedent

The obligations of the Underwriter are conditional on the satisfaction or waiver by the Underwriter of each of the following conditions, and the Underwriter may terminate the Underwriting Agreement by written notice if any of the following conditions precedent are not satisfied:

- (a) completion of an agreed due diligence program before 2 April 2012;
- (b) Reed lodging with ASIC the Prospectus by 5.00pm on 2 April 2012 or within 2 Business Days of that date;
- (c) Reed lodging with ASX the Prospectus, an ASX announcement of the Entitlement Offer and an Appendix 3B by 5.00pm on 2 April 2012 or within 2 Business Days of that date; and
- (d) ASX not having indicated to Reed that it will not grant permission for official quotation of the New Shares on or before 10.00am (Sydney time) on the Settlement Date.

Warranties and indemnity

Customary and usual representations and warranties are given by the parties in relation to matters such as power to enter into the Underwriting Agreement, corporate authority and Reed's compliance with the Corporations Act and ASX Listing Rules in relation to the Entitlement Offer.

Reed gives a number of further representations and warranties to the Underwriter, including that this Prospectus and related public documents and information do not contain any statements that are misleading or deceptive and that none of the information supplied to the Underwriter is misleading or deceptive, together with warranties regarding due diligence, the New Shares, solvency, litigation and other matters concerning the Entitlement Offer and the affairs of Reed.

Reed indemnifies the Underwriter and persons associated with the Underwriter (**Indemnified Parties**) in respect of certain loss that may be suffered in connection with

the Entitlement Offer. The indemnity does not apply to the extent that any loss suffered by an Indemnified Party has resulted from:

- (a) any penalty or fine which the Indemnified Party is required to pay for any contravention by it of the Corporations Act;
- (b) the wilful default, negligence or fraud of the Indemnified Party or their associate; or
- (c) breach by the Underwriter of the Underwriting Agreement.

Termination events

The Underwriter may terminate the Underwriting Agreement if any of the following termination events occurs at any time before 3.00pm (Sydney time) on the Settlement Date or as otherwise specified (**Termination Events**):

- (a) **(Removal from official list)** ASX announces that Reed will be removed from the official list or that any New Shares will be delisted or suspended from quotation by ASX for any reason.
- (b) **(Index fall)** As at the close of trading on ASX on three consecutive Trading Days or until the Settlement Date (whichever period is shorter), the S&P/ASX 200 Index is at a level that is 10% or more below its level as at the close of trading on the Trading Day prior to the date of the Underwriting Agreement.
- (c) **(USD gold price fall)** As at the close of trading on ASX on two consecutive Trading Days or until the Settlement Date (whichever period is shorter), the USD spot gold price per oz as quoted on Bloomberg falls to 90% or less of the price as quoted on Bloomberg as at the close of trading on ASX on the Trading Day prior to the date of the Underwriting Agreement.
- (d) **(ASIC proceedings)** ASIC issues or threatens to issue proceedings in relation to the Entitlement Offer, or commences any formal inquiry or investigation into the Entitlement Offer, and such proceedings, inquiry or investigation becomes public or, where it has not been made public, is not withdrawn within 2 Business Days.
- (e) **(No quotation of New Shares)** ASX does not agree to grant official quotation of all the New Shares on an unconditional basis (or on a conditional basis where the condition would not, in Bligh's reasonable opinion, have a material adverse effect on the Entitlement Offer) by the Settlement Date, or if permission for the official quotation of the New Shares is granted before the date of allotment and issue of those New Shares, the approval is subsequently withdrawn, qualified (other than by way of customary conditions) or withheld.
- (f) **(Timetable)** Any event specified in the timetable for the Entitlement Offer is delayed by Reed for more than 2 Business Days without Bligh's prior written approval.
- (g) **(Insolvency)** Reed or any other material member of the Reed Group is insolvent or there is an act or omission that, in Bligh's reasonable opinion, is likely to result in Reed or any other material member of the Reed Group becoming insolvent.
- (h) **(Withdrawal of Entitlement Offer)** Reed withdraws the Entitlement Offer.
- (i) ***(Breach of agreement)** Reed fails to perform or observe any of its obligations under the Underwriting Agreement.
- (j) ***(Misrepresentation)** A representation or warranty made or given by Reed under the Underwriting Agreement is or becomes untrue, incorrect or misleading.

- (k) ***(Directors)** A director of Reed is charged with an indictable offence relating to any financial or corporate matter or is disqualified from managing a corporation under section 206B, 206C, 206D, 206E, 206F or 206G of the Corporations Act.
- (l) ***(Misleading or deceptive conduct)** Civil or criminal proceedings are brought against Reed or any officer of Reed in relation to any fraudulent, misleading or deceptive conduct whether or not in connection with the Entitlement Offer.
- (m) ***(Change in law)** There is introduced into the Parliament of the Commonwealth of Australia or any State or Territory of Australia a law or any new regulation is made under any law, or a Government Agency adopts a policy, or there is any official announcement on behalf of the Government of the Commonwealth of Australia or any State or Territory of Australia or a Government Agency that such a law or regulation will be introduced or policy adopted (as the case may be).
- (n) ***(Disruption in financial markets)** Any of the following occurs:
 - (1) a general moratorium on commercial banking activities in Australia, the United States of America, the United Kingdom or Singapore is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries; or
 - (2) trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect.
- (o) ***(Hostilities)** Hostilities not existing at the date of the Underwriting Agreement commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States of America, the United Kingdom, Canada, Germany, France, Spain, Italy, Singapore, Japan or the People's Republic of China, or a national emergency is declared by any of those countries, or a significant terrorist act is perpetrated in any of those countries.
- (p) ***(Change in management)** A change in the chief executive officer is announced or occurs.
- (q) ***(Offer Documents)** A statement contained in the Prospectus, the Entitlement and Acceptance Form or the ASX announcement and Appendix 3B lodged in accordance with the conditions to the Underwriting Agreement (**Offer Documents**) is or becomes misleading or deceptive or likely to mislead or deceive, or the Offer Documents omit any information they are required to contain, or any forecast, expression of opinion, intention or expectation expressed in the Offer Documents is not, in all respects, fair and honest and based on reasonable assumptions when taken as a whole.
- (r) ***(Due diligence)** The report given to the Board by the due diligence committee established to conduct a due diligence process in connection with the Entitlement Offer is or becomes misleading or deceptive.
- (s) ***(Material adverse change)** There is a material adverse change in the assets, liabilities or financial position of Reed or the Reed Group.

The Underwriter may only terminate the Underwriting Agreement where an event marked with an asterisk (*) above has occurred if, in the Underwriter's bona fide and reasonable opinion, the event has, or is likely to have, a material adverse effect on the Entitlement Offer or leads, or is likely to lead, to a contravention of, or liability under the Corporations Act involving the Underwriter.

6.6 Privacy

By filling out the Entitlement and Acceptance Form to apply for New Shares or paying your Application Monies by BPAY®, you are providing personal information to the Company.

The *Privacy Act 1988* (Cth) regulates the way Reed collects, uses, disposes, keeps secure and gives people access to their personal information.

The Company is committed to respecting the privacy of your personal information.

Reed collects, holds and uses that personal information in order to process your application and to administer your shareholding in Reed, including:

- the Company maintaining a register of Shareholders in accordance with the Corporations Act;
- the Company paying dividends to you;
- the Company communicating with you, such as sending you annual reports, notices of meetings and any other document which the Company wishes to send to you as a Shareholder;
- the Company carrying out general administration including monitoring, auditing, evaluating, modelling data, dealing with complaints and answering queries; and
- the Company complying with its legal and regulatory obligations.

If you do not provide the information requested in the Entitlement and Acceptance Form, the Company may not be able to process or accept your application for New Shares.

Your personal information may also be provided to other members of the Reed Group on the basis that they deal with such information in accordance with the Company's privacy policy.

Your personal information may be provided to the Company's agents or service providers on the basis that they deal with such information in accordance with the Company's privacy policy.

The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be disclosed are:

- the Share Registry for ongoing administration of the share register (the Share Registry is contracted by the Company to maintain the register);
- printers and mail houses for the purposes of preparation and distribution of documents to you and for handling mail;
- professional service providers such as lawyers, accountants, auditors, consultants, and other professional advisers for the purpose of administering, and advising on, the New Shares and for any associated actions; and
- other companies where the Company believes it is more efficient to outsource services or functions to those companies.

Your personal information may be provided to certain third parties. The types of third parties that may be provided with your personal information, and the circumstances in which your personal information may be disclosed, are:

- your financial adviser or broker (other than your tax file number information) in connection with services provided to you by your adviser or broker;
- government, regulatory authorities or other people when permitted or required by law, such as ASIC or people inspecting the share register in accordance with the Corporations Act;
- ASX; and

- in certain circumstances and with safeguards to respect your privacy, potential or actual purchasers of an interest in the Company or the Company's business or any part thereof.

You have the right to gain access to your personal information held by, or on behalf of, the Company, subject to certain exemptions under the law. A reasonable charge for providing access to personal information may be charged for providing access to personal information. You can request access to your personal information by telephoning or writing to the Company Secretary as follows:

Company Secretary
 Reed Resources Ltd
 Level 1, 672 Murray Street
 West Perth WA 6005
 Telephone: +61 8 9322 1182

6.7 Competent person's statement

Unless otherwise indicated, mineral exploration, resource and reserve estimates contained in this Prospectus have been prepared in accordance with the JORC Code.

The information in this Prospectus that relates to Exploration Results, Mineral Resources and Ore Reserves is based on information compiled by Mr Craig Fawcett (MAIMM), a full-time employee of Reed. Mr Fawcett has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code. Mr Fawcett consents to the inclusion in this Prospectus of the matters based on his information in the form and context in which it appears.

6.8 Consents

Each of the parties referred to as consenting parties who are named below:

- does not make the Entitlement Offer;
- has not authorised, and has not caused the issue of this Prospectus;
- has not made any statement in this Prospectus or any statement on which a statement made in this Prospectus is based, other than in the case of Mr Craig Fawcett, who has consented to the inclusion of statements in this Prospectus noted to have been made by him or to be based on statements made by him;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus; and
- has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named.

Role	Consenting parties
Underwriter	Bligh Capital Partners Pty Ltd
Australian legal adviser	Freehills
Competent person for the purposes of the JORC Code	Mr Craig Fawcett
Share Registry	Computershare Investor Services Pty Limited

6.9 Directors', experts' and advisers' consents and interests

Other than as set out below or elsewhere in this Prospectus no:

- Director or proposed Director of Reed;
- person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of Reed; or
- underwriter to the issue of Reed Shares or financial services licensee named in this Prospectus as being involved in the issue of Reed Shares,

(together, the **Interested Persons**) holds at the date of this Prospectus or held at any time during the last two years, any interest in:

- the formation or promotion of Reed;
- property acquired or proposed to be acquired by Reed in connection with its formation or promotion, or the offer of Shares under the Offer; or
- the offer of Shares.

Directors' Relevant Interests in securities

As at the date of this Prospectus, the Directors had the following Relevant Interests in Shares:

Director	Number
David Reed	21,339,317
Chris Reed	609,202*
Steven Cole	42,896
Dr Vanessa Guthrie	nil
Dr Peter Collins	285,705
Ian Junk	781,102

* As was announced to ASX on 6 July 2011 and 23 December 2011, Chris Reed has entered into a commercial loan and share pledge arrangement, under which he has pledged and assigned 2,436,796 shares in favour of the pledge, as security for the loan facility. The term of the loan is 3 years from 5 July 2011. After the loan is discharged the pledgee is to release its interest in and return the pledged shares.

As at the date of this Prospectus, the Directors had the following Relevant Interests in Options:

Director	Exercise Price (A\$)	Expiry date	Number
David Reed	\$0.80	30 June 2012	1,500,000
	\$1.00	1 July 2012	1,000,000
Chris Reed	\$0.80	30 June 2012	3,000,000
	\$1.00	1 July 2012	2,000,000
	\$0.85	31 December 2012	1,000,000
	\$1.20	30 June 2013	600,000

Steven Cole	\$1.00	1 July 2012	500,000
	\$1.20	30 June 2013	250,000
	\$0.80	31 December 2013	350,000
Dr Vanessa Guthrie	nil	nil	nil
Dr Peter Collins	\$1.00	1 July 2012	250,000
	\$1.20	30 June 2013	200,000
	\$0.80	31 December 2013	250,000
Ian Junk	\$1.00	1 July 2012	250,000
	\$1.20	30 June 2013	200,000
	\$0.80	31 December 2013	250,000

Remuneration

The Constitution provides that the Directors may be paid for their services as directors a maximum total amount (excluding salaries) determined by the Company in general meeting (currently set at \$400,000). Executive Directors are entitled to be remunerated by salary or other employment related benefits in accordance with their employment agreements. The table below sets out the remuneration paid to the Directors for the two financial years prior to the date of this Prospectus and for the current financial year until the date of this Prospectus:

Director	Remuneration paid in 30 June 2010 financial year	Remuneration paid in 30 June 2011 financial year	Remuneration paid in 30 June 2012 financial year to date of Prospectus
David Reed	\$136,250	\$136,250	\$123,750
Chris Reed	\$277,998	\$272,500	\$318,750
Steven Cole	\$54,125	\$54,500	\$58,125
Dr Vanessa Guthrie	nil	\$2,236	\$43,125
Dr Peter Collins	\$43,600	\$43,600	\$43,125
Ian Junk	\$43,600	\$43,600	\$43,125

Experts and advisers

Bligh Capital Partners Pty Ltd have acted as underwriter of the Entitlement Offer. Details of the Underwriting Agreement and the fees payable to the Underwriter in relation to the underwriting of the Entitlement Offer are set out in section 6.5.

Freehills has acted as Australian legal adviser to Reed. Freehills' fees for work in relation to the Entitlement Offer (which includes services in connection with the Entitlement Offer) up to the date of lodgement of this Prospectus will be approximately \$115,000 (plus GST and disbursements). Freehills may receive further fees for additional work done determined on the basis of hours spent at its ordinary hourly rates.

6.10 Australian taxation implications

Set out below is a summary of the Australian tax implications of the Entitlement Offer for Eligible Shareholders who are residents of Australia for tax purposes and who hold their Shares as capital assets.

The summary below does not deal with the tax implications for Eligible Shareholders who hold their Shares as revenue assets or trading stock such as banks, insurance companies and taxpayers carrying on a business of share trading or whose Shares were acquired under an employee share plan.

The summary below also does not take account of any individual circumstances of any particular Eligible Shareholder. Eligible Shareholders should seek specific advice applicable to their own particular circumstances from their own financial or tax advisers.

The summary below is based on the law in effect as at the date of this booklet.

Issue of Entitlements

The issue of the Entitlements will not itself result in any amount being included in the assessable income of an Eligible Shareholder.

Sale or expiration of Entitlements

The Entitlements are non-renounceable and will not be able to be traded on ASX or privately transferred. No tax consequences will arise for an Eligible Shareholder who does not exercise an Entitlement and lets it lapse.

Exercise of Entitlements

Eligible Shareholders who exercise their Entitlements and subscribe for New Shares (including any Additional New Shares) acquire those New Shares with a cost base for CGT purposes equal to the Offer Price payable by them for those New Shares plus certain non-deductible incidental costs they incur in acquiring them.

Eligible Shareholders will not make any capital gain or loss, or assessable income, from exercising the Entitlements or subscribing for the New Shares.

New Shares

Eligible Shareholders who exercise their Entitlements will acquire New Shares (including, on application but in Reed's absolute discretion, Additional New Shares). Any future dividends or other distributions made in respect of those New Shares will be subject to the same taxation treatment as dividends or other distributions made on Shares held in the same circumstances.

On any future disposal of New Shares (including Additional New Shares), Eligible Shareholders may make a capital gain or capital loss, depending on whether the capital proceeds of that disposal are more than the cost base or less than the reduced cost base of the New Shares. The cost base of those Shares is described above (plus certain incidental costs of disposal).

New Shares (other than Additional New Shares) will be treated for the purposes of the CGT discount as having been acquired when the Eligible Shareholder exercised the Entitlement to subscribe for them. Additional New Shares will be treated for the purposes of the CGT discount as having been acquired when Reed issues or allots those Additional New Shares. In order to benefit from the CGT discount in respect of a disposal of New Shares (including Additional New Shares), they must have been held for at least 12 months after those dates before the disposal occurs.

Other Australian taxes

No Australian Goods and Services Tax (**GST**) or stamp duty is payable in respect of the grant or exercise of the Entitlements or the acquisition of New Shares.

6.11 Consents to lodgement

Each Director has given, and has not withdrawn, their consent to the issue of this Prospectus and to its lodgement with ASIC under the Corporations Act.

6.12 Governing law

This Prospectus and the contracts that arise from acceptance of the Applications are governed by the laws applicable in Western Australia and each Applicant submits to the non-exclusive jurisdiction of the courts of Western Australia.

7 Glossary

Term	Meaning
\$, A\$, AUD	Australian dollars.
Additional New Shares	the additional New Shares offered to Eligible Shareholders under this Prospectus above their Entitlement as set out in section 2.3.
AIFRS	Australian equivalents to International Financial Reporting Standards.
Applicants	an Eligible Shareholder who submits an Application together with Application Monies (each an Applicant).
Application	an application for New Shares under the Entitlement Offer made by an Applicant in an Entitlement and Acceptance Form or by payment via BPAY® or such other form as approved by Reed.
Application Monies	monies received from persons applying for New Shares under to the terms of the Entitlement Offer.
ASIC	the Australian Securities and Investments Commission.
ASX	ASX Limited (ACN 008 624 691), or the market conducted by it, as the context requires.
ASX Listing Rules	the official listing rules of ASX.
ASX Settlement	ASX Settlement Pty Limited (ACN 008 504 532).
ASX Settlement Operating Rules	the settlement and operating rules of ASX Settlement.
Bankable Feasibility Study or BFS	the bankable feasibility study for Reed's Meekatharra Gold Project, announced to ASX on 27 February 2012.
Board or Reed Board	the Board of Directors of Reed from time to time.
Business Day	the meaning given in the ASX Listing Rules.
CHESS	the Clearing House Electronic Subregister System operated by ASX Settlement.
Closing Date	5.00pm (Perth time) on 2 May 2012 (or such date as varied by Reed). Note that Applications made via BPAY® must be received by the Share Registry by 3.00pm (Perth time) on 2 May 2012. See section 3.4 for further details.
Company or Reed	Reed Resources Ltd (ABN 89 099 116 631).
Computershare	Computershare Investor Services Pty Limited (ACN 078 279 277).
Constitution	the constitution of Reed from time to time.

Term	Meaning
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Debt Funding	the debt funding proposed to be obtained by the Company, as described in section 2.1.
Director	a director of Reed from time to time.
Eligible Shareholder	the meaning given in section 2.5.
Entitlement	the entitlement of an Eligible Shareholder to subscribe for 3 New Shares for every 4 Existing Shares held at the Record Date pursuant to the Entitlement Offer. Your Entitlement is set out in the Entitlement and Acceptance Form accompanying this Prospectus.
Entitlement and Acceptance form	a personalised acceptance form in the form accompanying this Prospectus pursuant to which Applicants may apply for New Shares.
Entitlement Offer or Offer	the offer of New Shares pursuant to this Prospectus.
Entitlement Offer Proceeds	the proceeds received by Reed as a result of the issue of Shares the subject of the Entitlement Offer and the Underwriting Agreement.
Existing Shares	Shares issued before 5.00pm (Perth time) on the Record Date.
Ineligible Shareholders	Shareholders who are registered as holders of Existing Shares but to whom the Entitlement Offer is not being made as set out in section 2.6.
JORC Code	the 2004 edition of the Joint Ore Reserves Committee's Australasian Code for Reporting of Mineral Resources and Ore Reserves.
Meekatharra Gold Project or Meekatharra Project or the Project	the Company's Meekatharra Gold Project, an overview of which is set out in section 4.1.
New Shares	a Share offered for subscription on the basis of, and under the terms of, the Entitlement Offer.
Offer Period	refers to the period from the Opening Date to the Closing Date (inclusive of those dates).
Offer Price	\$0.20, the price payable for one New Share under the Entitlement Offer.
Opening Date	17 April 2012.
Prospectus	this document, dated 2 April 2012.
Record Date	the date for determining the Entitlement of Shareholders under the Entitlement Offer, being 5.00pm (Perth time) on 17 April 2012.
Reserve or Ore Reserve	the meaning given in the JORC Code.
Resource or Mineral Resource	the meaning given in the JORC Code.

Term	Meaning
Reed Group	Reed and its Related Bodies Corporate.
Related Body Corporate	the same meaning as in section 50 of the Corporations Act.
Relevant Interest	the same meaning as in section 9 of the Corporations Act.
Settlement Date	9 May 2012 (or such date as varied by Reed).
Share	a fully paid ordinary share in the capital of Reed.
Share Registry	Computershare Investor Services Pty Limited.
Shareholder	the registered holder of a Share.
Shortfall	those New Shares not validly applied for by Shareholders under their Entitlement, which, subject to the Board's discretion regarding any applications received for Additional New Shares, will be taken up by the Underwriter pursuant to the Underwriting Agreement.
Shortfall Shares	those New Shares comprising the Shortfall.
Trading Day	the meaning given in the ASX Listing Rules.
Underwriter or Bligh Capital	Bligh Capital Partners Pty Ltd (ACN 129 655 849).
Underwriting Agreement	the underwriting agreement between Reed and Bligh Capital Partners Pty Ltd described in section 6.5.
US Securities Act	United States Securities Act of 1933, as amended.
US\$, USD and US dollars	United States of America dollars.
WST	Western Standard Time.

Authorisation

This Prospectus is authorised by each Director of Reed under section 720 of the Corporations Act and signed by Christopher Reed on 2 April 2012 under section 351 of the Corporations Act.

Signed for and on behalf of
Reed Resources Ltd
by



Christopher Reed
Director

Corporate directory

Registered Office

Level 1
672 Murray Street
West Perth WA 6005
Telephone: +61 8 9322 1182

Share Registry

Computershare Investor Services Pty Limited
Level 2, Reserve Bank Building
45 St George's Terrace
Perth WA 6000

Directors

David Reed (Executive Chairman)
Chris Reed (Managing Director and CEO)
Steven Cole (Non-Executive Director)
Dr Vanessa Guthrie (Non-Executive Director)
Dr Peter Collins (Non-Executive Director)
Ian Junk (Non-Executive Director)

Auditors*

Deloitte Touche Tohmatsu
Level 14, Woodside Plaza
240 St Georges Terrace
Perth WA 6000

Australian legal advisers

Freehills
Level 36, QV.1 Building
250 St Georges Terrace
Perth WA 6000

Stock Exchange Listing

Reed's ordinary shares are listed on ASX
(code: RDR)
Reed's American Depositary Receipts (**ADRs**)
trade under the code RDRUY; CUSIP:
758254106
Each Reed ADR is equivalent to 10 ordinary
shares in Reed as traded on ASX.
The Bank of New York Mellon is the depositary
bank.

* Deloitte Touche Tohmatsu has been included for information purposes only. It has not been involved in the preparation of this Prospectus