

23 August 2013

INVESTOR UPDATE

This announcement is made at a time of significant change for Reed Resources Ltd (**RDR or Company**) and its associated group entities. The purpose is to provide clarity of the ongoing structure, strategy and operating approach, asset base, financial position, and board and management team of RDR following the appointment of Administrators last Friday to GMK Exploration Pty Ltd (Administrators Appointed) (**GMKE**), the entity which owned and operated the Meekatharra Gold Project.

Further detail is set out in the accompanying Investor Update presentation. The RDR board is committed to immediately redefine RDR as set out herein.

The circumstances leading to the appointment of Administrators by GMKE were advised to the market on 16 August 2013. The board and management share in the disappointment of the outcome for the Meekatharra Gold Project. RDR is working with the Administrators to optimise the outcome for all concerned, including RDR.

Operationally, RDR will now focus on disciplined evaluation and development of its two remaining core assets and seek to divest itself of its non-core assets to strengthen its balance sheet. RDR will scale down its organisational and cost profile, commencing with a material restructure and reduction to its board and management teams that will be leaner and fit for future activities.

With RDR no longer involved through GMKE in a full scale production environment at Meekatharra, and with its other core projects in a more developmental mode, RDR's CEO, Luke Tonkin has resigned and will leave the Company by the end of September. Chris Reed, whose primary responsibility over the last 18 months has been the continued development of RDR's non-gold assets, will resume the role of CEO/MD on a scaled back remuneration basis, consistent with the overall strategic philosophy, following Luke's departure. I take this opportunity to acknowledge the rigour, commitment and discipline that Luke brought to the RDR team.

In addition, the board of RDR will be reduced to one (only) executive and 3 (only) non-executives, including the Chair. This will be coupled with a significant voluntary reduction in directors' fees. Cobb Johnstone, who joined the board earlier this year with strong mining and processing experience, will shortly retire from office. Without the Meekatharra Gold Operation, the need for Cobb's special skills on the RDR board is reduced. I expressly acknowledge the great insights that Cobb was able to impart, and the analytical rigour concerning the mining and processing operations that Cobb was able to share with his fellow board members, over this critical period.



For my own part, I remain personally and financially committed to restoring and reinvigorating RDR. You will note in the accompanying Investor Update presentation, my commitment to provide a standby facility of up to \$3 million to underwrite the sustainability of RDR over the coming 12 months. I also foreshadow that we will be reviewing the Company's governance structure leading up to the 2013 AGM and will be making recommendations at that time to ensure its revitalisation and suitability for the Company's future.

Yours faithfully

David Reed
CHAIRMAN



Reed Resources Ltd

Consolidate, Focus, Rebuild
2013-2014

INVESTOR UPDATE

Disclaimer

Summary information: This document has been prepared by Reed Resources Ltd (“Reed” or “the Company”) to provide summary information about the Company and its associated entities and their activities current as at the date of this document. The information contained in this document is of general background and does not purport to be complete. It should be read in conjunction with Reed’s other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange, which are available at www.asx.com.au.

Forward-looking information: This document includes certain statements, opinions, projections, forecasts and other forward-looking information which, while considered reasonable by Reed, are inherently subject to significant uncertainties and contingencies. Many known and unknown factors could cause actual events or results to differ materially from estimated or anticipated events or results included in this document. Recipients of this document are cautioned that forward-looking statements are not guarantees of future performance – they must make their own independent investigations, consideration and evaluation of the opportunity to invest in the Company. By accepting this document, recipients agree that if they proceed further with their investigations, consideration or evaluation of the opportunity to invest in the Company, they will make and rely solely upon their own investigations and enquiries and will not in any way rely upon this document.

Any statements, opinions, projections, forecasts and other forward-looking information contained in this document do not constitute any commitments, representations or warranties by Reed and its associated entities, directors, agents and employees, including any undertaking to update any such information. Except as required by law, and only to the extent so required, directors, agents and employees of Reed shall in no way be liable to any person or body for any loss, claim, demand, damages, costs or expenses of whatsoever nature arising in any way out of, or in connection with, the information contained in this document.

Financial data: All figures in this document are in Australian dollars (AUD) unless stated otherwise.

Advanced minerals value creation



- Focus on advanced minerals assets

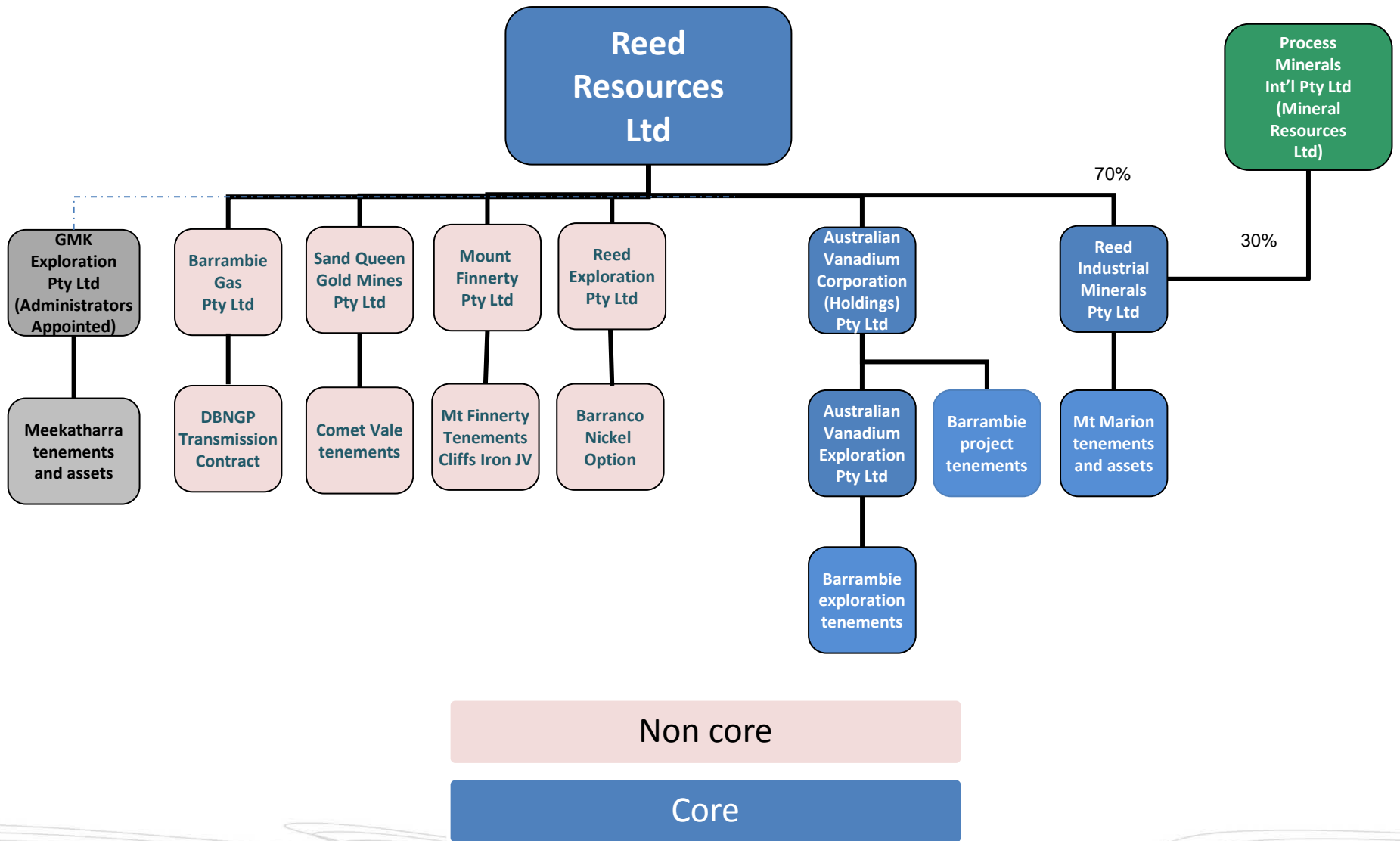
- Demonstrate low-cost competitive advantage

- Co-venture with strong partners to reduce operating and financial risk

Operating Approach

	Demonstrate Technical Feasibility	Demonstrate Project Economics	Co-venture to fund and operate
Lithium	<ul style="list-style-type: none">▪ Mt Marion is a mine-ready lithium resource . All approvals in place.▪ Currently proving viability of process to produce lithium hydroxide	<ul style="list-style-type: none">▪ Engineering cost study planned Dec Q 2013▪ Pre-Feasibility Study results indicate potential for lowest quartile operating costs of lithium hydroxide	<ul style="list-style-type: none">▪ Subject to joint investment decision, ASX:MIN to operate lithium concentrate project on Build-Own-Operate basis▪ Test IPO/JV strategy for integrated lithium producer
Titanium	<ul style="list-style-type: none">▪ World class hardrock deposit▪ Procure licence for process flow-sheet▪ Continuous test work planned in Dec Q 2013	<ul style="list-style-type: none">▪ Engineering cost study planned March Q 2014▪ Preliminary results encouraging, high purity titanium chemical direct from Barrambie ore	<ul style="list-style-type: none">▪ Source strategic/financial partner▪ Pilot Plant and DFS to be subject to funding commitment by co-venturer

Ongoing Group Structure



Board & Management Restructure

BOARD

- 33% size reduction, 30% reduction in fees
- Chair, MD, 2 independent non executive directors

EXECUTIVE

- 30% reduction in Chris Reed's current salary to \$295K + super with discretionary annual bonus capped at 50% of annual salary against KPIs to be set

MANAGEMENT

- 50% reduction in management staffing levels
- Target 50% reduction in head office costs

Financial Position

Pro forma unaudited consolidated statement of financial position for the Company as at 23 August 2013

No Deed of Cross Guarantee exists between Group entities

The information is unaudited and preliminary. It contains estimates of various items as at 23 August 2013 based in the Company's internal management accounts.

The Company's full audited financial statements for the period ended 30 June 2013 will be released to the ASX on or before 30 September 2013. Refer to Appendix for notes to the pro forma consolidated statement of financial position

CURRENT ASSETS	Note	
Cash and cash equivalents	1	1,640,358
Trade and other receivables	2	482,939
TOTAL CURRENT ASSETS		2,123,297
NON CURRENT ASSETS		
Financial assets	3	11,322,241
Property, plant and equipment	4	1,039,165
Exploration & Evaluation expenditure	5	10,154,647
Other	6	2,911,243
TOTAL NON-CURRENT ASSETS		25,427,297
TOTAL ASSETS		27,550,594
CURRENT LIABILITIES		
Trade and other payables	7	(515,911)
Provisions	8	(1,403,437)
Borrowings	9	(18,089)
TOTAL CURRENT LIABILITIES		(1,937,436)
NON CURRENT LIABILITIES		
Provisions	8	(605,779)
TOTAL NON CURRENT LIABILITIES		(605,779)
TOTAL LIABILITIES		(2,543,216)
NET ASSETS		25,007,378
SHAREHOLDERS' EQUITY		
Contributed equity	10	158,043,059
Accumulated losses	11	(138,609,773)
Other Reserves	12	5,574,092
TOTAL SHAREHOLDERS' EQUITY		25,007,378

Funding to 14 February

SOURCES	\$'000	
Cash at Bank	1,640	a
Standby Convertible Loan Note Facility	3,000	b
Interest on Restricted Access Term Deposits	130	
Trade Receivables	480	
Total	5,250	c

a

•Excluding \$8.9M in restricted access term deposits

b

•Standby funding facility terms (refer page 10)

c

•Excluding prospective additional funding sources including from non core asset realisation (refer page 12). Subject to the outcome of realisation of non-core assets the Company may seek to raise further capital in order to fund its operational objectives beyond February 2014.

Outflows to 14 February

APPLICATIONS	\$'000
Trade and Other Payables	535
Project Holding Costs	320
Employment - 3 months to end Nov	880
- 3 months to end Feb	260
General & Admin - 3 months to end Nov	450
- 3 months to end Feb	290
Gas Transmission	530
Financing Costs	230
Partial Repayment of funding facility	1,000
Total	4,495

The Company will adjust its discretionary project expenditure and evaluation program consistent with its available cash. The Company's actual expenditure and evaluation programs will also depend on analysis and assessment of information as it progresses, and the prospectivity and performance of the projects.

Term sheet executed for facility to be provided by David Reed. Conditional on \$3M being advanced to David Reed by external financiers under arrangements currently being finalised, and to finalisation of definitive documentation for the facility

Key terms of facility

- \$3M standby loan facility
- Interest rate of 10% pa payable monthly in arrears
- Undrawn limit fee of 3% pa, payable 6-monthly in arrears
- Subject to obtaining waiver / approval required by the ASX Listing Rules, secured over RDR's shares in holding company of Barrambie Project
- Repayable by 31 August 2014, but must be paid down so that maximum of \$2M is owing by 19 December 2013, with right to repay earlier at RDR election
- Subject to shareholder approval, up to \$2M to be repaid by issue of convertible notes:
 - same interest rate and security
 - convertible at 25% premium to 30-trading day VWAP preceding RDR issuing notice of meeting to seek approval
 - redeemable 12 months after issue

Key terms of facility (cont'd)

- Drawdown subject to certain conditions including:
 - all necessary approvals, authorities and confirmations
 - security granted and perfected
- Early repayment on 90 days' notice at Lender's election if:
 - shareholder approval of issue of convertible notes not obtained by 2013 AGM
 - there is a change of control of RDR, David Reed is removed from RDR board or there is a material change in RDR board not approved by Lender
- Other usual terms for like facilities including warranties, events of default and undertakings

Comet Vale Project

- Active sale process underway
- Historic high grade underground gold mine
- On care and maintenance

Gas Transmission Contract

- 3Tj/day take or pay contract
- A\$8.7M cash backed performance guarantee
- Active sale process underway

Mt Finnerty Project

- Large, underexplored greenstone belt in the Yilgarn, prospective for nickel sulphides
- Cliffs Iron ore JV (20%)

Mt Marion Lithium Project

- 70% ownership, ASX:MIN 30%,
- MIN funding exploration and evaluation costs
- MIN will, subject to joint approval, provide mine-to-port solution on a Build-Own-Operate basis, requiring no upfront funding by RDR
- All government approvals for mining and processing in place.

Barrambie Titanium Project

- 100% owned
- 400 km² Granted tenure for operations and PER granted
- One of world's highest grade Ti resources
- Process route produces high purity Ti chemical

REFER APPENDIX FOR INDICATIVE WORK PROGRAMS

Mt Marion Lithium Project

Project

- 70% RDR, 30% MIN
- Modular plant can be operational in <250 days subject to joint investment decision
- Planned processing rate 1.2Mtpa to produce 200ktpa spodumene, 60ktpa mica, 30tpa tantalite



Mount Marion site

Work Program

- Continued economic evaluation of producing lithium concentrates
- Obtain letters of intent to sell by mica by-product
- Evaluating downstream processing concentrates into LiOH and Li₂CO₃
- Applying in-house proprietary leach process
- Pre-Feasibility Study indicates compelling financial returns
- Fully funded test work to verify flowsheet at SGS & Murdoch University

Objective

- Complete Definitive Feasibility Study on downstream processing of lithium concentrates into lithium battery materials
- Low cost, capital efficient, long life asset
- Benefit from a forecast 700% increase in LiOH demand by 2017
- Complete evaluation of IPO or JV structure to fund and operate downstream lithium processing plant

Barrambie Titanium Project

Project

- 100% RDR
- High grade hard rock Titanium resource
- Differentiating metallurgy



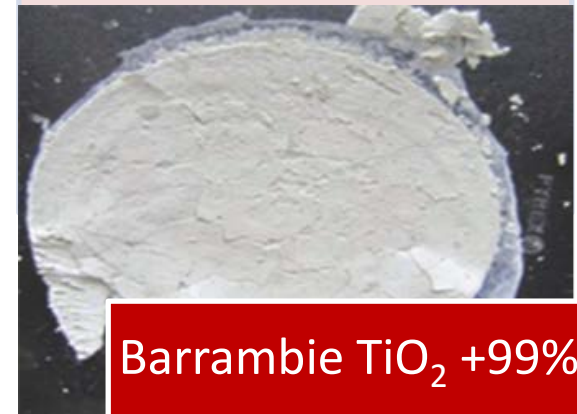
Barrambie site

Work Program

- Lab scale +99% TiO₂, +90% recovery & 98% V recovery
- Secure licence to utilise Ti-V-Fe & Al production technology
- Staged low cost evaluation
- Prove process flowsheet on a continuous basis
- Complete Engineering Cost Study (PFS accuracy)
- Commercialise through pilot/demonstration plant

Objective

- Attract strategic &/or financial partner
- DFS
- Large, low cost, long life asset
- Ti-V-Fe & Al producer which is scalable and expandable



Barrambie TiO₂ +99%

Lithium Concentrates



Co-owner and Operator

Australia's largest specialist BOO crushing, grinding and processing provider

Lithium Chemicals



Consulting Engineers

An experienced global partner for lithium plant design, construction and ongoing operational support

Barrambie Titanium



Consulting Engineers

Leading provider of multi-disciplinary engineering, project delivery and operations services to the global resources industry



Appendices

Notes to the pro forma statement of financial position

1. CASH AND CASH EQUIVALENTS	1,640,358
2. TRADE AND OTHER RECEIVABLES	482,939
TOTAL CURRENT CASH AND RECEIVABLES	<u>2,123,297</u>
3. FINANCIAL ASSETS	
<i>Non current</i>	
Restricted Term Deposits	8,845,000
Loan - Joint Controlled Entity	926,164
Investment - Joint Controlled Entity (at cost)	1,511,077
Other Financial Assets	40,000
	<u>11,322,241</u>
4. PROPERTY, PLANT AND EQUIPMENT	
<i>Property, Plant & Equipment</i>	
Property, Plant and Equipment - at cost	2,069,130
Less - Acc. Depn	(1,029,964)
Total Property, Plant and Equipment	<u>1,039,165</u>
5. EXPLORATION AND EVALUATION COSTS	
Exploration and/or evaluation (at cost)	10,154,647
less impairment	-
	<u>10,154,647</u>
6. OTHER ASSETS	
Non-current	
<i>Comet Vale in sale process</i>	
Net Assets	2,911,243
	<u>2,911,243</u>
7. TRADE AND OTHER PAYABLES	
<i>Current</i>	
Trade creditors	(145,443)
Other creditors	(185,389)
Employee Entitlements	(185,078)
	<u>(515,911)</u>

The pro forma unaudited statement of consolidated financial position for the Company has been prepared on the basis of the accounting policies normally adopted by the Company. The information is presented in abbreviated form, in that it does not include all of the disclosures required by the Australian Accounting Standards applicable to annual financial statements.

Notes to the pro forma statement of financial position

8. PROVISIONS

CURRENT

Employee entitlements	(408,672)
Barrambie Gas Onerous Contract Provision	(994,764)
	<u>(1,403,437)</u>

NON CURRENT

Employee entitlements	(29,297)
Barrambie Gas Onerous Contract Provision	(501,483)
Provisions General	(75,000)
	<u>(605,779)</u>

9. BORROWINGS

CURRENT

Insurance Premium Funding	(18,089)
	<u>(18,089)</u>

10. CONTRIBUTED EQUITY

Issued and Paid Up Capital	<u>158,043,059</u>
----------------------------	--------------------

11. ACCUMULATED LOSSES

Balance at the beginning of the year	(56,161,189)
Losses on deconsolidation of Meekatharra Project	(57,649,674)
Net profit/(loss)	(24,798,911)
Balance at the end of the period (23 August 2013)	<u>(138,609,773)</u>

12. OTHER RESERVES

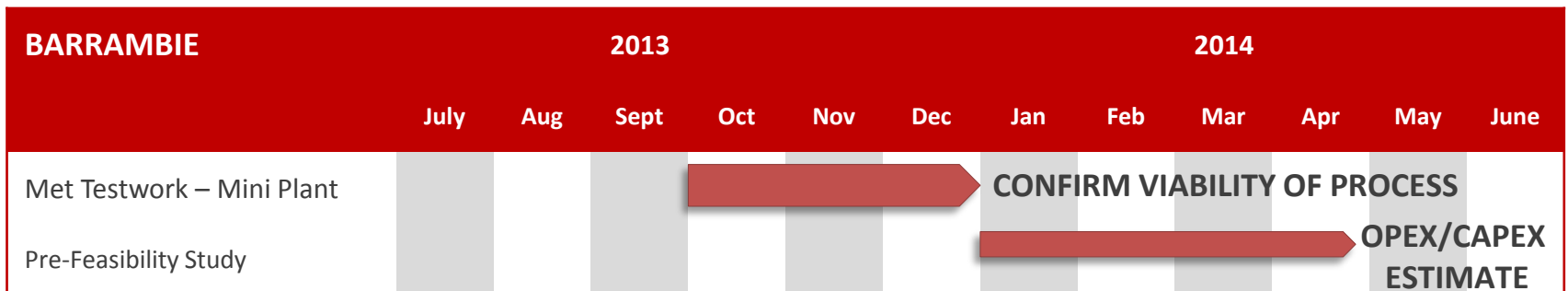
Equity Reserves	5,574,092
	<u>5,574,092</u>

The pro forma unaudited statement of consolidated financial position for the Company has been prepared on the basis of the accounting policies normally adopted by the Company. The information is presented in abbreviated form, in that it does not include all of the disclosures required by the Australian Accounting Standards applicable to annual financial statements.

Indicative Work Programs



Activities from October 2013 subject to RDR/MIN co-venture approval, which if approved would constitute a 'sunk cost' and be funded by MIN



Activities subject to RDR board approval and funding availability

Corporate Overview

ASX CODE: RDR

Last close (<i>August 15, 2013</i>)	\$	0.049
Shares on issue	M	521.9
Cash (<i>August 22, 2013</i>)	\$m	10.4
Incl Restricted Term Deposit	\$m	(8.9)
Market capitalisation	\$m	25

6 MONTH SHARE PRICE



MAJOR SHAREHOLDERS

M&G / Vanguard	14.6%
Global X Lithium ETF	5.3%
Metals X Ltd	4.9%
Reed Interests (*)	2.7 %
Top 20 (<i>June 30, 2013</i>)	51.6%

(*) Excludes 18.4M shares in share pledge agreement