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Update on Meekatharra Administration

Reed Resources Ltd (**ASX: RDR**) (**Reed** or **Company**) provides an update to shareholders on the voluntary administration of GMK Exploration Pty Ltd (**GMKE**), the subsidiary of Reed that owns the Meekatharra Gold Project.

As previously announced on 16 August 2013 GMKE was placed in voluntary administration. The Report by Administrators pursuant to Section 439A(4)(a) of the Corporations Act 2001 has now been issued to creditors of GMKE. The Administrators advise that following an extensive sale process undertaken following their appointment, one party was provided with Preferred Bidder status to conclude a transaction to purchase the Meekatharra Gold Project. Whilst the terms of a sale agreement were agreed in principle with the Preferred Bidder, the Preferred Bidder's financier withdrew its support of the Preferred Bidder and the transaction was unable to proceed. As a result the Administrators are now canvasing the other bidders in the sale process as well as new interested parties with a view to determining a replacement transaction for the benefit of creditors.

The Administrators have proposed to creditors a Holding Deed of Company Arrangement ("DOCA") in order to maintain a moratorium period and to provide further time to continue discussions with interested parties to conclude an orderly sale of GMKE's assets. An estimate of the likely return to unsecured creditors has not been provided at this time as the DOCA proposed by the Administrators is a Holding DOCA to provide time for the sale process to be conducted.

Reed notes that the Administrators consider that, from the information available to them, there are sufficient funds to enable the payment of all or part of employee claims in full as soon as practically possible after the execution of the Holding DOCA. In addition, the Administrators have expressed the view that in relation to the valuation of GMKE's assets a significant dividend would be able to be paid to creditors, albeit unlikely to be 100 cents in the dollar.

Reed has lodged a claim in the administration and as the largest creditor of GMKE, intends to support the Administrators' proposed Holding DOCA.

In the circumstances and due to the uncertainty as to timing and quantum of a distribution to creditors, and for prudency, the Board of Reed has resolved to write down the carrying value of the loan to GMKE from $25M as at 16 August 2013 to zero as at 31 December 2013. In addition, based on Wednesday's announcement to the market concerning the sale of Comet Vale at a headline price of $2M, the Board of Reed has also resolved to reflect that sale price in its books as at 31 December 2013 rather than the prior carrying value of $3M.

The Company's cash and term deposits on hand as of 31 December 2013 (unaudited) totalled $10.1 million, including $6.2 million in restricted use term deposits. The anticipated asset impairment charges are non-cash in nature. The half year accounts as at 31 December 2013 are to be released by 14 March 2014.

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About Reed Resources
Reed Resources Ltd (ASX: RDR, OTC: RDRUY) is a Western Australian resource developer.
Reed Resources' American Depositary Receipts (ADR's) trade under the code RDRUY (CUSIP Number: 758254106). Each Reed Resources ADR is equivalent to 10 ordinary shares of Reed Resources as traded on the ASX. The Bank of New York Mellon is the depository bank.
Website: www.reedresources.com