Reed Resources Ltd

ACN: 099 116 631

Half-year report for the half year ended 31 December 2011

Directors' Report

The Directors of Reed Resources Ltd ('the Company') ('Reed') submit herewith the financial report for the half-year ended 31 December 2011. In order to comply with the provisions of the Corporations Act 2001, the Directors' report as follows:

The names of the Directors of the Company during or since the end of the half-year are:

Name	
Mr D.J. Reed	Executive Chairman
Mr C.J. Reed	Managing Director
Dr P.L.F. Collins	Non-Executive Director
Mr I.C. Junk	Non-Executive Director
Mr S. Cole	Non-Executive Director
Mrs V. Guthrie	Non-Executive Director

Review of Operations

Exploration and development activities during the half year focused on the Meekatharra Gold Project and completion of the bankable feasibility study with a view to commencing mining operations in the second half of the 2012 calendar year. The Group continues to work with partner Mineral Resources Limited ("Mineral Resources", ASX: MIN) to progress the Mt Marion Lithium Project as well as refining its lithium carbonate development strategy. Additional works were undertaken to assess the options for the Comet Vale Gold Project as well as advancing the Barrambie vanadium project through commencement of a new concept study to further investigate alternatives and options for the project. Despite no drilling for the period under the joint venture arrangement with Cliffs Asia Pacific Iron Ore Pty Ltd ('Cliffs'), an exploration program was agreed to during the period for the first half of calendar year 2012. Reed continued exploration for nickel to earn farm-in rights with Barranco Resources NL in ground adjoining the Company's Mt Finnerty project.

MEEKATHARRA GOLD PROJECT
(Reed 100%)

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.

On 1 July 2011 the Group completed the purchase of all the assets of the Meekatharra Gold Project via its wholly owned subsidiary GMK Exploration Pty Ltd for a total purchase consideration of $28 million. At settlement the final payment comprised $8 million cash and $1.3 million worth of fully paid ordinary shares in Reed. The Group separately entered into an option agreement to acquire outright ownership of the Nannine Mining Centre which would enable an extension of the Meekatharra land holding to over 1 thousand square kilometre continuous land package. The cost of this option was $103K.

Bankable Feasibility Study (BFS) - Work Packages and Upgrade Studies

The Company completed the BFS document after the reporting period on 27 February 2012.

- **Catering:** Action Industrial Catering Pty Ltd (AIC) have been awarded the construction catering contract. The construction phase for the village and processing plant is expected to commence in April 2012 and work through to December 2012. AIC are experienced with construction sites and can quickly and easily mobilise additional resources as required.
- **Village:** A tender document for the accommodation village refurbishment and upgrade is ready for award. This will be awarded following completion of the BFS and project financing.
- **Processing Plant:** With the assistance of GR Engineering the upgrade and refurbishment strategy has been finalised.
- **Power Station:** It has been decided that a Build-Own-Operate (BOO) arrangement will be undertaken on the power facility. Reed is engaging with providers of power to run this facility on diesel fuel.
- **Mining Tender:** The open pit mining tender was distributed to ten (10) interested parties. Responses were received in January 2012, which validate the open pit mining cost estimates for the BFS. The tender is due for award in May/June 2012 to allow time for a complete bid evaluation process to be undertaken.

The Project is within the projected delivery dates for the key items on the project and it is anticipated that the milestones to recommence will be achieved with operational recommencement expected late 2012.

Recommencement of Mining - Strategy

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

Ongoing Evaluations

The ongoing evaluation of the various ore bodies throughout the tenement holding continues to deliver additional sources for future expansion. The technical team will continue to interpret the mineral inventory for both open pit and underground potential, and persist with metallurgical evaluation.

Since the Group acquired this landholding in January 2011 the Mineral Resource Inventory has been increased by 0.84Moz or 34% to a total of 3.3Moz of gold and the Reserves have increased by 78% from 0.42Moz to 0.75Moz (after the reporting date). The most recent Resource and Reserve inventory was completed in January 2012 and is tabulated below.

Mineral Resource Inventory - completed January 2012

Project	Category	Tonnes (Mt)	Au (g/t)	Au (koz)
Meekatharra North	Indicated	0.7	1.4	34
	Inferred	0.02	1.4	0.9
Paddy's Flat	Indicated	23.1	1.6	1,175
	Inferred	11.6	1.6	581
Yaloginda	Indicated	10.0	1.7	564
	Inferred	6.3	1.7	347
Nannine	Indicated	0.6	1.6	31
	Inferred	0.2	1.6	13
Reedys	Indicated	2.7	3.1	276
	Inferred	3.7	2.4	289
TOTAL	**Indicated**	**37.2**	**1.7**	**2,080**
	Inferred	**21.9**	**1.8**	**1,231**
	TOTAL	**59.1**	**1.7**	**3,311**

Ore Reserve Inventory - completed January 2012

Project	Category	Tonnes (Mt)	Au (g/t)	Au (koz)
Bluebird	Probable	1.4	1.9	87.0
Prohibition	Probable	1.1	2.7	96.0
Mickey Dolan	Probable	3.3	1.1	121.7
Maid Marion	Probable	0.2	1.4	8.6
South Junction	Probable	0.1	1.5	4.5
Surprise	Probable	0.1	3.0	13.0
Batavia	Probable	0.2	2.4	14.0
Whangamata	Probable	0.3	1.4	11.9
GNH	Probable	0.9	1.3	33.6
Aladdin	Probable	0.4	1.7	21.5
Jack Ryan	Probable	0.2	3.1	21.8
Callisto	Probable	0.1	3.1	7.2
Rand	Probable	0.1	2.4	7.6
South Emu	Probable	0.1	4.7	13.9
TOTT	Probable	0.5	1.8	29.4
Total (Open Pit)	**Probable**	**9.0**	**1.7**	**491.7**
Prohibition	Probable	1.3	2.4	104.1
Vivian/Consols	Probable	0.3	7.7	63.6

Ore Reserve Inventory – completed January 2012 (continued)

Project	Category	Tonnes (Mt)	Au (g/t)	Au (koz)
Fatts/Mudlode	Probable	0.4	4.7	57.2
South Emu	Probable	0.2	4.3	34.2
Total (Underground)	**Probable**	**2.2**	**3.6**	**259.1**
Total	**Probable**	**11.2**	**2.1**	**750.8**

Notes 1. Resources and reserves comply with the Australian JORC reporting guidelines.

2. Resources are inclusive of reserves.

MT MARION LITHIUM PROJECT

(Reed 70%, Mineral Resources Ltd 30%)

During the period the Company, together with partner Mineral Resources continued to advance the Mount Marion Lithium Project. The Mount Marion Project is planned to initially commence operations with a capacity of 200,000 tpa of 6% Li_2O chemical grade spodumene concentrate, 60,000 tpa of muscovite mica, and 30 tpa of tantalite concentrate.

Mine Development Update

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

The Company is working with Mineral Resources to establish the most effective production profile and optimal timing for the commencement of operations in light of the prevailing industry, economic and financial market conditions. The world's largest spodumene producer has announced that effective from 1 January 2012, it was raising prices 15%. Project development is fully funded by Mineral Resources.

During the reporting period mica samples were produced and dispatched to selected distributors and end users for evaluation. The company is seeking to confirm the potentially significant economic contribution from producing high-grade mica products as a by-product of the spodumene recovery process. Mt Marion has the potential to be a significant producer of mica, a silicate mineral used in metallic automotive paints, building products, paper, plastics and cosmetics. The results of this study will assist the Company and Mineral Resources in finalising the preferred production profile and timing for the commencement of operations.

Lithium Carbonate Development Strategy

In June 2010 the company announced the results of a pre-feasibility study (PFS) which investigated the processing of spodumene concentrates to produce battery-grade lithium carbonate (Li_2CO_3). During the period the Company has continued 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. Discussions remain preliminary and there can be no assurance that a binding proposal will emerge.

The Company is also working with Mineral Resources on a review of the most appropriate methods for the project's special purpose vehicle to become an independently financed industrial mineral company.

BARRAMBIE VANADIUM PROJECT
(Reed 100%)

Barrambie is one of the world's highest grade vanadium deposits with a Probable Ore Reserve of 39.7Mt at 0.82% V_2O_5, and is located in the Mid West region of Western Australia. The Company continues to investigate various project development alternatives and strategies including recovery of titanium and iron units in addition to the vanadium.

Construction and Financing Update

Since November 2010 the Company has been party to a Memorandum of Understanding (MoU) with China Nonferrous Metal Industry's Foreign Engineering and Construction Co Ltd ("NFC") and West Australian based engineering and construction company Arccon (WA) Pty Ltd ("Arccon") for the development of the Barrambie Vanadium Project situated in the Mid West Region of Western Australia. During the period the Company received an EPC budget estimate for the Barrambie Vanadium

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

Considerable work has been undertaken by all parties towards various aspects of the Project, including refining the project design and costings, progressing the EPC contract and progressing financing discussions. However, in light of ongoing weak market conditions for vanadium (the V_2O_5 price is currently US$6.25/lb, compared to US$6.95/lb at the time of signing the original MoU) the Company has previously advised that the parties have now made the decision to cease formal discussions under the MoU. The Company anticipates that informal discussions between the parties will continue.

The Company has continued to consult with its engineers and metallurgical advisors, and 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 significantly more robust than as a vanadium-only operation.

The purpose of the concept study is to:

• Investigate the potential of producing at least 500,000tpa of concentrate from the Eastern Band of the Barrambie ore body. This concentrate would be sold for the value of the contained units of Fe, Ti, and V,

• Establish that, with the current knowledge of the Eastern band ore and the purity of the concentrates produced during the SKM Definitive Feasibility Study 2009, the concentrate is of sufficient quality to be used as feed stock to an end user,

• Produce related capital and operating expenditure projections, and

• Project potential revenues.

The study is expected to be concluded by April 2012 at which time a forward work program and new resource estimate will be released.

COMET VALE GOLD PROJECT
(Reed 100%)

Sand Queen Mine Operations

The Company resumed 100% ownership of the Sand Queen Gold Mine and all associated joint venture assets and infrastructure at the Comet Vale Gold Project near Kalgoorlie, Western Australia from 1 June 2010.

The mine remains on care and maintenance and there was no production during the period. The plan for resumption of operations to coincide with the recommissioning of the Nimbus Processing Plant by Macphersons Reward Gold Ltd ('Macphersons', ASX: MRP) has been updated.

In January 2012 the Company engaged PCF Capital Pty Ltd to seek expressions of interest for the possible sale of the project. The project has a combined underground and open-pit resource of 792Kt at 8.2g/t Au for 208,000oz. Despite the high grade of this deposit, its scale in comparison with the Meekatharra Gold Project has rendered it a non-core asset of the Company.

NIMBUS PROJECT - PROCESSING PLANT

The Company completed the sale of its wholly owned subsidiary Kalgoorlie Ore Treatment Company Pty Ltd (KOTC) to Macphersons. KOTC owns the Nimbus processing plant and associated assets near Kalgoorlie, Western Australia. See ASX release dated 8 September 2011.
In addition to a $100,000 deposit, the Company received consideration of $3 million cash, $1.6 million worth of MRP fully paid ordinary shares and $400k for reimbursement of certain costs.

MOUNT FINNERTY PROJECT

The Mt Finnerty Project, located about 65km east of Koolyanobbing, is currently being explored for iron ore in joint venture with Cliffs Natural Resources ("Cliffs") and nickel mineralisation, partly in joint venture with Barranco Resources NL ("Barranco").

Iron Ore Joint Venture
(Reed 20%, Cliffs 80%)

During the reporting period no work was undertaken at the Mt Finnerty prospects. A high level desktop review in the prior period identified the potential for a low grade magnetite resource within areas of the Mt Finnerty Range. A budget has been prepared for approval ahead of the 2012 exploration program with the major activities comprising a focussed diamond drilling campaign in order to capture samples of favourable material types to facilitate magnetite characterisation studies.

Nickel Exploration
(Barranco farm-in agreement)

Barranco Resources NL (Barranco) is the 100% registered holder of E16/305 and E16/330 ("Tenements"). Barranco and Reed were parties to a farm in and joint venture agreement (JVA) under which the earn-in period for Reed to earn a 60% interest was due to expire on 31 August 2011. On 19 July 2011, the parties agreed to revised arrangements regarding the Tenements. The Company withdrew from the JVA and Barranco granted Reed an exclusive option to acquire the Tenements (Option). The Option is for an initial 1 year period, in return for the payment of an option fee of $10,000. The option period may be extended by Reed for three subsequent 1 year periods by the payment of $20,000 for each extension. The consideration payable for the exercise of the Option is $500,000 cash and 1.5 million fully paid ordinary shares in Reed Resources Ltd. Reed is responsible for maintaining the Tenements in good standing for the option period.

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

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

An auger geochemical sampling survey was conducted subsequent to completion of the drill program which confirmed strongly anomalous Ni-Cu-Pt-Pd values coincident with the contact of the western ultramafic unit with a hornfelsed basalt footwall.

A program of further RC drill testing of the basal contact commenced in late January 2012.

BELL ROCK RANGE PROJECT
(Reed 100%)

The Bell Rock Range project (E69/2293) covers approximately 471 km^2 within the western part of the Proterozoic Musgrave Block in central Australia. It is highly prospective for several commodities, particularly Ni-Cu sulphide and PGE mineralisation. The inability to obtain timely access approval from the Ngaanyatjarra Land Council to conduct exploration on the tenement has resulted in the Company surrendering the tenement during the period.

CORPORATE

The corporate events that took place during the six months to 31 December 2011 are summarised below:

- 1 July 2011 – the Company completed the purchase of the Meekatharra Gold Project via its wholly owned subsidiary GMK Exploration Pty Ltd. The final payment comprised $8 million in cash and the issue of 2,505,300 fully paid ordinary shares.
- 1 August 2011 – the Company issued 285,000 performance rights to employees pursuant to the Performance Rights Plan Rules.
- 8 September 2011 – the Company completed the sale of its wholly owned subsidiary Kalgoorlie Ore Treatment Pty Ltd (KOTC) to MacPhersons Reward Gold Ltd (ASX: MRP). KOTC holds the Nimbus Processing Plant and associated assets situated near Kalgoorlie, Western Australia.
- 23 September 2011 – the Company's full year statutory accounts were released to the market.
- 15 November 2011 – the Company held its Annual General Meeting (AGM).
- 23 December 2011 – the Company lodged its Performance Rights Plan Rules that had been adopted and approved by shareholders at the AGM.

COMPETENT PERSONS STATEMENT

Geological aspects of this report that relate to Mineral Resources, Ore Reserves and Exploration Results have been compiled by Mr Craig Fawcett (MAusIMM), a full-time employee of Reed Resources Ltd. Mr Fawcett has sufficient experience relevant to the styles of mineralisation and types of deposit under consideration and to the activity being reported on to qualify as a Competent Person as defined in the Code for Reporting of Mineral Resources and Ore Reserves. Mr Fawcett consents to the inclusion in the report of the matters in the form and context in which it appears.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 7 of the half-year report.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors

Christopher Reed
Managing Director
Perth, 14 March 2012

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Woodside Plaza
Level 14
240 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 (0) 8 9365 7001
www.deloitte.com.au

The Board of Directors
Reed Resources Ltd
Level 1
672 Murray Street
West Perth WA 6005

14 March 2012

Dear Board Members

Reed Resources Ltd

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Reed Resources Ltd.

As lead audit partner for the review of the financial statements of Reed Resources Ltd for the half-year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

ATRichards

AT Richards
Partner
Chartered Accountants

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Woodside Plaza
Level 14
240 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 (0) 8 9365 7001
www.deloitte.com.au

Independent Auditor's Review Report to the Members of Reed Resources Ltd

We have reviewed the accompanying half-year financial report of Reed Resources Ltd, which comprises the condensed balance sheet as at 31 December 2011, and the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 10 to 21.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Reed Resources Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Reed Resources Ltd, would be in the same terms if given to the directors as at the time of this auditor's review report.

Deloitte.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Reed Resources Ltd is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 1 to the financial statements, which indicate that the Consolidated Entity has incurred a net loss after tax of $2.26 million and experienced net cash outflows from operating activities of $2.66 million and net cash outflows from investing activities of $11.45 million for the half year ended 31 December 2011. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the Consolidated Entity's ability to continue as a going concern and therefore, the Consolidated Entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

AT Richards

AT Richards
Partner
Chartered Accountants
Perth, 14 March 2012

DIRECTORS' DECLARATION

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and

(c) the directors have been given the declarations as outlined by s.295A of the Corporations Act 2001.

On behalf of the Directors

Christopher Reed
Managing Director
Perth, 14 March 2012

Condensed consolidated statement of comprehensive income

for the half year ended 31 December 2011

	Note	Consolidated half-year ended 31 Dec 2011 $	Consolidated half-year ended 31 Dec 2010 $
Continuing operations			
Revenue from sale of goods		-	347,821
Cost of sales before amortisation		-	(53,633)
Gross profit before amortisation		-	294,188
Amortisation expense		-	(230,775)
Gross profit		-	63,413
Other income		383,156	587,038
Employment expenses		(1,880,912)	(1,442,549)
Occupancy expenses		(296,685)	(106,123)
Administration expenses		(1,357,299)	(1,109,066)
Finance costs		(326,517)	(73,777)
Impairment of non-current assets		(61,895)	(64,803)
Other expenses		(17,227)	(228,318)
Loss before income tax		(3,557,379)	(2,374,185)
Income tax benefit		829,870	505,946
Loss for the period from continuing operations		(2,727,509)	(1,868,239)
Discontinued operation			
Profit/(loss) for the period from discontinued operation	5	463,229	(60,983)
Loss for the period		**(2,264,280)**	**(1,929,222)**
Other comprehensive income, net of income tax			
Loss on available-for-sale investments taken to equity		(321,600)	-
Other comprehensive income for the period (net of tax)		**(321,600)**	**-**
Total comprehensive income for the period		**(2,585,880)**	**(1,929,222)**
Earnings per share			
From continuing and discontinued operations			
Basic and diluted(cents per share)		(0.86)	(1.02)
From continuing operations			
Basic and diluted(cents per share)		(1.03)	(1.03)

Notes the financial statements are included on pages 15-21.

Condensed consolidated balance sheet as at 31 December 2011

	Note	Consolidated 31 Dec 2011 $	Consolidated 30 June 2011 $
Current assets			
Cash and cash equivalents		2,574,853	13,824,448
Trade and other receivables		1,239,888	1,118,288
Inventories		1,143,811	51,405
Other financial assets		1,294,878	-
Current tax assets		-	286,923
		6,253,430	15,281,064
Assets classified as held for sale		-	4,269,580
Total current assets		**6,253,430**	**19,550,644**
Non-current assets			
Exploration, evaluation and development expenditure		64,573,970	41,701,430
Other financial assets		9,300,981	39,991,635
Property, plant and equipment		18,280,591	1,304,158
Deferred tax assets		8,150,005	7,320,136
Total non-current assets		**100,305,547**	**90,317,359**
Total assets		**106,558,977**	**109,868,003**
Current liabilities			
Trade and other payables		1,257,679	873,745
Borrowings	6	190,670	-
Other financial liabilities		-	9,400,000
Provisions		1,200,780	1,074,568
		2,649,129	11,348,313
Liabilities directly associated with assets held for sale		-	27,320
Total current liabilities		**2,649,129**	**11,375,633**
Non-current liabilities			
Provisions		7,200,622	698,511
Total non-current liabilities		**7,200,622**	**698,511**
Total liabilities		**9,849,751**	**12,074,144**
Net assets		**96,709,226**	**97,793,859**
Equity			
Issued capital		111,043,565	109,790,915
Accumulated losses		(18,979,023)	(16,714,743)
Reserves		4,644,684	4,717,687
Total equity		**96,709,226**	**97,793,859**

Notes to the financial statements are included on pages 15-21.

Condensed consolidated statement of changes in equity

For the half year ended 31 December 2011

	Share Capital $	Investment revaluation reserve $	Share based payments reserve $	Accumulated losses $	Total $
Balance at 01/07/10	63,773,894	-	3,672,455	(13,361,157)	54,085,192
Loss for the period	-	-	-	(1,929,222)	(1,929,222)
Total comprehensive income	**-**	**-**	**-**	**(1,929,222)**	**(1,929,222)**
Recognition of share-based payments	-	-	663,954	-	663,954
Issue of share capital	7,500,000	-	-	-	7,500,000
Share issue costs, net of tax	(288,794)	-	-	-	(288,794)
Balance at 31/12/10	**70,985,100**	**-**	**4,336,409**	**(15,290,379)**	**60,031,130**
Balance at 01/07/11	109,790,915	-	4,717,687	(16,714,743)	97,793,859
Loss for the period	-	-	-	(2,264,280)	(2,264,280)
Other comprehensive income, net of tax	-	(321,600)	-	-	(321,600)
Total comprehensive income	**-**	**(321,600)**	**-**	**(2,264,280)**	**(2,585,880)**
Recognition of share-based payments	-	-	248,597	-	248,597
Issue of share capital	1,252,650	-	-	-	1,252,650
Share issue costs, net of tax	-	-	-	-	-
Balance at 31/12/11	**111,043,565**	**(321,600)**	**4,966,284**	**(18,979,023)**	**96,709,226**

Notes to the financial statements are included on pages 15-21.

Condensed consolidated cash flow statement

for the half year ended 31 December 2011

		Consolidated half year ended	
	Note	**31 Dec 2011 $**	**31 Dec 2010 $**
Cash flows from operating activities			
Receipts from customers		-	425,545
Interest received		343,884	479,037
Tax refunds		286,923	438,201
Interest and other finance costs paid		(26,534)	(65,254)
Payments to suppliers and employees		(3,268,611)	(2,148,104)
Net cash used in operating activities		(2,664,338)	(870,575)
Cash flows from investing activities			
Payment for property, plant and equipment		(133,307)	(233,757)
Exploration and development costs paid		(5,739,025)	(2,839,855)
Proceeds from sale of property, plant & equipment		10,000	232,000
Purchase of Meekatharra Gold Project (i)	7	(8,000,000)	-
Net proceeds from sale of subsidiary	5	3,012,883	-
Payments for other financial assets		(596,442)	-
Net cash used in investing activities		(11,445,891)	(2,841,612)
Cash flows from financing activities			
Proceeds from issues of equity securities		-	7,500,000
Payment for share issue costs		-	(412,563)
Repayment of borrowings		-	-
Net cash provided by financing activities		-	7,087,437
Net (decrease) / increase in cash and cash equivalents		(14,110,229)	3,375,250
Cash and cash equivalents at the beginning of the period		13,824,448	1,285,378
Transfer from / (to) financial assets		2,860,634	(208,000)
Cash and cash equivalents at the end of the period		2,574,853	4,452,628

(i) This is the cash portion of the final payment made on 1 July 2011 for settlement of the Meekatharra Gold Project purchase.

Notes to the financial statements are included on pages 15 to 21.

Index to notes to the condensed consolidated financial statements

Note	Contents
1	Significant accounting policies
2	Segment information
3	Dividends
4	Issues of equity securities
5	Disposal of subsidiary
6	Borrowings
7	Acquisition of assets
8	Subsequent events

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2011 annual financial report for the financial year ended 30 June 2011. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period.

There are no new and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the Group.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods. The new and revised Standards and Interpretations has not had a material impact and not resulted in changes to the Group's presentation of, or disclosure in, its half-year financial statements.

Going concern

The half year financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business. For reasons described below, it has been appropriate to review the Consolidated Entity's going concern status:

(i) The Consolidated Entity has incurred a net loss after tax for the half year ended 31 December 2011 of $2.26 million (31 December 2010: loss of $1.93 million).

(ii) The Consolidated Entity experienced net cash outflows from operating activities of $2.66 million (2010 net outflow: $0.87 million) and net cash outflows from investing activities of $11.45 million (2010 net outflow: $2.84 million).

(iii) As at 31 December 2011 the Consolidated Entity had a net current asset position of $3.60 million (30 June 2011: net current assets of $8.20 million).

(iv) The Consolidated Entity has budgeted capital expenditure over the next 12 months of approximately $35 million associated with the Meekatharra Gold Project. The budgeted expenditure will be incurred on the basis the project progresses in accordance with the Consolidated Entity's decision to mine announced on 27 February 2012.

The directors have reviewed the Consolidated Entity's overall position and outlook in respect of the matters identified above and are of the opinion that the use of the going concern basis remains appropriate given the following:

(i) The Directors are in advanced stages of negotiations to raise funds through additional capital. The form and content of this strategy is nearing completion and is expected to be announced within the next month. The proceeds will be used primarily to fund the development of the Meekatharra Gold Project and general working capital requirements.

(ii) The Consolidated Entity has the benefit of an undrawn $1.5 million standby debt facility with the Executive Chairman which is able to be drawn upon immediately.

(iii) The Consolidated Entity has identified several non-core assets which may be disposed of if the need arises, with completion expected to occur within 12 months from the date of signing this report. As disclosed in Note 8 to the half year financial report, the Company has already engaged PCF Capital Group Pty Ltd to seek expressions of interest for the sale of the Comet Vale Gold Project.

(iv) The Directors have reviewed the quantum and timing of all discretionary expenditures including exploration and development costs, and wherever necessary, these costs will be minimised or deferred to suit the Consolidated Entity's cash flow needs from operations. This includes the active management of working capital commitments.

The Directors are confident the Consolidated Entity has the ability to source funds required through the debt and equity markets as it has successfully done so in the past. Should the Consolidated Entity be unable to secure the additional funding to progress the Meekatharra Gold Project or source additional working capital by 30 June 2012, a material uncertainty would exist as to whether the Consolidated Entity will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the half year financial report.

Going concern (continued)

The half year financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Consolidated Entity not continue as a going concern.

2. Segment information

Basis for segmentation:

AASB 8 Operating Segments requires the presentation of information based on the components of the entity that management regularly reviews for its operational decision making. This review process is carried out by the chief operating decision maker (CODM) for the purpose of allocating resources and assessing the performance of each segment. The amounts reported for each operating segment is the same measure reviewed by the CODM in allocating resources and assessing performance of that segment.

For management purposes the Company operates under three reportable operating segments comprised of the Company's gold, vanadium and 'other segments'. Gold and vanadium operating segments are separately identified given they possess different competitive and operating risks, and meet the quantitative criteria as set out in AASB 8. The 'other segments' category is the aggregation of all remaining operating segments given sufficient reportable operating segments have been identified.

For the six months ended 31 December 2011

Reportable Operating Segments	Gold $	Vanadium $	Other $	Unallocated $	Total $
Continuing operations					
Revenue from external customers	-	-	-	-	-
Cost of sales before amortisation	-	-	-	-	-
Gross profit before amortisation	-	-	-	-	-
Amortisation expense	-	-	-	-	-
Gross profit/(loss)	**-**	**-**	**-**	**-**	**-**
Revenue – Other	58,209	-	2,773	322,174	383,156
Inter segment revenue	-	-	-	-	-
Impairment	(8,987)	-	(52,908)	-	(61,895)
Depreciation	(43,449)	-	-	(109,882)	(153,331)
Total revenue	58,209	-	2,773	322,174	383,156
Total expenses	(1,278,012)	(5,657)	(106,236)	(2,550,630)	(3,940,535)
Profit/(loss) before tax	**(1,219,803)**	**(5,657)**	**(103,463)**	**(2,228,456)**	**(3,557,379)**
Discontinued operations					
Total revenue	516	-	-	-	516
Total expenses	(29,403)	-	-	-	(29,403)
Gain on disposal of subsidiary	483,450	-	-	-	483,450
Profit/(loss) before tax	**454,563**	**-**	**-**	**-**	**454,563**
Consolidated profit/(loss) before tax	**(765,240)**	**(5,657)**	**(103,463)**	**(2,228,456)**	**(3,102,816)**

2. Segment information (continued)

At as 31 December 2011

Reportable Operating Segments	Gold $	Vanadium $	Other $	Unallocated $	Total $
Additions to non-current assets	6,994,480	1,801,821	503,723	688,166	9,988,190
Re-classification as held for sale	-	-	-	-	-
Consolidated additions to non-current assets	6,994,480	1,801,821	503,723	688,166	9,988,190
Total segment assets	52,970,708	37,572,267	5,783,605	10,232,397	106,558,977
Assets classified as held for sale	-	-	-	-	-
Consolidated total assets	**52,970,708**	**37,572,267**	**5,783,605**	**10,232,397**	**106,558,977**

For the six months ended 31 December 2010

Reportable Operating Segments	Gold $	Vanadium $	Other $	Unallocated $	Total $
Continuing operations					
Revenue from external customers	347,821	-	-	-	347,821
Cost of sales before amortisation	(53,633)	-	-	-	(53,633)
Gross profit before amortisation	294,188	-	-	-	294,188
Amortisation expense	(230,775)	-	-	-	(230,775)
Gross profit/(loss)	**63,413**	**-**	**-**	**-**	**63,413**
Revenue – Other	164,364	-	20,208	402,466	587,038
Inter segment revenue	-	-	-	-	-
Impairment	-	-	(64,803)	-	(64,803)
Depreciation	(143,955)	-	-	(15,855)	(159,810)
Total revenue	512,185	-	20,208	402,466	934,859
Total expenses	(575,417)	(80,508)	(241,348)	(2,411,771)	(3,309,044)
Profit/(loss) before tax	**(63,232)**	**(80,508)**	**(221,140)**	**(2,009,305)**	**(2,374,185)**
Discontinued operations					
Total revenue	4,744	-	-	-	4,744
Total expenses	(91,863)	-	-	-	(91,863)
Gain on disposal of subsidiary	-	-	-	-	-
Profit/(loss) before tax	**(87,119)**	**-**	**-**	**-**	**(87,119)**
Consolidated profit/(loss) before tax	**(150,351)**	**(80,508)**	**(221,140)**	**(2,009,305)**	**(2,461,304)**

2. Segment information (continued)

As at 30 June 2011

Reportable Operating Segments	Gold $	Vanadium $	Other $	Unallocated $	Total $
Additions to non-current assets	34,877,582	2,786,570	937,916	1,522,352	40,124,420
Re-classification as held for sale	(1,200,664)	-	-	-	(1,200,664)
Consolidated additions to non-current assets	33,676,918	2,786,570	937,916	1,522,352	38,923,756
Total segment assets	43,765,306	26,846,586	5,882,651	29,103,880	105,598,423
Assets classified as held for sale	4,269,580	-	-	-	4,269,580
Consolidated total assets	**48,034,886**	**26,846,586**	**5,882,651**	**29,103,880**	**109,868,003**

3. Dividends

No dividends were paid, proposed or declared during the half-year to 31 December 2011 or 31 December 2010.

4. Issues of equity securities

During the half-year reporting period, Reed Resources Ltd made the following share issue:

- 1 July 2011 – the Company issued 2,505,300 fully paid ordinary shares at $0.50 per share to Mercator Gold Australia Pty Ltd (subject to Deed of Company Arrangement) as part consideration on settlement of the acquisition of the Meekatharra Gold Project.

The Company issued nil share options (2010: 7,150,000) over ordinary shares under its employee and executive share option plans during the half-year reporting period. During the prior half-year reporting period ending 31 December 2010, the share options issued to employees and consultants had a fair value at grant date of $0.12 and $0.18 per share option, and the share options issued to directors had a fair value at grant date of $0.08 per share option.

Performance rights were issued to Company employees during the current period (2010: nil) for nil cash consideration. A total of 285,000 performance rights were issued to employees on 1 August 2011. These performance rights may result in the issue of a total of 285,000 shares if the applicable vesting and performance criteria are satisfied during the 12 to 24 month period following the grant date.

5. Disposal of subsidiary

(i) Disposal of interest in Kalgoorlie Ore Treatment Company Pty Ltd:

On 8 September 2011 the Group disposed of Kalgoorlie Ore Treatment Company Pty Ltd, which held the Nimbus Processing Plant and associated assets situated near Kalgoorlie, Western Australia. The proceeds on disposal included $3.4 million cash consideration and $1.6 million worth of MacPhersons Reward Gold Ltd (ASX: MRP) fully paid ordinary shares. The profit/ (loss) for the period from the discontinued operation is analysed as follows:

	3 months ended 8 Sep 2011 $	6 months ended 31 Dec 2010 $
Loss after income tax for the period	(20,221)	(60,983)
Gain on disposal of processing plant operations	483,450	-
	463,229	(60,983)

5. Disposal of subsidiary (continued)

The following were the results of the processing plant operation for the period:

	3 months ended 8 Sep 2011 $	6 months ended 31 Dec 2010 $
Revenue	516	4,744
Operating expenses	(29,403)	(91,863)
Loss before income tax	(28,887)	(87,119)
Income tax expense	8,666	26,136
Loss after income tax	(20,221)	(60,983)

The net assets of Kalgoorlie Ore Treatment Company Pty Ltd at the date of disposal were as follows:

	8 Sep 2011 $
Net assets disposed of	4,237,433
Gain on disposal	483,450
Total consideration	4,720,883
Consideration satisfied by:	
Fully paid ordinary shares	1,608,000
Deferred sales proceeds	100,000
Cash	3,399,680
Total consideration	5,107,680
Disposal costs	(386,797)
Net cash inflow arising on disposal	3,012,883

A gain of $483,450 was recognised on the disposal of Kalgoorlie Ore Treatment Company Pty Ltd.

6. Borrowings

During the period the Company entered into a financing arrangement for the payment of its annual insurance premiums. This arrangement allows the Company to better manage cash outflows by paying the premiums over a 12 month period.

7. Acquisition of assets

On 1 July 2011, the Group acquired the Meekatharra Gold Project assets. The transaction is not a business combination as the assets acquired did not meet the definition of a business as defined in the Australian Accounting Standards.

7. Acquisition of assets (continued)

The fair values of net assets acquired at the date of the acquisition and the consideration paid are as follows:

	1 Jul 2011
	$
Consumables	1,092,406
Property, plant & equipment	17,010,000
Exploration tenements	10,313,360
Rehabilitation asset	5,730,645
Rehabilitation liability	(5,730,645)
Value of net assets acquired	**28,415,766**
Equity consideration	1,252,650
Cash consideration (i)	25,000,000
Stamp duty	1,400,498
Directly attributable costs	762,618
Total consideration	**28,415,766**

(i) The final payment for acquisition of the Meekatharra Gold Project included a cash payment of $8 million. This payment is disclosed as a cash outflow from investing activities in the condensed consolidated cash flow statement.

8. Subsequent events

On 11 January 2012 the Company made several key appointments including Mr David Lim as Chief Financial Officer, Mr Geoffrey Cheong as Processing Manager and Mr Kenneth Fairless as Maintenance Superintendent. The appointments will enhance the Company's ability to progress the Meekatharra Gold Project to production on a timely basis.

On 12 January 2012 the Company engaged PCF Capital Group Pty Ltd to seek expressions of interest for the sale of the Comet Vale Gold Project. The small scale of this project in comparison with the recently acquired Meekatharra Gold Project has rendered it a non-core asset and the Company anticipates selling the project within the next 12 months. The project contains the assets and liabilities associated with activities carried out at the Sand Queen Gold Mine and the surrounding areas. For segment reporting purposes at Note 2 in the financial statements, the assets and liabilities relating to the Comet Vale Gold Project are included in the gold segment.

On 20 January 2012 the Company announced a new Mineral Reserve Estimate for the Meekatharra Gold Project. The total reserve (including underground) increased by 40% to 750,800oz compared to the previous estimate completed in November 2011 of 533,700oz. This represents a total reserve of 11.2Mt at a grade of 2.1g/t.

On 27 February 2012 the Company announced that the Bankable Feasibility Study for the Meekatharra Gold Project had been completed. Subject to finalisation of debt and equity financing arrangements, the Board resolved to commence project execution which would see gold production scheduled in the December quarter 2012.