



 Reed Resources Ltd

Annual Report

2013

ABN: 89 099 116 631

Corporate Directory

Directors

David Reed, Executive Chairman
Christopher Reed, Managing Director
Steven Cole, Non-Executive Director
Vanessa Guthrie, Non-Executive Director

Company Secretary

Jason Carone

Registered Office

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Stock Exchange Listing

Reed Resources Ltd are listed on the
Australian Stock Exchange

(Home Branch - Perth)

ASX Code: RDR

American Depositary Receipts (ADR)

Reed's ADRs trade under the code RDRUY,
CUSIP: 758254106 Each Reed ADR is equivalent
to 10 ordinary shares of Reed as traded on
the ASX. The Bank of New York Mellon is
the depositary bank.

ACN & ABN Numbers

ACN: 099 116 631
ABN: 89 099 116 631

Auditors

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

Share Registry

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth WA 6000

Annual General Meeting

Wednesday 20 November 2013 at
3:00pm Western Standard Time
The Celtic Club
48 Ord Street, West Perth
Western Australia

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Letter from The Chairman

The past year has been one of great challenge and great change for Reed Resources (“**RDR**”), with the company’s Meekatharra Gold Project (“**MGP**”) being placed into administration in August 2013. The board and management share in the disappointment of the outcome for the Meekatharra Gold Project. The Company is working with the Administrators to optimise the outcome for all concerned, including Reed Resources.

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 has scaled down its organisational and cost profile, conducting a material restructure and reduction to its board and management teams to suit its future activities.

Reed settled the MGP acquisition in July 2011 and after completing a Bankable Feasibility Study in February 2012, the decision to mine was made by the board, and equity and debt funding was secured. Work on refurbishment and the upgrade of the Meekatharra plant and infrastructure was completed on budget and on schedule.

Mining commenced on the 10th October, wet commissioning of the mill in December 2012, first gold in January and the mine officially opened on the 26 February 2013.

Despite extensive due diligence undertaken by the Company and independent reports received, gold production at the MGP was adversely affected by lower head grade, principally attributed to the loss of high grade ore tonnes previously mined from the legacy Bluebird open pits that were included in the Bluebird Reserve. It was also adversely affected by periods of negative mine-to-mill ounces reconciliation, which placed further strain on MGP holding company’s cash flows. All this occurred in an environment of significantly deteriorating gold prices over 2013, the full impact of which was mitigated for the Company by its prudential hedge arrangements.

With RDR no longer involved 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 left the Company at end of September.

Chris Reed, whose primary responsibility over the last 18 months has been the continued development of RDR’s non-gold assets, has resumed the role of CEO/MD. In addition, Cobb Johnstone also stepped down from the board and the corporate management team has been fined down with the departure of the CFO and the Legal Counsel. I thank all those departing from office for their tireless efforts over this challenging period for the Company.

Assessment of the Barrambie Titanium and Vanadium Project and the Mount Marion Lithium Project continued during the year. Considerable work was undertaken to identify, secure and commence the evaluation of the optimal process routes to ensure long-term cost competitiveness and maximise the enterprise values of the projects.

Value enhancement from the Barrambie Titanium and Vanadium project is on the cusp of realisation through a technological breakthrough from a proprietary hydrometallurgical process developed in Canada. The Company has commenced a scoping study and continuous program of test work is scheduled for later this financial year, based on encouraging laboratory-scale test work results.

Through its 70% co-venture interest with the Mineral Resources Group, a pre-feasibility study on proprietary process to produce the lithium battery material, lithium hydroxide, directly from Mt Marion lithium mineral (spodumene) concentrates was completed. This patent process was acquired and was subject to extensive test work during the year. With encouraging results to date and subject to completion of successful continuing test works planned for later this financial year, we look forward to realising the considerable potential and value in this project.

I remain personally and financially committed to restoring and reinvigorating RDR and its investment value to shareholders as evident in my commitment to provide a standby facility of up to \$3 million to underwrite the sustainability of RDR as it pursues its refocussed strategy described above.

In closing, I thank all our directors and staff for their contribution and to our shareholders for their continued involvement and support of the company.



Mr David J Reed
Chairman - Reed Resources Ltd



Review of Operations

The directors of Reed Resources Ltd (“Company” and “Reed”) present the annual financial report for the Company and its controlled entities (“Consolidated Entity” and “Group”).



Meekatharra Gold Project

(Reed 100%)

The Meekatharra Gold Project (“**Project**”) is situated in Western Australia’s prolific Meekatharra – Wydgee Greenstone Belt which is host to a number of multimillion ounce deposits, including Mt Magnet (8 Moz) and Tuckabiana (1 Moz).

In 2011 GMK Exploration Pty Ltd (“**GMKE**”), a wholly owned subsidiary of Reed, acquired one of the most fertile contiguous packages of land in this greenstone belt. It has a strike of 110km, covering approximately 800 square kilometres and has produced in excess of 4.5 Moz of gold during the course of its history.

Strategically located in the centre of the project area is the Group’s 3 million tonne per annum Bluebird CIL processing plant.

Co-located at Bluebird is support infrastructure including administration offices, workshops, laboratories, power station and a 190 room accommodation village, all of which have an estimated replacement cost in excess of \$100 million.

Strategy

The Project comprises numerous open pit and underground deposits across four primary project areas which include Yaloginda, Paddys Flat, Reedys and Meekatharra North. In line with the Group’s corporate objectives of minimising risk whilst achieving an acceptable financial return, the Project was designed to be executed in three Stages:

- a) Stage 1: Recommence Operations – planned as a low risk development option involving mining of shallow free milling Yaloginda ore bodies in what was envisaged to be a 21 month development and production plan;
- b) Stage 2: Operational Expansion – planned to exploit the remaining 618,000 ounces of Reserves and see the focus expand from open pit to both open pit and higher grade underground production at Paddy’s Flat to the north and Reedys to the south in addition to continuing operations at Yaloginda; and
- c) Stage 3: Increase Life of Mine – conversion of remaining Resource ounces to Reserves through advanced targeting and exploration techniques and the identification of new Resources and Reserves with the ultimate aim of delivering a sustainable 10 year mine life.

Review of Operations

The mine plan and production strategy for the economic recovery of gold from the known gold ore bodies at Yaloginda was based on assessing the existing data base of drill-hole assays, geology and metallurgical characteristics of the existing mineralised zones, remodelling these resources and applying industry based costs for open cut mining, processing and administration to determine the economic viability of each of the known Resources.

The results of the study identified which Resources could be economically mined by open cut methods and which were best suited to being exploited by underground methods. Metallurgical characteristics of the ore for each deposit were also a key consideration in determining the suitability and sequence of the proposed Stage 1 mining and processing operations.

Four deposits within the Yaloginda project area were selected as the focus for implementation of Stage 1 of the Project's mine plan and strategy, being the:

- Bluebird deposit;
- Surprise deposit;
- Batavia deposit; and
- Whangamata deposit.

Stage 1 operations were expected to provide sufficient free cash flow to fund the Stage 2 expansion of the Project.

Operations

In late February 2012, the Company announced its decision to mine at the Project following the completion of the Stage 1 Bankable Feasibility Study. Accordingly, the production plan

was updated to commence Stage 1 immediately after equity funding arrangements were finalised. Stage 1 would focus on a capital works program of \$24 million to refurbish the Project's processing facility, upgrade existing infrastructure, replace minor items of equipment and production of 2.35Mt at 1.87g/t Au for approximately 134,000 recovered ounces over 19 months of ore processing. Production was planned from the Bluebird, Whangamata, Batavia, Surprise open pits and legacy low grade ore stockpiles, all within a six kilometre radius of the Bluebird mill.

Stage 1 mining commenced within the Bluebird open pit at Meekatharra in October 2012 with all equipment required to meet initial production requirements from the Bluebird pit mobilised to site by mid-November 2012. To the end of June 2013, a total of 670.8kt of ore had been mined at 1.06g/t Au containing 22.9koz of gold whilst 785.5kt at 0.96g/t had been processed for 22.7koz of gold at 93.6% recovery.

The Project's capital works program was completed within budget and coincided with the wet commissioning of the Bluebird gold processing facility in December 2012. Processing of predominantly low grade stockpile feed establish an in-circuit inventory of approximately 1,200 ounces and established the plant's steady state operating parameters. In January 2013, the Company announced the first gold pour from the Project.

Table 1 provides a summary of production since commencement in late October 2012 to 30 June 2013. All ore mined over this nine month period was produced from the Bluebird ore body.

Table 1 Meekatharra Operations - actual production summary (October 2012 to June 2013)

Bluebird	2012			2013						Total
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
Earthmoving:										
Ore Milled (kBCM)	-	3.6	17.6	66.3	58.6	96.2	78.3	56.9	36.5	414.0
Waste (kBCM)	174.3	549.5	602.0	563.2	505.7	543.4	437.7	425.7	344.9	4,164.5
Total (kBCM)	174.3	553.1	619.6	629.5	564.2	639.7	516.0	482.6	381.4	4,560.5
Mining:										
Ore mined (kt)	-	5.7	33.0	100.0	80.9	133.3	101.9	134.2	81.7	670.8
Grade (g/t Au)	-	1.09	1.36	0.92	0.85	0.90	1.30	1.18	1.01	1.06
Contained Au (oz)	-	201	1,441	2,955	2,206	3,869	3,897	5,106	2,666	22,862
Milling:										
Ore milled (kt)	-	-	39.0	96.4	107.6	138.2	149.9	139.6	114.9	785.5
Head grade (g/t Au)	-	-	0.74	0.96	0.93	0.84	1.01	1.16	0.91	0.96
Gold (ounces)	-	-	929	2,976	3,205	3,733	4,866	5,205	3,361	24,274
Recovery (%)	-	-	72.0	88.9	90.6	95.7	95.8	96.4	96.3	93.6
Au production (oz)	-	-	668	2,645	2,904	3,574	4,662	5,020	3,236	22,710

Review of Operations



Like the capital works program, Project mine production, Project mill throughput and Project operating expenditure was substantially as planned, however in June 2013 the Company released an operations update for the Bluebird mine, which is a cutback of pre-existing open pits, advising that the Project had not delivered to the Reserve. The variance in mined ounces was principally attributable to ounces that had been previously mined from the historic legacy Bluebird pits, and not recorded, nor apparent from reasonable inspection due to back filling from historical mining and mill tailings deposition. The Company also advised that the mine to mill ounces reconciliation had declined from that previously achieved up until June 2013.

The Company explained that by the end of May 2013, the Bluebird pit had been mined to below the base of the legacy Bluebird North pit whilst approximately 35m remained to be mined to reach the base of the legacy Bluebird pit. The legacy Bluebird pit contained rock back-fill from historical mining and thereby it was not reasonably possible to verify the final pit survey however an estimate of possible mined ounces from the remaining legacy Bluebird pit and included in the Bluebird Reserve was performed.

To mitigate short term impacts on cash flow from the potential foregone ounces, the Bluebird pit was redesigned with two concurrent stages to access higher grade ore earlier at the southern end of the pit. This was expected to have a short term impact on the timing of delivered gold ounces however, based on the remaining Bluebird Reserve the Bluebird open pit remained viable.

In July 2013 and subsequent to the financial year, the Consolidated Entity had performed further grade control drilling in the northern and southern Bluebird ore lodes. After combining the drill data with face sampling, blast-hole definition sampling and existing geological data, the Consolidated Entity was able to better define the ore blocks remaining to be mined from Bluebird. A review of the independent and external Mineral Resource estimate concluded that the original Bluebird Resource estimate

retained its original integrity below the 400mRL albeit the original Bluebird Resource estimate included ounces previously depleted by the legacy Bluebird pits.

Later in July 2013 and based on the prevailing economic environment and further analysis of mining operations, the Company decided to defer the further assessment and development of Stages 2 and 3 of the Project until a sustained increase in the prevailing gold price, and an improvement in market sentiment became apparent.

The strategies implemented by the Group to mitigate the short-term cash flow impact of the loss of high grade ore tonnes previously mined from the legacy Bluebird open pits and the decline in the mine-to-mill ounces reconciliation contributed to an improved mine-to-mill ounces performance in July. However, the mine-to-mill ounces reconciliation in the first 2 weeks of August underperformed, thereby placing further strain on the Group's cash flows. The Group could not continue to operate the Project on a sustainable basis without further significant funding which was not forthcoming in the available timeframe and the Company advised GMKE that it would no longer provide funding for the operation of the Project. Consequently, GMKE appointed Mr. Andrew Saker and Mr. Darren Weaver of Ferrier Hodgson as voluntary administrators on 16 August 2013.

Barrambie Titanium-Vanadium-Iron Project (Reed 100%)

During the year the Group commenced an evaluation of the Barrambie deposit with a focus on recovering titanium dioxide (TiO_2) as the primary product, historically evaluations had focussed on recovering vanadium. Barrambie is currently the second highest grade hard rock titanium deposit globally (behind Rio Tinto's Lac Tio mine in Canada) and has a Mineral Resource Estimate (2013) of 47Mt @ 22.2% TiO_2 , 0.63% V_2O_5 and 46.7% Fe_2O_3 , at a cut-off grade of 15% TiO_2 .

Titanium dioxide is used in paint, paper and as a high-strength, low weight alloy, increasing intensity of use in Asia and

Review of Operations

particularly China underpin strong demand fundamentals. The Group's objective is to prove the technical feasibility and economic viability of developing Barrambie as a low-cost, long-life producer of Ti-V-Fe units.

During the year the Group completed laboratory scale test work in Canada and has confirmed high-purity titanium dioxide (99% TiO₂) can be precipitated selectively from an acid leach solution at recoveries greater than 90%. This has been achieved on both run-of-mine ore and concentrates from the Eastern Band of the Barrambie Ti-V-Fe deposit. Vanadium pentoxide and iron oxide will be recovered as co-products with target purity of 99% and recoveries of 90%. Process simulation as part of a preliminary economic evaluation supports the validation of the process flow-sheet at a continuous scale (mini-pilot) is warranted. A mini-pilot plant (10kg per day) test work program is planned to commence in the December quarter of 2014. An engineering cost study is planned to commence subject to board approval after the technology has been proved as viable on a continuous basis.

The heart of the planned metallurgy campaign is a unique and patented acid recovery and regeneration process, which operates at a fraction of the cost of more conventional and energy consuming technologies such as pyrohydrolysis. The Group is in the process of securing a licence to produce Ti-V-Fe from the Canadian owners of the technology.

Mount Marion Lithium Project

(Reed Resources 70%, Mineral Resources Limited 30%)

During the year Reed together with Mineral Resources Ltd ("MRL") continued to advance the Mt Marion Lithium Project ("Mt Marion"). Reed and MRL are continuing to assess the most effective production profile and optimal timing for the commencement of operations at Mt Marion. All project approvals for Mt Marion have been received.

In mid-October 2012 Reed announced the signing of the shareholders agreement to formalise the 70:30 shareholding of the project's special purpose vehicle, Reed Industrial Minerals Pty Ltd ("RIM"). Under the agreement MRL will continue to fund and operate Mt Marion with MRL's previous right to earn profits from the operation converted into a 30% interest of issued share capital of RIM.

RIM was formed to ensure the appropriate financial, technical and human resources for Mt Marion, including the downstream processing into high-purity lithium battery feed stocks, could be managed and accessed.

Lithium carbonate and in turn spodumene prices have recovered from the price volatility of 2010 -11 and have resumed an upward trend (up +25% in 2012). Roskill have forecast an extraordinary increase in the consumption of high-purity, battery-grade lithium hydroxide and carbonate, underpinned by growth in rechargeable batteries. The current median prices for lithium hydroxide and lithium carbonate is US\$7,500 and US\$7,100 per tonne on a CIF basis to US or Europe (source: Industrial Minerals 25 June 2013). The recent acquisition of Talison Lithium by China's largest lithium producer, Tianqi, for C\$800 million demonstrates the strategic value in captive sources of spodumene production in lower-risk mining jurisdictions like Australia.

Lithium Down-streaming Strategy

The Company announced the results of a Pre-feasibility Study ("PFS") in mid-October 2012 which indicated robust financial returns and endorsed an integrated down-streaming strategy to maximise Mt Marion's value. A summary of results, based on RIM's proprietary process flow-sheet, is shown in below.

Table 2: Key metrics of Reed's lithium down-streaming PFS.

Operating Parameters	Quantity
Spodumene Concentrate Feed	147,100 tpa
Spodumene Concentrate Grade	6.0 % Li ₂ O
Lithium Hydroxide/Lithium Carbonate Production	10,000/8,810 tpa
PFS Highlights	
Life of Mine (LOM) Production	200,000t LiOH 176,200t Li ₂ CO ₃
LOM Revenue	US\$ 3.15 billion
Pre-tax Cashflow	US\$ 1.19 billion
Pre-tax NPV 12%	US\$ 321 million
Pre-tax Internal Rate of Return	94%
Average Cost per tonne of LiOH	US\$ 3,878
Average Cost per tonne of Li ₂ CO ₃	US\$ 4,538
Total initial capital costs	US\$ 83 million

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As part of RIM's integrated down-streaming strategy, and following on from the 2012 PFS, the Company commenced a "proof of technology" test work program involving the production of high-purity lithium battery feed-stocks, lithium hydroxide and lithium carbonate, on a continuous scale from RIM's proprietary process flow sheet using spodumene concentrates from Mt Marion. The test work program is expected to be complete in early October 2013 at which time a decision to complete an Engineering Cost Study will be considered, which would allow a Definitive Feasibility Study to be completed in the 2013-14 financial year. Results to date are encouraging, and Australian and International full patent applications have been lodged.

Reed is working with MRL in preparing RIM to become an independently financed, advanced minerals company. An Initial Public Offering of RIM is currently Reed and MRL's preferred financing strategy, with the anticipated timing to be determined post-completion of a Definitive Feasibility Study. Strategic discussions continue with third parties in relation to alternate transaction structures. Discussions remain preliminary and there can be no assurance that a binding proposal will emerge. The Company will keep the market informed as matters develop further.

Mt Finnerty Project

The Mt Finnerty Project, located approximately 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 (through an option agreement) with Barranco Resources NL ("Barranco").

All iron exploration is conducted by Cliffs Asia Pacific Iron Ore Pty Ltd, surface iron - enriched banded iron formations ("BIF") along the central spine of the greenstone belt, are within trucking distance of Cliffs' Koolyanobbing Iron Ore

Operations. The BIF throughout the greenstone belt are prospective for bedded hematite/goethite deposits as well as lower grade magnetite deposits. Low grade goethite-hematite Resources total 4.7Mt at 53.5% Fe.

Nickel exploration has focused on the western flank of the greenstone belt which is most prospective for massive nickel sulphide mineralisation.

The Group's strategy is to divest the project in the 2013-14 financial year.

Iron Ore (Cliffs 80%, Reed 20%)

During the year Cliffs tested a magnetite banded-iron target (FIN5) with a single diamond drill hole. Assays are yet to be received. Cliffs Magnetite Review indicated the project area shows lower magnetic signature, topography and BIF thickness compared to the Koolyanobbing range, 65km to the west.

Nickel (Barranco 100%, Reed option to acquire 100%)

Exploration within the Mt Finnerty Project during the year focused on diamond drilling and detailed logging of core at the Green Dam Prospect within E16/305.

The drilling of 3 targets intersected variably altered, thick, high magnesian serpentinite after olivine mesocumulate. No footwall contacts were intersected due to collaring diamond holes higher in the Green Dam Ultramafic Complex stratigraphy in order to test for remobilised NiS mineralisation.

One diamond drill-hole targeted a strong IP anomaly. The hole intersected multiple amphibole-fuchsite-biotite-sulphide alteration zones and a massive chalcopyrite-pentlandite-magnetite mineralised vein system. Trace element geochemistry and sub-grade nickel values are interpreted to



Review of Operations

be highly prospective for more significant thicknesses and grades down the vein system.

Another diamond drill-hole targeted the anomalous palladium geochemistry of previous RC drilling programmes. This hole intersected similar multiple amphibole-fuchsite-biotite-sulphide alteration zones.

The third diamond drill-hole targeted the “Green Dam Gossan” leakage anomaly that returned 2-4% nickel from pXRF estimates. The hole intersected multiple amphibole-fuchsite-biotite-sulphide alteration zones, the orientation of which can be interpreted to be continuous with the leakage anomaly.

All alteration zones and talc-carbonate altered serpentinite-with-disseminated sulphides were submitted for analysis of the comprehensive komatiite and pathfinder suite of elements. Independent petrological examinations of diamond core confirm the occurrence of nickel sulphide minerals in trace amounts.

Comet Vale Project

(100% Reed)

Sand Queen Gold Mine

The Sand Queen mine remains on care and maintenance and there was no production during the year.

A conditional sale agreement for the Comet Vale project and the Nimbus royalty for \$6 million was terminated during the year due to the inability of the potential acquirer to raise the required funds to satisfy a sale condition. The Company's strategy is to divest the project in the 2013-14 financial year and an active sale process is currently in progress.

The project has combined underground and open-pit mine Resources of 850Kt @ 7.66g/t Au for 209,000 oz.

Macphersons Resources Ltd is party to an agreement to process up to 70,000 tonnes per annum of gold ore from the Comet Vale Gold Project for up to 4 years from commencement of the first milling campaign.

Nimbus Silver-Zinc Royalty

(Reed 1% Zinc Royalty)

During the reporting period Reed held a 1% Net Smelter Royalty on all zinc extracted and recovered from M26/0490 and M26/0598, containing Macphersons Resources Ltd's (ASX code: MRP) Nimbus Silver-Gold-Zinc mine. MRP has reported to the ASX that the mine has combined Resources of 4.8Mt @ 79g/t Ag, 0.29 g/t Au and 1.3% Zn, containing 64,744 tonnes of zinc, and that processing is planned to commence in second half of calendar 2014.

Subsequent to 30 June 2013 the Company disposed of the above royalty (refer to the “Events after the reporting period” section below).



Review of Operations

REED RESOURCES LTD – MINERAL RESOURCE STATEMENT

Meekatharra ⁽³⁾	Category	Tonnes (Mt)	Au (g/t)	Au (koz)
Meekatharra North	Indicated	1.2	1.8	66.0
	Inferred	0.2	1.6	9.0
Paddy's Flat	Indicated	25.2	1.6	1,281.0
	Inferred	13.4	1.6	670.0
Yaloginda	Indicated	8.3	1.7	451.0
	Inferred	5.4	1.6	280.0
Reedys	Indicated	1.2	1.8	66.0
	Inferred	0.2	1.6	9.0
TOTAL	Indicated	37.4	1.7	2,074.0
	Inferred	23.0	1.8	1,297.0
	TOTAL	60.4	1.7	3,371.0

Comet Vale	Category	Tonnes (Mt)	Au (g/t)	Au (koz)
Comet Vale	Indicated	0.41	7.2	96.9
	Inferred	0.43	8.1	112.6
TOTAL		0.85	7.6	209.5

Mt Marion	Category	Tonnes (Mt)	Li ₂ O (%)	Li ₂ O (kt)
1,2,2w,4,5,6	Measured	2.0	1.45	29.2
	Indicated	4.8	1.39	66.3
	Inferred	8.1	1.30	105.1
TOTAL		14.9	1.35	200.7

Barrambie	Category	Tonnes (Mt)	TiO ₂ (%)	V ₂ O ₅ (%)
Barrambie	Indicated	34.7	22.25	0.64
	Inferred	12.5	21.99	0.58
TOTAL		47.2	22.2	0.63

Mt Finnerty	Category	Tonnes (Mt)	Fe (%)	P (%)
Mt Finnerty	Inferred	4.7	53.5	0.08
TOTAL		4.7	53.5	0.08

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REED RESOURCES LTD – ORE RESERVE STATEMENT

Project	Area ⁽³⁾	Category	Tonnes (Mt)	Au (g/t)	Au (koz)
Bluebird	Meekatharra	Probable	1.14	1.6	58.8
Prohibition	Meekatharra	Probable	1.11	2.7	96.0
Mickey Doolan	Meekatharra	Probable	3.31	1.1	121.7
Maid Marion	Meekatharra	Probable	0.2	1.4	8.6
South Junction	Meekatharra	Probable	0.1	1.5	4.5
Surprise	Meekatharra	Probable	0.1	3.0	13.0
Batavia	Meekatharra	Probable	0.2	2.4	14.0
Whangamata	Meekatharra	Probable	0.3	1.4	11.9
Jack Ryan	Meekatharra	Probable	0.2	3.1	21.8
Callisto	Meekatharra	Probable	0.1	3.1	7.2
Rand	Meekatharra	Probable	0.1	2.4	7.6
South Emu	Meekatharra	Probable	0.1	4.7	13.9
TOTT	Meekatharra	Probable	0.5	1.8	29.4
Sub-total (Open Pit)		Probable	7.5	1.7	407.6
Prohibition	Meekatharra	Probable	1.3	2.4	104.1
Vivian/Consols	Meekatharra	Probable	0.3	7.7	63.6
Fatts/Mudlode	Meekatharra	Probable	0.4	4.7	57.2
South Emu	Meekatharra	Probable	0.2	4.3	34.2
Sub-total (Underground)		Probable	2.2	3.6	259.1
Total		Probable	9.6	2.2	667.0

Notes:

- Resources and Reserves comply with the JORC Code (2004).
- Resources are inclusive of Reserves.
- GMK Exploration Pty Ltd, a wholly owned subsidiary of Reed Resources Ltd, and owner of the Meekatharra Gold Project, was placed into voluntary administration on 16 August 2013.

COMPETENT PERSONS STATEMENTS

Meekatharra and Comet Vale Gold Projects

Geological aspects of this report that relate to exploration results, Minerals Resources and Ore Reserves for the Group's Meekatharra and Comet Vale gold projects have been compiled by Mr. Craig Fawcett (MAIMM), a full time employee of GMK Exploration Pty Ltd, a wholly owned subsidiary of the Company. Mr. Fawcett has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which is being reported on to qualify as a Competent Person as defined in the Code for Reporting of Mineral Resources and Ore Reserves (2004). Mr. Fawcett consents to the inclusion in this report of the matters in the form and context in which it appears.

Barrambie and Mount Marion Projects

Geological aspects of this report that relate to exploration results, Minerals Resources and Ore Reserves for the Company's Barrambie, Mt Finnerty and Mt Marion projects have been compiled by Dr. Bryan Smith (MAIG and MAIMM), a consultant to the Group. Dr. Smith has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which is being reported on to qualify as a Competent Person as defined in the Code for Reporting of Mineral Resources and Ore Reserves (2004). Dr. Smith consents to the inclusion in the report of the matters in the form and context in which it appears.

Directors' Report



CORPORATE

Debt funding and hedging

In mid-2012 the Company executed a hedge position with Barclays Bank for 70,000 ounces of put options as part of a strategy to protect the floor price of a proposed gold hedge facility required to underpin the development of the Meekatharra Gold Project. In September 2012 the put options lapsed on the expiry date unexercised.

On 26 September 2012, GMK Exploration Pty Ltd, a wholly owned subsidiary of the Company, accepted an offer from Credit Suisse to provide a \$19 million secured debt facility and a hedging facility to manage the gold price risk for the Meekatharra Gold Project. Key features of the facilities were as follows:

- \$19 million senior secured term loan
- Repayment in 12 months from first utilisation, with an option for GMKE to extend a further 6 months
- A hedging facility which included 70,000 ounces in forward delivery contracts and 40,000 ounces in bought put options.

These funds were used exclusively for the working capital needs of GMK Exploration Pty Ltd, owner and operator of the Meekatharra Gold Project. In April 2013 the Group took advantage of a fall in the gold price to close out the hedge facility with Credit Suisse and payout the loan in full, netting the Group approximately \$7.7 million in cash (Refer to the "Events after the reporting period" section below for material events occurring after the balance date).

Placement and Share Purchase Plan

In October 2012 the Company undertook an \$8 million Placement to institutional and sophisticated investors and a \$2 million underwritten Share Purchase Plan with existing shareholders in order to raise funds for the development of the Meekatharra Gold Project and provide funds for Reed's working capital needs. Both capital raisings were successfully completed in October and November 2012 respectively.

Management changes

During the reporting period the Company's board of directors and its executive management team were restructured with the following changes occurring during the year:

- Mr. David Reed transitioned from an executive chairman position to non-executive position on 1 July 2012.
- Mr. Peter Collins retired from the board on 29 November 2012.
- Mr. Colin Johnstone was appointed non-executive director on 31 January 2013. Due to the scale back in business activity resulting from GMK Exploration Pty Ltd being placed into Administration Mr. Colin Johnstone will retire from the board of directors prior to the Company's 2013 Annual General Meeting.
- The Company announced the resignation of Mr Luke Tonkin. Mr. Tonkin will depart on or before 30 September 2013.
- Mr. Chris Reed to resume the role of managing director on Mr. Tonkin's departure.
- Mr. David Lim will depart in October 2013 as a result of the position of Chief Financial Officer being made redundant.
- Mr. Darren Wates will depart in October 2013 as a result of the position of General Counsel being made redundant.
- Mr. Craig Fawcett resigned from his position with the Group and will depart at the end of September 2013.

Directors' Report

The directors of Reed Resources Ltd submit their report for the financial year ended 30 June 2013.

The names and particulars of the directors of the Company during or since the end of the financial year are:

Current Directors

Steven Cole

Non-Executive Director

Mr. Cole is a lawyer with over 36 years of professional consultancy and commercial experience. Mr. Cole has extensive experience in the management of ASX listed companies, statutory, and proprietary and not-for-profit organisations covering the industrial, financial, educational, professional services, health and resources sectors.

Mr. Cole holds a Bachelor of Laws (Hons) and is a Fellow of the Australian Institute of Company Directors.

Appointed:

24 July 2008

Special responsibilities:

Deputy Chairman, Chairman of the Nomination and Remuneration and Audit and Risk Management Committees

Directorships of other listed companies:

Chairman of Emerson Stewart Group Limited (31 March 2008 to 16 October 2011)

Vanessa Guthrie

Non-Executive Director

Dr. Guthrie has more than 20 years of experience in the Australian resources sector, working in a number of areas in the resources sector including mining, refining, smelting and gas production. Dr Guthrie has previously held positions in corporate administration as well as holding the position of Mine Manager at Australia's largest bauxite operation. She has worked for organisations such as Woodside Energy Ltd, Alcoa World Alumina Australia, WMC Resources, RGC Limited, Goldfields Limited, Pasminco Ltd and Toro Energy. Dr Guthrie is currently the managing director of Toro Energy.

Dr. Guthrie holds a Bachelor of Science with Honors II (I) (Geology), a Doctor of Philosophy (Geology), Diploma in Natural Resources, Diploma in Business Management and Diploma in Commercial and Resources Law. Dr Guthrie is also member of AusIMM and the Australian Institute of Company Directors.

Appointed:

17 June 2011

Special responsibilities:

Member of the Audit and Risk Management and Nomination and Remuneration Committees

Directorships of other listed companies:

Managing Director of Toro Energy

Directors' Report

Current Directors (continued)

Colin 'Cobb' Johnstone

Non-Executive Director

Mr. Johnstone is a mining engineer with more than 30 years' experience in copper, gold and metalliferous mining industries, including both open cut and underground operations. Mr. Johnstone has extensive mining industry experience having served as general manager at some of Australia's largest mines, including KCGM, Australia's largest gold producer, Olympic Dam and Northparkes Mines. He has also held senior production and management positions with WMC Resources and North Limited and has experience in Zambia, China, Canada, Argentina and Australia.

Mr. Johnstone was formally Vice-President of Operations and Chief Operating Officer at Equinox Minerals Limited, prior to the C\$7.6B acquisition by Barrick Gold Corporation. Mr. Johnstone was also Chief Operating Officer for Sino Gold Mining Limited at the time of its acquisition by Eldorado Gold Corporation for A\$2.6B and Managing Director of unlisted miner, Territory Resources Ltd from 2011 to 2012.

Mr. Johnstone holds a Bachelor of Engineering (Mining) from the University of Sydney.

Appointed:

31 January 2013

Special responsibilities:

Member of the Audit and Risk Management and Nomination and Remuneration Committees

Directorships of other listed companies:

Non-executive Director – Mining Group
(appointed 24 May 2012)

David J. Reed OAM

Non-Executive Chairman

Mr. Reed is an accountant with over 41 years' experience in stock broking and corporate management. From 1985 to 1997 Mr. Reed was chairman of stock-broking firm Eyres Reed Ltd until its sale to CIBC World Markets in 1997 at which time he became Chairman of CIBC Australia, a position he held until 2003. Mr. Reed has extensive public company experience having served as chairman of several ASX listed mineral exploration companies. Mr. Reed is a former chairman of the fund raising committee for the Australian Prospectors and Miners Hall of Fame and secretary of the Amalgamated Prospectors and Leaseholders Association and was a co-founder of the Diggers and Dealers Forum in Kalgoorlie. Mr. Reed received an Order of Australia Medal in 2002 for his service to the community.

Mr. David Reed is a Fellow of CPA Australia.

Appointed:

20 December 2001

Special responsibilities:

Member of the Audit and Risk Management and Nomination and Remuneration Committees

Directorships of other listed companies:

Nil

Directors' Report

Current Directors (continued)

Christopher J. Reed

Executive Director

Mr. Reed is an accountant with over 21 years of experience in the resource industry including more than 10 years in corporate administration and management. Mr. Reed served as Managing Director of Reed Resources Ltd from September 2007 until May 2012 at which time he assumed the role executive director. Mr. Reed is the current serving Vice-president of the Association of Mining and Exploration Companies.

Mr. Reed holds a Bachelor of Commerce from the University of Notre Dame and a Graduate Certificate in Mineral Economics from the WA School of Mines. He is a member of the AusIMM and CPA Australia.

Appointed:

20 December 2001

Special responsibilities:

Nil

Directorships of other listed companies:

Nil

Luke Tonkin

Managing Director

Mr. Tonkin, a mining engineer, joined Reed Resources Ltd as Managing Director on 14 May 2012. Mr. Tonkin has extensive experience within the resource industry with a range of commodities including gold, nickel, tantalum, tin, lithium and iron ore. Prior to joining Reed Resources Mr. Tonkin was Managing Director of Mount Gibson Iron Ltd and has held senior management roles with some of Australia's largest mining operations including WMC's Kambalda Nickel operations, St Ives Gold operations, Leinster Nickel operations and Sons of Gwalia. Mr. Tonkin has extensive experience with implementing large-scale investment, divestment, transition and integration strategies.

Mr. Tonkin holds a Bachelor of Engineering from the West Australian School of Mines and is a member of AusIMM.

Appointed:

14 May 2012

Special responsibilities:

Nil

Directorships of other listed companies:

Managing Director Mount Gibson Iron Ltd 25 October 2005 to 16 December 2011.

Directors' Report

Former Directors

Peter L.F. Collins

Non-Executive Director

Dr Peter Collins is a geologist with over 35 years of experience in the resource industry, government and academia. He currently holds a senior lecturing position in economic geology at Curtin University, Perth. Dr Collins has extensive experience in the investigation of and exploration for a variety of minerals including gold, base metals, ferrous metals, tin-tungsten and was responsible for discovery of the Sand George gold deposit at Comet Vale, WA.

Mr. Collins holds a Bachelor of Science (Hons) and a PhD in geology from the University of Tasmania and is a member of the Australian Institute of Geoscientists.

Term of Office:

20 December 2001 to 29 November 2012

Special responsibilities:

Member of the Nomination and Remuneration and Audit and Risk Management Committees

Directorships of other listed companies:

Nil

Company Secretaries

Jason Carone

Company Secretary (Joint) and Financial Controller

Mr. Carone is a Chartered Accountant with over 16 years experience in accounting and company administration in Australia and South East Asia.

Mr. Carone holds a Bachelor of Commerce in Accounting and Business Law from Curtin University and is a member of the Institute of Chartered Accountants, and Chartered Secretaries Australia.

Appointed:

4 March 2009

Darren Wates

Company Secretary (Joint) and Legal Counsel

Mr. Wates joined Reed Resources in December 2010 as Commercial Legal Counsel and in April 2011 was appointed Joint Company Secretary. Mr. Wates has over 11 years experience in corporate and commercial law in Western Australia, having worked in the Perth office of a national law firm and more recently in senior consultancy at a specialist corporate, commercial and resources law firm.

Mr. Wates holds a Bachelor of Laws and a Bachelor of Commerce from Murdoch University, and a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australasia.

Appointed:

6 April 2011

Directors' Report



Review of operations

The consolidated loss after income tax for the year attributable to members of Reed Resources Ltd was \$75.6 million (2012: \$31.0 million) including an impairment loss of \$66.5 million (2012: \$20.3 million). Details of the impairment loss are included in Notes 14 and 15 to the financial statements. A detailed review of the Company's operations during the financial year can be found on pages 4 to 12 of this Annual Financial Report.

Changes in state of affairs

During the financial year the Consolidated Entity finalised the funding required to complete the construction and refurbishment program at its Meekatharra Gold Project by way of a \$10 million Placement and Share Purchase plan and a \$19 million loan facility with Credit Suisse. Mining operations commenced at the Bluebird mine in October 2012 with gold production commencing in January 2013 after the successful commissioning of the Bluebird processing plant in December 2012. Refer to the "Events after the reporting period" section below for material events occurring after the balance date.

In April 2013 the Company closed out its hedge facility with Credit Suisse, netting \$7.7 million in cash after repaying its \$19 million loan facility with Credit Suisse in full.

In October 2012 the Company executed a shareholder's agreement with Mineral Resources Ltd and its subsidiary Process Minerals International Pty Ltd ("PMI"), under which PMI were issued shares totaling 30% of Reed Industrial Minerals Pty Ltd's share capital, in exchange for PMI undertaking certain obligations with respect to the construction and operation of a processing plant for the Mt Marion Lithium Project. As a result of this transaction Reed deconsolidated RIM on the date that control was deemed to be lost pursuant to AASB 127 Consolidated and Separate Financial Statements.

Other than these activities there have not been any other significant changes in the affairs of the Consolidated Entity from the previous year (refer to the "Events after the reporting period" below for material events occurring after the balance date).

Principal activities

The Consolidated Entity's principal activities during the period consisted of mineral exploration and gold mining.

Events after the reporting period

GMK Exploration Pty Ltd – Voluntary Administration

On 16 August 2013 GMK Exploration Pty Ltd ("GMKE"), a wholly owned subsidiary of Reed Resources Ltd ("Reed"), and owner/operator of the Meekatharra Gold Project, was placed into voluntary administration ("Administration"). During the June 2013 quarter gold production at the Meekatharra Gold Project was adversely affected by lower head grade which was principally attributed to the loss of high grade ore tonnes previously mined from the "legacy" Bluebird open pits which were included in the Bluebird Ore Reserve. June gold production was also affected by an adverse mine to mill ounce reconciliation, which declined materially from that previously achieved up until June. Strategies implemented to mitigate the short-term cash flow impact caused by the aforementioned issues contributed to an improved mine to mill reconciliation performance in July 2013. However, in early August 2013 mine production underperformed placing further strain on GMKE's cash position. Because the short-term cash flow impacts continued longer than anticipated GMKE could not continue to operate the Project on a sustainable basis without further significant funding. On 16 August 2013, after all potential funding options had been exhausted in the available time frame, the board of Reed advised GMKE that it would no longer provide funding for the operation of the Project. At that point a decision was made

Directors' Report

by GMKE's directors to place GMKE into Administration. While GMKE continues to operate under the control of the Administrators, Messrs. Darren Weaver and Andrew Saker of Ferrier Hodgson, the outcome of the Administration process is unknown. Reed Resources Ltd itself remains solvent and also continues to assist the Administrator in an effort to achieve the best outcome for all stakeholders. As a result of GMKE being placed into Administration and the consequential loss of control pursuant to *AASB 10 Consolidated Financial Statements* the Company will be required to de-consolidate the assets, liabilities, equity, income, expenses and cash flows of GMKE in the 2013/14 financial year as at 16 August 2013.

Details of GMKE's net assets included in the Consolidated Entity's Statement of Financial Position as at 30 June 2013 can be found in the table below, additional financial information relating to the subsidiary can be found in Note 30 to the financial statements under the "Gold" segment.

	30 June 2013 \$
Assets	
Current assets	11,033,201
Non-current assets	27,978,000
	39,011,201
Liabilities	
Current liabilities	15,680,917
Non-current liabilities	9,305,812
	24,986,729

Resignation of managing director

Mr. Luke Tokin has resigned from his position with the Company and is expected to depart at the end of September 2013. As a result of Mr. Tonkin's departure Mr. Chris Reed will assume the role of managing director. Mr. Reed was managing director of Reed prior to Mr. Tonkin's appointment in 2012.

Management restructure

With the business' change in the focus on GMKE being placed into Administration the board of Reed is performing a comprehensive review of the Group's operations with the view of restructuring the organisation at both a board and management level. As a result of this review process Reed has announced that Mr. Colin Johnstone will shortly be retiring as a director of the Company.

Mining Rehabilitation Fund

On 3 July 2013 GMKE opted into the Mining Rehabilitation Fund established under the Mining Rehabilitation Fund Act 2012. As a result of entering into this scheme \$3.0 million held in restricted deposits became unrestricted and available as working capital.

Lapse of Nannine option

On 4 July 2013 an option held by GMK Exploration Pty Ltd

over the Nannine project area, located in the Murchison area of Western Australia, lapsed unexercised. The Company decided not to exercise the option and pay the required fee in order to maintain working capital in light of market conditions at the option expiry date.

\$3 million dollar loan facility

On 26 September 2013, David Reed and the Company executed a facility agreement for the provision of a \$3 million standby loan facility by David Reed ("**Loan Facility**").

The Loan Facility is repayable by 31 August 2014, but must be paid down so that a maximum of \$2 million is owed by 19 December 2013. Interest payable on the loan is 10.75% per annum. Subject to shareholder approval (which the Company will seek at its 2013 Annual General Meeting), the Company may, at its election, repay up to \$2 million of the loan by the issue of convertible notes. The convertible notes will carry the same interest rate as the Loan Facility and be secured. They will be convertible at a 25% premium to the 30-trading day VWAP before the Company issues the notice of general meeting to seek shareholder approval. If not converted by David Reed, the notes will be redeemable by the Company 12 months after issue. The Company has granted David Reed security over its shares in Australian Vanadium Corporation (Holdings) Pty Ltd, the holding entity of the Barrambie Project, as security for the Loan Facility, and on conversion, for the convertible notes.

Disposal of Nimbus Zinc Royalty

On 24 September 2013 the Company announced that it had disposed of the Nimbus Zinc Royalty for \$200,000, consideration being shares in MacPhersons Resources Ltd, with the final number of shares received being determined on a 5 day VWAP basis. Completion of the transaction is conditional upon the parties executing formal documentation for the agreement.

Future developments

As detailed above, GMKE, a wholly owned subsidiary of the Company, was placed into Administration on 16 August 2013. As a result of this event the Consolidated Entity will now focus on disciplined evaluation and development of its two remaining core assets, the Mt Marion Lithium Project and Barrambie Titanium-Vanadium-Iron project, and seek to divest itself of its non-core assets in order to strengthen its balance sheet. These core advanced minerals projects have large JORC-compliant Resource bases, which when combined with their respective process flow sheets hold the potential to develop into large, low-cost, long life advanced mineral operations. Over the coming year the Group will focus on progressing evaluation work for these projects, including engineering cost studies and feasibility studies, as well as seek co-funding partners in order to add value to these projects for the benefit of shareholders.

The Company is unable to comment on any additional likely developments or future results as this is likely to prejudice the Consolidated Entity.

Directors' Report

Please refer to the Going Concern Assumption Note in Note 2 of the notes to the consolidated financial statements.

Environmental regulations

As required by section 299(i)(f) of the Corporations Act the Company confirms that it has performed all of its environmental obligations in accordance with applicable environmental regulations.

Dividends

No dividends were paid, recommended or declared during the reporting period.

Indemnification of officers and auditors

During the financial year the Company paid a premium in respect of a contract insuring the directors and officers of the Company and of any related body corporate against a liability incurred as a director or officer, to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Group or of any related body corporate against a liability incurred as such an officer or auditor.

Unissued shares under option

The following table sets out the unissued ordinary shares of the company, Reed Resources Ltd, which are under option at the date of this report.

Issuing entity	Issue date	Number	Grant Date	Expiry Date	Exercise Price \$	Fair Value at grant date \$	Vesting Date
Reed Resources Ltd	07/09/2009	1,600,000	31/08/2009	31/12/2013	0.784	0.0800	Pursuant to ESOP*
Reed Resources Ltd	09/12/2009	850,000	26/11/2009	31/12/2013	0.784	0.2400	Pursuant to ESOP
Reed Resources Ltd	08/04/2011	500,000	08/04/2011	01/07/2014	0.984	0.1200	50% on 06/12/2011 50% on 06/12/2012
Reed Resources Ltd	13/12/2012	1,000,000	31/12/2012	31/12/2013	1.000	0.0037	On grant
		3,950,000					

The holders of these options do not have the right, by virtue of the option, to participate in any share issue, other than through the exercise of their option, or interest payment.

Service conditions relating to the vesting of options only relate to options issued under the Company's Employee Share Option Plan 2007 ("ESOP") in that 50% of the options vest 12 months following issue, with the balance vesting 18 months following issue. In addition, in the event that an employee ceases employment with the Company, the options lapse 3 months following the date of cessation of employment. The options marked with an asterix (*)



include 900,000 options with additional vesting conditions (one third vest 11 September 2010, one third vest 30 June 2011 and one third vest 30 June 2012).

No shares of the Company were issued during or since the end of the financial year as a result of the exercise of an option over the unissued shares of the Company.

Directors' Report

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 23 board meetings, 1 nomination and remuneration committee meeting and 3 audit and risk committee meetings were held.

Directors	Board of Directors		Nomination & Remuneration Committee		Audit Committee	
	Held	Attended	Held ⁽⁵⁾	Attended	Held	Attended
S.Cole	23	23	1	1	3	3
P. Collins ⁽¹⁾	12	11	1	1	2	2
V. Guthrie ⁽²⁾	23	19	1	1	3	3
C. Johnstone ⁽³⁾	10	10	n/a	n/a	1	1
C. Reed	23	23	n/a	n/a	n/a	n/a
D. Reed ⁽⁴⁾	23	22	1	1	3	3
L. Tonkin	23	23	n/a	n/a	n/a	n/a

Meeting numbers in the 'Held' column are the number of meetings held whilst the relevant director was a member of the board or committee.

- (1) P. Collins ceased being a director of the Company on 29 November 2012.
- (2) V. Guthrie became a member of the Nominations and Remuneration Committee on 23 August 2012.
- (3) C. Johnstone was appointed a director on 31 January 2013, and appointed to the Audit and Risk, and Nomination and Remuneration Committees on 26 February 2013.
- (4) D. Reed became a member the Nominations and Remuneration and Audit Committees on 23 August 2012.
- (5) Excludes several informal meetings of the members of the Nomination and Remuneration Committee to discuss matters including the establishment of executive KPIs for incentive based remuneration and the TSR comparator group, board evaluation, and board succession planning including the appointment of Mr. C Johnstone.

Directors' security holdings

The following table sets out each director's relevant interest in shares, debentures, and rights or options in shares or debentures of the Company or a related body corporate as at the date of this report:

Directors	Fully paid Ordinary Shares Number	Share Options Number	Performance Rights Number
S. Cole	120,083	350,000	-
V. Guthrie	50,000	-	-
C. Johnstone	-	-	-
C. Reed	739,202	-	1,154,184
D. Reed	4,022,353	-	-
L. Tonkin	1,711,015	-	3,414,390

Directors' Report

Proceedings on behalf of the company

No person has applied for leave of the court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. The Company was not a party to any such proceedings during the year.

Remuneration Report (audited)

Key Management Personnel

The following persons were deemed to be Key Management Personnel ("KMP") during or since the end of the financial year for the purpose of Section 300A of the Corporations Act 2001 and unless otherwise stated were KMP for the entire reporting period.

Non-Executive Directors

Steven Cole

Non-Executive Director/Deputy Chairman

Peter Collins

Non-Executive Director

(ceased being a director on 29 November 2012).

Vanessa Guthrie

Non-Executive Director

Colin Johnstone

Non-Executive Director (appointed 31 January 2013, Mr. Johnstone is expected to cease being a director prior to the 2013 annual general meeting).

David Reed

Non-Executive Chairman

Executive Directors

Luke Tonkin

Managing Director

(resigned and expected to cease employment on or before 30 September 2013)

Christopher Reed

Executive Director

Other Executives

Jason Carone

Financial Controller & Joint Company Secretary

Craig Fawcett

Technical Services Manager

(resigned and will cease employment 30 September 2013)

David Lim

Chief Financial Officer

(position made redundant, expected to cease employment 22 October 2013)

Chris Mardon

General Manager – Meekatharra gold operations

Darren Wates

Legal Counsel & Joint Company Secretary

(position made redundant, expected to cease employment 22 October 2013)



Directors' Report

Remuneration policy for key management personnel

Non-Executive Directors

The board's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The nomination and remuneration committee on behalf of the board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is \$400,000 as approved by shareholders at the Annual General Meeting on 15 November 2011. Fees for non-executive directors are not linked to the performance of the economic entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and non-executive directors have previously been granted options in order to secure their services.

General

The Group's remuneration policy for KMP is to provide a fixed remuneration component and performance based components. The board believes that this remuneration policy is appropriate given the size of the Group and the activities which it undertakes and is appropriate in aligning KMP objectives with shareholder and business objectives. The remuneration policy for the employees is developed by the Nomination and Remuneration Committee taking into account market conditions and comparable salary levels for companies of a similar size and operating in similar sectors. The Consolidated Entity operates in the mineral exploration and mining sector with the majority of its funds allocated to specific exploration and evaluation programs and mining activities. Due to the nature of the Group's business activities the board has determined that issuing executives with securities in Reed Resources as a key component of the incentive portion of their remuneration packages to be an effective method in both retaining valued staff and aligning their goals with that of shareholders. The board considers that each executive's experience will greatly assist the Group advance its current projects to the next stage of development and to identify new projects. As such, the board believes that the number of incentive securities granted to executives is commensurate to their value to the Consolidated Entity.

The Company adopted a Performance Rights Plan ("PRP") for its staff, including the KMP, in July 2011. The board believes that the PRP will assist the Consolidated Entity in remunerating and providing ongoing incentives to employees of the Group.

The rules of the PRP enable the Company to issue performance rights to eligible personnel subject to performance and vesting conditions determined by the Company. Each performance right entitles the holder, for nil cash consideration, to one fully paid ordinary share in

the Company for every performance right offered, if the applicable performance and vesting conditions set for that holder are satisfied.

During the financial year a total of 8,417,576 (2012: 10,000) performance rights were offered to and accepted by KMP. Of this amount 4,800,576 performance rights are subject to a Total Shareholder Return ("TSR") hurdle, details of which can be found in the "Service agreements - performance based remuneration" section below. Testing undertaken for the period ended 30 June 2013 resulted in no performance rights subject to the TSR criteria vesting, retesting of the TSR criteria is due to take place on 31 December 2013.

All remuneration provided to KMP in the form of share based payments are valued pursuant to *AASB 2 Share-based Payment* at fair value on grant date and are expensed on a pro rata basis over the vesting period of the relevant security. To date remuneration packages for executive KMPs contain the following key elements:

- a) **Fixed Base Salary** – salary, superannuation and non-monetary benefits;
- b) **Short Term Incentives** – cash bonus incentives applied to a maximum percentage of Fixed Base Salary and structured against relative satisfaction (at the reasonable discretion of the board) of certain corporate and personally related key performance indicators of the executive.
- c) **Long Term Incentives** – the grant of performance rights in the Company, with value capped to a maximum percentage of Fixed Base Salary, vesting progressively on an annualised basis while the executive remains employed, with the degree of vesting structured against the Company's relative TSR performance against a comparator group of companies.

The committee's remuneration policies are designed to align executive's remuneration with shareholders' interests and to retain appropriately qualified executives for the benefit of the Company. The main principles of the policies are that:

- shareholder interests and employee interests are aligned;
- the Company is able to attract, develop and retain superior talent; and
- the integrity of the Company's reward program is maintained.

Directors' Report

Relationship between the remuneration policy and company performance

The table below sets out summary information about the Consolidated Entity's earnings and movements in shareholder wealth for the five years to June 2013:

	30 June 2013 \$	30 June 2012 \$	30 June 2011 \$	30 June 2010 \$	30 June 2009 \$
Revenue	32,551,507	-	347,821	2,883,931	3,593,481
Net loss before tax	(68,253,908)	(30,983,345)	(4,738,594)	(3,484,481)	(3,629,760)
Net loss after tax	(75,581,860)	(30,983,345)	(3,353,586)	(2,666,815)	(2,468,834)
Share price at start of year	0.205	0.50	0.60	0.24	1.03
Share price at end of year	0.032	0.205	0.50	0.60	0.24
Market capitalisation at year end (undiluted)	16,665,906	94,853,822	131,118,600	106,362,881	33,036,000
Basic loss per share	(0.1508)	(0.1061)	(0.0150)	(0.0161)	(0.0180)
Diluted loss per share	(0.1508)	(0.1061)	(0.0150)	(0.0161)	(0.0180)
Dividends Paid	Nil	Nil	Nil	Nil	Nil

Key management personnel remuneration

The KMP received the following amounts as compensation for their services as directors and executives of the Company and/or the Group during the year:

2013	Short-term employee benefits				Post-employment benefits	Share based payments		Total \$	% Consisting of optional rights
	Salary & fees \$	Bonus \$	Non-monetary \$	Other \$	Super-annuation \$	Shares \$	Options and rights \$		
Non-Executive Directors									
S. Cole	78,900	-	-	-	7,100	-	-	86,000	-
P. Collins ⁽¹⁾	24,083	-	-	-	2,167	-	-	26,250	-
V. Guthrie	57,798	-	-	-	5,202	-	-	63,000	-
C. Johnstone ⁽²⁾	26,250	-	-	-	-	-	-	26,250	-
D. Reed ⁽³⁾	127,266	-	-	-	10,321	-	-	137,587	-
	314,297	-	-	-	24,790	-	-	339,087	
Executive Directors									
C. Reed	421,900	-	2,175	-	25,000	90,000	229,506	768,581	30%
L. Tonkin	574,500	-	6,690	-	25,000	149,940	367,755	1,123,885	33%
	996,400	-	8,865	-	50,000	239,940	597,261	1,892,466	
Other Executives									
J. Carone	210,000	25,000	-	-	21,150	-	6,750	262,900	3%
C. Fawcett	300,000	50,000	10,092	-	31,500	-	43,135	434,727	10%
D.Lim	250,000	30,000	-	-	25,200	-	38,712	343,912	11%
C.Mardon ⁽⁴⁾	225,662	-	-	-	17,630	-	8,214	251,506	3%
D.Wates	255,624	35,000	-	-	20,025	-	7,675	318,324	2%
	1,241,286	140,000	10,092	-	115,505	-	104,486	1,611,369	
Total	2,551,983	140,000	18,957	-	190,295	239,940	701,747	3,842,922	

(1) Mr. P. Collins ceased being director on 29 November 2012.

(2) Mr. C. Johnstone was appointed 31 January 2013. Mr. Johnstone's director fees are paid to a Company controlled by Mr. Johnstone.

(3) Mr. D. Reed's salary and fee amount includes \$12,587 of long service leave paid on Mr. Reed ceasing to be an executive director.

(4) Mr. C. Mardon commenced employment with the Group on 18 October 2012, as such, no comparative figures are recognised.

Directors' Report

Key management personnel remuneration (continued)

2012	Short-term employee benenfits				Post-employment benefits	Share based payments		Total \$	% Consisting of optional rights
	Salary & fees \$	Bonus \$	Non-monetary \$	Other \$	Super-annuation \$	Shares \$	Options and rights \$		
Non-Executive Directors									
S. Cole	71,101	-	-	-	6,399	-	-	77,500	-
P. Collins	52,752	-	-	-	4,748	-	-	57,500	-
V. Guthrie	52,752	-	-	-	4,748	-	-	57,500	-
I. Junk	52,752	-	-	-	4,748	-	-	57,500	-
	229,357	-	-	-	20,643	-	-	250,000	
Executive Directors									
C. Reed ⁽¹⁾	455,585	70,000	-	-	35,092	-	62,815	623,492	10%
D. Reed ⁽²⁾	151,376	22,936	-	-	15,688	-	31,407	221,407	14%
L. Tonkin ⁽³⁾	82,140	-	-	-	-	-	-	82,140	-
	689,101	92,936	-	-	50,780	-	94,222	927,039	
Other Executives									
J. Carone	180,000	-	-	-	16,200	-	29,560	225,760	13%
C. Fawcett	260,000	30,000	10,699	-	26,100	-	31,200	357,999	9%
D.Lim ⁽⁴⁾	55,087	-	-	-	4,958	-	-	60,045	-
D.Wates	210,000	-	-	-	18,900	-	48,459	277,359	17%
	705,087	30,000	10,699	-	66,158	-	109,219	921,163	
Total	1,623,545	122,936	10,699	-	137,581	-	203,441	2,098,202	

(1) Mr. C. Reed's salary includes an amount of \$65,677 for long service leave paid out during the financial year.

(2) Mr. D. Reed was executive chairman until 30 June 2012. On 1 July 2012 Mr. D. Reed transitioned to non-executive chairman.

(3) Mr. L. Tonkin commenced employment on 14 May 2012.

(4) Mr. D. Lim commenced employment on 11 April 2012.

Service agreements - performance based remuneration

The KMP of the Company, other than non-executive directors, are employed under service agreements.

A summary of performance conditions for relevant KMP are detailed below:

Name: Mr. J. Carone

Position: Financial Controller/ Company Secretary (Joint)

Term: No defined term

Incentive based remuneration

Short Term Incentive

Each financial year during the term of his service agreement the board, at its sole discretion, may award the KMP a cash bonus of up to 25% of the KMP's annual salary package (currently \$228,900 inclusive of superannuation). The basis for calculating the STI will be a range of criteria including both the KMP's personal performance and the Company's financial performance/position and share price.

Long Term Incentive

Each financial year during the term of his service agreement the KMP is entitled to receive performance rights granted under the Company's Performance Rights Plan. The number of performance rights to which the KMP may be granted is based on the following calculation, vesting of the performance rights are subject to further criteria which are also set out below.

Calculation of potential entitlement to performance rights

$$P = \frac{25}{100} \times \frac{S}{VWAP}$$

Where:

P is the potential performance rights entitlement

S is the KMP's annual salary package for the applicable period

VWAP is the 30 day volume weighted average price of ordinary shares in Reed Resources Ltd for the period ended 30 June of the preceding financial year.

Directors' Report

Criteria

The KMP's entitlement to the performance rights under the incentive scheme is based on TSR over the vesting period (3 years) and will be calculated as follows:

1. If the Company's TSR is at/or below the 45th percentile of the Comparator Group of companies no performance rights will vest.
2. If the Company's TSR ranks between the 46th and 50th percentile, for each percentile over the 45th percentile 10% of the performance rights will vest.
3. For each 1% ranking at/or above the 51st percentile an additional 2% of the performance rights will vest, with 100% vesting at/or above the 75th percentile.

Performance rights granted to the KMP have a vesting period of 3 years from grant date and will lapse on the KMP ceasing to be an employee of the Group prior to the vesting date.

Name: Mr. C. Fawcett

Position: Technical Services Manager

Term: Termination date of 1 January 2015

Incentive based remuneration

Mr. Fawcett is entitled to cash bonuses on the satisfaction of the following corporate/financial milestones:

1. \$50,000 payable on successful commissioning of the Bluebird plant to produce 100,000 oz per annum. This amount was paid during the current financial year.
2. \$50,000 payable on production of 100,000 oz of gold bullion from the Bluebird plant.
3. \$50,000 payable on production of 200,000 oz of gold bullion from the Bluebird plant.

Mr. Fawcett is entitled to performance rights in accordance with the Company's Performance Rights Plan as set out below:

1. 150,000 performance rights vest on the first anniversary of the KMP's employment. These performance rights vested in the current year which resulted in Mr. Fawcett being issued 150,000 shares in Reed Resources Ltd.
2. 150,000 performance rights vest on the second anniversary of the KMP's employment.
3. 150,000 performance rights vest on the third anniversary of the KMP's employment.

Subsequent to the reporting date Mr. Fawcett resigned from his position with the Company. As a result of Mr. Fawcett ceasing employment with the Company all unvested performance rights and bonus entitlements will lapse on his termination.

Name: Mr. D. Lim

Position: Chief Financial Officer

Term: Termination date of 16 April 2015

Incentive based remuneration

Mr. Lim is entitled to cash bonuses on the satisfaction of the following corporate/financial milestones:

1. \$30,000 on the financial close of debt funding for the Meekatharra Gold Project, payable on the successful commissioning of the Project. This amount was paid during the current financial year.
2. \$50,000 on certain key corporate/financial milestones relating to the development of the Meekatharra Gold Project and Barrambie Project.
3. \$70,000 on completion of a change of control/liquidity event with respect to the Mount Marion Lithium Project.

Mr. Lim is entitled to performance rights in accordance with the Company's Performance Rights Plan as set out below:

1. 150,000 performance rights vest on the second anniversary of the KMP's employment. These performance rights vested during the current financial year.
2. 150,000 performance rights vest on the second anniversary of the KMP's employment.
3. 250,000 performance rights vest on the third anniversary of the KMP's employment.

Subsequent to the balance date Mr. Lim's position within the Company was made redundant, as such Mr. Lim's unvested bonus entitlements totalling \$120,000 will lapse on his termination. Due to Mr. Lim's position with the company being made redundant, the board, using its discretion, has determined that 400,000 of Mr. Lim's unvested performance rights, which would in the normal course of business vest on the anniversary of his employment, will vest on his redundancy.

Name: Mr. C. Mardon

Position: General Manager – Meekatharra Gold Operations

Term: No defined term

Incentive based remuneration

Short Term Incentive

Each financial year during the term of his service agreement the board, at its sole discretion, may award the KMP a cash bonus of up to 25% of the KMP's annual salary package (currently \$345,000 inclusive of superannuation). The basis for calculating the STI will be a range of criteria including both the KMP's personal performance and the Company's financial performance/position and share price.

Long Term Incentive

Each financial year during the term of his service agreement the KMP is entitled to receive performance rights granted under the Company's Performance Rights Plan. The number of performance rights to which the KMP may be granted is based on the following calculation, vesting of the performance rights are subject to further criteria which are also set out below.

Calculation of potential entitlement to performance rights

$$P = \frac{25}{100} \times \frac{S}{VWAP}$$

Directors' Report

Where:

P is the potential performance rights entitlement

S is the KMP's annual salary package for the applicable period

VWAP is the 30 day volume weighted average price of ordinary shares in Reed Resources Ltd for the period ended 30 June of the preceding financial year.

Criteria

The KMP's entitlement to the performance rights under the incentive scheme is based on TSR over the vesting period (3 years) and will be calculated as follows:

1. If the Company's TSR is at/or below the 45th percentile of the Comparator Group of companies no performance rights will vest.
2. If the Company's TSR ranks between the 46th and 50th percentile, for each percentile over the 45th percentile 10% of the Performance Rights will vest.
3. For each 1% ranking at/or above the 51st percentile an additional 2% of the performance rights will vest, with 100% vesting at/or above the 75th percentile.

Performance rights granted to the KMP have a vesting period of 3 years from grant date and will lapse on the KMP ceasing to be an employee of the Group prior to the vesting date.

Name: Mr. C. Reed

Position: Executive Director

Term: Termination date of 30 June 2015

Incentive based remuneration

Short Term Incentive

Each financial year during the term of his service agreement the board, at its sole discretion, may award the KMP a cash bonus of up to 33% of the KMP's annual salary package (currently \$446,900 inclusive of superannuation). The basis for calculating the STI will be a range of criteria including both the KMP's personal performance and the Company's financial performance/position and share price.

Long Term Incentive

Each financial year during the term of his service agreement the KMP is entitled to receive performance rights granted under the Company's Performance Rights Plan. The number of performance rights to which the KMP may be granted is based on the following calculation, vesting of the performance rights are subject to further criteria which are also set out below, and shareholder approval. Calculation of potential entitlement to performance rights

$$P = \frac{50}{100} \times \frac{S}{VWAP}$$

Where:

P is the potential performance rights entitlement

S is the KMP's annual salary package for the applicable period

VWAP is the 30 day volume weighted average price of ordinary shares in Reed Resources Ltd for the period ended 30 June of the preceding financial year.

Criteria

The KMP's entitlement to the performance rights under the incentive scheme is based on TSR over the calculation period (1 year) and will be calculated as follows:

1. If the Company's TSR is at/or below the 45th percentile of the Comparator Group of companies no performance rights will vest.
2. If the Company's TSR ranks between the 46th and 50th percentile, for each percentile over the 45th percentile 10% of the Performance Rights will vest.
3. For each 1% ranking at/or above the 51st percentile an additional 2% of the performance rights will vest, with 100% vesting at/or above the 75th percentile.

Performance rights granted to the KMP vest on the grant date and lapse on the KMP ceasing to be an employee of the Group prior to the vesting date.

Name: Mr. L. Tonkin

Position: Managing Director and Chief Executive Officer

Term: Termination date of 30 June 2015

Incentive based remuneration

Short Term Incentive

Each financial year during the term of his service agreement the board, at its sole discretion, may award the KMP a cash bonus of up to 50% of the KMP's annual salary package (currently \$599,500 inclusive of superannuation). The basis for calculating the STI will be a range of criteria including both the KMP's personal performance and the Company's financial performance/position and share price.

Long Term Incentive

Each financial year during the term of his service agreement the KMP is entitled to receive performance rights granted under the Company's Performance Rights Plan. The number of performance rights to which the KMP may be granted is based on the following calculation, vesting of the performance rights are subject to further criteria which are also set out below, and shareholder approval.

Calculation of potential entitlement to performance rights

$$P = \frac{83.33}{100} \times \frac{S}{VWAP}$$

Where:

P is the potential performance rights entitlement

S is the KMP's annual salary package for the applicable period

VWAP is the 30 day volume weighted average price of ordinary shares in Reed Resources Ltd for the period ended 30 June of the preceding financial year.

Criteria

The KMP's entitlement to the performance rights under the incentive scheme is based on TSR over the vesting period (1 year) and will be calculated as follows:

Directors' Report

1. If the Company's TSR is at/or below the 45th percentile of the Comparator Group of companies no performance rights will vest.
2. If the Company's TSR ranks between the 46th and 50th percentile, for each percentile over the 45th percentile 10% of the Performance Rights will vest.
3. For each 1% ranking at/or above the 51st percentile an additional 2% of the performance rights will vest, with 100% vesting at/or above the 75th percentile.

Performance rights granted to the KMP vest on the grant date and lapse on the KMP ceasing to be an employee of the Group prior to the vesting date.

Subsequent to the balance date Mr. Tonkin resigned from his position with the Group. As a result of Mr. Tonkin ceasing employment with the Company all unvested performance rights and bonus entitlements, except for 834,000 "sign on" performance rights issued to Mr. Tonkin at the commencement of this employment, which the board, using its discretion has determined will vest on Mr. Tonkin's departure, will lapse on the termination of his employment.

Name: Mr. D. Wates

Position: Legal Counsel/ Company Secretary (Joint)

Term: No defined term

Incentive based remuneration

Short Term Incentive

Each financial year during the term of his service agreement the board, at its sole discretion, may award the KMP a cash bonus of up to 25% of the KMP's annual salary package (currently \$272,500 inclusive of superannuation). The basis for calculating the STI will be a range of criteria including both the KMP's personal performance and the Company's financial performance/position and share price.

Long Term Incentive

Each financial year during the term of his Service Agreement the KMP is entitled to receive performance rights granted under the Company's Performance Rights Plan.

The number of performance rights to which the KMP may be granted is based on the following calculation, vesting of the performance rights are subject to further criteria which are also set out below.

Calculation of potential entitlement to performance rights

$$P = \frac{25}{100} \times \frac{S}{VWAP}$$

Where:

P is the potential performance rights entitlement

S is the KMP's annual salary package for the applicable period

VWAP is the 30 day volume weighted average price of ordinary shares in Reed Resources Ltd for the period ended 30 June of the preceding financial year.

Criteria

The KMP's entitlement to the performance rights under the incentive scheme is based on TSR over the calculation period (3 years) and will be calculated as follows:

1. If the Company's TSR is at/or below the 45th percentile of the Comparator Group of companies no performance rights will vest.
2. If the Company's TSR ranks between the 46th and 50th percentile, for each percentile over the 45th percentile 10% of the Performance Rights will vest.
3. For each 1% ranking at/or above the 51st percentile an additional 2% of the performance rights will vest, with 100% vesting at/or above the 75th percentile.

Performance rights granted to the KMP have a vesting period of 3 years from grant date and will lapse on the KMP ceasing to be an employee of the Group prior to the vesting date.

Subsequent to balance date Mr. Wates' position within the Company was made redundant. As a result of Mr. Wates' redundancy, the board, using its discretion has determined that 322,831 of Mr. Wates' performance rights will vest on his redundancy, the balance of all unvested performance rights and bonus entitlements will lapse on this date.



Directors' Report

The Company provides the KMP with performance based incentives in order to incentivise KMP to pursue strategies that are aligned with the overall business strategy and the interests of the shareholders. Where deemed appropriate the Company has set specific Key Performance Indicators as performance criteria for staff that have a direct role/responsibility in achieving a specific outcome. To ensure that KMP are also incentivised to pursue longer term strategies that increase shareholder wealth a portion of the KMP's remuneration is linked to a "comparative TSR model" which links the level of the KMP remuneration to the Company's performance against a group of comparable ASX listed entities, using Total Shareholder Return as the basis of comparison. KMP are also issued with performance rights with service conditions as vesting criteria which assist the company retain staff as well as aligning the interests of the KMP with shareholders. The Company has deemed the issue of service based performance rights as an appropriate form of remuneration due the uncertain nature of the Group's business, that is, mineral exploration and mining. For the purpose of determining the KMP's entitlement to performance rights under the comparative TSR model detailed above, the Company has selected a range of gold focused ASX listed companies as the comparator group. The list of comparator group of companies is set out opposite:

- Doray Minerals Ltd (ASX: DRM)
- Silver Lake (ASX: SLR)
- Evolution Mining (ASX: EVN)
- Tanami Gold Ltd (ASX: TAM)
- Focus Minerals Ltd (ASX: FML)
- Unity Mining Ltd (ASX: UML)
- Gold Road Resources Ltd (ASX: GOR)
- St Barbara Ltd (ASX: SBM)
- Northern Star Resources Ltd (ASX: NST)
- Millennium Minerals Ltd (ASX: MOY)
- Regis Resources Ltd (ASX: RRL)
- Ramelius Resources (ASX: RMS)

The Company has selected the above group of companies as the comparator group for the following reasons:

1. Represent a broad cross section of resource companies with respect to market capitalisation, resource base and phase of development.
2. Primarily focused on gold exploration and production in Western Australia.



Directors' Report

Option and performance rights issued as part of KMP remuneration

Share options of Reed Resources Ltd

2013	Balance at 01/07/12 No.	Granted as remuneration No.	Exercised /lapsed No.	Balance at 30/06/13 No.	Balance vested at 30/06/13 No.	Vested but not exercisable No.	Vested and exercisable No.	Options vested during year No.
S.Cole	1,100,000	-	(750,000)	350,000	350,000	-	350,000	-
P. Collins ⁽ⁱ⁾	700,000	-	(700,000)	-	-	-	-	-
I. Junk ⁽ⁱⁱ⁾	700,000	-	(700,000)	-	-	-	-	-
C. Reed	3,600,000	-	(3,600,000)	-	-	-	-	-
D. Reed	1,000,000	-	(1,000,000)	-	-	-	-	-
J. Carone	1,800,000	-	(300,000)	1,500,000	1,500,000	-	1,500,000	-
C. Fawcett	750,000	-	-	750,000	750,000	-	750,000	-
D. Wates	500,000	-	-	500,000	500,000	-	500,000	-
Total	10,150,000	-	(7,050,000)	3,100,000	3,100,000	-	3,100,000	-

(i) Mr. P. Collins ceased being a director of the Company on 29 November 2012, 250,000 options in "Exercised/lapsed" column were the director's final holding.

(ii) Mr. I. Junk ceased being a director of the Company on 28 June 2012. 250,000 options in "Exercised/lapsed" column were the director's final holding

All options recognised in the "exercised/lapsed column", lapsed unexercised.

2012	Balance at 01/07/11 No.	Granted as remuneration No.	Exercised /lapsed No.	Balance at 30/06/12 No.	Balance vested at 30/06/12 No.	Vested but not exercisable No.	Vested and exercisable No.	Options vested during year No.
S.Cole	1,100,000	-	-	1,100,000	1,100,000	-	1,100,000	-
P. Collins	700,000	-	-	700,000	700,000	-	700,000	-
I. Junk	700,000	-	-	700,000	700,000	-	700,000	-
C. Reed	6,600,000	-	(3,000,000)	3,600,000	3,600,000	-	3,600,000	2,500,000
D. Reed	2,500,000	-	(1,500,000)	1,000,000	1,000,000	-	1,000,000	1,250,000
J. Carone	1,800,000	-	-	1,800,000	1,800,000	-	1,800,000	900,000
C. Fawcett	750,000	-	-	750,000	750,000	-	750,000	375,000
D. Wates	500,000	-	-	500,000	500,000	-	500,000	500,000
Total	14,650,000	-	(4,500,000)	10,150,000	10,150,000	-	10,150,000	6,350,000

All share options have been issued in accordance with the provisions of the Company's ESOP as approved by shareholders. No share options were issued to KMP during the financial year as part of their remuneration.

Performance rights of Reed Resources Ltd

In the current reporting period the Company granted 8,717,576 (2012: 10,000) performance rights to executives and KMP pursuant to the Company's Performance Rights Plan. At the reporting date 5,567,574 performance rights had vested. Further details of the ESOP and PRP, and of share options and performance rights granted are contained in Note 10 to the financial statements.

Directors' Report

Performance Rights granted to key management personnel

The following tables summarises information relevant to the current financial year in relation to the grant of performance rights to KMP as part of their remuneration. Performance rights are issued by Reed Resources Ltd.

Name	During the Financial Year					
	Grant date	No. Granted	No. vested	Fair value at grant date	Earliest exercise date	Consideration payable on exercise
KMP:						
J. Carone ⁽¹⁾	01/08/2012	295,584	-	53,205	30/06/2015	-
C. Fawcett	26/11/2012	150,000	150,000	29,250	01/01/2013	-
C. Fawcett ⁽²⁾	26/11/2012	150,000	-	29,250	01/01/2014	-
C. Fawcett ⁽²⁾	26/11/2012	150,000	-	29,250	01/01/2015	-
D. Lim	01/08/2012	100,000	100,000	18,000	11/04/2013	-
D. Lim ⁽³⁾	01/08/2012	150,000	-	27,000	11/04/2014	-
D. Lim ⁽³⁾	01/08/2012	250,000	-	45,000	11/04/2015	-
C. Mardon ⁽¹⁾	26/11/2012	447,587	-	87,279	30/06/2015	-
C. Reed ⁽¹⁾	30/07/2012	1,154,184	-	207,753	30/06/2013	-
C. Reed	30/07/2012	1000,000	-	180,000	01/07/2013	-
L. Tonkin ⁽¹⁾	30/07/2012	2,580,390	-	464,740	30/06/2013	-
L. Tonkin	30/07/2012	833,000	833,000	149,940	30/06/2013	-
L. Tonkin ⁽³⁾	30/07/2012	834,000	-	150,120	30/06/2014	-
D. Wates ⁽¹⁾⁽³⁾	01/08/2012	322,831	-	58,110	30/06/2015	-
Total				1,083,000		

- (1) The number of performance rights that will actually vest, if any, is determined by the Company's performance based on Reed's TSR compared to the comparative group of companies over the 1 or 3 year period (as applicable) as set out in the section above. Other than performance rights issued to Mr. D. Wates (refer point 3 below), at the date of this report no employee had become entitled to securities whose vesting conditions were the subject of the TSR criteria.
- (2) These performance rights will lapse on the cessation of the employee's employment pursuant to the terms of the PRP.
- (3) Subsequent to the balance date these employees either resigned or their positions with the Company were made redundant, and the board, using its discretion has determined that these performance rights will vest on the cessation of the employee's employment with the Company.

Directors' Report

Details of performance rights held by KMP and of shares issued during or since the end of the financial year as a result of the vesting of performance rights:

2013	Balance at 01/07/12 No.	Grant date	Granted No.	Fair value of rights at grant date \$	Vested during the financial year No.	Forfeited/ lapsed during the financial year ⁽³⁾ No.	Balance at 30/6/2013 No.	Ordinary shares issued on exercise of rights No.
KMP:								
J. Carone ⁽¹⁾	-	01/08/2012	295,584	21,548	-	-	295,584	-
C. Fawcett	-	26/11/2012	150,000	23,692	150,000	-	-	150,000
C. Fawcett	-	26/11/2012	150,000	23,692	-	-	150,000	-
C. Fawcett	-	26/11/2012	150,000	23,692	-	-	150,000	-
D. Lim	-	01/08/2012	100,000	14,580	100,000	-	-	100,000
D. Lim	-	01/08/2012	150,000	21,870	-	-	150,000	-
D. Lim	-	01/08/2012	250,000	36,450	-	-	250,000	-
C. Mardon ⁽¹⁾	-	26/11/2012	447,587	35,348	-	-	447,587	-
C. Reed ⁽¹⁾	-	30/07/2012	1,154,184	84,140	-	-	1,154,184	-
C. Reed	-	30/07/2012	1,000,000	145,800	-	-	1,000,000	1,000,000
L. Tonkin ⁽¹⁾	-	30/07/2012	2,580,390	188,110	-	-	2,580,390	-
L. Tonkin	-	30/07/2012	833,000	121,451	833,000	-	-	833,000
L. Tonkin	-	30/07/2012	834,000	121,597	-	-	834,000	-
D. Wates ⁽¹⁾	-	01/08/2012	322,831	23,534	-	-	322,831	-
D. Wates	10,000	01/08/2011	-	-	10,000	-	-	10,000
Total	10,000		8,417,576	886,000	1,093,000	-	7,334,576	2,093,000

(1) The number of performance rights that will actually vest, if any, is determined by the Company's performance based on Reed's TSR compared to the comparative group of companies over the relevant 1 or 3 year period (as applicable) as set out in the section above.

2012	Balance at 01/07/11 No.	Grant date	Granted No.	Fair value of rights at grant date \$	Vested during the financial year No.	Forfeited/ lapsed during the financial year No.	Balance at 30/6/2012 No.	Ordinary shares issued on exercise of rights No.
KMP:								
D. Wates	-	01/08/2011	10,000	3,564	-	-	10,000	-
Total	-		10,000	3,564	-	-	10,000	-

The performance rights granted entitle the grantee to one fully paid ordinary share in Reed Resources Ltd for nil cash consideration on satisfaction of the vesting criteria.

Director's Report

Non-audit services

Details of the amounts paid or payable to the auditor for the audit and non-audit services during the year are as follows:

	2013 \$	2012 \$
Auditor (Deloitte Touche Tohmatsu)		
Audit fees	125,925	94,716
Non-audit fees	-	-
	125,925	94,716

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the non-audit services provided did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

Auditor's independence declaration

The auditor's independence declaration is included on page 33 of the Annual Financial Report.

Signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the directors of Reed Resources Ltd,



Mr. Chris Reed
Executive Director
West Perth, WA 26 September 2013

Auditor's Independence Declaration

for the year ended 30 June 2013

Deloitte.

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

Deloitte Touche Tohmatsu
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26 September 2013

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 audit of the financial statements of Reed Resources Ltd for the year ended 30 June 2013, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



A T Richards
Partner
Chartered Accountants

Independent Auditor's Report

for the year ended 30 June 2013



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

Report on the Financial Report

We have audited the accompanying financial report of Reed Resources Ltd, which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 36 to 89.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard *AASB 101 Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, 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 report.

Independent Auditor's Report

for the year ended 30 June 2013

Deloitte

Opinion

In our opinion, the financial report of Reed Resources Ltd is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 in the financial report, which indicates that the Consolidated Entity incurred a net loss of \$75.6 million and experienced net cash outflows from operating and investing activities of \$24.5 million during year ended 30 June 2013. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the ability of the Company and Consolidated Entity to continue as going concerns and therefore, the Company and Consolidated Entity may be unable to realise their assets and discharge their liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 21 to 31 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Reed Resources Ltd for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



A T Richards

Partner

Chartered Accountants

Perth, 26 September 2013

Directors' Declaration

for the year ended 30 June 2013

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) the attached financial statements are in compliance with International Financial Reporting Standards as stated in Note 2 to the financial statements;
- (c) 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
- (d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the directors of Reed Resources Ltd,



Mr. Chris Reed

Executive Director

26 September 2013

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Consolidated Statement of Profit or Loss & Other Comprehensive Income

for the year ended 30 June 2013

	Note	2013 \$	2012 \$
Continuing operations			
Revenue from sale of goods	5	32,551,507	-
Cost of sales	5	(39,483,396)	-
Gross loss		(6,931,889)	-
Other income	5	28,170,459	1,016,951
Employee expenses	5	(5,335,250)	(3,421,582)
Occupancy expenses		(393,043)	(548,136)
Administration expenses		(2,868,284)	(2,800,716)
Finance costs	5	(4,472,195)	(1,089,208)
Other expenses		(3,609,104)	(35,026)
Loss on sale of equity instruments		-	(301,874)
Loss on sale of property, plant and equipment		(29,456)	(319,221)
Loss on revaluation of financial assets held at fair value		-	(380,384)
Loss on expiry of financial assets held at fair value		(3,088,116)	-
Gain on deconsolidation of subsidiary	28	134,456	-
Impairment of non-current assets	14,15	(66,511,442)	(20,340,077)
Loss before income tax		(64,933,864)	(28,219,273)
Income tax expense	6	(7,327,952)	-
Loss for the period from continuing operations		(72,261,816)	(28,219,273)
Discontinued operations			
Loss for the period from discontinued operations, net of tax	8	(3,320,044)	(2,764,072)
Loss for the period		(75,581,860)	(30,983,345)
Other comprehensive income		-	-
Total comprehensive income for the period	22	(75,581,860)	(30,983,345)
Loss per share			
From continuing operations:			
Basic and diluted (cents per share)	23	(14.42)	(9.66)
From continuing and discontinued operations:			
Basic and diluted (cents per share)	23	(15.08)	(10.61)

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

as at 30 June 2013

	Note	2013 \$	2012 \$
Current assets			
Cash and cash equivalents	33 (a)	7,207,251	25,612,420
Trade and other receivables	11	3,017,419	1,289,308
Other financial assets	12 (a)	-	6,123,499
Inventories	13	4,563,082	1,143,810
		14,787,752	34,169,037
Assets classified as held for sale	7	3,106,366	6,168,749
Total current assets		17,894,118	40,337,786
Non-current assets			
Loan to jointly controlled entity	28	926,164	-
Exploration, evaluation and development expenditure	14	26,501,000	38,509,686
Investment in jointly controlled entity	28	1,510,835	-
Other financial assets	12 (b)	11,783,000	11,746,111
Property, plant and equipment	15	9,547,034	22,701,973
Deferred tax assets	6	-	7,387,199
Total non-current assets		50,268,033	80,344,969
Total assets		68,162,151	120,682,755
Current liabilities			
Trade and other payables	16	14,753,047	3,276,386
Other financial liabilities	17	-	3,015,205
Borrowings	19	431,541	47,668
Provisions	18	2,548,775	1,269,871
		17,733,363	7,609,130
Liabilities directly associated with held for sale assets	7	251,918	228,245
Total current liabilities		17,985,281	7,837,375
Non-current liabilities			
Provisions	18	9,836,592	7,461,708
Total non-current liabilities		9,836,592	7,461,708
Total liabilities		27,821,873	15,299,083
Net assets		40,340,278	105,383,672
Equity			
Issued capital	20	158,046,134	148,058,577
Reserves	21	5,574,092	5,023,183
Accumulated losses	22	(123,279,948)	(47,698,088)
Total equity		40,340,278	105,383,672

This consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of changes in Equity

for the year ended 30 June 2013

	Note	Issued Capital \$	Share based payments reserve \$	Accumulated losses \$	Total \$
Balance at 01/07/11		109,790,915	4,717,687	(16,714,743)	97,793,859
Loss for the period		-	-	(30,983,345)	(30,983,345)
Total comprehensive loss for the period		-	-	(30,983,345)	(30,983,345)
Recognition of share-based payments	21	-	305,496	-	305,496
Issue of share capital		40,844,464	-	-	40,844,464
Share issue costs, net of tax		(2,576,802)	-	-	(2,576,802)
Balance at 30/06/12		148,058,577	5,023,183	(47,698,088)	105,383,672
Loss for the period		-	-	(75,581,860)	(75,581,860)
Total comprehensive loss for the period		-	-	(75,581,860)	(75,581,860)
Recognition of share-based payments (net movement)	21	-	550,909	-	550,909
Issue of share capital		10,435,841	-	-	10,435,841
Share issue costs, net of tax		(448,284)	-	-	(448,284)
Balance at 30/06/13		158,046,134	5,574,092	(123,279,948)	40,340,278

This consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

for the year ended 30 June 2013

	Note	2013 \$	2012 \$
Cash flows from operating activities			
Receipts from customers		31,904,152	-
Receipts from sale of trade contracts		27,135,000	-
Payments to suppliers and employees		(55,906,176)	(6,305,893)
Tax refunds		405,266	512,292
Net cash generated from/(used in) operating activities	33 (c)	3,538,242	(5,793,601)
Cash flows from investing activities			
Proceeds from sale of property, plant & equipment		6,363	115,000
Payments for property, plant & equipment		(22,661,430)	(8,976,006)
Payments for exploration and evaluation costs		(6,072,644)	(11,199,655)
Payments for financial assets		(198,911)	(3,746,331)
Proceeds from sale of financial assets		-	1,313,260
Interest received		990,375	487,371
Loan to jointly controlled entity		(91,023)	-
Net proceeds from sale of subsidiary	27	-	3,012,883
Net cash used in investing activities		(28,027,270)	(18,993,478)
Cash flows from financing activities			
Proceeds from issues of shares		9,999,812	39,591,790
Payment of share issue costs		(446,454)	(2,576,778)
Proceeds from borrowings		20,044,030	-
Repayment of borrowings		(19,680,191)	(238,338)
Amounts paid to related parties		-	(1,420,286)
Amounts received from related parties		21,022	1,260,026
Interest and other finance costs paid		(3,880,815)	(66,521)
Net cash provided by financing activities		6,057,404	36,549,893
Net (decrease)/increase in cash and cash equivalents		(18,431,624)	11,762,814
Cash and cash equivalents at the beginning of the financial year		25,645,762	13,882,948
Cash and cash equivalents at the end of the financial year	33 (a)	7,214,138	25,645,762

This consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Index to Notes to the Consolidated Financial Statements

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Notes to the Consolidated Financial Statements

1. General information

Reed Resources Ltd is a limited public company incorporated in Australia and listed on the Australian Securities Exchange. The principal activities of the Consolidated Entity are mineral exploration and mining. Reed Resources Ltd is the ultimate parent.

Registered office and principal place of business

Level 1, 672 Murray St, West Perth, WA 6005

2. Significant accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial statements comprise the consolidated financial statements of the Consolidated Entity, comprising Reed Resources Ltd and its controlled entities. For the purpose of preparing the financial statements the consolidated entity is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ("IFRS").

The financial statements were authorised for issue by the directors of Reed Resources Ltd on 26 September 2013.

Basis of preparation

The accounting policies adopted are consistent with those adopted and disclosed in the Consolidated Entity's 2012 Annual Financial Report for the financial year ended 30 June 2012, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with IFRS.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Boards ("AASB") that are relevant to its operations and effective for the current reporting period beginning 1 July 2012.

The financial report has been prepared on the basis of historical cost except for the revaluation of certain non-financial assets and financial instruments. 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.

Going Concern Assumption

The financial report for the Consolidated Entity 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.

The Consolidated Entity has incurred a net loss after tax of \$75,581,860 (2012: Loss \$30,983,345) for the year ended 30 June 2013, which includes an impairment expense of \$66,511,442 (2012: 20,340,077). At balance date the Consolidated Entity had net current liabilities of \$91,163 (2012: net current assets of \$32,500,441).

Subsequent to the balance date, and GMKE going into Administration (refer Note 32), management has identified a shortfall in the funds required to undertake the budgeted activities for the 2013/2014 financial year.

The directors have reviewed the Company's and 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 Company has secured a \$3,000,000 loan from its non-executive chairman, David Reed. These funds will be used by the Consolidated Entity for working capital purposes and will be available on 31 October 2013 (refer Note 32).
- (ii) The directors have identified non-core assets, as disclosed in Note 7 to the financial report, which are intended to be disposed of, with completion expected to progressively occur over the next 12 months from the date of signing this report. There exists a high level of uncertainty with respect to the timing, and the quantum of proceeds that may be realised as a result of the proposed asset sales.
- (iii) The directors have reviewed the amounts and timing of expenditure required to execute the Group's business strategy, and the funds required in order for it to prudently commit to certain work programs. Should the Consolidated Entity be unable to raise the funds required to execute tasks in the forecast timeframes, management will be required to implement a revised strategy of reduced activity and expenditure until such time as funds become available.
- (iv) Should it be required, the Company has the ability to seek to raise additional funds through the issue of shares or other securities

Notes to the Consolidated Financial Statements

2. Significant accounting policies (continued)

Should the Group be unable to secure adequate additional funding from the sources referred to in (i) to (iv) above by May 2014 a material uncertainty would exist as to whether the Company and Consolidated Entity will be able to continue as going concerns and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

The 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 Company and Consolidated Entity not continue as going concerns.

Standards and interpretations adopted in the current year

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and are effective for the current financial reporting period beginning 1 July 2012.

The following new and revised Standards and Interpretations have been adopted in the current period:

- AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'
- AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'

The impact of the adoption of these Standards and Interpretations did not have a material impact on the Group.

Standards and interpretations issued not yet effective

At the date of authorisation of the financial statements, the following Australian Accounting Standards and Interpretations have been issued or amended but are not yet effective and have not been adopted by the Group for the year ended 30 June 2013:

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 9 'Financial Instruments', and the relevant amending standards ⁽ⁱ⁾	1 January 2015	30 June 2016
• AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
• AASB 11 'Joint Arrangements'	1 January 2013	30 June 2014
• AASB 12 'Disclosure of Interests in Other Entities'	1 January 2013	30 June 2014
• AASB 127 'Separate Financial Statements' (2011)	1 January 2013	30 June 2014
• AASB 128 'Investments in Associates and Joint Ventures' (2011)	1 January 2013	30 June 2014
• AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
• AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014
• AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
• AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'	1 January 2013	30 June 2014
• AASB 2012-3 'Amendments to Australian Accounting Standards-Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
• AASB 2012-2 'Amendments to Australian Accounting Standards-Disclosures – Offsetting Financial Assets and Financial Liabilities'	1 January 2013	30 June 2014
• AASB 2012-10 'Amendments to Australian Accounting Standards- Transition Guidance and Other Amendments'	1 January 2013	30 June 2014

(i) The AASB has issued the following versions of AASB 9 and the relevant amending standards:

- AASB 9 'Financial Instruments' (December 2009), AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9', AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures'
- AASB 9 'Financial Instruments' (December 2010), AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9' (December 2010), AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures'

Notes to the Consolidated Financial Statements

2. Significant accounting policies (continued)

A detailed assessment of the impact of the implementation of the aforementioned Standards and Interpretations has not been undertaken by the Consolidated Entity at the date of this report.

Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Refer to Note 3 for a discussion of critical judgments in applying the entity's accounting policies, and key sources of estimation uncertainty.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Cash and cash equivalents

Cash comprises cash on hand and on demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(b) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

(c) Financial instruments issued by the company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated as at fair value through profit or loss.

A financial liability is held for trading if:

- It has been incurred principally for the purpose of repurchasing in the near future; or
- It is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading is designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss.

The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in Note 2 (q).

Notes to the Consolidated Financial Statements

2. Significant accounting policies (continued)

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

(d) Goods and service tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except:

- i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(e) Non-current assets held for sale

Non-current assets and their disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less cost to sell.

(f) Impairment of assets

At each reporting date, the consolidated entity reviews the varying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the varying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the varying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased varying amount does not exceed the varying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Notes to the Consolidated Financial Statements

2. Significant accounting policies (continued)

(g) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the varying amount of assets and liabilities in the financial statements and the corresponding tax base of those items. In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/ Consolidated Entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the profit and loss statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax consolidation

The Company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Reed Resources Ltd is the head entity in the tax-consolidated group. Income tax expense/benefit, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using a 'group allocation' approach based on the allocation specified in the tax funding arrangement.

The tax funding arrangement requires a notional current and deferred tax calculation for each entity as if it were a taxpayer in its own right, except that unrealised profits, distributions made and received and capital gains and losses and similar items arising on transactions within the tax consolidated group are treated as having no consequence. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax consolidated group are recognised by the Company (as head entity in the tax consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the group in relation to the tax contribution amounts paid or payable between the parent and the other members of the tax consolidated group in accordance with the arrangement.

Where the tax contribution amount recognised by each member of the tax consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from the unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from, or distribution to, equity participants.

Notes to the Consolidated Financial Statements

2. Significant accounting policies (continued)

(h) Exploration and evaluation expenditure

Exploration and evaluation expenditures in relation to separate areas of interest are capitalised in the year in which they are incurred and are carried at cost less accumulated impairment losses where the following conditions are satisfied;

- i) the rights to tenure of the area of interest are current; and
- ii) at least one of the following conditions is also met:
 - the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
 - exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Capitalised exploration costs for each area of interest (considered to be the cash generating unit) are reviewed each reporting date to test whether an indication of impairment exists. If any such indication exists, the recoverable amount of the capitalised exploration costs is estimated to determine the extent of the impairment loss (if any). The recoverable amount for capitalised exploration costs has been determined as the fair value less costs to sell by reference to an active market. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development, accumulated expenditure is tested for impairment and transferred to capitalised development and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

Development expenditure

Development expenditure is recognised at cost less any impairment losses. Where commercial production in an area of interest has commenced, the associated costs are amortised over the life of the reserves associated with the area of interest. Changes in factors such as estimates of proved and probable reserves that effect unit-of-production calculations are dealt with on a prospective basis.

(i) Payables

Trade payables and other accounts payable are recognised when the Consolidated Entity becomes obliged to make future payments resulting from the purchase of goods and services.

(j) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Consolidated Entity, being the Company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. A list of subsidiaries appears in Note 29 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair value of the identifiable net assets acquired exceeds the cost of acquisition, the excess is credited to profit and loss in the period of acquisition. The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity. In preparing the consolidated financial statements, all inter-company balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

(k) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, costs are determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is calculated on a diminishing value basis so as to write off the net cost or other re-valued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period with the effect of any changes recognised on a prospective basis.

The following estimated useful lives are used in the calculation of depreciation:

Furniture & Fittings	5-20 years
Plant and Equipment	2-10 years
Buildings	10-20 years

Notes to the Consolidated Financial Statements

2. Significant accounting policies (continued)

An item of property, plant and equipment is derecognised upon disposal when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit and loss.

(l) Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Provision for restoration and rehabilitation

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of development, production, transportation or storage activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date.

The initial estimate of the restoration and rehabilitation provision relating to development is capitalised into the cost of the related asset and depreciated over the estimated remaining life of the asset on a units of production basis. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

Provision for onerous contract

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

(m) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Revenue from the sale of goods is recognised when the consolidated entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholder's right to receive the payment has been established. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(n) Interests in joint ventures

Where the Group enters into a contractual arrangement where there is joint control, the arrangement is classified as a joint venture. Where an arrangement is classified as a joint venture the Group will recognise its interest in the joint venture by either undertaking a proportionate consolidation as follows :

- (a) Assets, including its share of any assets held jointly;
- (b) Liabilities, including its share of any liabilities incurred jointly;
- (c) Revenue from its share of output from the joint operation;
- (d) Its expenses, including its share of any expenses incurred jointly.

Alternatively, the Group may elect to account for its interest in the joint venture using the equity method of accounting, in accordance with AASB 131 Interests in Joint Ventures.

Apply the equity method of accounting for joint ventures, the Company recognises the initial investment in the joint venture at cost and there after adjusts the investment for the post-acquisition change in its share of the net assets of the joint venture. The Company also includes its share of the joint ventures profit or loss in the calculation of the Consolidated Entity's profit or loss.

Notes to the Consolidated Financial Statements

2. Significant accounting policies (continued)

(o) Share-based payments

Equity-settled share-based payments to employees and others providing services to the Group are measured at fair value at the date of grant.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Consolidated Entity's estimate of shares that will eventually vest, with a corresponding increase in equity.

Equity-settled share-based payments transactions with parties other than employees are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counter party renders the service.

The fair value of options is measured using a Black Scholes Option Pricing Model.

(p) Financial assets

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the Company's financial statements. Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Trade and other receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'trade and other receivables'. Trade and other receivables are measured at amortised cost using the effective interest method less impairment.

Interest income is recognised by applying the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off to profit and loss. Subsequent recoveries of amounts previously written off are credited as income in the calculation of profit and loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In the case of available-for-sale equity instruments, the reversal is recognised directly in equity.

(q) Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the Lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred. Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the least term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they incurred.

Notes to the Consolidated Financial Statements

2. Significant accounting policies (continued)

(r) Inventories

Work in progress and finished goods inventories are measured at the lower of cost and net realisable value. Costs are assigned on a weighted average basis and comprise all costs of purchase, costs of conversion and any other costs incurred in bringing inventories to their present location and condition. Costs of conversion include costs relating directly to production in addition to an apportionment of fixed and variable production overhead expenses, and include costs such as depreciation and amortisation. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and any estimated selling costs. Consumable stores inventory are measured at the cost of acquisition.

(s) Capitalised mining cost (stripping activity assets)

During the Group's mining operations waste material is mined in order to access ore. As the mining of waste material may result in access being gained to ore not mined in the same reporting period the Group capitalises the cost of the waste, classified as development expenditure, attributable to this ore for recognition as a cost of inventory in a later period. The Group will only recognise a stripping activity asset in relation to the waste mining cost when the following criteria are satisfied:

- it is probable that the future economic benefits associated with the waste mining will flow to the entity;
- the component of the ore body for the access has been improved can be identified; and
- the costs attributable to the waste mining can be reliably measured.

Waste mining costs capitalised include the direct costs of mining the waste material and a portion of directly attributable mining overheads, which are allocated to the stripping activity asset on a production based method for the relevant deposit.

The Group amortises the stripping activity asset on a unit of production basis. The allocation rate is reviewed at each reporting date.

The stripping activity asset is tested for impairment at the reporting date and any value above the recoverable amount is recognised in the calculation of profit and loss in that period.

3. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Critical judgments in applying the entity's accounting policies

The following are the critical judgments that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

(a) Recovery of capitalised exploration evaluation and development expenditure

The Group capitalises exploration, evaluation and development expenditure incurred on ongoing projects. The recoverability of this capitalised exploration expenditure is entirely dependent upon returns from the successful development of mining operations or from surpluses from the sale of the projects or the subsidiary companies that control the projects. At the point that it is determined that any capitalised exploration expenditure is definitely not recoverable, it is written off.

(b) Share-based payments

Equity-settled share-based payments granted are measured at fair value at the date of grant. The fair value of share options is measured by use of the Black Scholes model and requires substantial judgement. Management has made its best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations.

The fair value of performance rights issued during the period was made with reference to the parent entity's closing share price on the date of grant. Management has been required to estimate the probability that the employee will meet the performance criteria determined by the board and that the employee employed by the Group.

Notes to the Consolidated Financial Statements

3. Critical accounting judgments and key sources of estimation uncertainty (continued)

(c) Rehabilitation provision

The Group is required to perform a detailed assessment of its provision for rehabilitation at each reporting date. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate amount payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required. This estimate is completed with the assistance of external consultants having substantial expertise in the area of mine rehabilitation.

(d) Joint ventures

When determining the accounting treatment to apply to jointly controlled entities and joint arrangements management considers the factors which govern the relationship between itself and the other party or parties involved in the joint commitment. Based on information such as legal agreements and the structure of the vehicle under which the joint arrangement is executed management determine whether it is a joint venturer or a joint operator. With respect to terms of agreements between two or more parties there is a risk that the parties may interpret the terms of the agreement differently. Management continually review the facts and circumstances under which these judgements are made and reassess whether the type of joint arrangement in which it is involved has changed.

With respect to Reed's investment in Reed Industrial Minerals Pty Ltd ("RIM"), management have considered the terms of the Shareholder's Agreement between itself, Mineral Resources Ltd and its subsidiary Process Minerals International Pty Ltd and determined that the agreement constitutes a joint venture under the accounting standards, and that it is a joint venturer with respect to the jointly controlled entity. Accordingly, Reed accounts for its investment in RIM using the equity method of accounting.

3.2 Key areas of estimation uncertainty

The following are key assumptions concerning the future, or other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Capitalised development and evaluation assets

Certain assumptions are required to be made in order to assess the recoverability of long-lived assets. Key assumptions include future commodity prices, future cash flows, estimated discount rate and estimates of Ore Reserves. Estimates of Ore Reserves are dependent on various assumptions. Changes in these estimates could materially impact on actual ore recovered, and could therefore affect estimates of future cash flows used in the assessment of recoverable amounts. The carrying amount of exploration, evaluation and development assets which is included in the consolidated statement of financial position at 30 June 2013 is \$26.5 million (2012: \$38.5 million) after an impairment of \$34.9 million for continuing operations was recognised during the current financial year (2012: \$20.3 million). Details of the impairment are included in Note 14.

The Group estimates its Mineral Resources and Reserves based on information assessed by Competent Persons (as defined in the JORC code). In estimating the remaining life of the mine for the purpose of amortisation and depreciation calculations, due regard is given, not only to the amount of remaining Ore Reserves, but also to limitations which could arise from the potential for changes in technology, demand, and other issues which are inherently difficult to estimate over an extended timeframe.

Where a change to Ore Reserves is made, changes to depreciation and amortisation rates are accounted for prospectively.

The determination of Ore Reserves and remaining mine life affects the carrying of value of a number of the Consolidated Entity's assets and liabilities including deferred mining costs and the rehabilitation asset.

(b) Value of deferred tax assets

Deferred income tax assets, including those arising from un-utilised tax losses, require management to assess the likelihood that the Group will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred income tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, commodity prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure, dividends and other capital management transactions) and judgement about the application of existing tax laws in Australia. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred income tax assets recorded at the reporting date could be impacted.

In addition, future changes in tax laws in Australia could limit the ability of the Group to obtain tax deductions in future periods. The carrying amount of deferred tax assets included in the consolidated statement of financial position at 30 June 2012 is \$Nil (2012: \$7.4 million).

Notes to the Consolidated Financial Statements

4. Parent entity disclosure

	2013 \$	2012 \$
Financial Position		
Assets		
Current assets	3,566,731	21,247,430
Non-current assets	37,761,316	112,006,177
Total assets	41,328,047	133,253,607
Liabilities		
Current liabilities	461,860	659,344
Non-current liabilities	579,297	19,919
Total liabilities	1,041,157	679,263
Net Assets	40,286,890	132,574,344
Equity		
Issued capital	158,046,134	148,058,577
Retained earnings	(123,333,336)	(20,507,416)
Reserves		
Share based payments	5,574,092	5,023,183
Total equity	40,286,890	132,574,344
Financial Performance		
Loss for the year	(102,825,920)	(24,787,243)
Other comprehensive income	-	-
Total comprehensive income	(102,825,920)	(24,787,243)
Guarantees entered into on behalf of subsidiaries⁽ⁱ⁾	8,700,000	8,700,000
Contingent liabilities		
Contingent liability arising from interest in joint ventures ⁽ⁱⁱ⁾	(80,000)	(80,000)
	(80,000)	(80,000)

(i) Barrambie Gas Pty Ltd, a wholly owned subsidiary of the Company, is party to a gas transmission agreement with DBNGP (WA) Transmission Pty Ltd for the Barrambie Project. The parent entity has provided security for a bank guarantee required under the contract for \$8.7 million. Refer to Note 12(b) for details.

(ii) As part of the Mt Finnerty Project joint venture agreement with Cliffs Asia Pacific Iron Ore Pty Ltd ("Cliffs"), the Group agreed to provide an indemnity in respect of performance bonds provided to the Department of Mines and Petroleum by Cliffs. Refer to Note 25 for details.

Notes to the Consolidated Financial Statements

5. Loss for the year continuing operations

	2013 \$	2012 \$
(a) Income		
Income from operations consisted of the following items:		
Revenue from the sale of goods	32,551,507	-
Other income:		
Interest revenue	696,818	790,813
Statutory refunds and grants	60,000	221,777
Gain on disposal of financial assets (refer Note 34(f))	27,135,000	-
Other	278,641	4,361
	28,170,459	1,016,951
(b) Loss before income tax		
Loss before income tax has been arrived at after charging the following expenses:		
Cost of goods sold	(39,483,396)	-
Employee benefits expense:		
Equity settled share-based payments	(983,280)	(305,496)
Defined contribution superannuation plans	(635,199)	(208,207)
Other employee benefits	(3,716,771)	(2,907,879)
	(5,335,250)	(3,421,582)
Finance costs:		
Borrowing costs	(1,789,463)	(449,566)
Facility fees	(963,670)	(80,025)
Unwinding of provision for rehabilitation	(495,882)	(544,412)
Interest expense	(1,223,180)	-
Other	-	(15,205)
	(4,472,195)	(1,089,208)
Impairment of non-current assets ⁽ⁱ⁾	(66,511,442)	(20,340,077)
Depreciation of non-current assets	(1,558,013)	(223,542)
Loss on sale of plant and equipment	(29,456)	(319,221)
Loss on financial asset held at fair value ⁽ⁱⁱ⁾	-	(380,384)
Loss on expiry of financial assets held at fair value ⁽ⁱⁱ⁾	3,088,116	-
Loss on sale of equity instruments ⁽ⁱⁱⁱ⁾	-	(301,874)

(i) Impairment expense of \$66,511,442 (2012: \$20,340,077) relates to non-current assets of continuing operations. The impairment expense of discontinued operations is shown at Note 8. Refer to Notes 14 and 15 for further details of the impairment of these non-current assets.

(ii) The Group purchased put options for 70,000 oz of gold with a view to underpinning the hedging program for the Group's Meekatharra Gold Project. These options expired unexercised on 19 September 2012. Refer to Note 12(a) for additional information on the option purchase.

(iii) In the 2011/12 financial year the Group recorded a loss on disposal of fully paid ordinary shares acquired as part consideration for disposal of its subsidiary Kalgoorlie Ore Treatment Pty Ltd. Refer to Note 27 for details of the disposal.

Notes to the Consolidated Financial Statements

6. Income taxes continuing operations

	2013 \$	2012 \$
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Continuing operations

(a) Income tax expense recognised in profit or loss

Tax income comprises:

Current tax expense	-	-
-Deferred tax expense relating to the origination and reversal of temporary differences	7,327,952	-
Total tax expense	7,327,952	-

The prima facie income tax expense on pre-tax accounting profit from continuing operations reconciles to the income tax expense in the financial statements as follows:

Loss from continuing operations	(64,933,864)	(28,219,273)
Income tax calculated at 30%	19,480,159	8,465,782
Effect of expenses that are not deductible in determining taxable profit	(1,261,452)	(1,173,572)
Current tax benefit not recognised during the period	(18,218,707)	(7,292,210)
De-recognition of deferred tax assets ⁽¹⁾	7,327,952	-
Income tax expense recognised	7,327,952	-

(1) \$59,247 of the 30 June 2012 DTA recognised for continuing operations related to Reed Industrial Minerals Pty Ltd, which was deconsolidated during the year.

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable income under Australian tax law. There has been no change in the corporate tax rate during the reporting period.

For tax disclosures on discontinued operations refer to Note 8.

	2013 \$	2012 \$
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(b) Deferred tax assets not brought to account

On income account:

Carry forward tax losses	28,644,128	7,900,936
Other	427,485	(214,294)
	29,071,613	7,686,642

On capital account

Share issue costs	981,070	217,862
	30,052,683	7,904,504

Notes to the Consolidated Financial Statements

6. Income taxes continuing operations (continued)

	2013 \$	2012 \$
(c) Deferred tax balances are presented in the statement of financial position as follows:		
Continuing Operations		
Deferred tax assets	-	16,521,047
Deferred tax liabilities	-	(9,200,911)
	-	7,320,136
Classified as assets held for sale		
Directly associated with assets held for sale	-	9,383
Total recognised deferred tax balances	-	7,396,582

Deferred tax assets have been recognised based upon the directors' assessment of future probable taxable income arising from the development or sale of the Group's assets. Where the directors believe that there may be some uncertainty regarding the generation of adequate taxable income to utilise deferred tax assets of the Group the deferred tax asset is not recognised in the statement of financial position until the directors assess otherwise. Where the Group has a legally enforceable right of set off with respect to deferred tax assets and liabilities, and the company intends to either settle the amounts on a net basis, or alternatively realise the asset and settle the liability simultaneously, the Group recognises the net deferred tax position in the financial statements.

Taxable and deductible temporary differences arise from the following:

2013	Consolidated				
	Opening Balance \$	Charged to Equity \$	Charged to Income \$	De-recognised \$	Closing Balance \$
Gross deferred tax liabilities:					
Capitalised expenditure	(9,200,911)	-	-	-	(9,200,911)
Gross deferred tax assets:					
Unclaimed share issue costs	1,132,102	-	-	(1,132,102)	-
Accrued expenses	71,654	-	-	(71,654)	-
Tax loss - revenue	15,393,737	-	-	(6,192,826)	9,200,911
	16,597,493	-	-	(7,396,582)	-
Deferred taxes recognised ⁽¹⁾⁽²⁾⁽³⁾	7,396,582	-	-	(7,396,582)	-

(1) Deferred tax assets have been netted against deferred tax liabilities as the consolidated tax group has a legal right of set off under the applicable income tax law.

(2) \$9,383 of this amount is included in assets classified as held for sale.

(3) \$59,247 of the opening balance was attributable to Reed Industrial Minerals Pty Ltd which was deconsolidated during the 2013 financial year.

Notes to the Consolidated Financial Statements

6. Income taxes continuing operations (continued)

2012	Consolidated			
	Opening Balance \$	Charged to Equity \$	Charged to Income \$	Closing Balance \$
Gross deferred tax liabilities:				
Capitalised expenditure	(9,200,911)	-	-	(9,200,911)
Gross deferred tax assets:				
Unclaimed share issue costs	1,132,102	-	-	1,132,102
Unclaimed borrowing costs	-	-	-	-
Unclaimed impairment of put options	-	-	-	-
Accrued expenses	71,654	-	-	71,654
Tax loss - revenue	15,393,737	-	-	15,393,737
	16,597,493	-	-	16,597,493
Deferred taxes recognised	7,396,582	-	-	7,396,582

Tax Consolidation

Relevance of tax consolidation to the consolidated entity

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group and are therefore taxed as a single entity. The head entity within the tax-consolidated group is Reed Resources Ltd. The members of the tax-consolidated group are identified at note 30.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, Reed Resources Ltd and each of the entities in the tax consolidation group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax assets of the entity. Such amounts are reflected in amounts receivable from or payable to each entity in the tax consolidated group, and are eliminated on consolidation. The tax sharing agreement entered into between the members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax sharing agreement is that each member's tax liability for tax payable by the tax-consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

7. Assets classified as held for sale

	2013 \$	2012 \$
Assets classified as held for sale ⁽ⁱ⁾⁽ⁱⁱ⁾	3,106,366	6,168,749
Liabilities directly associated with assets classified as held for sale ⁽ⁱ⁾	(251,918)	(228,245)

(i) In January 2012 the board decided the Comet Vale Gold Project did not form part of the Group's core assets, and that it should be actively marketed for sale. The Group continues to actively market the project in order to divest the project.

(ii) During the 2013 financial year the Comet Vale Project held by Sand Queen Mines Pty Ltd was impaired from a carrying value of \$6 million to \$3 million.

Amounts recognised in this note relate to Sand Queen Gold Mines Pty Ltd, owner of the Comet Vale Gold Project.

Notes to the Consolidated Financial Statements

7. Assets classified as held for sale (continued)

	2013 \$	2012 \$
Classified as held for sale		
Cash and cash equivalents	6,887	33,342
Trade and other receivables	467	1,409
Exploration, evaluation and development expenditure ⁽ⁱ⁾	3,000,000	6,021,849
Other financial assets	64,683	64,683
Property, plant & equipment	34,329	38,083
Deferred tax assets	-	9,383
Assets classified as held for sale	3,106,366	6,168,749
Trade and other payables	(3,508)	(3,014)
Provisions	(248,410)	(225,231)
Liabilities directly associated with assets classified as held for sale	(251,918)	(228,245)
Net assets classified as held for sale	2,854,448	5,940,504

(i) During the current financial year the Consolidated Entity undertook a review of the carrying value of its assets to determine if they were impaired. As a result of this review a decision was made to impair the carrying value of the Comet Vale Gold Project to \$3,000,000. This internal valuation was based on a management estimation, and which considered a number of proposals to acquire the project which did not proceed to settlement. An impairment of \$3,282,806 (2012: \$3,218,062) was recognised during the financial year (refer Note 8 below).

8. Discontinued operations

(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 Gold Project situated near Kalgoorlie, Western Australia. The proceeds on disposal included \$3.4 million cash consideration and \$1.6 million worth of ASX listed MacPhersons Reward Gold Ltd fully paid ordinary shares. The ordinary shares acquired were subsequently disposed of during the period. Details of the assets and liabilities disposed of, and the calculation of the gain on disposal are disclosed in note 27.

(ii) Plan to dispose of the Comet Vale Gold Project

The Comet Vale Gold Project, situated near Kalgoorlie, Western Australia, has been actively marketed for sale during the period. Subsequent to the acquisition of the Meekatharra Gold Project it was decided the comparatively small scale of the Comet Vale Project rendered it a non-core asset.

(iii) Analysis of loss for the year from discontinued operations

The combined results of the discontinued operations included in the consolidated statement of profit and loss and other comprehensive income are set out below. The comparative loss from discontinued operations has been re-presented to include those operations classified as discontinued in the current year.

Notes to the Consolidated Financial Statements

8. Discontinued operations (continued)

(iii) Analysis of loss for the year from discontinued operations (continued)

	2013 \$	2012 \$
Loss for the year		
Interest income	1,588	2,013
Other income	31,277	-
Impairment of non-current assets	(3,282,806)	(3,218,062)
Expenses	(60,720)	(116,585)
Loss before income tax	(3,310,661)	(3,332,634)
Attributable income tax expense recognised	(9,383)	-
	(3,320,044)	(3,332,634)
Gain on disposal of operation	-	568,562
Loss for the year from discontinued operations	(3,320,044)	(2,764,072)

9. Key management personnel compensation

Details of key management personnel compensation are provided on pages 21-31 of the Directors' Report.

The aggregate compensation made to key management personnel of the Group is set out below:

	2013 \$	2012 \$
Short-term employee benefits	2,710,940	1,757,180
Post-employment benefits	190,295	137,581
Termination benefits	-	-
Share-based payments	941,687	203,441
	3,842,922	2,098,202

10. Share based payments

Reed Resources Ltd has an ownership based remuneration scheme for executives and employees.

Employee Share Option Plan ("ESOP")

In accordance with the provisions of the ESOP, as approved by shareholders at the Company's AGM on 26 November 2007, employees and consultants may be offered share options at such times and on such terms as the board considers appropriate.

General terms of options granted under the ESOP:

- The options will not be quoted on the ASX.
- Options are transferable to eligible nominees.
- No options are to be exercisable with 12 months of the issue date.
- A maximum of 50% of the options issue are exercisable between 12 and 18 months from issue date.
- Options not exercised on or before the expiry date will lapse.
- All shares allotted upon exercise of options rank pari passu with all respects to all previously issued shares.
- Options lapse upon termination of employment with the Company.

Notes to the Consolidated Financial Statements

10. Share based payments (continued)

In addition to the ESOP the Company may issue share options to suppliers in lieu of cash payment.

1,000,000 share options valued at \$3,661 were issued to consultants during the financial year ended 30 June 2013 (2012: Nil).

The following share-based payment arrangements in relation to share options were in existence during the period:

Option series	Number	Grant date	Expiry date	Exercise price \$	Fair Value at grant date \$
Issued 14 September 2007 (ESOP)	300,000	14/09/2007	31/12/2012	0.85	0.22
Issued 28 November 2007 (ESOP)	1,500,000	28/11/2007	31/12/2012	0.85	0.22
Issued 9 December 2009 (ESOP)	4,500,000	26/11/2009	30/06/2012	0.80	0.17
Issued 6 December 2010 (ESOP)	4,000,000	25/11/2010	01/07/2012	1.00	0.08
Issued 15 September 2008 (ESOP)	600,000	15/09/2008	30/06/2013	1.20	0.13
Issued 25 November 2008 (ESOP)	1,250,000	25/11/2008	30/06/2013	1.20	0.03
Issued 26 July 2010 (ESOP)	750,000	19/07/2010	01/07/2013	1.00	0.18
Issued 27 August 2010 (ESOP)	2,400,000	20/08/2010	01/07/2013	1.00	0.12
Issued 7 September 2009 (ESOP)	1,600,000	31/08/2009	31/12/2013	0.78	0.08
Issued 9 December 2009 (ESOP)	850,000	26/11/2009	31/12/2013	0.78	0.24
Issued 8 April 2011 (ESOP)	500,000	08/04/2011	01/07/2014	0.98	0.12
Issued 13 December 2012	1,000,000	13/12/2012	31/12/2014	1.00	0.01
	19,250,000				

Option series	Inputs into the model				
	Grant date share price \$	Exercise price \$	Expected volatility %	Option life Years	Risk-free interest rate %
14 September 2007	0.61	0.85	63	5	6.27
28 November 2007	0.61	0.85	63	5	6.27
15 September 2008	0.57	1.20	64	5	6.53
25 November 2008	0.28	1.20	69	5	6.53
7 September 2009	0.37	0.80	73	4	3.95
9 December 2009	0.65	0.80	73	3	3.95
26 July 2010	0.595	1.00	64	3	4.70
27 August 2010	0.48	1.00	64	3	4.70
6 December 2010	0.53	1.00	64	2	4.70
8 April 2011	0.63	1.00	64	3	5.00
13 December 2012	0.17	1.00	63	2	2.75

Notes to the Consolidated Financial Statements

10. Share based payments (continued)

The following reconciles the outstanding share options granted at the beginning and end of the financial year:

	2013		2012	
	Options No.	Weighted average exercise price \$	Options No.	Weighted average exercise price \$
Balance at beginning of the financial year	13,600,000	0.97	18,250,000	0.93
Granted during the financial year as compensation	1,000,000	1.00	-	-
Exercised during the financial year ⁽ⁱ⁾	-	-	-	-
Lapsed during the financial year ⁽ⁱⁱ⁾	(7,650,000)	1.01	(4,650,000)	0.81
Balance at the end of the financial year ⁽ⁱⁱⁱ⁾	6,950,000	0.92	13,600,000	0.97

(i) Exercised during the financial year

There were no share options exercised during the year (2012: Nil).

(ii) Lapsed during the financial year

7,650,000 share options lapsed during the financial year (2012: 4,650,000).

(iii) Balance at the end of the financial year

The share options outstanding at the end of the financial year had a weighted average exercise price of \$0.92 (2012: \$0.97), and a weighted average remaining contractual life of 171 days (2012: 281 days).

Performance Rights Plan ("PRP")

In accordance with the provisions of the PRP, as approved by shareholders at the Company's AGM on 15 November 2011, employees may be offered performance rights at such times and on such terms as the board considers appropriate.

General terms of performance rights granted under the PRP:

- The performance rights will not be quoted on the ASX.
- Performance rights can only be granted to employees of the Company.
- Performance rights are transferable to eligible nominees.
- Performance rights not exercised on or before the vesting date will lapse.
- All shares allotted upon of the vesting of performance rights rank equally in all respects to all previously issued shares.
- Performance rights confer no right to vote, attend meetings, participate in a distribution of profit or a return of capital or another participating rights or entitlements on the grantee unless and until the performance rights vest.

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Notes to the Consolidated Financial Statements

10. Share based payments (continued)

The following share-based payment arrangements in relation to performance rights were in existence during the period:

2013	Grant date	Number	Vesting date / Expiry date	Grant date share price	Probability factor	Fair Value at grant date
J. Carone	01/08/2012	295,584	31/12/2013	0.180	40.5%	21,548
C. Fawcett	26/11/2012	150,000	01/01/2013	0.195	81.0%	23,692
C. Fawcett	26/11/2012	150,000	01/01/2014	0.195	81.0%	23,692
C. Fawcett	26/11/2012	150,000	01/01/2015	0.195	81.0%	23,692
D. Lim	01/08/2012	100,000	11/04/2013	0.180	81.0%	14,580
D. Lim	01/08/2012	150,000	11/04/2014	0.180	81.0%	21,870
D. Lim	01/08/2012	250,000	11/04/2015	0.180	81.0%	36,450
C. Mardon	26/11/2012	447,587	31/12/2013	0.195	40.5%	35,348
C. Reed	30/07/2012	1,154,184	31/12/2013	0.180	40.5%	84,140
C. Reed	30/07/2012	1,000,000	01/07/2013	0.180	81.0%	145,800
L. Tonkin	30/07/2012	2,580,390	31/12/2013	0.180	40.5%	188,110
L. Tonkin	30/07/2012	833,000	30/06/2013	0.180	81.0%	121,451
L. Tonkin	30/07/2012	834,000	30/06/2014	0.180	81.0%	121,597
D. Wates	01/08/2012	322,831	31/12/2013	0.180	81.0%	23,534
Performance rights issued 1/8/2012	01/08/2012	60,000	05/03/2013	0.180	81.0%	8,748
Performance rights issued 1/8/2012	01/08/2012	90,000	05/03/2014	0.180	81.0%	13,122
Performance rights issued 1/8/2012	01/08/2012	150,000	05/03/2015	0.180	81.0%	21,870
Performance rights issued 1/8/2011	01/08/2011	77,500	01/08/2012	0.440	81.0%	27,621
Performance rights issued 1/8/2011	01/08/2011	107,500	01/08/2013	0.440	81.0%	38,313
Total		8,902,576				

The fair value of performance rights issued is determined using the closing share price on grant date and applying a probability factor reflecting the likelihood that both the service period/TSR criteria would be satisfied and the board would assess an employee's performance as meeting the required standard.

The total expense recognised for the period arising from share-based payment transactions and accounted for as equity-settled share-based payment transactions is \$983,280 (2012: \$305,496).

The following reconciles the outstanding performance rights granted at the beginning and end of the financial year:

	2013 Performance rights No.	2012 Performance rights No.
Balance at beginning of the financial year	185,000	-
Granted during the financial year as compensation	8,717,576	285,000
Vested during the financial year ⁽ⁱ⁾	(1,220,500)	-
Lapsed during the financial year ⁽ⁱⁱ⁾	(20,000)	(100,000)
Balance at the end of the financial year	7,662,076	185,000

(i) 1,220,500 shares in the Company were issued on vesting of performance rights (2012: Nil).

(ii) 20,000 performance rights were cancelled or lapsed during the financial year (2012: 100,000).

Notes to the Consolidated Financial Statements

11. Trade and other receivables

	2013 \$	2012 \$
Current trade and other receivables		
Trade receivables ⁽ⁱ⁾	892,218	68,798
Other receivables ⁽ⁱⁱ⁾	357,683	508,705
Prepayments	531,516	226,636
Goods and services tax/Fuel tax credit	1,236,002	485,169
	3,017,419	1,289,308

- (i) The average settlement terms are 5 days and all amounts are considered recoverable.
- (ii) Other receivables includes an amount of \$128,977 (2012: \$160,260) receivable from Mr. C Reed (executive director). During the prior year the Company provided a loan to Mr. Reed of \$150,000 at a commercial rate of interest that is adjusted in line with the official interest rate set by the Reserve Bank of Australia. Refer to Note 31 for further information.

12. Other financial assets

	2013 \$	2012 \$
(a) Current		
Option fee ⁽ⁱ⁾	-	3,088,116
Restricted term deposit ⁽ⁱⁱ⁾	-	3,035,072
Other	-	311
	-	6,123,499

- (i) During the prior financial year the Company via its wholly owned subsidiary GMK Exploration Pty Ltd, entered into a transaction with Barclays Bank to purchase put options over 70,000 oz of gold. The put options gave the Group the right but not the obligation to sell gold at a price of \$1,560 per ounce on the 19th of September 2012. These options lapsed during the current reporting period (Refer to Note 5(b)).
- (ii) The prior year amount represents security for a deferred premium payable to Barclays Bank under the purchase of put options detailed in (i) above. The funds were used in the current financial year to settle the acquisition of the options.

	2013 \$	2012 \$
(b) Non-current		
Barrambie Gas term deposit ⁽ⁱ⁾	8,700,000	8,700,000
Other bond term deposits ⁽ⁱⁱ⁾	2,968,000	2,803,352
Option premiums ⁽ⁱⁱⁱ⁾	130,888	147,759
Less option impairment	(110,888)	-
Rental bond term deposit	95,000	95,000
	11,783,000	11,746,111

- (i) Barrambie Gas Pty Ltd, a wholly owned subsidiary of the Company, is party to a gas transmission agreement with DBNGP (WA) Transmission Pty Ltd in relation to the Barrambie Project. As part of the agreement the Group provided security for a \$8.7 million bank guarantee required under the agreement.
- (ii) Cash restrictions exist on a term deposit with a total value of \$2,968,000 (2012: \$2,803,352) relating to environmental performance bonds issued by Macquarie Bank Ltd in favour of the Minister for State Development. The deposit acts as security for the bonds. The performance bonds relate specifically to environmental obligations at the Meekatharra Gold Project site. Subsequent to the balance date the Group entered into the Mining Rehabilitation Fund established by the Government of Western Australia which resulted in \$2,968,000 in restricted deposits becoming unrestricted.
- (iii) This amount comprises several options held by the Group relating to the Mount Marion Lithium Project, Meekatharra Gold Project and Mount Finnerty-Barranco Project. Payments were made to secure options furthering the interests of the Group in these projects.

Notes to the Consolidated Financial Statements

13. Inventories

	2013 \$	2012 \$
Consumable stores	2,108,095	1,143,810
Stockpiles	204,314	-
Bullion and circuit stocks	2,250,673	-
	4,563,082	1,143,810

Inventories consist mainly of items related to the Group's Meekatharra Gold Project.

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Notes to the Consolidated Financial Statements

14. Exploration, evaluation and development expenditure

	Consolidated		
	Capitalised development \$	Capitalised exploration and evaluation expenditure \$	Total \$
Gross carrying amount			
Balance at 1 July 2011	12,760,646	35,895,710	48,656,356
Additions	330,022	20,661,898	20,991,920
Reclassified as held for sale ⁽ⁱ⁾	(10,972,432)	(2,056,282)	(13,028,714)
Rehabilitation asset	-	6,400,101	6,400,101
Balance at 1 July 2012	2,118,236	60,901,427	63,019,663
Transfer on deconsolidation of subsidiary	(2,118,236)	-	(2,118,236)
Reclassified as development	6,400,101	(6,400,101)	-
Additions	35,053,277	5,733,014	40,786,291
Expenditure written off	-	(2,954,647)	(2,954,647)
Balance at 30 June 2013	41,453,378	57,297,693	98,733,071
Accumulated amortisation and impairment			
Balance at 1 July 2011	3,766,956	3,187,970	6,954,926
Amortisation expense	-	981,930	981,930
Impairment ⁽ⁱⁱ⁾	2,495,657	21,062,482	23,558,139
Depreciation of rehabilitation asset ⁽ⁱⁱⁱ⁾	21,848	-	21,848
Reclassified as held for sale ⁽ⁱ⁾	(6,284,461)	(722,405)	(7,006,866)
Balance at 1 July 2012	-	24,509,977	24,509,977
Amortisation expense	13,045,921	-	13,045,921
Impairment ^{(ii)(iv)}	21,730,671	12,768,716	34,499,387
Depreciation of rehabilitation asset ⁽ⁱⁱⁱ⁾	176,786	-	176,786
Balance at 30 June 2013	34,953,378	37,278,693	72,232,071
Net book value			
As at 30 June 2012	2,118,236	36,391,450	38,509,686
As at 30 June 2013	6,500,000	20,049,000	26,501,000

The recovery of exploration expenditure carried forward is dependent upon the discovery of commercially viable mineral and other natural resource deposits, their development and exploration, or alternatively their sale.

(i) The assets and associated liabilities of the Comet Vale Gold Project are classified as held for sale in the current and comparative periods.

(ii) The Group performed a detailed review of the recoverable amount of all projects due to continued weakness in commodity prices. Total impairment charges of \$38.1 million (2012: \$23.41 million) were recognised in respect of exploration, evaluation and development assets for continuing and discontinued operations (classified as held for sale). Exploration and evaluation expenditure write-downs on expired or lapsed tenements totalled \$2.9 million (2012: \$136,774). The impairment expense relating to continuing operations was \$34.5 million (2012: \$20.3 million) (Note 5) whilst impairment to discontinued operations totalled \$3.3 million (2012: \$3.2 million) and related to the write-down of the Comet Vale Gold Project which is classified as held for sale in the current period (Note 8). The recoverable amount used in assessing all of the impairment charges is fair value less costs to sell. Due to the nature of exploration and evaluation assets a judgment was made by management as to the fair value of these assets taking into account various factors, such as market conditions. With respect to development assets, such as deferred mining costs and rehabilitations assets, management relied on discounted cash flows to determine the recoverable amounts. Due to the uncertain nature of factors considered when determining the fair value of assets and the fact that the valuation is undertaken at a point in time, there is a risk that actual values will differ to those determined by the Consolidated Entity.

Notes to the Consolidated Financial Statements

14. Exploration, evaluation and development expenditure (continued)

- (iii) The rehabilitation assets have been raised in relation to the Meekatharra Gold and Comet Vale Gold Projects. The part comprising of the Comet Vale Gold Project, including the related accumulated amortisation, is classified as held for sale (refer to Note 7).
- (iv) The impairment amount includes an amount of \$30.7 million which relates to the impairment of EE&D owned by GMKE, a wholly owned subsidiary of Reed, and which is held in connection with the Meekatharra Gold Project. Due to factors present at balance date, including Australian dollar gold price volatility, operational issues at the Project, as set out in the Director's Review of Operations, and the Consolidated Entity's decision to suspend expenditure in relation to Stages 2 and 3 of the Project, the Consolidated Entity undertook a review of its assets, including the assets of GMKE, to determine if the assets were impaired. Based on internal cash flow forecasts, management estimates of recoverable amounts, and an independent valuation, a decision was made to impair the EE&D assets of the Group to their recoverable amounts. In relation to GMKE the estimated recoverable amount of EE&D was estimated to be approximately \$16.5 million. Due to the uncertain nature of factors considered when determining the fair value of assets and the fact that the valuation is undertaken at a point in time, there is a risk that actual values will differ to those determined by Consolidated Entity.

The recognised recoverable amount is the assets' value in use with respect to assets classified as development and fair value less costs to sell for exploration and evaluation assets. As the period of use was estimated to be approximately 12 months from balance date no discount rate has been applied to the forecast cash flows. For the purpose of cash flow projections the Consolidated Entity used the most up to date information in its possession at the time the impairment testing was undertaken. Where there existed contracts with established prices for services or goods purchased, those prices were used as inputs in cash flow forecasts, all other costs were management estimates compiled by personnel with relevant experience in the business area incurring the cost. An Australian dollar gold price of \$1,450/oz of gold was used for the cash flow forecast; this value was based on a management judgment, and taking into account the prevailing price and market conditions. The recoverable value of \$10.0 million assigned to exploration and evaluation expenditure is a management estimate. The overall recoverable amount assigned by the Consolidated Entity to the value of GMKE's assets was supported by an independent valuation commissioned by the Company.

15. Property, plant and equipment

	Consolidated			
	Land & buildings at cost \$	Plant and equipment at cost \$	Capital work in progress \$	Total \$
Gross carrying amount				
Balance at 1 July 2011	27,900	1,925,574	-	1,953,474
Additions	3,491,834	13,700,032	4,967,938	22,159,804
Disposals	-	(437,412)	-	(437,412)
Reclassified as held for sale	(27,900)	(88,246)	-	(116,146)
Balance at 1 July 2012	3,491,834	15,099,948	4,967,938	23,559,720
Additions	-	371,666	19,968,395	20,340,061
Disposals	-	(36,878)	-	(36,878)
Transfers from WIP	-	24,927,666	(24,927,666)	-
Impairment ⁽ⁱ⁾	(3,370,485)	(28,530,681)	-	(31,901,166)
Balance at 30 June 2013	121,349	11,831,721	8,667	11,961,737
Accumulated depreciation				
Balance at 1 July 2011	9,878	639,438	-	649,316
Disposals	-	(4,422)	-	(4,422)
Reclassified as held for sale	(10,959)	(67,104)	-	(78,063)
Depreciation expense	1,081	289,835	-	290,916
Balance at 1 July 2012	-	857,747	-	857,747
Disposals	-	(1,057)	-	(1,057)
Depreciation expense	111,349	1,446,664	-	1,558,013
Balance at 30 June 2013	111,349	2,303,354	-	2,414,703
Net book value				
As at 30 June 2012	3,491,834	14,242,201	4,967,938	22,701,973
As at 30 June 2013	10,000	9,528,367	8,667	9,547,034

Notes to the Consolidated Financial Statements

15. Property, plant and equipment (continued)

(i) The impairment amount of \$31.9 million relates to the impairment of land and buildings, and PP&E owned by GMKE, a wholly owned subsidiary of Reed, and held in connection with the Meekatharra Gold Project. Due to factors present at 30 June 2013, including Australian dollar gold price volatility, operational issues at the Project, as set out in the Director's Review of Operations, and the Consolidated Entity's decision to suspend expenditure in relation to Stages 2 and 3 of the Project, the Consolidated Entity undertook a review of its assets, including the assets of GMKE, to determine if the assets were impaired. Based on internal cash flow forecasts, management estimates of recoverable amounts, and an independent valuation, a decision was made to impair the PP&E assets of GMKE to their recoverable amount of \$8.5 million. Due to the uncertain nature of factors considered when determining the fair value of assets and the fact that the valuation is undertaken at a point in time, there is a risk that actual values will differ to those determined by Consolidated Entity.

The recognised recoverable amount is the assets' value in use; as the period of use was estimated to be approximately 12 months from balance date no discount rate has been applied to the forecast cash flows. For the purpose of cash flow projections the Consolidated Entity used the most up to date information in its possession at the time the impairment testing was undertaken. Where there existed contracts with established prices for services or goods purchased, those prices were used as inputs in cash flow forecasts, all other costs were management estimates compiled by personnel with relevant experience in the business area incurring the cost. An Australian dollar gold price of \$1,450/oz of gold was used for the cash flow forecast; this value was based on a management judgment, and taking into account the prevailing price and market conditions. The salvage value of \$8.5 million assigned for GMKE's PP&E is a management judgment based on a valuation obtained at the time the Meekatharra Project was acquired in 2011 and a management estimate. The overall recoverable amount assigned by the Consolidated Entity to the value of GMKE's assets was supported by an independent valuation commissioned by the Company.

16. Trade and other payables

	2013 \$	2012 \$
Trade payables	7,527,198	2,021,889
Accrued expenses	6,976,920	720,849
Other ⁽ⁱ⁾	248,929	533,648
	14,753,047	3,276,386

(i) The "Other" payables balance for the current period is predominantly comprised of payroll related liabilities.

The average credit period on purchases is 30 days. No interest is charged on the trade payables. The Group has financial risk management policies in place to help ensure that all payables are paid within the settlement terms.

17. Other financial liabilities

	2013 \$	2012 \$
Deferred consideration payable ⁽ⁱ⁾	-	3,015,205
	-	3,015,205

(i) Deferred payment for the purchase of put options to acquire 70,000 oz of gold due on 19 September 2012. Refer to Note 12(a)(i) for additional information.

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Notes to the Consolidated Financial Statements

18. Provisions

	2013 \$	2012 \$
Current		
Annual leave	698,785	245,764
Long service leave	7,581	12,784
Advisory services	550,000	-
Other (a)	1,292,409	1,011,323
	2,548,775	1,269,871
Non-current		
Long service leave	31,438	22,062
Other (a)	9,805,154	7,439,646
	9,836,592	7,461,708
	12,385,367	8,731,579

(a) Detail of movement in other provisions

2013	Provision for Rehabilitation (i) \$	Onerous Contracts (ii) \$	Provision for salary on costs (iii) \$	Total \$
Balance at 1 July 2012	6,944,512	1,506,457	-	8,450,969
Additional provisions recognised	-	-	297,645	297,645
Reductions arising from payments/ other sacrifices of future economic benefits	-	(997,175)	-	(997,175)
Additions/(reductions) resulting from re-measurement or settlement without cost	1,863,276	986,966	-	2,850,242
Unwinding of discount and effect of changes in the discount rate	495,882	-	-	495,882
Balance at 30 June 2013	9,303,670	1,496,248	297,645	11,097,563
Comprised of:				
Current provision	-	994,764	297,645	1,292,409
Non-current provision	9,303,670	501,484	-	9,805,154
	9,303,670	1,496,248	297,645	11,097,563

(i) Represents an estimate of the present value of the future rehabilitation costs required for the Meekatharra and Comet Vale project areas.

(ii) The onerous contract relates to a contract entered into by Barrambie Gas Pty Ltd, a wholly owned subsidiary of the Company, for the Company's Barrambie Project. The contract with DBNGP (WA) Transmission Pty Ltd for gas transmission, commenced on 1 July 2010. The provision in the accounts represents the present value of 18 months of gas transmission obligations under the contract for gas transmission not expected to be utilised or on sold.

(iii) The provision for salary on cost recognises the net balance of employment on costs related to the Meekatharra Gold Project.

Notes to the Consolidated Financial Statements

18. Provisions (continued)

2012	Provision for rehabilitation \$	Onerous contracts \$	Total \$
Balance at 1 July 2011	206,191	1,387,606	1,593,797
Additional provisions recognised	5,730,645	-	5,730,645
Reductions arising from payments/other sacrifices of future economic benefits	-	(918,749)	(918,749)
Additions/(reductions) resulting from re-measurement or settlement without cost	669,457	1,020,378	1,689,835
Unwinding of discount and effect of changes in the discount rate	563,450	17,222	580,672
Reclassified as held for sale	(225,231)	-	(225,231)
Balance at 30 June 2012	6,944,512	1,506,457	8,450,969
Comprised of:			
Current provisions	-	1,011,323	1,011,323
Non-current provisions	6,944,512	495,134	7,439,646
	6,944,512	1,506,457	8,450,969

19. Borrowings

	2013 \$	2012 \$
Unsecured – at amortised cost		
Insurance premium funding	431,541	47,668

During the reporting period the Group entered into a financing arrangement for the payment of its annual insurance premiums. In addition to the above the Group entered into a agreement with Credit Suisse for a debt facility of \$19 million to fund the working capital requirements of the Group's Meekatharra Gold Project during the ramp up period. This loan was fully drawn in November 2012 and fully repaid in April 2013 using proceeds from the closure of the Group's gold hedge position.

20. Issued capital

	2013 \$	2012 \$
520,809,564 fully paid ordinary shares (2012: 462,701,573)	158,046,134	148,058,577

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value. In October 2012 the Company undertook an \$8 million Placement to institutional and sophisticated investors and a \$2 million underwritten Share Purchase Plan with existing shareholders in order to raise funds for the development of the Meekatharra Gold Project and provide funds for Reed's working capital needs. Both capital raisings were successfully completed in October and November 2012 respectively.

Notes to the Consolidated Financial Statements

20. Issued capital (continued)

	2013		2012	
	No.	\$	No.	\$
Fully paid ordinary shares				
Balance at beginning of financial year	462,701,573	148,058,577	262,237,201	109,790,915
Issue of shares for cash	55,554,491	9,999,808	197,959,072	39,591,790
Share issue costs	-	(448,284)	-	(2,576,778)
Issue of shares as part consideration for acquisition of the Meekatharra Gold Project	-	-	2,505,300	1,252,650
Other share based payments	2,553,500	436,033	-	-
Balance at the end of the financial year	520,809,564	158,046,134	462,701,573	148,058,577

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Share options

In accordance with the provisions of the employee share option plan or as approved by shareholders, at balance date, employees and directors held options over 6,950,000, (2012: 13,600,000) ordinary shares. Details relating to these options can be found in Note 10.

Share options carry no rights to dividends and no voting rights.

21. Reserves

The share-benefits reserve arises on the grant of share options and performance rights for the provision of services by consultants and to executives and employees under the employee share option plan, performance rights plan, employment contracts or as approved by shareholders. Amounts are transferred out of the reserve and into issued capital when the options are exercised or when shares are issued pursuant to the terms of the performance rights. Further information about share-based payments to employees is provided in Note 10 to the financial statements.

	2013 \$	2012 \$
Share based payments reserve:		
Balance at the beginning of the financial year	5,023,183	4,717,687
Increase in share based payments	747,001	305,496
Amounts transferred to share capital on exercise	(196,092)	-
Balance at the end of the financial year	5,574,092	5,023,183

22. Accumulated losses

	2013 \$	2012 \$
Accumulated losses:		
Balance at the beginning of the financial year	(47,698,088)	(16,714,743)
Net loss attributable to members of the Company	(75,581,860)	(30,983,345)
Balance at the end of the financial year	(123,279,948)	(47,698,088)

Notes to the Consolidated Financial Statements

23. Loss per share

	2013 Cents per share	2012 Cents per share
Basic and diluted loss per share:		
Continuing operations	(14.42)	(9.66)
Continuing and discontinued operations	(15.08)	(10.61)

Basic and diluted loss per share

The loss and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

	2013 \$	2012 \$
Loss ^(a)		
Continuing operations	(72,261,816)	(28,219,273)
Continuing and discontinued operations	(75,581,860)	(30,983,345)

	2013 No.	2012 No.
Weighted average number of ordinary shares for the purpose of basic loss per share	501,159,550	292,137,998

(a) Loss used in the calculation of loss per share reconciles to net loss in the consolidated statement of comprehensive income.

All potential ordinary shares are not dilutive and are therefore excluded in the weighted average number of ordinary shares for the purposes of diluted loss per share.

24. Commitments for expenditure

(a) Exploration and evaluation expenditure commitments

The Consolidated Entity holds mineral exploration and mining leases in order for it to undertake its exploration, evaluation and mining activities. To continue to hold tenure over these areas the Group is required to undertake a minimum level of expenditure on or in relation to the leases. Minimum expenditure commitments for the exploration and mining leases for the 2014 financial year are \$1,699,200 (2013: \$8,490,269). Due to the nature of this expenditure, in that the expenditure commitments may be reduced by the relinquishment of tenements, estimates for the commitment have not be forecast beyond June 2014. However, should the Group continue to hold the tenements beyond this date additional expenditure commitments would arise.

(b) Lease commitments

Non-cancellable operating lease commitments are disclosed in Note 26 to the financial statements. There are no finance lease commitments at reporting date (2012: Nil)

(c) Other

As referred to in Note 12 (b) to the accounts, Barrambie Gas Pty Ltd, a wholly owned subsidiary of the Company, previously entered into a gas transmission agreement with DBNGP (WA) Transmission Pty Ltd for the Barrambie Project. As part of the agreement the Group was required to procure a "blocked" term deposit for \$8.7 million as security a bank guarantee, which represented the present value of the Group's commitment under the agreement. The obligations under the gas transmission agreement commenced on 1 July 2010.

Notes to the Consolidated Financial Statements

25. Contingent liabilities

	2013 \$	2012 \$
Arising from interests in joint ventures ⁽ⁱ⁾	80,000	80,000
Contingent liabilities at year-end	80,000	80,000

(i) In consideration of Cliffs agreeing to provide performance bonds totalling \$80,000 for the benefit of the Group to the Department of Mines and Petroleum in relation to four Mount Finnerty Project tenements, the Group agrees to unconditionally indemnify Cliffs in respect of any claims made against Cliffs in respect of the performance bonds where such claims arise out of the Group's activities on those four tenements that are outside the scope of the joint venture and irrespective of whether such activities are undertaken by the Group alone or by a third party with the Group's consent.

26. Leases

Finance leases:

Leasing arrangements

The Group had no finance leases in the current or prior period.

Operating leases:

Leasing arrangements

Operating leases relate to the lease of commercial premises, and information technology and communications hardware. The lease agreement for the Company's registered head office expires on 31 August 2015. There is an additional provision for the annual increase in lease payments at the greater of CPI and a fixed rate. The other commercial premises are subject to a monthly licence agreement at a fixed fee that may be terminated by either party at one month's notice. The lease of the two photocopiers is for a period of 48 months expiring in May and June 2016. The commitments are based on the fixed monthly lease payment and a monthly estimate for copying charges. The IT and communications hardware lease is for a period of 36 months expiring in January 2016. Under the IT and communications lease the Consolidated Entity may, at its election, purchase the leased assets at the expiry of the lease. The company has assessed this lease to be an operating lease pursuant to AASB 117 Leases.

	2013 \$	2012 \$
Payments recognised as an expense		
Minimum lease payments	309,916	264,807
Contingent rentals	74,212	-
	384,128	264,807
 Non-cancellable operating lease commitments		
Not longer than 1 year	446,137	282,038
Longer than 1 year and not longer than 5 years	596,141	41,748
Longer than 5 years	-	-
	1,042,278	323,786

Notes to the Consolidated Financial Statements

27. Disposal of subsidiary

On 8 September 2011 the Group disposed of Kalgoorlie Ore Treatment Company Pty Ltd which held the Nimbus Gold Project situated near Kalgoorlie, Western Australia.

(a) Analysis of assets and liabilities over which control was lost

	2013 \$	2012 \$
Current assets		
Cash and cash equivalents	-	111
Other receivables	-	10,780
Non-current assets		
Exploration, evaluation and development expenditure	-	332,964
Property, plant and equipment	-	3,687,874
Other financial assets	-	228,000
Deferred tax assets	-	-
Current liabilities		
Payables	-	(107,408)
Net assets disposed of	-	4,152,321

(b) Gain on disposal of subsidiary

	2013 \$	2012 \$
Net assets disposed of	-	4,152,321
Gain on disposal	-	568,562
Total consideration	-	4,720,883
Consideration satisfied by		
Fully paid ordinary shares	-	1,608,000
Cash ⁽ⁱ⁾	-	3,499,680
Total consideration	-	5,107,680
Disposal costs	-	(386,797)
	-	4,720,883
Total cash received ⁽ⁱ⁾	-	3,399,680
Disposal costs paid	-	(386,797)
Net cash inflow arising on disposal	-	3,012,883

(i) Deferred cash consideration received in the prior reporting period and recognised as income at settlement on 8 September 2011.

The gain on disposal is included in the loss for the year from discontinued operations in the statement of comprehensive income. Refer to Note 8 for details of discontinued operations.

Notes to the Consolidated Financial Statements

28. Joint ventures

Name of operation	Principal activity	Interest	
		2013 %	2012 %
Mt Finnerty Iron Ore Project ⁽ⁱ⁾	Iron ore exploration	20	20
Reed Industrial Minerals Pty Ltd ⁽ⁱⁱ⁾	Evaluation of lithium production	70	100

The Consolidated Entity's interest in assets employed in the above joint ventures is detailed below.

(i) Mt Finnerty Iron Ore Project

The amounts are included in the financial statements and consolidated financial statements under their respective asset categories:

	2013 \$	2012 \$
Non-current assets		
Exploration expenditure	-	1,968,510
Total non-current assets	-	1,968,510
Total assets	-	1,968,510

(ii) Reed Industrial Minerals Pty Ltd

On 16 October 2012 Reed Resources Ltd entered into a shareholders agreement with Mineral Resources Ltd ("MRL") and its subsidiary Process Minerals International Pty Ltd ("PMI") whereby PMI was issued new shares totalling 30% of the issued share capital of Reed Industrial Minerals Pty Ltd ("RIM"). Based on the terms of the shareholders agreement Reed has determined that the agreement constitutes a Joint Venture pursuant to AASB 131 Interest in Joint Ventures and accounts for its investment in RIM using the equity method of accounting.

The purpose of the joint venture is to pursue the development of the Mt Marion lithium project. The joint venturer's preferred option is to develop a vertically integrated mine-downstream processing operation to supply essential lithium compounds to the world's battery manufacturing markets. Under the Shareholders Agreement development of the project is fully funded by MRL.

Summarised financial information for the jointly controlled entity:

	2013 \$	2012 \$
Carrying value of investment in the jointly controlled entity	1,510,835	-
Loan to jointly controlled entity ⁽ⁱ⁾	926,164	-
Share of loss of jointly controlled entity recognised in profit or loss ⁽ⁱⁱ⁾	241	-

(i) Under the Shareholders Agreement dated 16 October 2012 the current and future loan amounts will be repayable out of the revenue received from the sale of "Contract Minerals", after payment of PMI's loan and operating costs.

(ii) The equity accounted share of the jointly controlled entity's expenses are included in administration expenses in the calculation of consolidated profit or loss.

Notes to the Consolidated Financial Statements

28. Joint ventures (continued)

Deconsolidation of Reed Industrial Minerals Pty Ltd

As a result of the above mentioned shareholders agreement Reed has deconsolidated RIM at the date of “loss of control”, being 16 October 2012.

The table below details the gain recognised on the deconsolidation of RIM:

	2013 \$	2012 \$
Net assets of RIM de-recognised on deconsolidation	(2,269,455)	-
Investment in jointly controlled entity recognised on deconsolidation	1,512,956	-
Loan to jointly controlled entity recognised on deconsolidation	890,955	-
Gain on disposal	134,456	-
Total cash received ⁽ⁱ⁾	-	-
Net cash inflow arising on deconsolidation	-	-

(i) MRL was issued “new” shares in RIM therefore no cash consideration was received by the Company with respect to deconsolidation of RIM.

Reconciliation of RIM net assets de-recognised on deconsolidation:

	\$
Current Assets	3,194
Non-current assets	2,266,261
Total Assets	2,269,455
Non-current liabilities	-
Net Assets	2,269,455

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Notes to the Consolidated Financial Statements

29. Subsidiaries

Name of entity	Country of incorporation	Ownership interest	
		2013 %	2012 %
Parent entity			
Reed Resources Ltd	Australia		
Subsidiaries			
Australian Vanadium Corporation (Holdings) Pty Ltd	Australia	100	100
Australian Vanadium Corporation (Investments) Pty Ltd	Australia	100	100
Australian Vanadium Exploration Pty Ltd	Australia	100	100
Barrambie Gas Pty Ltd	Australia	100	100
GMK Administration Pty Ltd	Australia	100	100
GMK Exploration Pty Ltd ⁽ⁱ⁾	Australia	100	100
Gold Mines of Kalgoorlie Ltd	Australia	100	100
Mount Finnerty Pty Ltd	Australia	100	100
Reed Advanced Materials Pty Ltd	Australia	100	100
Reed Exploration Pty Ltd	Australia	100	100
Sand Queen Gold Mines Pty Ltd	Australia	100	100
Reed Industrial Minerals Pty Ltd ⁽ⁱⁱ⁾	Australia	70	100

(i) Refer to Note 32 "Events occurring after the reporting period".

(ii) Process Minerals International Pty Ltd owns a 30% equity interest in Reed Industrial Minerals Pty Ltd (refer Note 28 Joint ventures)

All of these companies, except for Reed Industrial Minerals Pty Ltd, are members of a tax consolidated group. Reed Resources Ltd is the head entity of the tax consolidated group.

On 16 October 2012 Reed Resources Ltd entered into a shareholders agreement with Mineral Resources Ltd ("MRL") and its subsidiary Process Minerals International Pty Ltd ("PMI") whereby PMI was issued shares totalling 30% of the issued shares of Reed Industrial Minerals Pty Ltd ("RIM"). As a result of the execution of the shareholders agreement Reed Resources was deemed to no longer control RIM for the purpose of AASB 127 Consolidated and Separate Financial Statements, consequently Reed has undertaken a "deconsolidation" of RIM in accordance with the standard. The Consolidated Entity recognised a gain on deconsolidation of RIM of \$134,456 ("2012: Nil").

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Notes to the Consolidated Financial Statements

30. 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 Group operates under three reportable operating segments comprised of the Group'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 the AASB 8. The 'other segments' category is the aggregation of all remaining operating segments given sufficient reportable operating segments have been identified.

For the year ended 30 June 2013

Reportable operating segments	Gold \$	Vanadium \$	Other \$	Unallocated \$	Total \$
Revenue from external customers	31,386,993	1,163,443	-	1,071	32,551,507
Cost of sales	(38,398,991)	(1,084,405)	-	-	(39,483,396)
Gross profit/(loss)	(7,011,998)	79,038	-	1,071	(6,931,889)
Other income	27,254,192	-	175,835	740,432	28,170,459
Impairment	(62,673,570)	(420,259)	(2,352,222)	(1,065,391)	(66,511,442)
Depreciation and amortisation	-	-	-	(224,072)	(224,072)
Total revenue	58,641,185	1,163,443	175,835	875,959	60,856,422
Total expense	(112,609,077)	(2,614,543)	(3,031,813)	(7534,853)	(125,790,286)
Loss before tax	(53,967,892)	(1,451,100)	(2,855,978)	(6,658,894)	(64,933,864)
Discontinued operations					
Total revenue	32,865	-	-	-	32,865
Total expenses	(3,343,526)	-	-	-	(3,343,526)
Loss before tax	(3,310,661)	-	-	-	(3,310,661)
Consolidated loss before tax	(57,278,553)	(1,451,100)	(2,855,978)	(6,658,889)	(68,244,520)

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Notes to the Consolidated Financial Statements

30. Segment information (continued)

As at 30 June 2013

Reportable operating segments	Gold \$	Vanadium \$	Other \$	Unallocated \$	Total \$
Increase/(decrease) in non-current assets	(20,834,026)	(9,146,876)	(5,674,644)	5,578,613	(30,076,933)
Decrease in classified as held for sale	(3,062,383)	-	-	-	(3,062,383)
Consolidated increase/(decrease) in non-current assets	(23,896,409)	(9,146,876)	(5,674,644)	5,578,613	(33,139,316)
Total segment assets	39,011,201	10,119,660	184,358	15,740,566	65,055,785
Assets classified as held for sale	3,106,366	-	-	-	3,106,366
Consolidated total assets	42,117,567	10,119,660	184,358	15,740,566	68,162,151

For the year ended 30 June 2012

Reportable operating segments	Gold \$	Vanadium \$	Other \$	Unallocated \$	Total \$
Revenue from external customers	-	-	-	-	-
Cost of sales before amortisation	-	-	-	-	-
Gross profit/(loss)	-	-	-	-	-
Other income	97,949	-	90,451	828,551	1,016,951
Impairment	(1,802,613)	(18,428,566)	(108,898)	-	(20,340,077)
Depreciation and amortisation	(171,159)	-	-	(52,383)	(223,542)
Total revenue	97,949	-	90,451	828,551	1,016,951
Total expense	(4,313,804)	(18,436,412)	(181,222)	(6,304,786)	(29,236,224)
Loss before tax	(4,215,855)	(18,436,412)	(90,771)	(5,476,235)	(28,219,273)
Discontinued operations					
Total revenue	2,013	-	-	-	2,013
Total expenses	(3,334,647)	-	-	-	(3,334,647)
Gain on disposal of subsidiary	568,562	-	-	-	568,562
Loss before tax	(2,764,072)	-	-	-	(2,764,072)
Consolidated loss before tax	(6,979,927)	(18,436,412)	(90,771)	(5,476,235)	(30,983,345)

Notes to the Consolidated Financial Statements

30. Segment information (continued)

As at 30 June 2012

Reportable operating segments	Gold \$	Vanadium \$	Other \$	Unallocated \$	Total \$
Increase/(decrease) in non-current assets	12,250,889	(16,246,697)	847,950	211,880	(2,935,978)
Increase in classified as held for sale	1,017,202	-	-	-	1,017,202
Consolidated increase/(decrease) in non-current assets	13,268,091	(16,246,697)	847,950	211,880	(1,918,776)
Total segment assets	60,982,179	19,646,928	5,956,015	27,928,884	114,514,006
Assets classified as held for sale	6,168,749	-	-	-	6,168,749
Consolidated total assets	67,150,928	19,646,928	5,956,015	27,928,884	120,682,755

Information about major customers

Revenue from external customers includes:

- Gold and silver bullion sales to third parties of \$32.5 million (2012: Nil). These sales were executed with Credit Suisse and The Perth Mint (revenue includes the net settlement of gold put options used by the Group to hedge against adverse movements in gold price). As the gold produced by the Group is refined to a globally accepted standard the Group is not reliant on the aforementioned parties to sell its production.

Geographical information

The Group operates in a single geographical area being Australia (country of domicile).

31. Related party disclosures

(a) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 29 to the financial statements.

(b) Key management personnel remuneration

Details of Key Management Personnel remuneration are disclosed on pages 21-31 of the Directors' Report.

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Notes to the Consolidated Financial Statements

31. Related party disclosures (continued)

(c) Key management personnel equity holdings

Fully paid ordinary shares of Reed Resources Ltd

2013	Balance at 01/07/12 No.	Balance on appointment No.	Received on exercise of options No.	Net other change No.	Balance at 30/06/13 No.	Balance held nominally No.
Non-executive directors						
S. Cole	75,068	-	-	45,015	120,083	-
P. Collins ⁽ⁱ⁾	285,705	-	-	(285,705)	-	-
V. Guthrie	-	-	-	50,000	50,000	-
C. Johnstone	-	-	-	-	-	-
D. Reed ⁽ⁱⁱ⁾	26,977,338	-	-	(14,954,985)	12,022,353	-
Executive directors						
C. Reed	609,202	-	-	300,000	939,202	-
L.Tonkin	-	-	-	878,015	878,015	-
			-			-
Other executives						
J. Carone	172,500	-	-	(30,000)	142,500	-
C. Fawcett	-	-	-	150,000	150,000	-
D. Lim	80,000	-	-	100,000	180,000	-
D. Wates	151,121	-	-	-	151,121	-
Total	28,350,934	-	-	(13,687,660)	14,633,274	-

(i) Mr. P. Collins ceased being a director on 29 November 2012.

(ii) Mr. D. Reed transitioned from an executive to a non-executive director on 1 July 2012.

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Notes to the Consolidated Financial Statements

31. Related party disclosures (continued)

2012	Balance at 01/07/12 No.	Balance on appointment No.	Received on exercise of options No.	Net other change No.	Balance at 30/06/12 No.	Balance held nominally No.
Non-executive directors						
S. Cole	42,896	-	-	32,172	75,068	-
P. Collins	285,705	-	-	-	285,705	-
V. Guthrie	-	-	-	-	-	-
I. Junk ⁽ⁱ⁾	781,102	-	-	(781,102)	-	-
Executive directors						
C. Reed	2,909,202	-	-	(2,300,000)	609,202	-
D. Reed ⁽ⁱⁱ⁾	21,776,113	-	-	5,201,225	26,977,338	-
L.Tonkin ⁽ⁱⁱⁱ⁾	-	-	-	-	-	-
Other executives						
J. Carone	147,388	-	-	25,112	172,500	-
C. Fawcett	-	-	-	-	-	-
D. Lim	-	-	-	80,000	80,000	-
D. Wates	151,121	-	-	-	151,121	-
Total	26,093,527	-	-	2,257,407	28,350,934	-

(i) Mr. I. Junk ceased being a director on 28 June 2012.

(ii) Mr. D. Reed transitioned from an executive to a non-executive director on 1 July 2012.

(iii) Mr. L. Tonkin commenced as managing director and chief executive officer on 14 May 2012. Upon appointment and subject to shareholder approval Mr. Tonkin is entitled to a sign-on award of 833,000 shares. Refer to the Directors' Report for further discussion on this matter.

Share options of Reed Resources Ltd

2013	Balance at 01/07/12 No.	Granted as remuneration No.	Exercised /(lapsed) No.	Balance at 30/06/13 No.	Balance vested at 30/06/13 No.	Vested but not exercisable No.	Vested and exercisable No.	Options vested during year No.
S. Cole	1,100,000	-	(750,000)	350,000	350,000	-	350,000	-
P. Collins ⁽ⁱ⁾	700,000	-	(700,000)	-	-	-	-	-
I. Junk ⁽ⁱⁱ⁾	700,000	-	(700,000)	-	-	-	-	-
C. Reed	4,600,000	-	(4,600,000)	-	-	-	-	-
D. Reed	1,000,000	-	(1,000,000)	-	-	-	-	-
J. Carone	1,800,000	-	(300,000)	1,500,000	1,500,000	-	1,500,000	-
C. Fawcett	750,000	-	-	750,000	750,000	-	750,000	-
D. Wates	500,000	-	-	500,000	500,000	-	500,000	-
Others ⁽ⁱⁱⁱ⁾	2,450,000	-	(1,850,000)	600,000	600,000	-	600,000	-
Total	13,600,000	-	(9,900,000)	3,700,000	3,700,000	-	3,700,000	-

(i) Mr. P. Collins ceased being a director of the Company on 29 November 2012.

(ii) Mr. I. Junk ceased being a director of the Company on 28 June 2012.

(iii) 'Others' includes options issued to non-KMP employees.

Notes to the Consolidated Financial Statements

31. Related party disclosures (continued)

2012	Balance at 01/07/11 No.	Granted as remuneration No.	Exercised /(lapsed) No.	Balance at 30/06/12 No.	Balance vested at 30/06/12 No.	Vested but not exercisable No.	Vested and exercise-able No.	Options vested during year No.
S. Cole	1,100,000	-	-	1,100,000	1,100,000	-	1,100,000	-
P. Collins	700,000	-	-	700,000	700,000	-	700,000	-
I. Junk	700,000	-	-	700,000	700,000	-	700,000	-
C. Reed	6,600,000	-	(3,000,000)	3,600,000	4,600,000	-	4,600,000	2,500,000
D. Reed	2,500,000	-	(1,500,000)	1,000,000	1,000,000	-	1,000,000	1,250,000
J. Carone	1,800,000	-	-	1,800,000	1,800,000	-	1,800,000	900,000
C. Fawcett	750,000	-	-	750,000	750,000	-	750,000	375,000
D. Wates	500,000	-	-	500,000	500,000	-	500,000	500,000
Others	3,600,000	-	(150,000)	3,450,000	2,450,000	-	2,450,000	825,000
Total	18,250,000	-	(4,650,000)	13,600,000	13,600,000	-	13,600,000	6,350,000

All share options have been issued in accordance with the provisions of the employee share option plan or as approved by shareholders. No options were issued to related parties during the current period.

Performance rights of Reed Resources Ltd

In the current reporting period the Company granted 8,717,576 (2012: 10,000) performance rights to executives and KMP pursuant to the Company's Performance Rights Plan. At the reporting date 5,567,574 performance rights had vested.

Further details of the employee share option plan and of share options and performance rights granted are contained in Note 10 to the financial statements.

Performance Rights granted to related parties

The following tables summarise information relevant to the current financial year in relation to the grant of performance rights to KMP as part of their remuneration. Performance rights are issued by Reed Resources Ltd.

Name	During the Financial Year					
	Grant date	No. granted	No. vested	Fair value at grant date	Earliest exercise date	Consideration payable on exercise
KMP:						
J. Carone ⁽ⁱ⁾	01/08/2012	295,584	-	53,205	30/06/2015	-
C. Fawcett	26/11/2012	150,000	150,000	29,250	01/01/2013	-
C. Fawcett	26/11/2012	150,000	-	29,250	01/01/2014	-
C. Fawcett	26/11/2012	150,000	-	29,250	01/01/2015	-
D. Lim	01/08/2012	100,000	100,000	18,000	11/04/2013	-
D. Lim	01/08/2012	150,000	-	27,000	11/04/2014	-
D. Lim	01/08/2012	250,000	-	45,000	11/04/2015	-
C. Mardon ⁽ⁱ⁾	26/11/2012	447,587	-	87,279	30/06/2015	-
C. Reed ⁽ⁱ⁾	30/07/2012	1,154,184	-	207,753	30/06/2013	-
C. Reed	30/07/2012	1,000,000	1,000,000	180,000	01/07/2013	-
L. Tonkin ⁽ⁱ⁾	30/07/2012	2,580,390	-	464,740	30/06/2013	-
L. Tonkin	30/07/2012	833,000	833,000	149,940	30/06/2013	-
L. Tonkin	30/07/2012	834,000	-	150,120	30/06/2014	-
D. Wates ⁽ⁱ⁾	01/08/2012	322,831	-	58,110	30/06/2015	-
Total			2,083,000			

⁽ⁱ⁾ The number of performance rights that will actually vest, if any, is determined by the Company's performance based on Reed Resources TSR compared to the comparative group of companies over the 1 or 3 year period as set out in the relevant employee's employment contract. At the date of this report no employee had become entitled to securities whose vesting conditions were the subject of the TSR criteria.

Notes to the Consolidated Financial Statements

31. Related party disclosures (continued)

Details of performance rights held by KMP and of shares issued during or since the end of the financial year as a result of the vesting of performance rights:

	Grant date	Fair value of rights at grant date \$	No. granted	Vested during the financial year %	Forfeited/ lapsed during the financial year %	Ordinary shares issued on exercise of rights \$
KMP:						
J. Carone ⁽¹⁾	01/08/2012	53,205	295,584	-	-	-
C. Fawcett	26/11/2012	29,250	150,000	150,000	-	150,000
C. Fawcett	26/11/2012	29,250	150,000	-	-	-
C. Fawcett	26/11/2012	29,250	150,000	-	-	-
D. Lim	01/08/2012	18,000	100,000	100,000	-	100,000
D. Lim	01/08/2012	27,000	150,000	-	-	-
D. Lim	01/08/2012	45,000	250,000	-	-	-
C. Mardon ⁽¹⁾	26/11/2012	87,279	447,587	-	-	-
C. Reed ⁽¹⁾	30/07/2012	207,753	1,154,184	-	-	-
C. Reed	30/07/2012	180,000	1,000,000	1,000,000	-	1,000,000
L. Tonkin ⁽¹⁾	30/07/2012	464,740	2,580,390	-	-	-
L. Tonkin	30/07/2012	149,940	833,000	833,000	-	833,000
L. Tonkin	30/07/2012	150,120	834,000	-	-	-
D. Wates	01/08/2011	10,000	10,000	10,000	-	10,000
D. Wates ⁽¹⁾	01/08/2012	58,110	322,831	-	-	-
Total				2,093,000		2,093,000

(1) The number of performance rights that will actually vest, if any, is determined by the Company's performance based on Reed Resources TSR compared to the comparative group of companies over the 1 or 3 year period as set out in the relevant employee's employment contract. At the date of this report no employee had become entitled to securities whose vesting conditions were the subject of the TSR criteria.

The performance rights granted entitle the grantee to one fully paid ordinary share in Reed Resources Ltd for nil cash consideration on satisfaction of the vesting criteria.

(d) Other transactions with key management personnel

	2013 \$	2012 \$
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The loss from operations includes the following items of revenue and expense that resulted from transactions other than compensation or equity holdings, with Key Management Personnel or their related parties:

Interest income	8,352	8,464
Other Income	1,091	-
Total recognised as income	9,443	8,464
Service fees and charges	-	(18,950)
Rent	(19,680)	(84,843)
Interest and fees expense	-	(11,473)
Total recognised as expenses	(19,680)	(115,266)

Notes to the Consolidated Financial Statements

31. Related party disclosures (continued)

(e) Transactions with other related parties

Other related parties include:

- The parent entity;
- Associates;
- Joint ventures in which the entity is a venturer;
- Subsidiaries;
- Key Management Personnel of the Group;
- Former Key Management Personnel; and
- Other related parties.

Transactions involving the parent entity

The directors elected for wholly-owned Australian entities within the Group to be taxed as a single entity from 1 July 2003.

The parent entity has loaned funds to subsidiaries. The loans totalled \$12.5 million at 30 June 2013 (2012: \$61.9 million) after recognising an impairment of \$70 million (2012: Nil) in the current financial year. These loans are repayable on demand and are interest free. \$12.5 million of the loans are payable by GMK Exploration Pty Ltd, which was placed into Administration on 16 August 2013 (refer to Note 32).

No other transactions occurred during the financial year between entities in the wholly owned Group.

Transactions involving other related parties

During the current year the Company entered into an arrangement to subsidise the office rent costs of Trucking Nominees Pty Ltd, the total amount charged as an expense for the year was \$19,680.

In the prior year the Company had entered into arrangements with Trucking Nominees Pty Ltd, a company associated with Mr. D Reed (non-executive chairman) whereby the Company arranged for the provision of offices and office equipment in West Perth and Kalgoorlie at cost plus 5%. These agreements came to an end on 31 August 2011. The total amount charged for the 2012 year was \$103,793, being rent, service fees and minor property outgoings including rates. During the prior year Mr. D Reed provided short-term loans totalling \$1,260,025 (at a market rate of interest) to Reed Resources Ltd to fund working capital whilst the Company undertook a capital raising in April-May 2012. Interest and associated fees charged on the loan for the 2012 year totalled \$11,473. The loan was fully repaid during the 2012 financial year.

In the 2012 financial year the Company provided a loan to Mr. C Reed of \$150,000 at a commercial interest rate of 7.2%. The interest rate is subsequently adjusted in line with changes to the official cash rate announced by the Reserve Bank of Australia ("RBA") from time to time. The facility was an interest only loan until March 2013 at which time repayments of principal and interest commenced. The loan is scheduled to be fully repaid by July 2014. Loan interest charged for the period totalled \$8,352 (2012: 8,464).

Reed Resources Ltd has a royalty agreement with MTAB Pty Ltd, a company controlled by Mr. D Reed, related to production on the Comet Vale Gold Project. There was no production during the year and consequently there were no royalty payments, the subject of this agreement, were paid in the 2013 financial year (2012: Nil). The above amounts were paid for services rendered in the ordinary course of business and on normal commercial terms and conditions.

Existing agreements involving other related parties

As disclosed in the Company's prospectus dated 24 June 2002, the Company has contracted to pay royalty payments from the Mount Finnerty Project properties to a company controlled by Mr. C Reed. To date no mining has been undertaken on these properties and accordingly no royalty payments have been paid to Mr. C Reed.

(f) Controlling entities

The ultimate parent entity of the Group is Reed Resources Ltd, a company incorporated and domiciled in Australia.

Notes to the Consolidated Financial Statements

32. Events occurring after the reporting period

GMK Exploration Pty Ltd – Voluntary Administration

On 16 August 2013 GMK Exploration Pty Ltd (“**GMKE**”) a wholly owned subsidiary of Reed Resources Ltd (“**Reed**”) and owner/operator of the Meekatharra Gold Project was placed into voluntary administration (“**Administration**”). During the June 2013 quarter gold production at the Meekatharra Gold Project was adversely affected by lower head grade which was principally attributed to the loss of high grade ore tonnes previously mined from the “legacy” Bluebird open pits which were included in the Bluebird Ore Reserve. June gold production was also affected by an adverse mine to mill ounce reconciliation, which declined materially from that previously achieved up until June. Strategies implemented to mitigate the short-term cash flow impact caused by the aforementioned issues contributed to an improved mine to mill reconciliation performance in July 2013. However, in early August 2013 mine production underperformed placing further strain on GMKE’s cash position. Because the short-term cash flow impacts continued longer than anticipated GMKE could not continue to operate the Project on a sustainable basis without further significant funding. On 16 August 2013, after all potential funding options had been exhausted in the available time frame, the board of Reed advised GMKE that it would no longer provide funding for the operation of the Project. At that point a decision was made by GMKE’s directors to place GMKE into Administration. While GMKE continues to operate under the control of the Administrator, Ferrier Hodgson, the outcome of the Administration process is unknown. Reed Resources Ltd itself remains solvent and also continues to assist the Administrator in an effort to achieve the best outcome for all stakeholders. As a result of GMKE being placed into Administration and the consequential loss of control pursuant to AASB 127 Consolidated and Separate Financial Statements the Company will be required to de-consolidate the assets, liabilities, equity, income, expenses and cash flows of GMKE in the 2013/14 financial year as at 16 August 2013.

Details of GMKE’s net assets included in the Consolidated Entity’s Statement of Financial Position as at 30 June 2013 can be found in the table below, additional financial information relating to the subsidiary can be found in Note 30 to the financial statements under the “Gold” segment.

	30 June 2013 \$
Assets	
Current assets	11,033,201
Non-current assets	27,978,000
	39,011,201
Liabilities	
Current liabilities	15,680,917
Non-current liabilities	9,305,812
	24,986,729

Resignation of managing director

Mr. Luke Tonkin has resigned from his position with the Company and is expected to depart at the end of September 2013. As a result of Mr. Tonkin’s departure Mr. Chris Reed will assume the role of managing director. Mr. Reed was managing director of Reed prior to Mr. Tonkin’s appointment in 2012.

Management restructure

With the businesses change in the focus on GMKE being placed into Administration the board of Reed is performing a comprehensive review of the Group’s operations with the view of restructuring the organisation at both a board and management level. As a result of this review process Reed has announced that Mr. Colin Johnstone will shortly be retiring as a director of the Company.

Mining Rehabilitation Fund

On 3 July 2013 GMKE opted into the Mining Rehabilitation Fund established under the Mining Rehabilitation Fund Act 2012. As a result of entering into this scheme \$3.0 million held in restricted deposits became unrestricted and available as working capital.

Notes to the Consolidated Financial Statements

32. Events occurring after the reporting period (continued)

Lapse of Nannine option

On 4 July 2013 an option held by GMK Exploration Pty Ltd over the Nannine project area, located in the Murchison area of Western Australia lapsed unexercised. The Company decided not to exercise the option and pay the required fee in order to maintain working capital in light of market conditions at the expiry date.

\$3 million dollar loan facility

On 26 September 2013, David Reed and the Company executed a facility agreement for the provision of a \$3 million standby loan facility by David Reed ("**Loan Facility**"). The Loan Facility is repayable by 31 August 2014, but must be paid down so that a maximum of \$2 million is owed by 19 December 2013. Interest of 10.75% is payable. Subject to shareholder approval (which the Company will seek at its 2013 annual general meeting), the Company may, at its election, repay up to \$2 million of the loan by the issue of convertible notes. The convertible notes will carry the same interest rate as the Loan Facility and be secured by the Security. They will be convertible at a 25% premium to the 30-trading day VWAP before the Company issues the notice of general meeting to seek shareholder approval. If not converted by David Reed, the notes will be redeemable by the Company 12 months after issue. The Company has granted David Reed security over its shares in Australian Vanadium Corporation (Holdings) Pty Ltd, the holding entity of the Barrambie Project, as security for the Loan Facility.

Disposal of Nimbus Zinc Royalty

On 24 September 2013 the Company announced that it had disposed of the Nimbus Zinc Royalty for \$200,000, consideration being shares in MacPhersons Resources Ltd, with the final number of shares received being determined on a 5 day VWAP basis. Completion of the transaction is conditional upon the parties executing a formal documentation for the agreement.

33. Notes to the cash flow statement

(a) Reconciliation of cash and cash equivalents

	2013 \$	2012 \$
For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the statement of financial position as follows:		
Cash and cash equivalents	7,207,251	25,612,420
Cash and cash equivalents included in assets classified held for sale ⁽ⁱ⁾	6,887	33,342
	7,214,138	25,645,762

(i) Held by Sand Queen Mines Pty Ltd, owner of the Comet Vale Gold Project, which is classified as held for sale. Refer to Note 7 for additional information.

(b) Funds not available for use

Restrictions exist on several bank deposits with a total value of \$11,827,683. These deposits are classified as financial assets except for \$64,683 which is classified as assets held for sale.

Of the \$11,827,683 held in restricted bank deposits \$8,700,000 is held as security in relation to an unconditional performance bond issued by the National Australia Bank in favour of the Minister for State Development and DBNGP (WA) Transmission Pty Ltd.

Further deposits totalling \$3,032,683 are held by Macquarie Bank Ltd, the issuer of environmental performance bonds related to the Comet Vale and Meekatharra Gold Project sites. Refer to Note 7 for additional information on the financial asset classified as held for sale and Note 12 for discussion of all other financial assets and Note 32 "Events occurring after the reporting period".

The Group has \$95,000 on deposit as security for a rental bond relating to its leased business premises.

Notes to the Consolidated Financial Statements

33. Notes to the cash flow statement (continued)

(c) Reconciliation of loss for the period to net cash flows from operating activities

	2013 \$	2012 \$
Loss for the period	(75,581,860)	(30,983,345)
Loss on sale of non-current assets	29,456	319,221
Gain on deconsolidation of subsidiary	(134,456)	-
Gain on disposal of discontinued operations	-	(568,562)
Loss on disposal/lapse of financial assets	3,088,116	301,874
Share of equity accounted entity's loss	244	-
Interest received on investments	(698,407)	-
Movement in capitalised mining costs	(20,144,080)	-
Costs of borrowing	3,961,471	-
Loss on revaluation of other financial assets designated at fair value through profit and loss	-	380,384
Depreciation and amortization of non-current assets	1,587,489	249,929
Equity settled share-based payment	985,111	305,496
Exploration and evaluation expenditure write off	2,943,201	-
Impairment of non-current assets	69,794,249	23,558,139
Decrease in current tax asset	-	286,923
Decrease in deferred tax asset	7,337,336	-
(Increase) / decrease in assets:		
Current receivables	(1,018,705)	(239,546)
Inventories	(3,419,350)	-
Increase / (decrease) in liabilities:		
Current payables	12,705,523	221,144
Provisions	2,102,904	795,592
Net Cash generated from/ (used) in operating activities	3,538,242	(5,372,751)

(d) Non cash financing and investing activities

On 13 December 2012 the Company issued 1,000,000 share options with an exercise price of \$1.00 each as part consideration for corporate advisory work undertaken in relation to debt and equity funding raised for the Meekatharra Gold Project.

34. Financial instruments

(a) Financial risk management objectives

The Consolidated Entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the financial statements.

Notes to the Consolidated Financial Statements

34. Financial instruments (continued)

The following tables detail the Group's exposure to interest rate risk:

2013	Weighted average effective interest rate %	Variable interest rate \$	Maturity dates			Non interest bearing \$	Total \$
			Less than 1 year \$	1-5 years \$	More than 5 years \$		

Financial assets:

Cash and cash equivalents ⁽ⁱ⁾	1.46	-	7,213,986	-	-	152	7,214,138
Barrambie Gas term deposit ⁽ⁱⁱ⁾	3.20	-	8,700,000	-	-	-	8,700,000
Bond term deposits ⁽ⁱⁱ⁾	3.18	-	3,127,683	-	-	-	3,127,683
Trade and other receivables	-	-	-	-	-	2,485,903	2,485,903

Financial liabilities:

Trade payables ⁽ⁱⁱⁱ⁾	-	-	-	-	-	14,756,555	14,756,555
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(i) Includes cash and bank balances of \$6,887 in a disposal group held for sale. Refer to Note 7 for more information.

(ii) The balances represents two term deposits that are restricted in their use and are classified in the current reporting period other financial assets in addition to another deposit with a total value of \$64,683 that is classified as a held for sale asset. Refer to Note 7 for further details on assets held for sale. Additional information on all other term deposits is provided at Notes 12 and 33(b). The financial assets have contractual maturities of less than one year, however they are classified as non-current in the statement of financial position as they are not accessible to the Group due to restrictions placed on accessing the funds.

(iii) The trade payables include \$3,508 classified as held for sale and disclosed at Note 7.

2012	Weighted average effective interest rate %	Variable interest rate \$	Maturity dates			Non interest bearing \$	Total \$
			Less than 1 year \$	1-5 years \$	More than 5 years \$		

Financial assets:

Cash and cash equivalents ⁽ⁱ⁾	2.72	-	25,644,252	-	-	1,510	25,645,762
Barrambie Gas term deposit ⁽ⁱⁱ⁾	5.30	-	8,700,000	-	-	-	8,700,000
Bond term deposits ⁽ⁱⁱ⁾	3.54	-	2,963,035	-	-	-	2,963,035
Trade and other receivables ⁽ⁱⁱⁱ⁾	-	-	-	-	-	1,292,126	1,292,126
Fair value-profit and loss ^(iv)	-	-	-	-	-	3,088,116	3,088,116
Other ^(v)	3.25	-	3,035,072	-	-	-	3,035,072

Financial liabilities:

Trade payables ⁽ⁱⁱⁱ⁾	-	-	-	-	-	3,279,400	3,279,400
Other financial liabilities ^(v)	5.00	-	3,015,205	-	-	-	3,015,205

(i) Includes cash and bank balances of \$33,342 in a disposal group held for sale. Refer to note 7 for more information.

(ii) The balances represents two term deposits that are restricted in their use and are classified in the current reporting period other financial assets in addition to another deposit with a total value of \$64,683 that is classified as a held for sale asset. Refer to Note 7 for further details on assets held for sale. Additional information on all other term deposits is provided at Notes 12 and 34 (b). The financial assets have contractual maturities of less than one year, however they are classified as non-current in the statement of financial position as they will be rolled-over for greater than twelve months as security for the matters discussed in the aforementioned notes.

(iii) Includes receivables of \$1,409 and trade creditors of \$3,014 classified as held for sale and disclosed at Note 7.

(iv) Represents the fair value of put options acquired from Barclays Bank. Refer to Note 12 (a) for details.

(v) Security held in a restricted bank deposit in relation to the deferred premium settlement for put options acquired from Barclays Bank. Refer to Notes 12(a) and 17.

Notes to the Consolidated Financial Statements

34. Financial instruments (continued)

(c) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted a policy of only dealing with credit-worthy counterparties and obtaining sufficient collateral where appropriate as a means of mitigating the risk of financial loss from defaults. The consolidated entity exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(d) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

(e) Fair value

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their respective net fair values.

(f) Commodity price risk

The Group is exposed to gold and other commodity price risk. These commodity prices can be volatile and are influenced by factors beyond the Group's control. During the year the Group via its wholly owned subsidiary GMK Exploration Pty Ltd, entered into transactions with Credit Suisse to purchase put options and enter into forward gold delivery contracts. The put options gave the Group the right but not the obligation to sell gold at a price of \$1,600 per ounce.

In April 2013 the hedging position with Credit Suisse closed out and the hedge facility agreements subsequently terminated. The gross proceeds from the closure of the hedge structure were \$27,135,000, with a portion of these funds used to repay a loan of \$19,000,000 from Credit Suisse. As a result of the hedge closure the Consolidated Entity is fully exposed to movements in the Australian dollar gold price.

(g) Capital management

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group sources any additional funding requirements from either debt or equity markets depending on the market conditions at the time the funds are sourced and the purpose for which the funds are to be used. The Group is not subject to externally imposed capital requirements.

(h) Interest rate risk management

The Group is exposed to interest rate risk as the Group has funds on deposit as security for environmental performance bonds with the department of mines and petroleum and the Barrambie Gas Pty Ltd onerous contract outlined at Note 18. The Group's financial borrowings (insurance premium funding) are not subject to interest rate risk as the rate is fixed at time of entering into the financing agreement.

The sensitivity analyses below has been calculated based on the exposure to interest rates at the end of the reporting period. A 50 basis point increase and decrease has been used when reporting the interest rate risk and represents management's assessment of the potential change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 30 June 2013 would decrease/increase by \$95,208 (2012: decrease/increase \$186,536). This is mainly attributable to the Group's exposure to interest rates on the maturity of its term deposits.

Corporate Governance Statement

The board of directors of Reed Resources Ltd (“**Company**”) is responsible for the corporate governance of the Company, for setting corporate direction, defining policies and monitoring the business of the Company, to ensure the best interests of the Company are promoted and shareholder value is delivered.

This corporate governance statement outlines the key principles and practices of the Company which in the terms of the Company’s Corporate Governance Charter (“**Charter**”), define the Company’s system of governance.

The Company is committed to implementing sound standards of corporate governance. In determining what those standards should involve, the Company has had regard to the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations 2nd Edition with 2010 amendments (“**Recommendations**”).

A copy of the Recommendations and the Company’s Charter has been placed on the Company’s website in the operations, corporate policies section www.reedresources.com/corporate.php.

PRINCIPLE 1: Lay Solid Foundations for Management and Oversight

Recommendation 1.1 – Establish and disclose the functions reserved to the board and those delegated to senior executives.

The functions and responsibilities of the Board compared with those delegated to management are reflective of the Recommendations.

The board is responsible for guiding and monitoring the Company on behalf of shareholders by whom they are elected and to whom they are accountable. The board’s primary responsibility is to oversee the development of strategies for the Company, setting and reviewing the Company’s strategic objectives and monitoring the performance of the Company against those objectives.

The overall goals of the corporate governance process are to:

- deliver corporate and operational performance against objectives set;
- drive shareholder value;
- assure a prudential and ethical base to the Company’s conduct and activities; and
- ensure compliance with the Company’s legal and regulatory obligations.

Consistent with these goals, the board assumes the following responsibilities:

- developing initiatives for profit and asset growth;
- reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- acting on behalf of, and being accountable to, the Company’s shareholders;
- identifying business risks and implementing actions to manage those risks; and
- developing and effecting management and corporate systems to assure quality sound corporate performance.

The board has delegated authority for the operations and administration of the Company to the Chief Executive Officer (“**CEO**”). He is responsible for overseeing the overall efficient and effective operation of the exploration and mining related activities of the company, and for bringing material and other relevant matters to the attention of the board in an accurate and timely manner.

Recommendation 1.2 – Disclose the process for evaluating the performance of senior executives.

The Nomination and Remuneration Committee is charged in the terms of the Charter with periodic review of the job description and performance of the CEO according to agreed performance parameters. The board, also through the nominations and remuneration committee, also periodically reviews the performance of other executive directors.

During the period under review the nominations and remuneration committee initiated a performance review of each of Luke Tonkin as CEO and Chris Reed as executive director. The review was facilitated by the deputy chair. The review comprised a self-reflective questionnaire relevant to the executive’s performance (both specifically against the KPI’s set as part of the executive’s employment arrangements and also generally) and the Company’s performance against which assessments by the members of the nominations and remuneration committee were then compared. The reviews were subsequently completed through an interview process with the relevant executive after the period under review, although with the resignation of Luke Tonkin, completion of this review process was suspended.

Other senior executives were the subject of informal evaluations against both individual performance and overall business measures. These evaluations were undertaken by the CEO progressively and periodically, in consultation with the nomination and remuneration committee and the board.

Outcomes arising from these evaluations included identifying skill improvement needs, re-description of positions of employment, remuneration reviews and in some cases remedial action.

The Charter contains a section formally setting out the Company’s board and Management Performance Enhancement Policy.

Recommendation 1.3 – Provide the information in the guide to reporting on Recommendations.

The Company is not aware of any departure from Recommendations 1.1 or 1.2. Performance evaluations for senior executives have taken place in the reporting period in accordance with the process disclosed.

Corporate Governance Statement

PRINCIPLE 2: Structure the board to add value

Recommendation 2.1 – A majority of the Board should be independent directors.

The board respects “independence” as critical to effective governance. The board defines this to mean “independence of thought and decision making”, and is satisfied that its board composition meets these requirements.

For the majority of the year the Board comprised 6 directors:

- 3 non-executive independent directors (Steven Cole, Peter Collins (retired 29 November 2012)*, Vanessa Guthrie and Colin Johnstone (appointed 31 January 2013);
- 1 non-executive director (David Reed) and
- 2 executive directors (Luke Tonkin and Chris Reed).

*Due to consulting work undertaken in prior years by Peter Collins for the Company, Peter might not satisfy the technical indicia of “independence” proposed in the Recommendations.

As noted above on 29 November 2012 Peter Collins a founding director of the company retired as a non-executive director. In addition, on 31 January 2013 Mr Colin (Cobb) Johnstone was appointed as a non-executive director.

Recommendation 2.2 – The chairperson should be an independent director.

The chairperson (David John Reed) was an executive director until 30 June 2012 and substantial shareholder of the company up until 22 March 2013 and as such does not pass the criteria of independence as outlined in the Recommendations. Effective 1 July 2012, Mr David Reed stepped back to a non-executive chairman role whilst continuing to maintain an active involvement with the Company.

Recommendation 2.3 – The roles of chairperson and chief executive officer should not be exercised by the same individual.

The roles of the Chairperson and the CEO were not exercised by the same individual.

Recommendation 2.4 – The Board should establish a nomination committee.

The board has a nomination and remuneration committee.

Recommendation 2.5 – Disclose the process for evaluating the performance of the Board, its committees and individual directors.

The nomination and remuneration committee is charged in the terms of the Charter with board and board committee membership, succession planning and performance evaluation, as well as board member induction, education and development.

The Company has adopted policies and procedures in the Charter concerning the evaluation and development of its directors, executives and board committee. Procedures include an induction protocol and a performance management system for the board and its directors. Each board committee also formally reports to the board on its operations in the context of its remit.

The Company's Board and Management Performance Enhancement Policy is incorporated in the Charter.

The Company initiated its periodic evaluation and review of the board, its committees and its directors in April 2013 by applying the Australian Institute of Company Directors Governance Analysis Tool.

This program is designed to facilitate the improvement of corporate governance through:

1. identifying the elements of what is accepted good governance practice for a corporation including regulatory compliance
2. providing a framework for a board and its directors to assess their corporation's governance practices and performance against these elements
3. providing educative guidance to assist a board and its directors to consider where and how improvements to its governance practices may be made
4. promoting a governance philosophy of continuous improvement in order to support future organisational performance

The evaluation and review report has been delivered to, and is being considered by the board.

Recommendation 2.6 – Provide the information indicated in *Guide to reporting on Principle 2*.

Contained in the Directors' Report section of this Annual Report are details of:

- the skills, experience and expertise relevant to the position of director held by each director in office at the date of this Annual Report;
- the term of office held by each director in office at the date of this Annual Report.

Corporate Governance Statement

The terms of office, and their status as executive/nonexecutive/independent, for each director for the year ending 30 June 2013 were as follows:

David John Reed	Non-Executive chairman - 1 July 2012 to 30 June 2013
Luke Tonkin	Chief Executive officer and Managing Director - 1 July 2012 to 30 June 2013 (cont.)
Christopher John Reed	Executive Director - 1 July 2012 to 30 June 2013 (cont.)
Steven Cole	Non-Executive/Independent - 1 July 2012 to 30 June 2013 (cont.)
Peter Lionel Fleury Collins	Non-Executive/Independent - 1 July 2012 to 29 November 2012
Vanessa Guthrie	Non-Executive/Independent - 1 July 2012 to 30 June 2013 (cont.)
Colin (Cobb) Johnstone	Non-Executive/Independent - 31 January 2013 to 30 June 2013 (cont.)

The Company has adopted the definition of “independence” as set out in the response to Recommendation 2.1 above, in the above analysis. The Company’s Charter empowers a director to take independent professional advice at the expense of the Company. With respect to the mix of skills and diversity that the board is looking to achieve in its membership, the board undertakes a skills matrix analysis of desired skills relevant to the Company’s projects and operations compared with the skills and experience of its directors. The board undertakes periodic evaluation and performance review processes. The Company has adopted a diversity policy – refer recommendation 3.3 below. Based on these principles the board identifies its director succession requirements. Members of the board’s nomination and Remuneration Committee, and their attendance at meetings of that committee, were as follows (1 meeting was held):

Director	Number of meetings eligible to attend ⁽ⁱ⁾	Number of meetings attended
Steven Cole (Chairman)	1	1
Peter Lionel Fleury Collins	1	1
Vanessa Guthrie	1	1
David Reed	1	1
Colin Johnstone	0	0

(i) Excludes several informal meetings of the members of the Nomination and Remuneration Committee to discuss matters including the establishment of executive KPIs for incentive based remuneration and the TSR comparator group, board evaluation, and board succession planning including the appointment of Mr. C. Johnstone.

In accordance with the process for board, board committee and director evaluation as described in the Charter such an evaluation and review has been considered and was performed in early 2013.

The Company departed from the Recommendations in that:

- (a) the Company adopts a varied definition of “independence” than in the Recommendations; and
- (b) the chairperson held an executive role until 30 June 2012 and is not an independent director.

In explanation of the reasons for these departures the Company advises:

it is satisfied with the level of independence of thought and decision making being contributed by all its non-executive directors; and through the appointment of Steven Cole, an independent non-executive director with recognised corporate governance skills, as deputy chairman, extra governance oversight is brought to bear to Board proceedings notwithstanding the chairman was not independent.

PRINCIPLE 3: Promote Ethical and Responsible Decision Making

Recommendation 3.1: Establish a code of conduct and disclose the code, or a summary as to:

- 3.1.1 the practices necessary to maintain confidence in the company’s integrity;
- 3.1.2 the practices necessary to take into account legal obligations and reasonable expectations of stakeholders;
- 3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Company has established a formal code of conduct in the Charter to guide the directors, the CEO, the chief financial officer (“CFO”) (or equivalent) and other key executives with respect to the practices necessary to maintain confidence in the Company’s integrity, the practices necessary to take into account legal obligations and reasonable expectations of stakeholders, and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Company’s policy concerning trading in Company securities by directors, officers and employees is set out in the Charter which has been placed on the Company’s website. This policy was updated on 21 December 2010 to comply with Listing Rule 12.9 which came into effect on 1 January 2011.

Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy.

The Company has developed and adopted a diversity policy, which has been placed on the Company’s website.

Corporate Governance Statement

Recommendation 3.3: Companies should disclose the measurable objectives for achieving gender diversity

The board and executive established the following strategies, initiatives and programs:

3.3.1 Phase 1 – Strategies

- (a) The development and adoption of the policy.
- (b) The Group's governance charter embodying the policy within its terms.
- (c) The assignment of responsibility for the policy and its administration, monitoring and review.

3.3.2 Phase 2 – Initiatives and Programs

(a) At board / board committee level:

- (i) Review the board / director selection and evaluation processes to ensure that:
 - (A) diversity is embedded as a relevant attribute;
 - (B) any skill / gap analysis matrix utilised includes due regard for the attribute of diversity; and
 - (C) a clear statement exists as to the mix of skills and diversity that the board is looking to achieve in membership of the board.
- (ii) When addressing board succession planning, ensure that:
 - (A) the policy is respected;
 - (B) efforts are made to identify prospective appointees who have diversity attributes;
 - (C) efforts are made for any short list of prospective appointees to include at least one male and at least one female candidate.
- (iii) When setting performance and remuneration KPI's for achievement by the CEO and the senior executive team under their employment contracts, ensure that the following are comprised within such KPI's:
 - (A) the development of strategies, initiatives and programs towards the principle; and
 - (B) attainment of measureable objectives towards the principle, including gender diversity.

(b) At executive and management level

- (i) Review the Group's HR policies and processes to ensure that:
 - (A) they are "inclusive" in nature and responsive to the Policy;
 - (B) they do not expressly or implicitly operate in a manner contrary to the Policy;
 - (C) equal opportunity status applies to all positions within the Group, except where there is legitimate cause in the best interests of the Group and its personnel, to warrant otherwise; and
 - (D) any incidents of exception referred to in paragraph (C) are reported to the Company Secretary for verification (and on-referral as appropriate) having regard to the Policy.
- (ii) Review the Group's physical environments and cultural practices to ensure that:
 - (A) they are "inclusive" in nature and responsive to the Policy;
 - (B) they do not expressly or implicitly operate in a manner contrary to the Policy.
- (iii) Generally ensure in the Group's recruitment practices that:
 - (A) the policy is respected;
 - (B) efforts are made for any short list of prospective appointees to include at least one male and at least one female candidate.

(c) Generally – Development Programs

- (i) The Group commits to the career development of those of its personnel who aspire to develop their skills and abilities to take on more senior and responsible roles within the Group.
- (ii) A standing program will be developed by management, with provisional budgetary funding approved from time to time by the board, to achieve this objective.
- (iii) A particular aim of this initiative is to improve the internal succession "pipeline" of personnel, especially gender diverse personnel, towards more senior and responsible roles within the Group.

Corporate Governance Statement

3.3.3 Measurable objectives, targets and KPI's (refer paragraph 3 of Policy)

Strategies	By When	Status (✓ indicates objective, target and KPI met)
3.3.1 (a)	31 October 2010	✓
3.3.1 (b)	31 December 2010	✓
3.3.1 (c)	31 December 2010	✓
Initiatives / Program		
3.3.2 (a)(i)(A)	31 March 2011	✓
3.3.2 (a)(i)(B)	31 March 2011	✓
3.3.2 (a)(i)(C)	31 March 2011	✓
3.3.2 (a)(ii)	Ongoing	✓
3.3.2 (a)(iii)	30 June 2011 and ongoing	outstanding
3.3.2 (b)(i)	31 March 2011	✓
3.3.2 (b)(ii)	30 June 2011	✓
3.3.2 (b)(iii)	Ongoing	✓
3.3.2 (c)(i)	Ongoing	✓
3.3.2 (c)(ii)	30 June 2011	✓
Specific Gender Diversity Targets		
(1) At Board Level At least one of the next 2 Board appointments desirably should be female with appropriate skills and attributes.	(1) When it is appropriate to expand or refresh the Board.	✓
(2) At executive level At least one of the next 2 executive appointments desirably should be female with appropriate skills and attributes.	(2) When it is appropriate to expand or refresh the executive team.	✓
(3) Generally Subject to the qualifying note under the Strategic, Initiatives, Programs – Measurable Objectives, Targets and KPI's, of the policy, not less than 33% of new appointments should be male and not less than 33% of new appointments should be female.	(3) Annually by 30 June each year.	✓ For the year ended 30 June 2013 the group had made 58 appointments, 14 female and 44 male. The differential in the number of female appointees against the target is on account of the exception in the qualifying note under item 2 (c) of the policy.

The proportion of:

- women on the board is 16.67%
- women in senior executive positions is 0%
- women employees in the group is 13.76%

Copies of the Company's current Board Members Code of Conduct and Group Code of Conduct/Values and the Company's Share Trading Policy and Diversity Policy are publicly available on the Company's website.

Corporate Governance Statement

PRINCIPLE 4: Safeguard Integrity in Financial Reporting

Recommendation 4.1: The Board should establish an Audit Committee.

The board has had a combined Audit and Risk Management Committee for the entire reporting period.

Recommendation 4.2: Structure the Audit Committee so that it consists of:

- only non-executive directors
- a majority of independent directors
- an independent Chairperson, who is not chairperson of the Board;
- at least three members.

The Company's audit and risk management Committee has at least 3 members all being non-executive directors (Steven Cole, Peter Collins (retired 29 November 2012), Vanessa Guthrie, David Reed (appointed 23 August 2012) and Colin Johnstone (appointed 26 February 2013), all of whom, excluding David Reed, are independent.

Recommendation 4.3: The Audit Committee should have a formal charter

The Company's audit and risk management Committee has a formal charter as set out in the Charter.

Recommendation 4.4: Provide the information indicated in *Guide to reporting on Principle 4*.

Members of the board's audit and risk management Committee, and their attendance at meetings of that committee were as follows (a total of 3 meetings were held):

Director	Number of meetings eligible to attend	Number of meetings attended
Steven Cole	3	3
Peter Lionel Fleury Collins	2	2
Vanessa Guthrie	3	3
David Reed	3	3
Colin Johnstone	1	1

The qualifications of the directors on the audit and risk management committee appear in the Directors' Report section of this Annual Report.

The Company is not aware of any departures from the Recommendations under Principle 4.

The Company's audit and risk management committee charter and information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners, are all set out in the Charter which is publicly available on the Company's website.

PRINCIPLE 5: Make Timely and Balanced Disclosure

Recommendation 5.1: Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of them.

The Company has established written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for the compliance.

Recommendation 5.2: Provide the information indicated in Guide to reporting on Principle 5.

The Company is not aware of any departure from Recommendations 5.1 or 5.2.

The Company's current written policies and procedures on ASX Listing Rule disclosure requirements are all set out under the heading "Release of Price Sensitive Information Policy" in the Charter which is publicly available on the Company's website.

PRINCIPLE 6: Respect the Rights of Shareholders

Recommendation 6.1: Design and disclose a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings.

The Charter contains a section formally setting out the Company's communications strategy with its stakeholders including the effective use of electronic communications.

Corporate Governance Statement

Recommendation 6.2: Provide the information indicated in Guide to reporting on Principle 6.

Details of how the Company will communicate with its shareholders publicly is set out under the heading “Communications with Stakeholders” which is publicly available on the Company’s website.

The Company is not aware of any departure from Recommendations 6.1 or 6.2.

PRINCIPLE 7: Recognise and Manage Risk

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

The Charter includes a formal policy on risk oversight and management. The board also has established the audit and risk management committee of the board.

The board and executive through interactive workshop sessions have implemented a system for identifying, assessing, monitoring and managing material risks throughout the organisation, including internal compliance and control systems, and procedures based on AS/NZ ISO 31000:2009.

Details of the Company’s policy on these matters and any amendments in due course are set out under the heading “Risk Management Policy” in the Charter which is publicly available on the Company’s website.

Recommendation 7.2: The Board to require management to design and implement the risk management and internal control system to manage the Company’s material business risks, and report to it on whether those risks are being managed effectively. Board to disclose that management has reported to it as to the effectiveness of the Company’s management of its material business risks.

An Audit and Risk Management Committee has been established as set out in the Charter with preliminary responsibility for establishment and maintaining effective risk management and internal control systems.

The board, including through the audit and risk management committee has required management to progress matters and report to it in the terms of this Recommendation.

Further, the Board discloses that management has reported to it as to the effectiveness of the Company’s management of its material business risks, including the risk treatment actions taken to date to minimise the risks.

Recommendation 7.3: Board to disclose whether it has received assurance from the CEO (or equivalent) and the CFO (or equivalent) that the declaration provided in accordance with S.295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Company’s CEO and CFO (or equivalent) provided the board assurance in compliance with this Recommendation that the declaration provided in accordance with S.295A of the Corporations Act was founded on a sound system of risk management and internal control and that system was operating effectively in all material respects in relation to financial reporting risks.

Recommendation 7.4: Provide the information indicated in Guide to reporting on Principle 7.

The Company is not aware of any departure from Recommendations 7.1, 7.2 or 7.3.

A summary of the Company’s policies on risk oversight and management of material business risks is publicly available under the heading “Risk Management Policy” in the Charter on the Company’s website.

PRINCIPLE 8: Remunerate Fairly and Responsibly

Recommendation 8.1: The Board should establish a remuneration committee.

The Board has established a combined Nomination and Remuneration Committee. Refer reporting on Recommendation 2.6 above.

The remit and responsibilities of the nomination and remuneration committee in respect of remuneration are set out in the Charter.

Recommendation 8.2: Structure the remuneration Committee so that it consists of:

- a majority of independent directors
- an independent Chairperson
- at least three members

The Company’s nomination and remuneration Committee has at least 3 members all being non-executive directors (Steven Cole, Peter Collins (retired 29 November 2012), Vanessa Guthrie, David Reed (appointed 23 August 2012) and Colin Johnstone (appointed 26 February 2013), all of whom, with the exception of David Reed, are independent. The chair of the committee is Steven Cole who is “independent”.

Corporate Governance Statement

Recommendation 8.3: Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

The structure of non-executive remuneration is clearly distinguishable from that of executive directors and senior executives.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the economic entity was as follows:

- Executives were to receive a remuneration package consisting of:
 - Fixed Base Salary (based on factors such as skills, experience, value to the Company and length of service), superannuation and non-monetary benefits, as appropriate.
 - Short term incentives in the form of a cash bonus incentive, applied to a maximum percentage of the base salary and structured against relative satisfaction (at the reasonable discretion of the Board) of certain corporate and personally related key performance indicators of the executive.
 - Long term incentives – the grant of Performance Rights in the Company, with value capped to a maximum percentage of Fixed Base Salary, vesting progressively on an annualised basis while the executive remains engaged, with the degree of vesting structured relatively against the company's relative Total Shareholder Return ("TSR") performance against a comparator group of companies.

The nomination and remuneration committee (on reference from, and in consultation with, the CEO) reviews executive packages from time to time by reference to the economic entity's performance, executive performance and comparable information from industry benchmarks. The maximum remuneration of non-executive directors is the subject of Shareholder resolution in accordance with the Company's Constitution, the Corporations Act and the ASX Listing rules, as applicable. The apportionment of non-executive director remuneration within that maximum is made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive director. The board may also award additional remuneration to non-executive directors called upon to perform extra services or make special exertions on behalf of the Company. No additional remuneration was awarded for the year ended 30 June 2013.

Greater details of the remuneration arrangements for directors, officers and senior executives are contained in the Remuneration Report comprised in the Directors' Report forming part of this Annual Report.

Recommendation 8.4: Provide the information indicated in Guide to reporting on Principle 8

Remuneration Committee (names of members and attendance at meetings)

Refer to the response to Recommendation 2.6 above concerning the Company's Nomination and Remuneration Committee.

Non-Executive Director Retirement Benefits

Non-executive directors are entitled to statutory superannuation. There are no other schemes for retirement benefits for non-executive directors.

Information Publicly Available

The Charter contains a section formally setting out the charter of the Company's Nomination and Remuneration Committee. Details are publicly available on the Company's website.

EXECUTIVE SUMMARY OF COMPLIANCE WITH RECOMMENDATIONS			
Recommendation #	Compliant	Non-Compliant	If not, why not?
1	✓	-	N/A
2	✓	Partial	Refer response to Recommendations 2.1, 2.2 and 2.6 above.
3	✓	-	N/A
4	✓	-	N/A
5	✓	-	N/A
6	✓	-	N/A
7	✓	-	N/A
8	✓	-	N/A

Additional Stock Exchange Information

30 September 2013

The shareholder information set out below was applicable as at 30 September 2013.

Distribution of Equity Securities:

Analysis of number of equity security holders by size of holding:

Range	No. of shareholders	No. of option holders (7 Sept 2009)	No. of option holders (9 Dec 2009)	No. of option holders (8 April 2009)	No. of option holders (13 Dec 2012)
1 – 1,000	370	-	-	-	-
1,001 – 5,000	730	-	-	-	-
5,001 – 10,000	677	-	-	-	-
10,001 – 100,000	1,896	-	-	-	-
100,001 – 9,999,999,999	549	4	4	1	2
Rounding					
Total	4,222	4	4	1	2

Top 20 holders of ordinary shares:

Rank	Name	Units	% of Units
1.	J P MORGAN NOMINEES AUSTRALIA LIMITED	96,617,173	18.48
2.	CITICORP NOMINEES PTY LTD	34,425,629	6.59
3.	HSBC CUSTODY NOMINEES (AUSTRALIA) LTD	33,167,394	6.35
4.	PERSHING AUSTRALIA NOMINEES PTY LTD <BLUE OCEAN EQUITIES A/C>	24,000,000	4.60
5.	MR KENNETH JOSEPH HALL <HALL PARK A/C>	10,000,000	1.91
6.	MELAIID HOLDINGS PTY LTD	9,887,885	1.89
7.	J P MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	9,360,202	1.79
8.	MR GEORGE CHIEN HSUN LU + MRS JENNY CHIN PAO LU	5,789,829	1.11
9.	BOND STREET CUSTODIANS LIMITED <JATLAN – vo4614 A/C>	5,065,877	0.97
10.	ADVANCE CONCEPT HOLDINGS PTY LTD	5,000,000	0.96
11.	TERAN NOMINEES PTY LTD	4,154,325	0.80
12.	LINFOOT ONE SUPER PTY LTD <LINFOOT SUPER PLAN NO 1 A/C>	3,830,265	0.73
13.	NATIONAL NOMINEES LTD	3,137,869	0.60
14.	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	3,055,924	0.58
15.	MR FRANCIS JAMES ROBINSON	3,000,000	0.57
16.	MR DALE ANTHONY REED	2,950,000	0.57
17.	COROM PTY LTD	2,572,049	0.49
18.	CYNTHON PTY LTD <CYNTHON FAMILY A/C>	2,545,015	0.49
19.	ROBMOB PTY LTD <ROBINSON SUPER FUND ACCOUNT>	2,500,000	0.48
20.	LINFOOT TWO SUPER PTY LTD <LINFOOT SUPER PLAN NO 2 A/C>	2,454,390	0.47
Totals: Top 20 holders of ORDINARY SHARES (GROUPED)			

Substantial Holders

Substantial holders in the Company are set out below:

Ordinary Shares	Number Held	Percentage
M&G Investment Management Limited	76,166,667	14.59%
Global X Lithium ETF	27,340,234	5.26%

Additional Stock Exchange Information

30 September 2013

Voting Rights

The voting rights attaching to ordinary shares are set out below:

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Other

The names of the Company's Joint Company Secretaries are Messrs Darren Wates and Jason Carone.

The address of the principal registered office in Australia is:

Level 1, 672 Murray Street, West Perth, Western Australia 6005.

Telephone: (08) 9322 1182

Facsimile: (08) 9321 0556

Website: www.reedresources.com

Registers of Securities are held at the following addresses:

Level 1, 672 Murray Street, West Perth, Western Australia 6005.

Quotation has been granted for all ordinary shares of the Company on the ASX.

Tenement Schedule

Meekatharra Project

Bluebird / South Junction

M51/0132	M51/0393	M51/0491	M51/0539
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Bluebird-Yaloginda

L51/0043	M51/0027	M51/0028	M51/0035	M51/0091	M51/0161
M51/0180	M51/0187	M51/0190	M51/0209	M51/0211	M51/0280
M51/0281	M51/0325	M51/0385	M51/0386	M51/0409	M51/0418
M51/0419	M51/0433	M51/0441	M51/0471	M51/0485	M51/0489
M51/0500	M51/0502	M51/0516	M51/0528	M51/0560	M51/0561
M51/0679	M51/0738	M51/0805	M51/0557(a)	M51/0586(a)	M51/0587(a)
M51/0613(a)	M51/0628(a)	M51/0640(a)	M51/0677(a)	M51/0678(a)	M51/0680(a)
M51/0718(a)	M51/0737(a)	M51/0811(a)	M51/0871(a)		

Burnakura

M51/0422	M51/0423	M51/0424	M51/0468	M51/0469
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Chunderloo/Wanganui

L51/0082	M51/0079	M51/0637(a)	M51/0638(a)	M51/0639(a)
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Highway

M51/0256	M51/0257	M51/0503
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Kurara East

L51/0030	L51/0051	M51/0235	M51/0381	M51/0454	M51/0455
M51/0456	M51/0675(a)	M51/0746(a)	M51/0781(a)	M51/0806(a)	M51/0807(a)
M51/0824(a)	M51/0825(a)				

Meekatharra

L51/0056	L51/0067	M51/0199	M51/0200	M51/0437	M51/0438
M51/0439	M51/0440	M51/0504	M51/05211	M51/653(a)	M51/0654(a)
M51/0667(a)	M51/0668(a)	M51/0669(a)	M51/0670(a)	M51/0671(a)	M51/0672(a)
M51/0673(a)	M51/0688(a)				

Norie

E51/1496	M51/0039	M51/0477	M51/0494	M51/0495	M51/0501
M51/0525	M51/0526	M51/0584(a)	M51/0784(a)		

Additional Stock Exchange Information

30 September 2013

Polelle					
E51/1484	L51/0035	M51/0427	M51/0459	M51/0465	M51/0484
M51/0605	M51/0611	M51/0612	M51/0643	M51/0717	M51/0797
M51/0803	M51/0483(a)	M51/0796(a)	M51/0798(a)	M51/0809(a)	M51/0810(a)
M51/0822(a)	M51/0823(a)	M51/0830(a)	M51/0834(a)	L51/0091	

Reedys					
E51/1487	G51/0013	G51/0014	G51/0015		
G51/0017	G51/0026	L20/0008	L20/0010	L51/0029	L51/0031
M20/0012	M20/0045	M20/0068	M20/0069	M20/0077	M20/0212
M20/0214	M20/0219	M20/0443	M20/0444	M20/0445	M20/0496
M51/0092	M51/0233	M51/0649	M20/0420(a)	M20/0421(a)	
M20/0437(a)	M20/0438(a)	M20/0476(a)	M20/0477(a)	M51/0778(a)	

SE Meekatharra					
L51/0041	L51/0055	L51/0071	L51/0072	L51/0073	L51/0077
M51/0445	M51/0446	M51/0487	M51/0488	M51/0490	M51/0741(a)
M51/0849(a)					

Stakewell					
L20/0017					

South Quinns					
E20/0690					

Tough Go					
L20/0018	M20/0073	M51/0254	M51/0762		

Turn Of The Tide					
L51/0078	L51/0081	M20/0070	M20/0071	M20/0107	
M20/0249	M20/0309	M51/0236	M51/0237	M51/0757(a)	M51/0788(a)

Barrambie Project					
E57/769	E57/770	E57/819	M57/173	G57/5	G57/6
G57/7	G57/8	L57/29	L57/30	L57/31	L20/49
					L20/55

Comet Vale						
E29/603	E29/727	E29/762	M29/035	M29/052	M29/085	M29/185
M29/186	M29/197	M29/198	M29/199	M29/200	M29/201	M29/232
M29/233	M29/235	M29/321	E29/787	L29/67		

Mount Finnerty						
E15/836	E16/260	E16/272	E16/308	E16/341	E16/305*	E16/330*
E16/375	E16/384**	M15/978	M15/1371	M16/506	M16/507	M16/511
M16/522	E15/1189	E16/448				

Mount Marion						
E15/1190	E15/1191	M15/999	M15/1000	L15/315	L15/316	L15/317
L15/321						

(a) - mining tenement applications

* - registered holder is Barranco Resources NL, Reed Resources Ltd has option to purchase 100%

** - registered holder is Cliffs Asia Pacific Iron Ore Pty Ltd, Reed Resources Ltd has 20% interest in iron ore rights.



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