Annual Report 2014

ABN: 89 099 116 631

Reed Resources Ltd

Reed Resources Ltd

FOCUS ON ADVANCED MINERAL ASSETS WITH LOW COSTS AND STRONG PARTNERS.

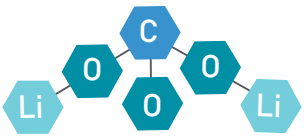
DEMONSTRATE TECHNICAL FEASIBILITY

DEMONSTRATE ECONOMIC FEASIBILITY

OBTAIN STRONG PARTNERS TO COMMERCIALISE

LITHIUM CHLORIDE

LITHIUM HYDROXIDE



LITHIUM CARBONATE

CORPORATE DIRECTORY

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

Company Secretary

Jason Carone

Registered Office
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West Perth WA 6005

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

Bankers
National Australia Bank Ltd

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

Stock Exchange Listing
Reed Resources Ltd are listed on the Australian Stock Exchange (Home Branch - Perth)

ASX Code: RDR
ACN: 099 116 631
ABN: 89 099 116 631

North American OTC Market
(DR Symbol: RDRUY)

www.reedresources.com

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Letter From The Chairman

Dear Shareholders,

I am pleased to report that in a year of great challenges your company has rebuilt a secure financial position through the divestment of non-core assets and continuing development of our portfolio of advanced mineral projects, with the aim of restoring its intrinsic value to our shares.

The company has identified, secured and commenced the evaluation of the optimal process routes for the Mt Marion Lithium, and the Barrambie Titanium Projects.

The appointment of Administrators to the company's Meekatharra Gold Project (MGP) in August 2013 was a disappointing outcome for three years of hard work. The loss of projected high grade ore tonnes from the Bluebird pit placed an unsustainable drain on the project holding company's cash flows. This was exacerbated by periods of negative mine-to-mill reconciliation.

I personally committed to provide a standby facility of up to $3 million to underwrite the sustainability of the company through a material restructure of its operational and management structure to focus on a new long term strategic growth plan as I feel the Company has an exciting future in the supply of new age minerals, especially to the emerging battery industry.

The company has identified, secured and commenced the evaluation of the optimal process routes for the Mt Marion Lithium, and the Barrambie Titanium Projects. The technical feasibility has been successfully demonstrated through continuous test work programs in the US and Canada during the year. The long-term cost competitiveness is being tested through engineering cost studies on both projects which studies are due to be completed this year. Concurrent with our aggressive evaluation of these strategic, advanced mineral projects we have commenced processes to attract strong industry partners to support the development of the downstream processing of mineral concentrates.

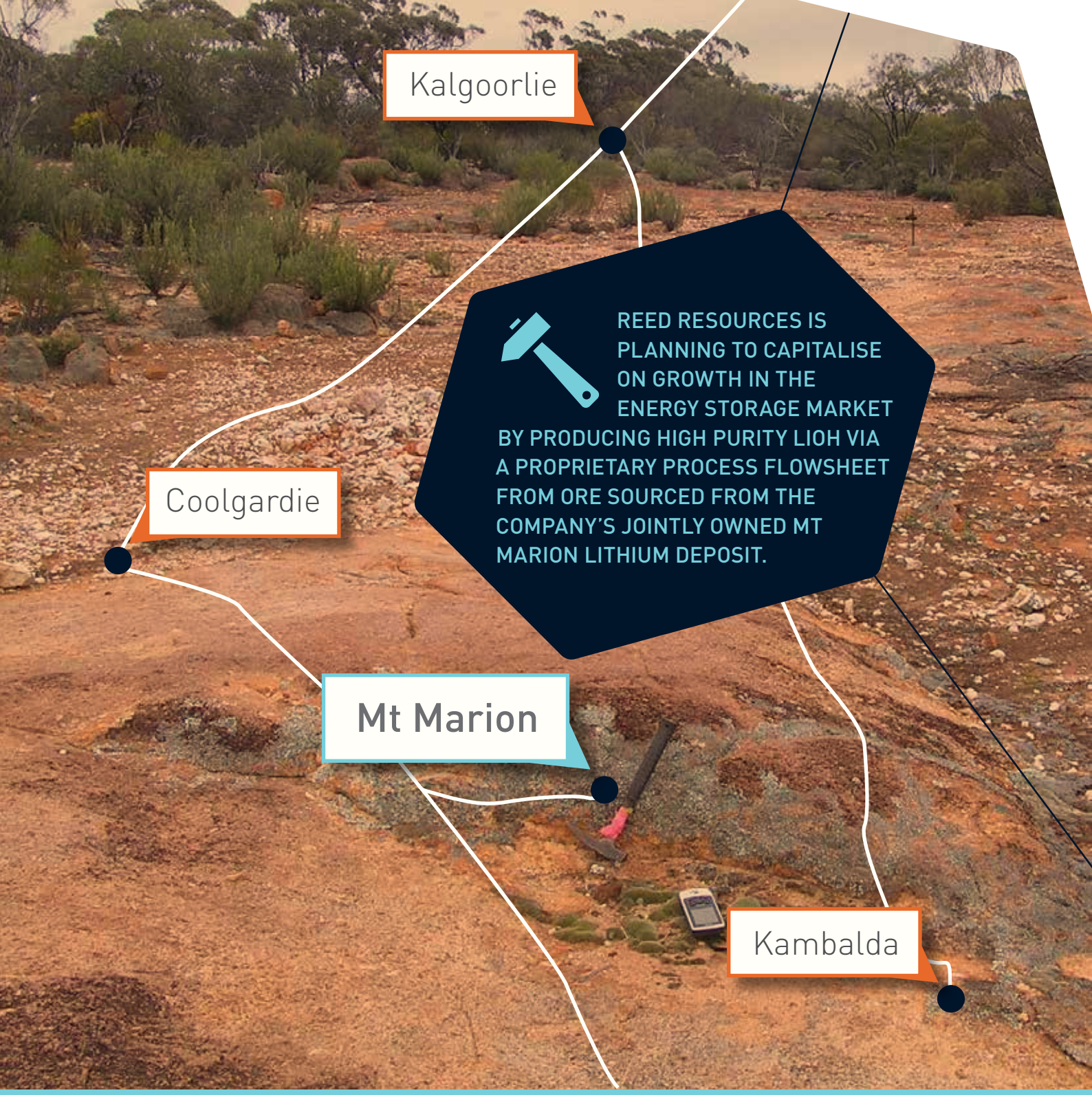
I would like to thank our upstream partner in the Mt Marion Lithium Project, Mineral Resources Limited, which continues to fund the evaluation of a final investment decision and provide a complete mine to port solution without material upfront capital contribution by Reed.

We have taken an opportunity to acquire a significant nickel exploration portfolio to complement our existing nickel investment in the Yilgarn at low upfront cost. A small programme of diamond drilling into three historic, disseminated nickel sulphide prospect's will precede a decision as to how best to exploit this opportunity so as to return best value to the Company and its shareholders.

In accord with the accepted sound practices of corporate governance we are addressing the Board structure with a view to returning to a majority of independent directors on the board over 2015. This will be coupled with a more substantive review of the Company's governance charter to more closely align it with the new ASX Corporate Governance Principles & Recommendations 3rd Edition 2014.

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.

David Reed
CHAIRMAN, REED RESOURCES LTD



REED RESOURCES IS PLANNING TO CAPITALISE ON GROWTH IN THE ENERGY STORAGE MARKET BY PRODUCING HIGH PURITY LIOH VIA A PROPRIETARY PROCESS FLOWSHEET FROM ORE SOURCED FROM THE COMPANY'S JOINTLY OWNED MT MARION LITHIUM DEPOSIT.

Mount Marion Lithium Project

- Jointly owned by Reed Resources Ltd (70%) and Mineral Resources Ltd (30%).
- Mineral Resources funds / operates the project from mine to port.
- Current JORC-compliant resource of 14.8Mt @ 1.3% Li2O.
- 6 deposits all open along strike and at depth.
- Ore fresh from surface and visually distinguishable (white).

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**").

Reed's primary focus during the year centred on advancing its advanced minerals projects, Mt Marion and Barrambie, following the appointment on the 16th August 2013 of voluntary administrators to GMK Exploration Pty Ltd ("GMKE"), the subsidiary of Reed that owned and operated the Meekatharra Gold Project.

MOUNT MARION LITHIUM PROJECT

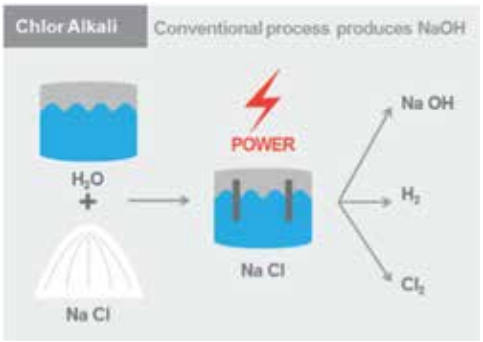
(REED RESOURCES 70%, MINERAL RESOURCES LIMITED 30%)

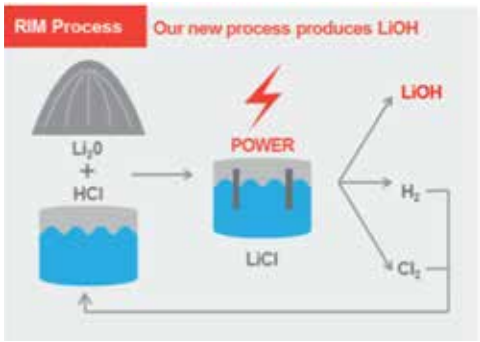
During the year Reed Industrial Minerals Pty Ltd (RIM) continued to advance the Mt Marion Lithium Project (Mt Marion) by successfully producing high-purity lithium battery feed-stocks, Lithium Hydroxide and Lithium Carbonate, on a continuous scale with RIM's proprietary process flow sheet. RIM is owned 70:30 by Reed and leading mining services provider Mineral Resources Limited (MRL). MRL fund and operate the project through their subsidiary, Process Minerals International Pty Ltd.

The "proof of concept" batch test work program commenced in March 2013 and was completed in November 2013. SGS Lakefield Oretest conducted the hydrometallurgical test work which produced high purity lithium chloride from Mt Marion spodumene concentrates. Murdoch University then produced high purity battery grade lithium hydroxide by electrolysing the lithium chloride solution produced in the test work program. The electrolysis process is similar to the Chlor-Alkali process used to produce caustic soda (sodium hydroxide) and hydrochloric acid (simplified flowsheet below).

Acknowledging the need for a semi-pilot scale demonstration plant to develop required process data, this test program aimed to optimize the operating conditions of the ion-exchange membrane chlor-alkali cell to achieve LiCl conversion rates of 250g/h and to collect data for the subsequent stages of process development. The semi-pilot plant was conducted by specialist chlor-alkali laboratory Process Technology Optimisation in Buffalo, USA.

The work program has been completed and the results are considered to be successful with final product grade better than published battery-grade lithium hydroxide specifications from existing leading suppliers (see table below). The test work demonstrates the successful scale up of the purification and electrolysis of lithium chloride solutions, which can be obtained from either mineral or brine feedstocks. Reproducibility of the electrolysis process, and the suitability and durability of the ion exchange membrane have been confirmed as suitable for commercial operation.





COMPARISON OF BATTERY GRADE SPECIFICATIONS WITH LEADING LITHIUM HYDROXIDE MONOHYDRATE PRODUCER FMC LITHIUM

Items	FMC	RIM Results
LiOH.H2O % Min	56.5	56.5
Fe ppm	≤5	0.1
Na ppm	≤20	0.6
K ppm	≤10	1.3
Cl ppm	≤20	20
Ca ppm	≤15	0.6
Al ppm	≤10	3
Ni ppm	≤10	0.2
Si ppm	≤30	3.3

Source: http://www.fmclithium.com/Portals/FMCLithium/content/docs/DataSheet/QS-PDS-1021%20r1.pdf

The RIM lithium hydroxide production process is a wholly owned technology of RIM. An international patent application (PCT) has received a positive Preliminary Report on Patentability and national phase patent applications have been filed in Australia, Canada, Chile, China, Malaysia and the USA.

Reed and MRL are working to develop RIM into an independently financed, advanced minerals company that will be an integrated lithium compound producer and supplier to the Lithium Ion battery industry. Strategic discussions are in progress with third parties, including existing Chlor-alkali producers, with the aim of developing an appropriate business structure for the commercialisation of the RIM process technology. Discussions remain preliminary and there can be no assurance that a binding proposal will emerge.

REED IS ADVANCING THE MT MARION LITHIUM PROJECT WITH PARTNER, MINERAL RESOURCES LTD

Review of Operations

BARRAMBIE TITANIUM-VANADIUM-IRON PROJECT

(REED 100%)

Barrambie is one of world's highest grade titanium deposits, containing total Indicated and Inferred Mineral Resources of 47.2Mt at 22.2% TiO_2, 0.63% V_2O_5, and 46.7% Fe_2O_3, at a cut-off grade of 15% TiO_2.

A Scoping Study by Snowden Mining Industry Consultants in October 2013 based on a proprietary process flowsheet, indicated the potential for a viable hard-rock titanium and vanadium mining and processing operation and recommends progression to a Pre-Feasibility Study. Average net operating costs per tonne of titanium dioxide recovered were estimated at A$1,214/t with an indicative accuracy of ±35%, the long term price assumption used in the study was US$3,000/t.

CAUTIONARY STATEMENT

The Scoping Study referred to in this report is based on low-level technical and economic assessments, and is insufficient to support reporting of Ore Reserves using recognised codes or guidelines or to provide definitive assurance of an economic development case, or to provide certainty that the conclusions of the Scoping Study will be realised.

On the 4th December 2013 the Company announced it had successfully reached terms on agreement to licence a patented acid leach process to extract all valuable metals from the Barrambie Titanium-Vanadium-Iron deposit. The process, pioneered in Canada, has produced high purity (>99%) titanium dioxide from Barrambie oxide ores and concentrates at high recoveries.

During the June quarter of 2014 the Company commenced a mini-pilot plant in Canada to demonstrate the scale up from laboratory-scale batch testing to continuous operation of the proprietary process flowsheet.

The plant tested the proprietary chloride-based process for the recovery of titanium as titanium dioxide (TiO_2), vanadium pentoxide (V_2O_5) and iron as haematite (Fe_2O_3) from run of mine ore at a feed rate of 10 kilograms per day and was completed in September 2014. Sufficient information has been generated to allow for a rigorous process model to be compiled, which will enable both capital and operating costs to be estimated at a Pre-feasibility Study (PFS) level.

PROJECT DEVELOPMENT AND CORPORATE STRATEGY

The successful mini-pilot scale test work results were announced 2 September 2014 along with the commencement of a Pre-feasibility Study (PFS) as recommended by Snowden. The Company is working with its preferred engineering firm, Sedgman Ltd, and mining consultants, Snowden to finalise the proposed work plan to the end of the Pre-Feasibility Study, which will be funded internally and completed in the March quarter of 2015.

The Scoping Study has identified many opportunities to further improve the economics by optimising factors such as using higher-grade concentrates as feed, increasing plant throughput rate, co-generation of electricity to reduce operating costs and the recovery and marketing of pure iron and aluminium oxide products.

The currently preferred project development strategy is to advance the project to a suitable stage of evaluation to attract a joint venture partner to fund and operate the development of the Barrambie project.

MT FINNERTY PROJECT

The Mt Finnerty Project, located approximately 65 km east of Koolyanobbing, is currently being explored for iron ore and nickel mineralisation, partly in joint venture (through an option agreement) with Barranco Resources NL ("**Barranco**").

All iron exploration is targeting, surface iron - enriched banded iron formations ("**BIF**") along the central spine of the greenstone belt. 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.

IRON ORE (REED 100%)

During the year the Company resumed 100% of the iron rights at its Mt Finnerty Project following the amicable termination of the "Mt Finnerty Iron Ore Joint Venture" with Cliffs Asia Pacific Iron Ore Pty Ltd ("Cliffs").

PCF Capital Pty commenced a sale process for wholly owned subsidiary Mount Finnerty Pty Ltd ("MFPL") which holds the tenements and iron rights, as part of its continuing asset realisation program. Indicative bids were received and discussions remain preliminary and there can be no assurance that a binding proposal will emerge.

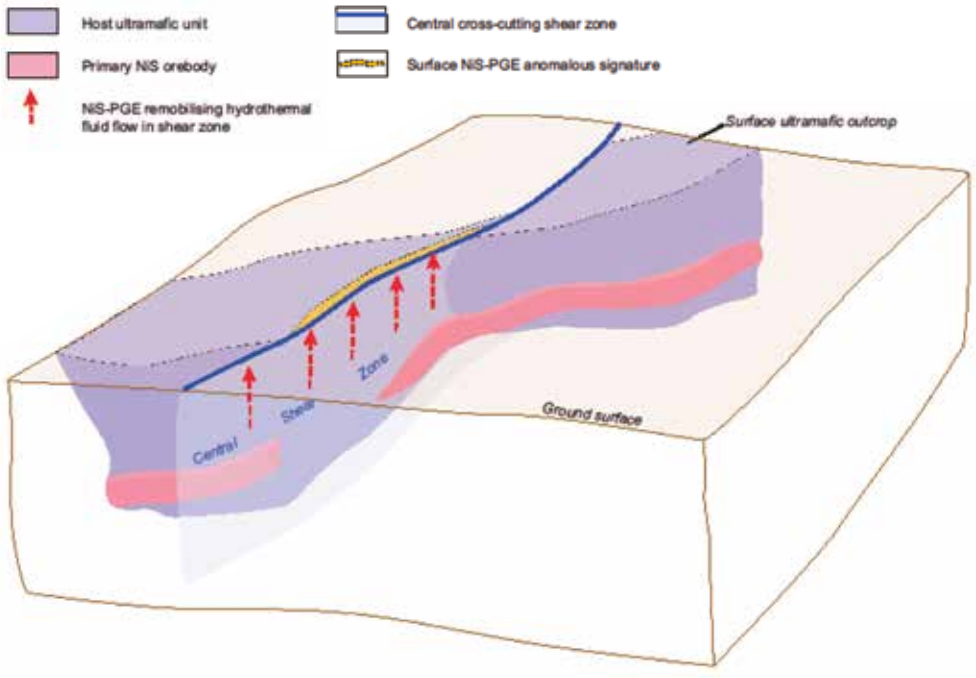
NICKEL (BARRANCO 100%, REED OPTION TO ACQUIRE 100%)

During the year the Company was primarily focused on the interpretation of the analytical data from three diamond holes drilled, as well as petrographic identification of anomalous intersections for alteration mineralogy.

Whilst the intercepts are not economically significant in isolation they are geologically significant in providing evidence of multiple sulphide mineralising events, with the metals interpreted to be hydrothermally remobilised into a shear zone(s) that have intersected disseminated and massive nickel sulphides at depth, as illustrated in the conceptual geological model below.

During the year a short program of RC drilling was completed on one of more than twenty targets, which demonstrated the exploration potential to several interested parties.

All prospective mining leases and exploration licences are granted and endorsed for iron ore under section 111 of the Mining Act. The Project has the benefit of extensive established nearby infrastructure. For example the Perth-Kalgoorlie Railway transects the tenure which links it to two government-owned bulk export ports.



Review of Operations

Reed has acquired interests in several tenements with demonstrated nickel prospectivity in the Yilgarn region to build a reasonably significant nickel exploration package, at no material up-front cost. Reed's aim is to add value to its nickel portfolio through exploration success.

During the quarter Reed entered into an agreement with Hannans Reward Ltd (ASX:HNR)("Hannans") to acquire 80% interest in E63/1365 in return for sole funding exploration up to a decision to mine. In 2012 Hannans intersected nickel sulphide mineralisation in a single reverse circulation drill hole (MGRC059) testing a coincident geochemical/magnetic anomaly at Mt Gordon.

As part of its due diligence process the Company has completed additional petrography on samples from MGRC059 which confirmed trace amounts of slightly supergene altered (violarite) pentlandite plus accessory pyrrhotite and chalcopyrite coincident with the end of hole sample that returned approximately 1% sulphur plus subgrade nickel. MGRC059 did not penetrate the footwall contact which is typically the prospective position for nickel sulphide accumulation in komatiite-hosted nickel sulphide deposits. To this end, Reed has remodelled targets based on newly acquired geophysical data and is planning additional drilling and subsequent downhole geophysical surveys.

MEEKATHARRA GOLD PROJECT

The Meekatharra Gold Project, centred on the Bluebird processing plant, was located 640km northeast of Perth and 10 km south of Meekatharra, in the Murchison Region of Western Australia.

On the 16th August 2013, Reed Resources Ltd announced that GMK Exploration Pty Ltd ("GMKE"), the subsidiary of Reed that owned and operated the Meekatharra Gold Project was placed in voluntary administration.

The Administrators, Ferrier Hodgson, ceased mining operations on 7 November 2013 and ceased milling on 16 December 2013 with the gold circuit stripped and put on active care and maintenance.

On the 13th June 2014 a Meeting of Creditors approved a binding sale agreement with Metals X Limited (ASX:MLX) for the sale and purchase of the assets comprising the Meekatharra Gold Project. The sale agreement delivered a purchase price of around $9.9 million comprising:

- $9.4 million cash; and
- the transfer of 24 million shares held by MLX in Reed (with a market value of circa $500,000 at the time).

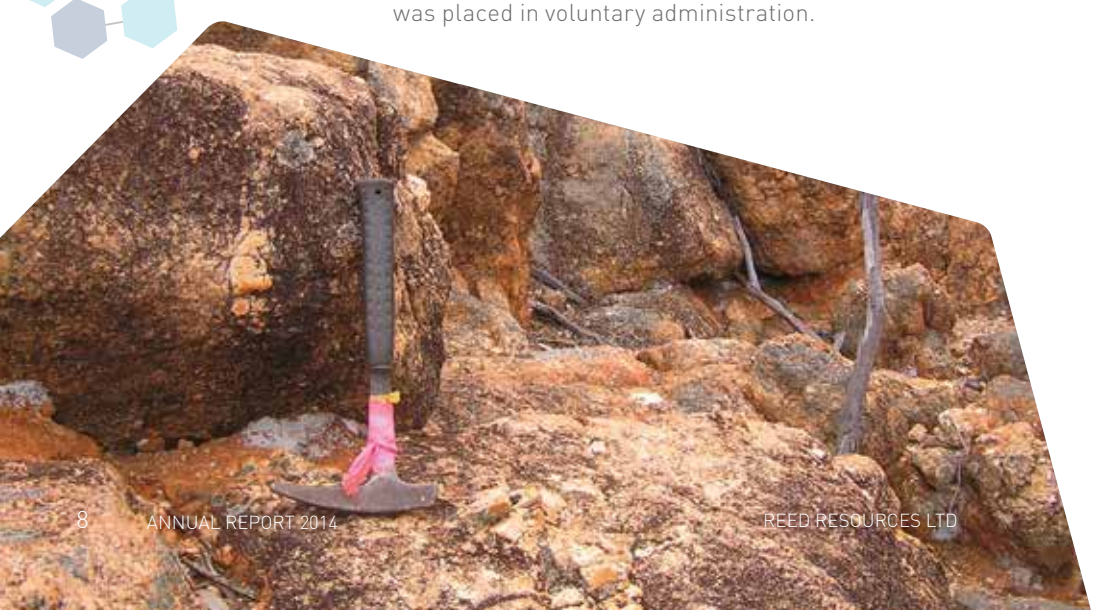
The Meeting of Creditors also approved a Deed of Company Arrangement ("DOCA") proposed by Reed.

The Company received gross value of around $5.1 million comprising:

- The transfer, buy back and subsequent cancellation of 24M shares in Reed as approved by Reed shareholders on Friday, 8 August 2014; and
- a balance of around $4.56 million in cash.

Under the approved DOCA a pool of funds is expected to be available for the remaining unsecured creditors of around $4.6 million, which under the statutory adjudication process is currently expected to be distributed by the Deed Administrators of GMKE in the second half of 2014.

Following the final distribution to creditors under the DOCA proposal and the retirement of the Deed Administrators, the claims of all creditors of GMKE (including Reed) will be extinguished in full.



COMET VALE PROJECT
(100% REED)
SAND QUEEN GOLD MINE

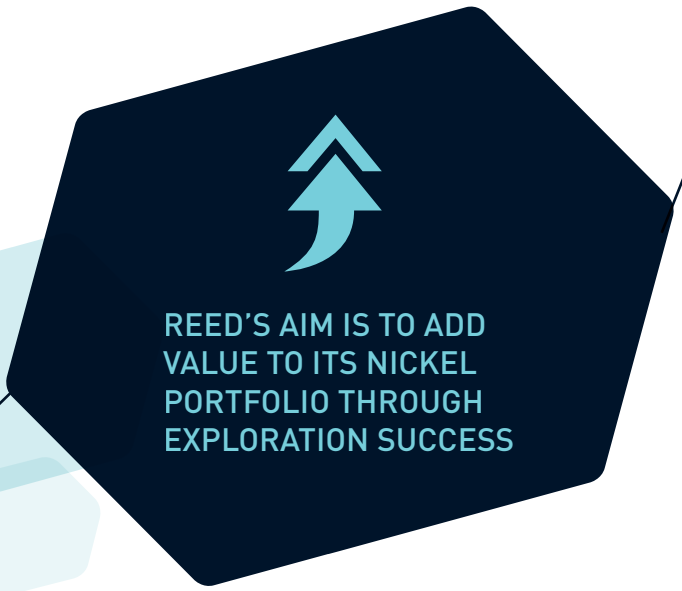
During the year the Company completed the sale of its subsidiary Sand Queen Gold Mines Pty Ltd (**SQGM**) to a private company. SQGM holds the Comet Vale Gold Project, located near Kalgoorlie.

Reed received a non-refundable deposit of $100,000 and a completion payment from the purchaser of $1.75 million. In addition, the purchaser has paid the Company a further amount of approximately $60,000, representing funds held by SQGM to support environmental bonds lodged with the Department of Mines and Petroleum.

In accordance with the sale agreement, the Company also expects to receive the final instalment of $50,000 upon grant of E29/927 expected in November 2014.

NIMBUS SILVER-ZINC ROYALTY
(REED 1% ZINC ROYALTY)

During the year the Company disposed of its 1% Net Smelter Royalty on all zinc extracted and recovered from M26/0490 and M26/0598, containing the Nimbus Silver-Gold-Zinc mine, to tenement owner Macphersons Resources Ltd ("MRP"). Consideration received was 891,810 shares in MRP with a nominal consideration value of $200,000.



Review of Operations

CORPORATE

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"). As a result of GMKE being placed into Administration and the consequential loss of control pursuant to AASB 10 Consolidated Financial Statements the Company was 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.

FINANCES

The Chairman, David Reed through associated interests, committed to provide a standby facility to support the Company's working capital position, with definitive agreements executed and announced on the 27th September 2013. As at the Company's 2013 AGM the Company had drawn down $2 million on the stand by facility.

Following shareholder approval at the Company's 2013 AGM, the Company, at its election, repaid the loan by the issue of 2 million convertible notes issued to David Reed that may be converted into 66,666,667 fully paid ordinary shares. The terms of the convertible notes are as follows:

Issue Date: 22 November 2013

Term: 12 months from date of issue

Number of notes: 2,000,000

Face value: $1

Coupon rate: A floating rate that is 3% above the rate paid by noteholder under the noteholder's external financing arrangements. Interest is payable monthly in arrears.

Conversion price: $0.03

Conversion date: Any time prior to the redemption date, which is 12 months following issue.

The Company 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 to the convertible note facility, for the convertible notes. All convertible notes remain unconverted.

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. Colin Johnstone retired as a Non-executive Director on 30 September 2013.
- Mr Luke Tonkin resigned as Managing Director and ceased employment on 30 September 2013.
- Mr. Chris Reed resumed the role of managing director on Mr. Tonkin's departure.
- Dr Vanessa Guthrie who joined the Board on 17 June 2011 resigned as Non-executive Director on 20 November 2013.
- Mr. David Lim was made redundant as Chief Financial Officer and ceased employment on 22 October 2013.
- Mr. Darren Wates was made redundant as General Counsel and ceased employment on 9 October 2013.
- Mr. Craig Fawcett resigned from his position as Technical Services Manager and ceased employment on 2 August 2013.

REED RESOURCES LTD – MINERAL RESOURCE STATEMENT AS AT 30 JUNE 2014

Mt Marion	Category	Tonnes (Mt)	Li_2O (%)	Li_2O (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_2O_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

The mineral resources for the projects set out above are unchanged from the Company's Mineral Resource Statement as at 30 June 2013.

However, the Company's Mineral Resource Statement as at 30 June 2013 included mineral resources for the Meekatharra and Comet Vale projects, as set out below. These projects have since been disposed of by the Company, as announced to ASX on 13 June 2014 and 23 June 2014 respectively.

Meekatharra	Tonnes (Mt)	Au (g/t)	Au (koz)
TOTAL MINERAL RESOURCES	60.4	1.7	3,371.0

Comet Vale	Tonnes (Mt)	Au (g/t)	Au (koz)
TOTAL MINERAL RESOURCES	0.85	7.6	209.5

COMPETENT PERSONS STATEMENT

The Mineral Resource Statement above is based on, and fairly represents, information and supporting documentation prepared by Competent Persons.

The Mineral Resource Statement as a whole has been approved by Mr Christopher Reed, a full time employee of Reed Resources Ltd and Member of the Australian Institute of Mining And Metallurgy (210541). Mr Reed has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the JORC Code 2012. Mr Reed consents to the inclusion in this report of the Mineral Resource Statement in the form and context in which it appears.

In relation to the discussion of mineral resource estimates in this Annual Report, the Company confirms that it is not aware of any new information or data that materially affects the information included in the following ASX announcements in which the information was first presented and that all material assumptions and technical parameters underpinning the mineral resource estimates in the following ASX announcements continue to apply and have not materially changed.

15/12/2009	Mt Finnerty – JV partners confirm 4.66Mt maiden iron ore resource
17/10/2012	Shareholder Agreement and PFS Results – Mt Marion Lithium
13/11/2013	Barrambie Scoping Study Results
6/12/2013	Barrambie - Amended JORC 2012 Mineral Resource Estimate
25/3/2014	Nickel Exploration Update - EM Conductors and Drill Program
24/6/2014	Hannans – Joint Venture at Lake Johnston Nickel Project
30/6/2014	Mt Marion – Successful Semi-Pilot Plant

The Company confirms that all the material assumptions underpinning the production target and the forecast financial information derived from the production target in the Barrambie Scoping Study and the Mt Marion Pre-feasibility Study continue to apply and have not materially changed.

GOVERNANCE AND INTERNAL CONTROLS

The Company has put in place governance arrangements and internal controls with respect to its estimates of reserves and resources and the estimation process including:

- The Company used third party consultants to estimate its mineral resources in accordance with the 2012 JORC Code for the Barrambie and Mt Marion projects (see ASX releases dated 6 December 2013 and 9 December 2013).
- The Mt Finnerty ore resource was estimated by the Company's joint venture partner at the time Cliffs Asia Pacific Iron Ore Pty Ltd in accordance with the 2004 JORC Code (see ASX release dated 15 December 2009). No further mineral resource estimates or upgrading work has been undertaken on this project since the introduction of the 2012 JORC Code on 1 December 2013 and the Company is not aware of any additional information that would have a material effect on the estimates as reported.
- Oversight and approval of each annual statement by employees that are Competent Persons as defined by the 2012 JORC Code.

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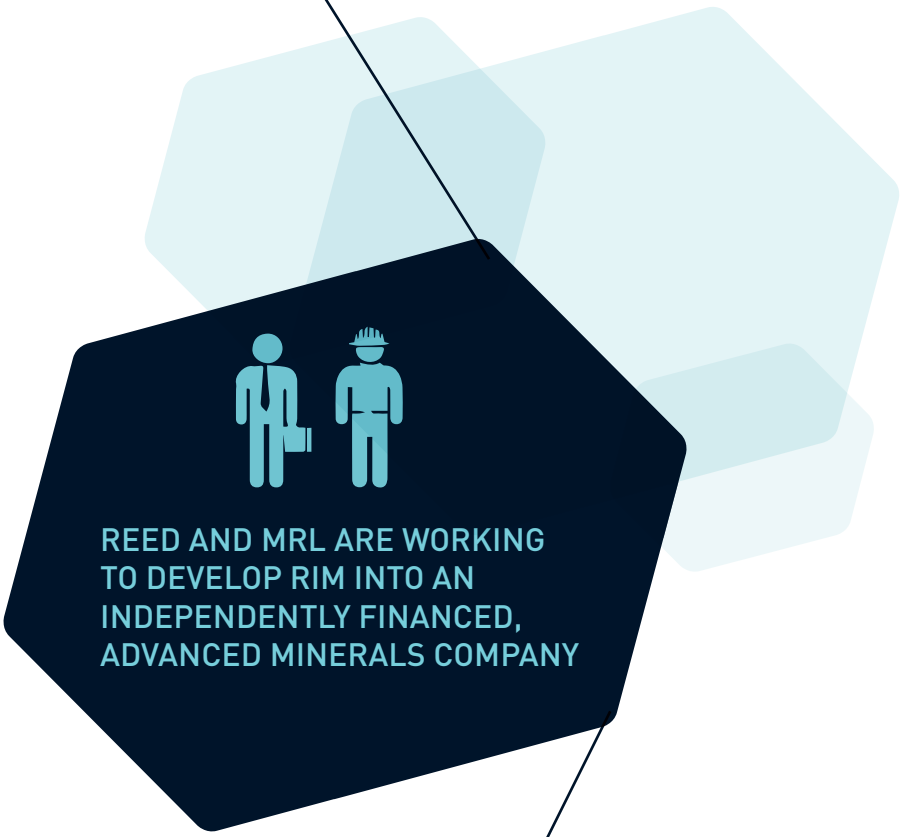
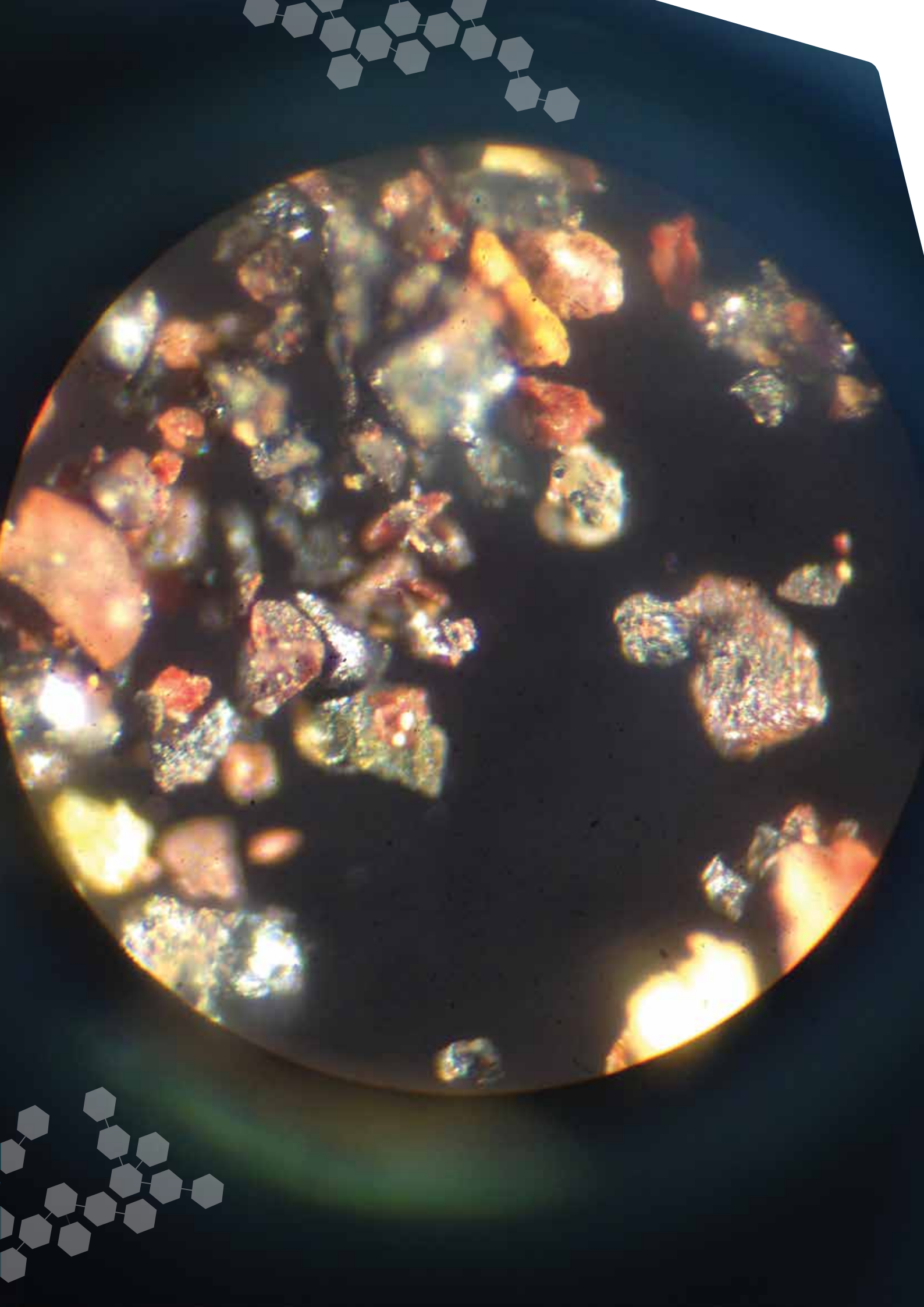




Directors' Report

The directors of Reed Resources Ltd submit their report for the financial year ended 30 June 2014. 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

Steven Cole has over 40 years of professional, corporate and business experience through senior legal consultancy, as well as a range of executive management and non executive appointments.

His extensive boardroom and board sub-committee experience includes ASX listed, statutory, proprietary and NFP organisations covering the industrial, financial, educational, professional services, agribusiness, health and resources sectors.

Steven's professional qualifications include:

- Llb (hons)– University of Western Australia
- AICD Company Directors Diploma and Fellow;
- Wharton School – University of Pennsylvania – Corporate Governance Program 2010

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: Non-executive Director Matrix Composites and Engineering

DAVID J. REED OAM
Non-executive Chairman

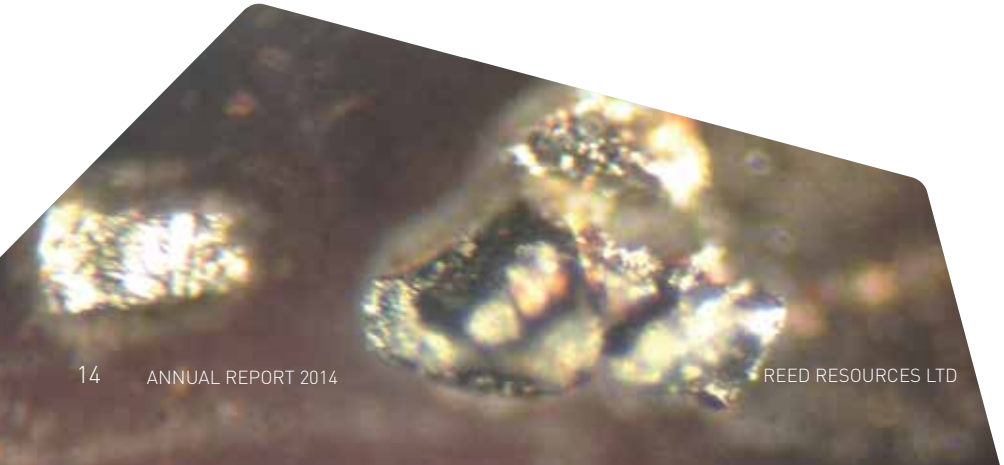
David Reed is an accountant with over 42 years' experience in stock broking and corporate management. From 1985 to 1997 Mr. Reed was chairman of stock-broking firm Eyres Reed Ltd until its sale to CIBC World Markets in 1997 at which time he became Chairman of CIBC Australia, a position he held until 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 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



CURRENT DIRECTORS CONTINUED

CHRISTOPHER J. REED
Executive Director

Chris Reed is an accountant with over 22 years' experience in the resource industry including more than 10 years in corporate administration and management. Chris served as Managing Director of Reed Resources Ltd from September 2007 until May 2012 at which time he assumed the role of Executive Director. Chris resumed the role as Managing Director from 1 October 2013. 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: CEO

Directorships of other listed companies: Nil

FORMER DIRECTORS

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.

Term of Office: 14 May 2012 to 30 September 2013

Special responsibilities: CEO

Directorships of other listed companies: Managing Director Mount Gibson Iron Ltd 25 October 2005 to 16 December 2011.

Directors' Report

FORMER 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.

Term of Office: 31 January 2013 to 30 September 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)

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.

Term of Office: 17 June 2011 to 20 November 2013

Special responsibilities: Member of the Audit and Risk Management and Nomination and Remuneration Committees

Directorships of other listed companies: Managing Director of Toro Energy

COMPANY SECRETARIES

JASON CARONE
Company Secretary 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.

Term of Office: 6 April 2011 to 9 October 2013

REVIEW OF OPERATIONS
The consolidated loss after income tax for the year attributable to members of Reed Resources Ltd was $16.7 million (2013: $75.6 million) including an impairment loss of $0.8 million (2013: $66.5 million) and a loss on discontinued operations of $2.1 million (June 2013: $3.3 million. 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's primary focus centered on advancing its advanced minerals projects. Following the appointment of Administrators on 16 August 2013 GMKE was deconsolidated and the sale of Sand Queen Gold Mines Pty Ltd the subsidiary that holds the Comet Vale gold project was sold on 27 June 2014. 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 evaluation of mineral processing initiatives.

EVENTS AFTER THE REPORTING PERIOD
Subsequent to 30 June 2014 on 3 July 2014 the Company provided notice of an extraordinary general meeting of shareholders. The meeting was held at the Celtic Club, 48 Ord Street, West Perth, Western Australia on Friday, 8 August 2014 at 3.00pm for the purpose of considering a special resolution to approve a selective buy-back of 24 million shares held by Metals X Limited that was provided as consideration for the purchase of the Meekatharra Gold Project. The resolution was overwhelmingly passed at the meeting and the share buy-back was completed on 14 August 2014. The Company's revised issued capital is now 499,453,895 ordinary shares on issue.

Directors' Report

FUTURE DEVELOPMENTS

The Consolidated Entity intends to center its focus on disciplined evaluation and development of its two remaining core assets, the Mt Marion Lithium Project and Barrambie Titanium-Vanadium-Iron project, and to seek to divest itself of its remaining 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.

Please also 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(1)(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 year.

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	13/12/2012	1,000,000	13/12/2012	31/12/2014	1.000	0.0037	On grant

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.

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.

Please also refer to Corporate – Finances above with respect to convertible notes on issue.

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, 20 board meetings, 2 nomination and remuneration committee meetings and 3 audit and risk committee meetings were held.

	Board of Directors		Nomination & Remuneration Committee		Audit Committee	
Directors	Held	Attended	Held[3]	Attended	Held	Attended
S. Cole	20	19	2	2	3	3
V. Guthrie [1]	11	10	1	1	1	1
C. Johnstone [2]	7	5	1	1	1	1
C. Reed	20	18	n/a	n/a	n/a	n/a
D. Reed	20	19	2	2	3	3
L. Tonkin	7	7	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) V. Guthrie became a member of the Nominations and Remuneration Committee on 23 August 2012 and resigned from the Company board of directors on 20 November 2013.

(2) 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. He retired from the Company board of directors on 30 September 2013

(3) 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.

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:

	Fully paid Ordinary Shares	Share Options	Performance rights
Directors	Number	Number	Number
S. Cole	1,120,083	-	-
C. Reed	4,209,202	-	9,891,286
D. Reed	28,121,259	-	-

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.

Directors' Report

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
- Vanessa Guthrie — Non-executive Director (ceased to be a Director on 20 November 2013)
- Colin Johnstone — Non-executive Director (ceased to be a Director on 30 September 2013)
- David Reed — Non-executive Chairman

EXECUTIVE DIRECTORS

- Luke Tonkin — Managing Director (resigned and ceased employment on 30 September 2013)
- Christopher Reed — Executive Director (appointed Managing Director 1 October 2013)

OTHER EXECUTIVES

- Jason Carone — Financial Controller and Company Secretary
- Craig Fawcett — Technical Services Manager (resigned and ceased employment 2 August 2013)
- David Lim — Chief Financial Officer (position made redundant, ceased employment 22 October 2013)
- Chris Mardon — General Manager – Meekatharra gold operations (ceased being a KMP when GMKE was placed in administration on 16 August 2013)
- Darren Wates — Legal Counsel and Joint Company Secretary (position made redundant, ceased employment 9 October 2013)

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 and/or benchmark comparisons are 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.

GENERAL

The Group's remuneration policy for executive 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 executive 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 executive 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 4,408,739 (2013: 8,417,576) performance rights were offered to and accepted by KMP. Of this amount 4,408,739 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 2014 resulted in no performance rights subject to the TSR criteria vesting, retesting of the TSR criteria is due to take place on 31 December 2014.

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 2014:

	30 June 2014 $	30 June 2013 $	30 June 2012 $	30 June 2011 $	30 June 2010 $
Revenue	7,800,372	32,551,507	-	347,821	2,883,931
Net loss before tax	(14,573,782)	(64,933,864)	(30,983,345)	(4,738,594)	(3,484,481)
Net loss after tax	(16,666,425)	(75,581,860)	(30,983,345)	(3,353,586)	(2,666,815)
Share price at start of year	0.032	0.205	0.50	0.60	0.24
Share price at end of year	0.018	0.032	0.205	0.50	0.60
Market capitalisation at year end (undiluted)	9,422,170	16,665,906	94,853,822	131,118,600	106,362,881
Basic loss per share	(0.0279)	(0.1442)	(0.1061)	(0.0150)	(0.0161)
Diluted loss per share	(0.0293)	(0.1508)	(0.1061)	(0.0150)	(0.0161)
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:

	Short-term employee benefits				Post-employment benefits	Share based payments			
2014	Salary & fees $	Bonus $	Non-monetary $	Other $	Super-annuation $	Shares $	Options and rights $	Total $	% Consisting of options/ rights
NON-EXECUTIVE DIRECTORS									
S. Cole	60,870	-	-	-	5,630	-	-	66,500	-
V. Guthrie[1]	21,281	-	-	-	1,969	-	-	23,250	-
C. Johnstone[2]	15,750	-	-	-	-	-	-	15,750	-
D. Reed	86,957	-	-	-	8,043	-	-	95,000	-
	184,858	-	-	-	**15,642**	-	-	**200,500**	
EXECUTIVE DIRECTORS									
C. Reed	339,167	-	3,109	-	24,996	-	60,580	427,852	14%
L. Tonkin[3]	210,090	-	10,747	-	6,250	-	-	227,087	-
	549,257	-	**13,856**	-	**31,246**	-	**60,580**	**654,939**	
OTHER EXECUTIVES									
J. Carone	211,605	-	-	-	17,820	-	4,705	234,130	2 %
C. Fawcett[4]	51,934	-	16,349	-	2,962	-	-	71,245	-
D. Lim[5]	92,216	-	-	64,604	9,239	-	-	166,059	-
C. Mardon[6]	53,465	-	-	-	4,167	-	-	57,632	-
D. Wates[7]	94,107	-	-	67,779	7,100	-	-	168,986	-
	503,327	-	**16,349**	**132,383**	**41,288**	-	**4,705**	**698,052**	
TOTAL	**1,237,442**	-	**30,205**	**132,383**	**88,176**	-	**65,285**	**1,553,491**	

(1) Dr. V. Guthrie ceased to be director 20 November 2013.
(2) Mr. C. Johnstone ceased to be director 30 September 2013. Mr. Johnstone's director fees were paid to a Company controlled by Mr. Johnstone.
(3) Mr. L. Tonkin ceased to be director 30 September 2013.
(4) Mr. C. Fawcett ceased employment 2 August 2013.
(5) Mr. D. Lim ceased employment 22 October 2013.
(6) Mr. C. Mardon ceased being a KMP on 16 August 2013 when GMKE was placed in voluntary administration.
(7) Mr. D. Wates ceased employment 9 October 2013.

2013	Short-term employee benefits				Post-employ-ment benefits	Share based payments		Total $	% Consisting of options/ rights
	Salary & fees $	Bonus $	Non-mone-tary $	Other $	Super-annuation $	Shares $	Options and rights $		
S. Cole	78,900	-	-	-	7,100	-	-	86,000	-
P. Collins	24,083	-	-	-	2,167	-	-	26,250	-
V. Guthrie	57,798	-	-	-	5,202	-	-	63,000	-
C. Johnstone[1]	26,250	-	-	-	-	-	-	26,250	-
D. Reed[2]	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	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. C. Johnstone was appointed 31 January 2013 and ceased to be a director on 30 September 2013. Mr. Johnstone's director fees were paid to a Company controlled by Mr. Johnstone.
(2) 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.

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

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 $229,950 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 and vesting of the performance rights are subject to further criteria which are also set out below.

Directors' Report

Calculation of potential entitlement to performance rights

$$P = \frac{25}{100} X \quad \frac{S}{VWAP}$$

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 (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 up to 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 2017

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 $390,000 inclusive of superannuation). The STI for 2014-15 has been set by the Board at $100,000 representing approximately 26% of the annual salary package. 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 maximum number of performance rights to which the KMP may be granted is based on the following calculation and vesting of the performance rights are subject to further criteria which are also set out below, as approved by shareholders.

Calculation of potential entitlement to performance rights

$$P = \frac{50}{100} X \quad \frac{S}{VWAP}$$

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.

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, and given the change in the Company's primary undertaking with the cessation of the gold business, the Company has amended the previously adopted comparator group. The list of comparator group of companies was previously based on gold exploration and production companies as set out below:

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

The new comparator group adopted by the company is as follows:

- Atlantic Ltd (ASX: ATI)
- Galaxy Resources Limited (ASX: GXY)
- Nemaska Lithium Inc. (TSX: NMX)
- Radar Iron Ltd (ASX: RAD)
- Argex Titanium Inc. (TSX: RGX)
- Ramelius Resources (ASX: RMS)
- Rutila Resources Limited (ASX: RTA)
- Southern Cross Goldfields Limited (ASX: SXG)
- TNG Ltd (ASX: TNG)

Directors' Report

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 developing industrial mineral projects.

OPTION AND PERFORMANCE RIGHTS ISSUED AS PART OF KMP REMUNERATION

SHARE OPTIONS OF REED RESOURCES LTD

2014	Balance at 01/07/13	Granted as remunera-tion	Exercised /lapsed	Balance at 30/06/14	Balance vested at 30/06/14	Vested but not exercis-able	Vested and exercis-able	Options vested during year
	No.	No.	No.	No.	No.	No.	No.	No.
S. Cole	350,000	-	350,000	-	-	-	-	-
C. Reed	-	-	-	-	-	-	-	-
D. Reed	-	-	-	-	-	-	-	-
J. Carone	1,500,000	-	1,500,000	-	-	-	-	-
C. Fawcett [i]	750,000	-	750,000	-	-	-	-	-
D. Wates [ii]	500,000	-	500,000	-	-	-	-	-
TOTAL	**3,100,000**	-	**3,100,000**	-	-	-	-	-

(i) Mr. C. Fawcett's employment with the Company ceased on 2 August 2013.
(ii) Mr. D. Wates' employment with the Company ceased on 9 October 2013.

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

2013	Balance at 01/07/12	Granted as remunera-tion	Exercised /lapsed	Balance at 30/06/13	Balance vested at 30/06/13	Vested but not exercis-able	Vested and exercis-able	Options vested during year
	No.	No.	No.	No.	No.	No.	No.	No.
S. Cole	1,100,000	-	(750,000)	350,000	350,000	-	350,000	-
P. Collins	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**	-

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 4,408,739 (2013: 8,717,576) performance rights to executives and KMP pursuant to the Company's Performance Rights Plan. At the reporting date no 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.

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.

	During the Financial Year					
Name	Grant date	No. granted	No. vested	Fair value at grant date	Earliest exercise date	Consideration payable on exercise
KMP:						
J. Carone[1]	07/10/2013	1,098,369	-	12,851	30/06/2016	-
C. Reed[1]	23/08/2013	3,310,370	-	60,580	30/06/2014	-
TOTAL		**4,408,739**	-	**73,431**		

(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. At the date of this report no employee had become entitled to securities whose vesting conditions were the subject of the TSR criteria.

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:

2014	Balance at 01/07/13	Grant date	Granted	Fair value of rights at grant date	Vested during the financial year	Forfeited/ lapsed during the financial year	Balance at 30/06/2014	Ordinary shares issued on exercise of rights
	No.		No.	$	No.	No.	No.	No.
KMP:								
J. Carone[1]	295,584	07/10/2013	1,098,369	12,851	-	-	1,393,953	-
C. Reed[1]	1,154,184	23/08/2013	3,310,370	60,580	-	-	4,464,554	-
TOTAL	**1,449,768**		**4,408,739**	**73,431**	**-**	-	**5,858,507**	-

(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.

Directors' Report

2013	Balance at 01/07/12	Grant date	Granted	Fair value of rights at grant date	Vested during the financial year	Forfeited/ lapsed during the financial year	Balance at 30/06/2013	Ordinary shares issued on exercise of rights
	No.		No.	$	No.	No.	No.	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**	**885,504**	**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.

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.

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:

	2014 $	2013 $
Auditor (Deloitte Touche Tohmatsu)		
Audit fees	98,100	125,925
Non-audit fees	13,860	-
	111,960	**125,925**

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 30 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
MANAGING DIRECTOR

West Perth, WA
24 September 2014

Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
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24 September 2014

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

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 2014, 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

DELOITTE TOUCHE TOHMATSU

M. Gover

Mark Gover
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Touche Tohmatsu Limited

Audit Report

Deloitte Touche Tohmatsu
A.C.N. 74 490 121 060

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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 2014, 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 33 to 86.

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.

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Member of Deloitte Touche Tohmatsu Limited

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 2014 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 $16,666,425 and experienced net cash outflows from operating and investing activities of $6,143,624 during year ended 30 June 2014. 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 20 to 28 of the directors' report for the year ended 30 June 2014. 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 2014, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

M. Gover

Mark Gover
Partner
Chartered Accountants
Perth, 24 September 2014

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Member of Deloitte Touche Tohmatsu Limited

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
MANAGING DIRECTOR

West Perth, WA
24 September 2014

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2014

	Notes	2014 $	2013 $
Continuing operations			
Revenue from sale of goods	5	7,800,372	32,551,507
Cost of sales	5	(9,932,486)	(39,483,396)
Gross loss		(2,132,114)	(6,931,889)
Other income	5	538,305	28,170,459
Employee expenses	5	(1,494,705)	(5,335,250)
Occupancy expenses		(499,689)	(393,043)
Administration expenses		(1,131,572)	(2,868,284)
Finance costs	5	(739,622)	(4,472,195)
Other expenses		(1,317,888)	(3,609,104)
Loss on sale of equity instruments		-	-
Loss on sale of property, plant and equipment		(16,736)	(29,456)
Loss on revaluation of financial assets held at fair value		-	-
Loss on expiry of financial assets held at fair value		-	(3,088,116)
Gain / (Loss) on deconsolidation of subsidiary	31	(6,981,580)	134,456
Impairment of non-current assets	14,15	(798,181)	(66,511,442)
Loss before income tax		(14,573,782)	(64,933,864)
Income tax expense	6	-	(7,327,952)
Loss for the period from continuing operations		**(14,573,782)**	**(72,261,816)**
Discontinued operations			
Loss for the period from discontinued operations, net of tax	8, 26	(2,092,643)	(3,320,044)
Loss for the period		**(16,666,425)**	**(75,581,860)**
Other comprehensive income		-	-
Total comprehensive income for the period	21	**(16,666,425)**	**(75,581,860)**
Loss per share			
From continuing operations:			
Basic and diluted (cents per share)	22	(2.79)	(14.42)
From continuing and discontinued operations:			
Basic and diluted (cents per share)	22	(2.93)	(15.08)

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

For the year ended 30 June 2014

	Notes	2014 $	2013 $
Current assets			
Cash and cash equivalents	32 (a)	7,064,800	7,207,251
Trade and other receivables	11	771,243	3,017,419
Inventories	13	-	4,563,082
		7,836,043	14,787,752
Assets classified as held for sale	7	-	3,106,366
Total current assets		**7,836,043**	**17,894,118**
Non-current assets			
Loan to joint venture	27	1,042,617	926,164
Exploration, evaluation and development expenditure	14	10,761,411	26,501,000
Investment in joint venture	27	1,495,399	1,510,835
Other financial assets	12	6,135,000	11,783,000
Property, plant and equipment	15	205,244	9,547,034
Total non-current assets		**19,639,671**	**50,268,033**
Total assets		**27,475,714**	**68,162,151**
Current liabilities			
Trade and other payables	16	159,665	14,753,047
Borrowings	18	1,926,998	431,541
Provisions	17	1,206,300	2,548,775
		3,292,963	17,733,363
Liabilities directly associated with held for sale assets	7	-	251,918
Total current liabilities		**3,292,963**	**17,985,281**
Non-current liabilities			
Provisions	17	499,151	9,836,592
Total non-current liabilities		**499,151**	**9,836,592**
Total liabilities		**3,792,114**	**27,821,873**
Net assets		**23,683,600**	**40,340,278**
Equity			
Issued capital	19	158,292,130	158,046,134
Reserves	20	5,337,843	5,574,092
Accumulated losses	21	(139,946,373)	(123,279,948)
Total equity		**23,683,600**	**40,340,278**

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 2014

	Issued Capital $	Other equity reserve $	Share based payments reserve $	Accumulated losses $	Total $
Balance as at 1/07/12	**148,058,577**	**-**	**5,023,183**	**(47,698,088)**	**105,383,672**
Loss for the period	-	-	-	(75,581,860)	(75,581,860)
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(75,581,860)	(75,581,860)
Recognition of share-based payments (see note 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**
Loss for the period	-	-	-	(16,666,425)	(16,666,425)
Total comprehensive income for the period	-	-	-	(16,666,425)	(16,666,425)
Recognition of share-based payments (see note 20)	250,646	-	(394,878)	-	(144,232)
Recognition of convertible note equity (see Note 20)	-	158,629	-	-	158,629
Issue of share capital	-	-	-	-	-
Share issue costs, net of tax	(4,650)	-	-	-	(4,650)
Balance at 30/06/14	**158,292,130**	**158,629**	**5,179,214**	**(139,946,373)**	**23,683,600**

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 2014

	Notes	2014 $	2013 $
Cash flows from operating activities			
Receipts from customers		7,018,612	31,904,152
Receipts from sale of trade contracts			27,135,000
Payments to suppliers and employees		(16,553,230)	(55,906,176)
Tax refunds		-	405,266
Net cash generated from/(used in) operating activities	32 (c)	(9,534,618)	3,538,242
Cash flows from investing activities			
Proceeds from sale of property, plant & equipment		185,107	6,363
Payments for property, plant & equipment		(15,786)	(22,661,430)
Payments for exploration and evaluation costs		(1,621,843)	(6,072,644)
Payments for financial assets		-	(198,911)
Transfer from restricted term deposits		2,700,000	-
Interest received		277,036	990,375
Loan to joint venture		-	(91,023)
Net proceeds from sale of subsidiary	26	1,866,480	-
Net cash used in investing activities		3,390,994	(28,027,270)
Cash flows from financing activities			
Proceeds from issues of shares		-	9,999,812
Payment of share issue costs		-	(446,454)
Proceeds from borrowings		3,049,342	20,044,030
Repayment of borrowings		(1,409,652)	(19,680,191)
Amounts received from related parties		4,558,000	21,022
Interest and other finance costs paid		(203,404)	(3,880,815)
Net cash provided by financing activities		5,994,286	6,057,404
Net (decrease)/increase in cash and cash equivalents		(149,338)	(18,431,624)
Cash and cash equivalents at the beginning of the financial year		7,214,138	25,645,762
Cash and cash equivalents at the end of the financial year	32(a)	7,064,800	7,214,138

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

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. 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 24 September 2014.

Basis of preparation

The accounting policies adopted are consistent with those adopted and disclosed in the Consolidated Entity's 2013 Annual Financial Report for the financial year ended 30 June 2013, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with IRFS.

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 2013.

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 Reed Resources Ltd 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 $16,666,425 (June 2013: Loss $75,581,860) and had net cash outflows from operating and investing activities of $6,143,624 for the year ended 30 June 2014 (June 2013: outflow of $24,489,028). At 30 June 2014 the Consolidated Entity had net current assets of $4,543,080 (June 2013: net current liabilities of $91,163).

During the period the Consolidated Entity's main operating subsidiary, GMK Exploration Pty Ltd ("GMKE"), went into Administration (16 August 2013) and was deconsolidated at this date due to a loss of control under AASB 10 'Consolidated Financial Statements'. On 30 June 2014, the Company received $4.6 million from the Administration process.

During the period the Company completed the sale of its subsidiary Sand Queen Gold Mines Pty Ltd ("SQGM") for which the Company received $1.85 million by on 27 June 2014.

During the period the Consolidated Entity also secured convertible note funding of $3,000,000, from interests associated with the non-executive chairman, David Reed, with $1,000,000 repaid before 31 December 2013. Refer note 18 for further details. The repayment of the remaining convertible notes of $2,000,000 is due by 21 November 2014, unless previously converted to equity.

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

(i) The Consolidated Entity is required to repay the remaining $2,000,000 convertible note to interests associated with the non-executive chairman, David Reed by 21 November 2014 unless previously converted to equity at a conversion price of $0.03 (66,666,667 ordinary shares). Based on the prevailing 10 day VWAP for Reed ("RDR") shares at the date of this report of around $0.04 and assuming its continuance around or above that level up to the due date for redemption of the convertible notes, the Company believes there to be a reasonable prospect that the convertible notes will be converted by their due redemption date.

(ii) The directors have identified further opportunity to reduce the amount of restricted cash held for the Barrambie gas transmission resulting in additional cash and cash equivalents available to the Consolidated entity

(iii) The directors have identified other non-core assets, including the Mount Finnerty project, which are intended to be disposed of, with completion expected to progressively occur over the next 12 months from the date of signing the financial report. There exists a high level of uncertainty with respect to the timing and quantum of proceeds that may be realised as a result of these proposed asset sales

(iv) Should it be required, the Consolidated Entity has the ability to seek to raise additional funds through the issue of shares or other securities and/or seek to refinance the convertible notes

(v) The directors have reviewed the amounts and timing of expenditure required to execute the Consolidated Entity'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 would be required to implement a revised strategy of reduced activity and expenditure until such time as funds become available.

Should the Consolidated Entity be unable to secure adequate additional funding from the sources referred to in either of (i), (ii), (iii) or (iv) above by July 2015, and should the Consolidated Entity not be able to contain its expenditure commitments within its available cash flows and liquid reserves, there is a material uncertainty whether the Company and Consolidated Entity will be able to continue as going concerns and therefore, whether they will realise their assets and discharge their liabilities in the normal course of business.

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 be unable to 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 2013.

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

- AASB 10 'Consolidated Financial Statements
- AASB 11 'Joint Arrangements'
- AASB 119 ' Employee Benefits'

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 2014:

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 (1)	1 January 2018	30 June 2019
• AASB 1031 'Materiality' (2013)	1 January 2014	30 June 2015
• AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Assets and Financial Liabilities'	1 January 2014	30 June 2015
• AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	30 June 2015
• AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'	1 January 2014	30 June 2015
• AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	30 June 2015
• AASB 2014-1 'Amendments to Australian Accounting Standards – Part D. 'Consequential Amendments arising from AASB 14'	1 January 2016	30 June 2017
• AASB 2014-1 'Amendments to Australian Accounting Standards – Part E. 'Financial Instruments'	1 January 2015	30 June 2016
• AASB 14 'Regulatory Defferal Accounts'	1 January 2016	30 June 2017
• INT 21 'Levies'	1 January 2014	30 June 2015
• AASB 2014-1 'Amendments to Australian Accounting Standards' - Part A: 'Annual Improvements 2010–2012 and 2011–2013 Cycles' - Part C: 'Materiality'	1 July 2014	30 June 2015

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

• Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	1 January 2016	30 June 2017
• Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	1 January 2016	30 June 2017
• IFRS 15 'Revenue from Contracts with Customers'	1 January 2017	30 June 2018

(1) 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'
- In December 2013 the AASB issued AASB 2013-9 'Amendment to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments', Part C – Financial Instruments. This amending standard has amended the mandatory effective date of AASB 9 to 1 January 2017. For annual reporting periods beginning before 1 January 2017, an entity may early adopt either AASB 9 (December 2009) or AASB 9 (December 2010) and the relevant amending standards.

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.

Significant accounting policies

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 short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group 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).

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.

(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.

(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 10 'Consolidated 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

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 operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the AASBs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

(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 performance rights are measured using a Monte Carlo 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.

(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.

(t) Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with AASB 139. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no re-measurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

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 Monte Carlo 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.

(c) Joint arrangements

When determining the accounting treatment to apply to joint ventures and joint operations 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 Materials 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 2014 is $10.8 million (2013: $26.5million) after an impairment of $0.9 million for continuing operations was recognised during the current financial year (2013: $34.9 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 2014 is $Nil (2013: Nil).

(c) Onerous Contract

The Company has an onerous contract which 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.

The estimates for the remaining term is subject to Management's judgement and could change in future periods.

4. PARENT ENTITY DISCLOSURE

Financial Position	2014 $	2013 $
Assets		
Current assets	7,025,401	3,566,731
Non-current assets	18,937,557	37,761,316
Total assets	**25,962,958**	**41,328,047**
Liabilities		
Current liabilities	2,295,225	461,860
Non-current liabilities	-	579,297
Total liabilities	**2,295,225**	**1,041,157**
Net Assets	**23,667,733**	**40,286,890**
Equity		
Issued capital	158,292,130	158,046,134
Retained earnings	(139,962,239)	(123,333,336)
Reserves		
Share based payments	5,337,842	5,574,092
Total equity	**23,667,733**	**40,286,890**
Financial Performance		
Loss for the year	**(16,628,903)**	**(102,825,920)**
Other comprehensive income		-
Total comprehensive income	**(16,628,903)**	**(102,825,920)**
Guarantees entered into on behalf of subsidiaries[i]	**6,000,000**	**8,700,000**
Contingent liabilities		
Contingent liability arising from interest in joint ventures[ii]	-	(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 $6.0 million. Refer to Note 12(b) for details.

(ii) On 15 October 2013 Reed resumed 100% of the iron rights at its Mt Finnerty Project following the amicable termination of the "Mt Finnerty Iron Ore Joint Venture" with Cliffs Asia Pacific Iron Ore Pty Ltd ("Cliffs"). As a result the contingent liability reported in previous periods was extinguished

5. LOSS FOR THE YEAR CONTINUING OPERATIONS

Financial Position	2014 $	2013 $
(a) Income		
Income from operations consisted of the following items:		
Revenue from the sale of goods	7,800,372	32,551,507
Other income:		
Interest revenue	268,792	696,818
Statutory refunds and grants	53,834	60,000
Gain on disposal of financial assets (refer Note 33(f))	-	27,135,000
Other	215,679	278,641
	538,305	28,170,459
(b) Loss before income tax		
Loss before income tax has been arrived at after charging the following expenses:		
Cost of goods sold	(9,932,486)	(39,483,396)
Employee benefits expense:		
Equity settled share-based payments	144,232	(983,280)
Defined contribution superannuation plans	(112,045)	(635,199)
Other employee benefits	(1,526,892)	(3,716,771)
	(1,494,705)	(5,335,250)
Finance costs:		
Borrowing costs	(219,279)	(1,789,463)
Facility fees	(176,755)	(963,670)
Unwinding of provision for rehabilitation	(42,291)	(495,882)
Interest expense	(225,809)	(1,223,180)
Other	(75,488)	-
	(739,622)	(4,472,195)
Impairment of non-current assets [i]	(798,181)	(66,511,442)
Depreciation of non-current assets	(113,725)	(1,558,013)
Loss on sale of plant and equipment	(16,736)	(29,456)
Loss on expiry of financial assets held at fair value [ii]	-	3,088,116

(i) Impairment expense of $798,181 (2013: $66,511,442) relates to non-current assets of continuing operations. Refer to Notes 14 and 15 for further details of the impairment of these non-current assets.

(ii) In the 2012/13 financial year 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.

6. INCOME TAXES CONTINUING OPERATIONS

	2014 $	2013 $
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	(14,573,783)	(64,933,864)
Income tax calculated at 30%	(4,372,135)	19,480,159
Effect of income and expenses that are not deductible in determining taxable profit	(84,453)	(1,261,452)
Current tax benefit not recognised during the period	4,456,588	(18,218,707)
De-recognition of deferred tax assets[1]	-	7,327,952
Income tax expense recognised	-	7,327,952

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 on operations refer to Note 8.

(b) Deferred tax assets not brought to account

At 30 June 2014 the amount of unrecognised tax losses was (gross) $84,375,650 (June 2013: 82,854,290).

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 28.

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

	2014 $	2013 $
Assets classified as held for sale [i]	-	3,106,366
Liabilities directly associated with assets classified as held for sale [i]	-	(251,918)

(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. A sale of the subsidiary Sand Queen Gold Mines Pty Ltd was concluded on 27 June 2014.

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

Classified as held for sale	2014 $	2013 $
Cash and cash equivalents	-	6,887
Trade and other receivables	-	467
Exploration, evaluation and development expenditure[i]	-	3,000,000
Other financial assets	-	64,683
Property, plant & equipment	-	34,329
Assets classified as held for sale	-	3,106,366
Trade and other payables	-	(3,508)
Provisions	-	(248,410)
Liabilities directly associated with assets classified as held for sale	-	(251,918)
Net assets classified as held for sale	-	2,854,448

(i) For the 2012-13 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 at that time. An impairment of $2,081,090 was recognised during the financial year (refer Note 8 below).

8. DISCONTINUED OPERATIONS

(i) Disposal of the Comet Vale Gold Project

The Comet Vale Gold Project, situated near Kalgoorlie, Western Australia, was actively marketed for sale since January 2012. A sale of the subsidiary Sand Queen Gold Mines Pty Ltd that owned the Comet Vale Gold Project was concluded on 27 June 2014. The proceeds of sale of $1,931,183 were less than the carrying value and the difference was recognised as a loss on disposal of subsidiary, see note 26 for further details.

(ii) 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.

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

	2014 $	2013 $
Loss for the year		
Interest income	1,163	1,588
Other income	-	31,277
Impairment of non-current assets	(2,081,090)	(3,282,806)
Expenses	(12,716)	(60,720)
Loss before income tax	(2,092,643)	(3,310,661)
Attributable income tax expense recognised	-	(9,383)
	(2,092,643)	(3,320,044)
Loss for the year from discontinued operations	(2,092,643)	(3,320,044)

Refer to note 26 for cash flows in relation to the disposal of subsidiary.

9. KEY MANAGEMENT PERSONNEL COMPENSATION

Details of key management personnel compensation are provided on pages 20-28 of the Directors' Report.

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

	2014 $	2013 $
Short-term employee benefits	1,267,646	2,710,940
Post-employment benefits	88,177	190,295
Termination benefits	132,383	-
Share-based payments	65,285	941,687
	1,553,491	**3,842,922**

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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 issued 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.

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

No share options were issued to consultants during the financial year ended 30 June 2014 (2013: 1,000,000 share options valued at $3,661).

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

Options series	Number	Grant date	Expiry date	Exercise price $	Fair Value at grant date $
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
	7,100,000				

	Inputs into the model				
Options series	Grant date share price $	Exercise price $	Expected volatility %	Option life Years	Risk-free interest rate %
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
8 April 2011	0.63	1.00	64	3	5.00
13 December 2012	0.17	1.00	63	2	2.75

10. SHARE BASED PAYMENTS (CONTINUED)

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

	2014		2013	
	Options No.	Weighted average exercise price $	Options No.	Weighted average exercise price $
Balance at beginning of the financial year	6,950,000	0.92	13,600,000	0.97
Granted during the financial year as compensation	-		1,000,000	1.00
Exercised during the financial year [i]	-		-	-
Lapsed during the financial year [ii]	(5,950,000)	0.92	(7,650,000)	1.01
Balance at the end of the financial year [iii]	**1,000,000**	**1.00**	**6,950,000**	**0.92**

(i) Exercised during the financial year

There were no share options exercised during the year (2013: Nil).

(ii) Lapsed during the financial year

5,950,000 share options lapsed during the financial year (2013: 7,650,000).

(iii) Balance at the end of the financial year

The share options outstanding at the end of the financial year have an exercise price of $1.00 (2013: $0.92), and a remaining contractual life of 184 days (2013: 171 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.

The following share-based payment arrangements in relation to performance rights were in existence during the period:Employee Share Option Plan ("ESOP")

2014	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	30/06/2015	0.180	n/a	21,548
J. Carone	07/10/2013	1,098,369	30/06/2016	0.025	n/a	12,851
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
C. Reed	23/08/2013	3,310,370	30/06/2014	0.049	n/a	60,580
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%	47,068
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	107,500	01/08/2013	0.440	81.0%	38,313
Total		**13,233,815**				

The fair value of performance rights issued was 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 performance rights granted to J.Carone on 1 August 2012 and 7 October 2013 and the rights granted to C.Reed on 23 August 2013 have been independently valued by a third party using a Monte Carlo simulation to determine fair value.

The total expense recognised for the period arising from share-based payment transactions and accounted for as equity-settled share-based payment transactions is $86,755 (2013: $983,280).

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

	2014 Performance rights No.	2013 Performance rights No.
Balance at beginning of the financial year	7,662,076	185,000
Granted during the financial year as compensation	4,408,739	8,717,576
Vested during the financial year [i]	(2,644,331)	(1,220,500)
Lapsed during the financial year [ii]	(4,722,161)	(20,000)
Balance at the end of the financial year	**4,704,323**	**7,662,076**

(i) 2,644,331 shares in the Company were issued on vesting of performance rights (2013: 1,220,500).

(ii) 4,722,161 performance rights were cancelled or lapsed during the financial year (2013: 20,000).

11. TRADE AND OTHER RECEIVABLES

	2014 $	2013 $
Current trade and other receivables		
Trade receivables [i]	7,023	892,218
Other receivables [ii]	132,488	357,683
Prepayments	125,680	531,516
Goods and services tax/Fuel tax credit	74,052	1,236,002
Loan Receivable GMKE (note 31)	432,000	-
	771,243	**3,017,419**

(i) The average settlement terms are 14 days and all amounts are considered recoverable.

(ii) Other receivables includes an amount of $113,452 (2013: $128,977) receivable from Mr. C Reed (executive director). In the 2012 financial 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 30 for further information.

12. OTHER FINANCIAL ASSETS

	2014 $	2013 $
Non-current		
Barrambie Gas term deposit [i]	6,000,000	8,700,000
Other bond term deposits [ii]	-	2,968,000
Option premiums [iii]	40,000	130,888
Less option impairment	-	(110,888)
Rental bond term deposit	95,000	95,000
	6,135,000	**11,783,000**

(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 (**DBP**) 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. As part of the DBP credit review process this bank guarantee was reduced to $6.0 million during the year.

(ii) There were no cash restrictions on term deposits relating to environmental performance bond in 2014 (2013: $2,968,000).

(iii) This amount comprises several options held by the Group relating to the Mount Finnerty-Barranco Project. Payments were made to secure options furthering the interests of the Group in this project.

13. INVENTORIES

	2014 $	2013 $
Consumable stores	-	2,108,095
Stockpiles	-	204,314
Bullion and circuit stocks	-	2,250,673
	-	**4,563,082**

Inventories previously consisted of items related to the Group's Meekatharra Gold Project.

14. EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

	Consolidated		
	Capitalised development $	Capitalised exploration and evaluation expenditure $	Total $
Gross carrying amount			
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		
Expenditure written off	-		
Balance at 1 July 2013	**41,453,378**	**57,279,693**	**98,733,071**
Transfer on deconsolidation of subsidiary [i]	(41,453,378)	(27,237,318)	(68,690,696)
Reclassified as development	-	-	-
Additions	-	1,736,413	1,736,413
Expenditure written off	-	(177,821)	(177,821)
Balance at 30 June 2014	**-**	**31,600,967**	**31,600,967**
Accumulated amortisation and impairment			
Balance at 1 July 2012	**-**	**24,509,977**	**24,509,977**
Amortisation expense	13,045,921	-	13,045,921
Impairment [ii]	21,730,671	12,768,716	34,499,387
Depreciation of rehabilitation asset [iii]	176,786	-	176,786
Balance at 1 July 2013	**34,953,378**	**37,278,693**	**72,232,071**
Transfer on deconsolidation of subsidiary	(34,953,378)	(17,237,318)	(52,190,696)
Amortisation expense	-	-	-
Impairment [ii]	-	798,181	798,181
Depreciation of rehabilitation asset	-	-	-
Balance at 30 June 2014	**-**	**20,839,556**	**20,839,556**
Net book value			
As at 30 June 2013	**6,500,000**	**20,049,000**	**26,501,000**
As at 30 June 2014	**-**	**10,761,411**	**10,761,411**

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 and Meekatharra Gold Project have been disposed of and deconsolidated respectively.

(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 $0.8 million (2013: $34.5 million) were recognised in respect of exploration, evaluation and development assets for continuing operations. There were no exploration and evaluation expenditure write-downs on expired or lapsed tenements during the year (2013: $2.9 million). At 30 June 2013, 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. 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.

(iii) The rehabilitation assets that were raised in relation to the Meekatharra Gold and Comet Vale Gold Projects have now been disposed of and deconsolidated respectively.

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 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 1 July 2013	121349	11,831,721	8,667	11,961,737
Additions	-	3,492	59,851	63,343
Disposals	-	(1,615,492)	(5,318)	(1,620,810)
Transfers from WIP	-	37,847	(41,939)	(4,092)
Disposal on de-consolidation[i]	(121,349)	(9,821,285)	-	(9,942,634)
Impairment	-	-	-	-
Balance at 30 June 2014	-	436,283	21,261	457,544
Accumulated amortisation and impairment				
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 1 July 2013	111,349	2,303,354	-	2,414,703
Disposals	-	(155,497)	-	(155,497)
Disposal on de-consolidation	(111,349)	(2,009,282)	-	(2,120,631)
Depreciation expense	-	113,725	-	113,725
Balance at 30 June 2014	-	252,300	-	252,300
Net book value				
As at 30 June 2013	**10,000**	**9,528,367**	**8,667**	**9,547,034**
As at 30 June 2014	**-**	**183,983**	**21,261**	**205,244**

(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 is a point in time, there is a risk that actual values will differ to those determined by Consolidated Entity.

16. TRADE AND OTHER PAYABLES

	2014 $	2013 $
Trade payables	80,944	7,527,198
Accrued expenses	53,201	6,976,920
Other [i]	25,520	248,929
	159,665	**14,753,047**

(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. PROVISIONS

	2014 $	2013 $
Current		
Annual leave	87,565	698,785
Long service leave	44,546	7,581
Advisory services	-	550,000
Other (a)	1,074,189	1,292,409
	1,206,300	2,548,775
Non-current		
Long service leave	-	31,438
Other (a)	499,151	9,805,154
	499,151	9,836,592
	1,705,451	**12,385,367**

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(a) Detail of movement in other provisions

2014	Provision for Rehabilitation (i) $	Onerous Contracts (ii) $	Provision for salary on costs (iii) $	Total $
Balance at 1 July 2013	9,303,670	1,496,248	297,645	11,097,563
Additional provisions recognised	-	1,097,434	-	1,097,434
Reductions arising from payments/ other sacrifices of future economic benefits	(9,303,670)	(1,020,342)	(297,645)	(10,621,657)
Additions/(reductions) resulting from re-measurement or settlement without cost	-	-	-	(36,878)
Unwinding of discount and effect of changes in the discount rate	-	-	-	-
Balance at 1 July 2014	**-**	**1,573,340**	**-**	**1,573,340**
Comprised of:	**-**		**-**	
Current provision	**-**	**1,074,189**	**-**	**1,074,189**
Non-current provision	**-**	**499,151**	**-**	**499,151**
	-	**1,573,340**	**-**	**1,573,340**

(i) The opening balance represented the estimate of the present value of the future rehabilitation costs required for the Meekatharra and Comet Vale project areas that has now been deconsolidated and disposed of respectively.

(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 and a lease commitment for office space that relates to surplus space at the Company's head office. 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. The Company's office lease is due to expire 31 August 2015.

(iii) The opening balance of the provision for salary on cost related to the Meekatharra Gold Project that has since been deconsolidated.

2013	Provision for Rehabilitation (i) $	Onerous Contracts (ii) $	Provision for salary on costs (iii) $	Total $
Balance at 1 July 2013	6,944,512	1,506,457	-	8,450,069
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 1 July 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.

(i) 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.

18. BORROWINGS

	2014 $	2013 $
At amortised cost		
Insurance premium funding - unsecured	9,421	431,541
Working Capital / Convertible Note Facility - secured	1,917,577	-
	1,926,998	**431,541**

During the year the Group entered into a financing arrangement for the payment of its annual insurance premiums which have reduced significantly due to the deconsolidation of GMKE.

In August 2013 the Chairman, David Reed committed to provide a standby facility to support the Company's working capital position, with definitive agreements executed and announced on the 27th September 2013. As at 30 June 2014 the Company had drawn down $2M on the standby facility.

As a result and following shareholder approval at the AGM 2 million convertible notes were issued to David Reed that may be converted into 66,666,667 fully paid ordinary shares. The terms of the convertible notes are as follows:

Issue Date:	22 November 2013
Term:	12 months from date of issue
Number of notes:	2,000,000
Face value:	$1
Coupon rate:	A floating rate that is 3% above the rate paid by noteholder under the noteholder's external financing arrangements. Interest is payable monthly in arrears.
Conversion price:	$0.03
Conversion date:	Any time prior to the redemption date, which is 12 months following issue.

The Company 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 to the convertible note facility, for the convertible notes. All convertible notes remain unconverted.

In accordance with Accounting Standards the equity portion of the convertible note has been recognised.

19. ISSUED CAPITAL

	2014 $	2013 $
523,453,895 fully paid ordinary shares (2013: 520,809,564)	158,292,130	158,046,134

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.

	2014		2013	
	No.	$	No.	$
Fully paid ordinary shares				
Balance at beginning of financial year	520,809,564	158,046,134	462,701,573	148,058,577
Issue of shares for cash	-		55,554,491	9,999,808
Share issue costs	-	(4,650)		(448,284)
Other share based payments	2,644,331	250,646	2,553,500	436,033
Balance at the end of the financial year	**523,453,895**	**158,292,130**	**520,809,564**	**158,046,134**

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

Share options

At balance date two consultants held options over 1,000,000 (2013: 6,950,000) ordinary shares. Details relating to these options can be found in Note 10.

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

20. 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.

	2014 $	2013 $
Share based payments reserve:		
Balance at the beginning of the financial year	5,574,092	5,023,183
Increase/ (Decrease) in share based payments	(144,233)	747,001
Amounts transferred to share capital on exercise	(250,645)	(196,092)
Balance at the end of the financial year	**5,179,214**	**5,574,092**
Other reserve:		
Balance at the beginning of the financial year	-	-
Increase for convertible note issued	158,629	-
Amounts transferred to share capital on exercise	-	-
Balance at the end of the financial year	**158,629**	-
Total Reserves	**5,337,843**	**5,574,092**

21. ACCUMULATED LOSSES

	2014 $	2013 $
Accumulated losses:		
Balance at the beginning of the financial year	(123,279,948)	(47,698,088)
Net loss attributable to members of the Company	(16,666,425)	(75,581,860)
Balance at the end of the financial year	**(139,946,373)**	**(123,279,948)**

22. LOSS PER SHARE

	2014 Cents per share	2013 Cents per share
Basic and diluted loss per share:		
Continuing operations	(2.79)	(14.42)
Continuing and discontinued operations	(2.93)	(15.08)

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:

	2014 $	2013 $
Loss [a]		
Continuing operations	(14,573,783)	(72,261,816)
Continuing and discontinued operations	(16,663,785)	(75,581,860)

	2014 No.	2013 No.
Weighted average number of ordinary shares for the purpose of basic loss per share	523,152,785	501,159,550

(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.

23. COMMITMENTS FOR EXPENDITURE

(a) Exploration and evaluation expenditure commitments

The Consolidated Entity holds mineral exploration in order for it to undertake its exploration, evaluation 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 2015 financial year are $1,213,600 (2014: $1,699,200). 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 2015. 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 25 to the financial statements. There are no finance lease commitments that exist at reporting date (2013: Nil).

(c) Other

As referred to in Note 12 (i) 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 $6.0 million (30 June 2013: $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.

24. CONTINGENT LIABILITIES

	2014 $	2013 $
Arising from interests in joint ventures [i]	-	80,000
Continuing operations	**-**	**80,000**

(i) In consideration of Cliffs Natural Resources Pty Ltd 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 agreed 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. This joint venture has since ended and the indemnity no longer applies.

25. 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 lease of a photocopier is for a period of 48 months expiring in May 2016. The commitments are based on the fixed monthly lease payment and a monthly estimate for copying charges.

	2014 $	2013 $
Payments recognised as an expense		
Minimum lease payments	385,381	309,916
Contingent rentals	70,964	74,212
	456,345	**384,128**
Non-cancellable operating lease commitments		
Not longer than 1 year	365,142	446,137
Longer than 1 year and not longer than 5 years	69,556	596,141
Longer than 5 years	-	-
	434,698	**1,042,278**

26. DISPOSAL OF SUBSIDIARY

On 27 June 2014 the Group disposed of Sand Queen Gold Mines Pty Ltd which held the Comet Vale Gold Project situated near Kalgoorlie, Western Australia.

(a) Consideration Received

	2014 $	2013 $
Consideration received in cash and cash equivalents	1,931,183	-
Total Consideration Received	1,931,183	-

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

	2014 $	2013 $
Cash and cash equivalents	20	-
Other receivables	6,045	-
Non-current assets		-
Exploration, evaluation and development expenditure	3,454,786	-
Property, plant and equipment	750,430	-
Other financial assets	64,683	-
Non-current liabilities		-
Rehabilitation Provision	(252,138)	-
		-
Net assets disposed of	**4,023,826**	**-**

(c) Loss on disposal of subsidiary

	2014 $	2013 $
Consideration Received	1,931,183	-
Net assets disposed of	(4,023,826)	-
Loss on disposal	**(2,092,643)**	**-**

(d) Net cash inflow on disposal of subsidiary

	2014 $	2013 $
Consideration received in cash	1,931,183	-
Less: cash and cash equivalent balances disposed of:	(64,703)	-
	1,866,480	**-**

The loss 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.

27. JOINT ARRANGEMENTS

Name of operation	Principal activity	Interest 2014 $	Interest 2013 $
Mt Finnerty Iron Ore Project [i]	Iron ore exploration	-	20
Reed Industrial Minerals Pty Ltd[ii]	Evaluation of lithium production	70	70

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

(i) Mt Finnerty Iron Ore Project

The joint venture ended during the year and Reed now controls 100% of the project.

(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 11 Joint Arrangements 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 joint venture:

	2014 $	2013 $
Carrying value of investment in the joint venture	1,495,399	1,510,835
Other receivables	1,042,617	926,164
Share of loss of joint venture recognised in profit or loss[ii]	15,436	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 joint venture's expenses are included in administration expenses in the calculation of consolidated profit or loss.

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:

	2014 $	2013 $
Net assets of RIM de-recognised on deconsolidated	-	(2,269,455)
Investment in joint venture recognised on deconsolidation	-	1,512,956
Loan to joint venture 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 deconsolidated:

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

28. SUBSIDIARIES

Name of entity	Country of incorporation	Ownership interest 2014 %	Ownership interest 2013 %
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 (ii)	Australia	0	100

(i) GMKE was placed in Administration on 16 August 2014 and deconsolidated at this time.

(ii) The sale of Sand Queen Gold Mines Pty Ltd was completed on 27 June 2014.

All of these companies are members of a tax consolidated group. Sand Queen Gold Mines Pty Ltd exited the Group on 27 June 2014. Reed Resources Ltd is the head entity of the tax consolidated group.

On 16 August 2013 GMKE was placed in Administration. As a result Reed Resources was deemed to no longer controls GMKE for the purpose of AASB 127 Consolidated and Separate Financial Statements, consequently Reed has undertaken a "deconsolidation" of GMKE in accordance with the standard. The Consolidated Entity recognised a loss on deconsolidation of GMKE of $6,981,580 (2013: A gain on deconsolidated of Reed Industrial Minerals Pty Ltd $134,456). Refer to note 27 and 31 for further details.

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29. 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, titanium/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 2014

Reportable operating segments	Gold $	Titanium/ Vanadium $	Other $	Unallocated $	Total $
Revenue from external customers	7,570,850	229,522	-	-	7,800,372
Cost of sales	(9,849,479)	(83,007)	-	-	(9,932,486)
Gross profit/(loss)	(2,278,629)	146,515	-	-	(2,132,114)
Other income	2,769	-	(101,399)	636,936	538,305
Impairment	-	(407,865)	(390,316)	-	(798,181)
Depreciation and amortisation	-	-	-	(113,725)	(113,725)
Total revenue	7,573,619	229,522	(101,399)	636,936	8,338,678
Total expense	(10,438,358)	(1,818,396)	(296,463)	(12,451,886)	(25,005,103)
Loss before tax	**(2,864,739)**	**(1,588,874)**	**(397,862)**	**(11,814,950)**	**(16,666,425)**
Discontinued operations					
Total revenue	-	-	-	-	-
Total expenses	-	-	-	-	-
Loss before tax	-	-	-	-	-
Consolidated loss before tax	**(2,864,739)**	**(1,588,874)**	**(397,862)**	**(11,814,950)**	**(16,666,425)**

As at 30 June 2014

Reportable operating segments	Gold $	Titanium/ Vanadium $	Other $	Unallocated $	Total $
Increase/(decrease) in non-current assets	(28,409,998)	211,031	580,906	(3,010,301)	(30,628,362)
Decrease in classified as held for sale	-	-	-	-	-
Consolidated increase/(decrease) in non-current assets	(28,409,998)	211,031	580,906	(3,010,301)	(30,628,362)
Total segment assets	-	10,475,917	697,330	16,302,467	27,475,714
Assets classified as held for sale	-	-			
Consolidated total assets	**-**	**10,475,917**	**697,330**	**16,302,467**	**27,475,714**

29. SEGMENT INFORMATION (CONTINUED)

For the year ended 30 June 2013

Reportable operating segments	Gold $	Titanium/ 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)	(7,534,853)	(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)**

As at 30 June 2013

Reportable operating segments	Gold $	Titanium/ 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**

Information about major customers

Revenue from external customers includes:

- Gold and silver bullion sales to third parties of $7.6 million (2013: $32.5 million). These sales occurred prior to the Administration and deconsolidation of GMKE. The gold and silver was sold at spot through the refinery. As the gold produced by the Group was refined to a globally accepted standard the Group was not reliant on other parties or customers to sell its production.

Geographical information

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

30. 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 28 to the financial statements.

(b) Key management personnel remuneration

Details of Key Management Personnel remuneration are disclosed on pages 20-28 of the Directors' Report.

(c) Key management personnel equity holdings

Fully paid ordinary shares of Reed Resources Ltd

2014	Balance at 01/07/13 No.	Balance on appointment No.	Received on exercise of options No.	Net other change No.	Balance at 30/06/14 No.	Balance held nominally No.
Non-executive directors						
S. Cole	120,083	-	-	1,000,000	1,120,083	-
V. Guthrie [i]	50,000	-	-	n/a	n/a	-
C. Johnstone [ii]	-	-	-	n/a	n/a	-
D. Reed	12,022,353	-	-	16,089,906	28,121,259	-
Executive directors						
C. Reed	909,202	-	-	3,300,000	4,209,202	-
L.Tonkin [iii]	878,015	-	-	n/a	n/a	-
Other executives						
J. Carone	142,500	-	-	257,500	400,000	-
C. Fawcett [iv]	150,000	-	-	n/a	n/a	-
D. Lim [v]	180,000	-	-	n/a	n/a	-
D. Wates [vi]	151,121	-	-	n/a	n/a	-
Total	**14,603,274**	**-**	**-**	**20,647,406**	**33,850,544**	**-**

(i) Dr. V. Guthrie ceased being a director on 20 November 2013.

(ii) Mr. C. Johnstone being a director on 30 September 2013.

(iii) Mr. L. Tonkin resigned and ceased employment on 30 September 2013.

(iv) Mr. C. Fawcett resigned and ceased employment 2 August 2013.

(v) Mr. D. Lim was made redundant and ceased employment 22 October 2013.

(vi) Mr. D. Wates was made redundant and ceased employment 9 October 2013.

30. RELATED PARTY DISCLOSURES (CONTINUED)

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	1,120,083	-
P. Collins[i]	285,705	-	-	(285,705)	-	-
V. Guthrie [ii]	-	-	-	50,000	50,000	-
C. Johnstone [iii]	-	-	-	-	-	-
D. Reed	26,977,338	-	-	(14,954,985)	12,022,353	-
Executive directors						
C. Reed	609,202	-	-	300,000	909,202	-
L.Tonkin [iv]	-	-	-	878,015	878,015	-
Other executives						
J. Carone	172,500	-	-	(30,000)	142,500	-
C. Fawcett [v]	-	-	-	150,000	150,000	-
D. Lim [vi]	80,000	-	-	100,000	180,000	-
D. Wates [vii]	151,121	-	-	-	151,121	-
Total	**28,350,934**	**-**	**-**	**(13,687,660)**	**14,603,274**	**-**

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

(ii) Dr. V. Guthrie ceased being a director on 20 November 2013.

(iii) Mr. C. Johnstone being a director on 30 September 2013.

(iv) Mr. L. Tonkin resigned and ceased employment on 30 September 2013.

(v) Mr. C. Fawcett resigned and ceased employment 2 August 2013.

(vi) Mr. D. Lim was made redundant and ceased employment 22 October 2013.

(vii) Mr. D. Wates was made redundant and ceased employment 9 October 2013.

Share options of Reed Resources Ltd

2014	Balance at 01/07/13 No.	Granted as remuneration No.	Exercised /(lapsed) No.	Balance at 30/06/14 No.	Balance vested at 30/06/14 No.	Vested but not exercisable No.	Vested and exercisable No.	Options vested during year No.
S. Cole	350,000	-	(350,000)	-	-	-	-	-
J. Carone	1,500,000	-	(1,500,000)	-	-	-	-	-
C. Fawcett	750,000	-	(750,000)	-	-	-	-	-
D. Wates	500,000	-	(500,000)	-	-	-	-	-
Others[iii]	600,000	-	(600,000)	-	-		-	-
Total	**3,700,000**	**-**	**(3,700,000)**	-	-	**-**	-	-

(i) Mr. C. Fawcett resigned and ceased employment 2 August 2013.

(ii) Mr. D. Wates was made redundant and ceased employment 9 October 2013.

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

30. RELATED PARTY DISCLOSURES (CONTINUED)

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.

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 4,408,739 (2013: 8,717,576) performance rights to executives and KMP pursuant to the Company's Performance Rights Plan. At the reporting date 2,644,331 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 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.

	During the Financial Year					
Name	Grant date	No. granted	No. vested	Fair value at grant date	Earliest exercise date	Consideration payable on exercise
KMP:						
J. Carone[1]	07/10/2013	1,098,369	-	12,851	30/06/2016	-
C. Reed[1]	23/08/2013	3,310,370	-	60,580	30/06/2014	-
Total		**4,408,739**	**-**	**73,431**		**-**

(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.

30. 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:

Name	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	-
C. Fawcett	26/11/2012	29,250	150,000	-	150,000	-
D. Lim	01/08/2012	27,000	150,000	150,000	-	150,000
D. Lim	01/08/2012	45,000	250,000	250,000	-	250,000
C. Mardon	26/11/2012	87,279	447,587	-	447,587	-
C. Reed[1]	30/07/2012	207,753	1,154,184	-	1,154,184	-
C. Reed	30/07/2012	180,000	1,000,000	1,000,000	-	1,000,000
L. Tonkin	30/07/2012	464,740	2,580,390	-	2,580,390	-
L. Tonkin	30/07/2012	150,120	834,000	834,000	-	834,000
D. Wates	01/08/2012	58,110	322,831	322,831	-	322,831
Total				**2,556,831**	**4,482,161**	**2,556,831**

(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

	2014 $	2013 $
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	5,976	8,352
Other Income	-	1,091
Total recognised as income	**5,976**	**9,443**
Rent	(4,920)	(19,680)
Interest and fees expense	(142,231)	-
Total recognised as expenses	**(147,151)**	**(19,680)**

(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 $0.4 million at 30 June 2014 (2013: $12.5 million) after recognising an impairment of $10.5 million (2013: $70 million) in the current financial year. These loans are repayable on demand and are interest free. $0.4 million of the loans are payable by GMK Exploration Pty Ltd, which relates to the final selective share buy-back that was finalised on 14 August 2014 see note 32 Events after the reporting date.

In addition, the parent company loaned $116,453 to Reed Industrial Minerals Pty Ltd for the Mount Marion project pursuant to the shareholders agreement dated 16 October 2012. Refer to note 27 Joint Ventures for further information.

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's arrangement to subsidise the office rent costs of Trucking Nominees Pty Ltd came to an end. The total amount charged as an expense for the year was $4,920.

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 was scheduled to be fully repaid by July 2014. This has been extended on an interest only basis with repayment due July 2015. Loan interest charged for the period totalled $5,976 (2013: 8,352).

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.

31. DECONSOLIDATION OF SUBSIDIARY

Deconsolidation of GMK Exploration Pty Ltd (GMK)

As a result of the appointment of Administrators to GMK, the subsidiary that operated the Meekatharra Gold project, Reed has deconsolidated GMK at the date of "loss of control", being 16 August 2013.

The table below details the loss recognised on the deconsolidation of GMK:

	16 Aug 2013 $
Net assets of GMKE de-recognised on deconsolidation	(11,971,581)
Investment in subsidiary entity recognised on deconsolidation	1
Cash received from GMKE Deed of Company Arrangement	4,558,000
Loan to subsidiary entity recognised on deconsolidation[i]	432,000
Loss on disposal	**(6,981,580)**

(i) The intercompany loan from Reed to GMK at the date of the appointment of the Administrators to GMK was $72,185,555. Reed elected to write down the entire carrying value of the loan to GMK as at 31 December 2013, as the sale of the GMK assets was yet to be finalised. On 12 June 2014 the creditors of GMKE resolved to approve a Deed of Company Arrangement proposal that resulted in Reed receiving $4,558,000 in cash on 30 June 2014 and the transfer and buy back of 24M shares in Reed once approved by shareholder. The shareholder approval was obtained on 8 August 2014.

Reconciliation of GMK net assets de-recognised on deconsolidation:

	$
Current Assets	9,697,979
Non-current assets	26,312,977
Total Assets	36,010,956
Current liabilities	(14,696,939)
Non-current liabilities	(9,342,436)
Total Liabilities	(24,039,375)
Net Assets	11,971,581

32. NOTES TO THE CASH FLOW STATEMENT

a) Reconciliation of cash and cash equivalents

	2014 %	2013 %
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	7,064,800	7,207,251
Cash and cash equivalents included in assets classified held for sale (i)	-	6,887
	7,064,800	7,214,138

(i) Held by Sand Queen Mines Pty Ltd, owner of the Comet Vale Gold Project, which was classified as held for sale. The sale was concluded on 27/06/2014.

(b) Funds not available for use

Restrictions exist on several bank deposits with a total value of $6,095,000. These deposits are classified as financial assets (see Note 12).

Of the $6,095,000 held in restricted bank deposits $6,000,000 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. The Group has $95,000 on deposit as security for a rental bond relating to its leased business premises.

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

	2014 $	2013 $
Loss for the period	(16,666,425)	(75,581,860)
Loss on sale of non-current assets	16,736	29,456
Loss on deconsolidation of subsidiary	6,981,580	(134,456)
Loss on disposal of discontinued operations	2,092,643	-
Loss on disposal/lapse of financial assets	-	3,088,116
Transfer from restricted cash	(2,700,000)	
Gain on sale of royalty interest	(185,107)	-
Share of equity accounted entity's loss	15,452	244
Interest received on investments	(268,792)	(698,407)
Movement in capitalised mining costs	-	(20,144,080)
Costs of borrowing	482,042	3,961,471
Depreciation and amortisation of non-current assets	113,725	1,587,489
Equity settled share-based payment	(148,882)	985,111
Exploration and evaluation expenditure write off		2,943,201
Impairment of non-current assets	798,181	69,794,249
Decrease in current tax asset	-	-
Decrease in deferred tax asset	-	7,337,336
(Increase) / decrease in assets:		
Current receivables (i)	223,679	(1,018,705)
Inventories (i)	-	(3,419,350)
Other (i)	20,000	-
Increase / (decrease) in liabilities:		
Current payables (i)	(232,358)	12,705,523
Provisions (i)	(77,092)	2,102,904
Net Cash generated from/ (used) in operating activities	**(9,534,618)**	**3,538,242**

(i) Reed deconsolidated GMKE as a result of the administration on 16 August 2013 and therefore the GMKE balance sheet was deconsolidated at this date.

(d) Non cash financing and investing activities

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

33. 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.

(c) Interest rate risk

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

			Maturity dates				
2014	Weighted average effective interest rate %	Variable interest rate $	Less than 1 year $	1-5 years $	More than 5 years $	Non interest bearing $	Total $
Financial assets:							
Cash and cash equivalents	1.12	-	7,064,648	-	-	152	7,064,800
Barrambie Gas term deposit[(i)]	2.82	-	6,000,000	-	-	-	6,000,000
Bond term deposits [(i)]	3.41	-	95,000	-	-	-	95,000
Trade and other receivables	-	-	-	-	-	1,671,504	1,671,504
Financial liabilities:							
Trade payables	-	-	-	-	-	134,146	134,146
Convertible note	11.10	-	1,917,577	-	-	-	1,917,577

(i) The balances represent two term deposits that are restricted in their use and are classified in the current reporting period other financial assets. Additional information on all other term deposits is provided at Notes 12 and 32(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.

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

(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.

(d) 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.

(e) 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.

In addition to financial liabiltiies in note 18, the Company is required to meet minimum spend commitments to maintain the tenure over the Company's mineral exloration areas as decribed in note 23.

(f) Fair value

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

(g) Commodity price risk

The Group is exposed commodity price risk. These commodity prices can be volatile and are influenced by factors beyond the Group's control. In the prior 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.

(h) 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.

(i) Interest rate risk management

The Group is exposed to interest rate risk as the Group has funds on deposit as security for the head office lease and the Barrambie Gas Pty Ltd onerous contract outlined at Note 17. 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 2014 would decrease/increase by $65,798 (2013: decrease/increase $95,208). This is mainly attributable to the Group's exposure to interest rates on the maturity of its term deposits.

34. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to the end of the year on 3 July 2014 the Company provided notice of an extraordinary general meeting of shareholders. The meeting was held at the Celtic Club, 48 Ord Street, West Perth, Western Australia on Friday, 8 August 2014 at 3.00pm for the purpose of considering a special resolution to approve a selective buy-back of 24 million shares held by Metals X Limited that was provided as consideration for the purchase of the Meekatharra Gold Project. The resolution was passed unanimously at the meeting and the share buy-back was completed on 14 August 2014. The Company's revised issued capital is now 499,453,895 ordinary shares on issue.

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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.

CORPORATE GOVERNANCE STATEMENT

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 Chris Reed the CEO. The review was facilitated by the deputy chair. The review comprised a self-reflective questionnaire relevant to the CEO's performance (both specifically against the KPI's set as part of the executive's employment arrangements and also generally) and the CEO's and Company's performance against which assessments by the members of the nominations and remuneration committee were then compared. The review was subsequently completed through an interview process.

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.

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".

Luke Tonkin the CEO and Colin (Cobb) Johnstone an independent non-executive director resigned effective 30 September 2013. In addition, Ms Vanessa Guthrie resigned on 20 November 2013. These resignations were as a consequence of the closure of the Company's Meekatharra Gold Project with the resultant scale back of operations generally and dramatic containment of expenses while the Company restructured itself. This process continued to 30 June 2014 and beyond.

As a result of the resignations of Luke Tonkin, Colin Johnstone and Vanessa Guthrie, for the majority of the year the Board comprised only 3 directors:

- 1 non-executive independent directors (Steven Cole);
- 1 non-executive director (David Reed) and
- 1 executive director (Chris Reed).

Accordingly for the majority of the year the Board was not comprised of a majority of independent directors.

RECOMMENDATION 2.2 – THE CHAIRPERSON SHOULD BE AN INDEPENDENT DIRECTOR.

The chairperson (David John Reed) whilst a non-executive director is a substantial shareholder of the company and as such does not pass the criteria of independence as outlined in the Recommendations.

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.

CORPORATE GOVERNANCE STATEMENT

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 and May 2014 completing evaluation questionnaires for:

1. the Board
2. its Committees
3. its individual directors
4. Board skills matrix

The outcome of this evaluation and review 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.

The terms of office, and their status as executive/non executive/independent, for each director for the year ending 30 June 2014 were as follows:

David John Reed	non-executive chairman - 1 July 2013 to 30 June 2014 (cont.)
Luke Tonkin	chief executive officer and managing director - 1 July 2013 to 30 September 2013
Christopher John Reed	executive director - 1 July 2012 to 30 September 2013 chief executive officer and managing director - 1 October 2013 to 30 June 2014 (cont.)
Steven Cole	non executive/independent – 1 July 2013 to 30 June 2014 (cont.)
Vanessa Guthrie	non-executive/independent – 1 July 2012 to 20 November 2013
Colin (Cobb) Johnstone	non-executive/independent – 31 January 2013 to 30 September 2013

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.

CORPORATE GOVERNANCE STATEMENT

Members of the board's nomination and Remuneration Committee, and their attendance at meetings of that committee, were as follows (2 meetings were held):

Director*	Number of meetings eligible to attend[i]	Number of meetings attended
Steven Cole (Chairman)	2	2
Vanessa Guthrie	1	1
David Reed	2	2
Colin Johnstone	1	1

(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.

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 April and May 2014.

The Company departed from the Recommendations in that the Company adopts a varied definition of "independence" than in the Recommendations.

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 is 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.

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)	Ongoing	✔
3.3.1 (b)	Ongoing	✔
3.3.1 (c)	Ongoing	✔
Initiatives / Program		
3.3.2 (a)(i)	Ongoing	✔
3.3.2 (a)(ii)	Ongoing	✔
3.3.2 (a)(iii)	Ongoing	Outstanding
3.3.2 (b)(i)	Ongoing	✔
3.3.2 (b)(ii)	Ongoing	✔
3.3.2 (b)(iii)	Ongoing	✔
3.3.2 (c)(i)	Ongoing	✔
3.3.2 (c)(ii)	Ongoing	✔
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 2014 the group did not make any new appointments. 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.

CORPORATE GOVERNANCE STATEMENT

The proportion of:-

- women on the board is 0%
- women in senior executive positions is 0%
- women employees in the group is 22.2%

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.

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.**

As a result of and since the resignations of Colin Johnstone and Vanessa Guthrie the Company's audit and risk management Committee has only 2 members all being non executive directors (Steven Cole and David Reed). The chair of the committee is Steven Cole who is "independent", but the majority of Committee members are not "independent".

Once the Board of the Company again expands to meet the future needs of the Company (anticipated in 2015), it is anticipated that the Audit & Risk Committee will again comply with the Recommendations.

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
Vanessa Guthrie	1	1
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 has departed from the Recommendations under Principle 4 as the Company only has 2 non-executive directors. With Steven Cole as the only independent director, the majority of Committee members are not independent.

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.

CORPORATE GOVERNANCE STATEMENT

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.

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.

CORPORATE GOVERNANCE STATEMENT

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**

As a result of and since the resignations of Colin Johnstone and Vanessa Guthrie the Company's nomination and remuneration Committee has only 2 members all being non executive directors (Steven Cole and David Reed). The chair of the committee is Steven Cole who is "independent", but the majority of Committee members are not "independent".

Once the Board of the Company again expands to meet the future needs of the Company (anticipated in 2015), it is anticipated that the Nomination and Remuneration Committee will again comply with the Recommendations.

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:
    - o 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.
    - o 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.
    - o 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

CORPORATE GOVERNANCE STATEMENT

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 2014.

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	-	Partial	Refer response to Recommendation 4.2 above.
5	✔	-	N/A
6	✔	-	N/A
7	✔	-	N/A
8	-	Partial	Refer response to Recommendation 8.2 above.

ADDITIONAL STOCK EXCHANGE INFORMATION

As of 30 September 2014

Distribution of Equity Securities:

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

Range	No. of shareholders	No. of option holders (13 Dec 2012)
1 – 1,000	367	-
1,001 – 5,000	666	-
5,001 – 10,000	622	-
10,001 – 100,000	1,873	-
100,001 – 9,999,999,999	645	2
Rounding		
Total	**4,173**	**2**
Unmarketable Parcels	**1,984**	

Top 20 holders of ordinary shares:

Rank	Name	Units	% of Units
1	MELAID HOLDING INC	44,735,000	8.96
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LTD	15,643,810	3.13
3	J P MORGAN NOMINEES AUSTRALIA LIMITED	13,606,811	2.72
4	CITICORP NOMINEES PTY LTD	12,856,411	2.57
5	MR DAVID JOHN REED	12,701,674	2.54
6	TRUCKING NOMINEES PTY LTD <D J REED SUPER FUND A/C>	10,610,049	2.12
7	MR KENNETH JOSEPH HALL <HALL PARK A/C>	10,000,000	2.00
8	BOND STREET CUSTODIANS LIMITED <JATRAN – v04614 A/C>	6,998,377	1.40
9	MR GEORGE CHIEN HSUN LU + MRS JENNY CHIN PAO LU	5,350,000	1.07
10	ADVANCE CONCEPT HOLDINGS PTY LTD	5,000,000	1.00
11	TERAN NOMINEES PTY LTD	4,154,325	0.83
12	LINFOOT ONE SUPER PTY LTD <LINFOOT SUPER PLAN NO1 A/C>	3,830,265	0.77
13	UNAVAL NOMINEES PTY LTD <UNAVAL RETIREMENT FUND A/C>	3,500,000	0.70
14	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	3,367,859	0.67
15	MR DALE ANTHONY REED	3,330,000	0.67
16	BNP PARIBAS NOMS PTY LTD <DRP>	3,070,000	0.61
17	MR PAUL COZZI	3,000,000	0.60
18	MR HUNG CHI DUONG	3,000,000	0.60
19	MR FRANCIS JAMES ROBINSON	3,000,000	0.60
20	NATIONAL NOMINEES LTD	2,770,938	0.55
Totals:	**Totals: Top 20 holders of ORDINARY SHARES (GROUPED)**		

ADDITIONAL STOCK EXCHANGE INFORMATION

As of 30 September 2014

Substantial Holders

Substantial holders in the Company are set out below:

Ordinary Shares	Number Held	Percentage
Melaid Holding Inc	44,735,000	8.96%
David Reed	28,121,259	5.63%

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 name of the Company Secretary is 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.

ADDITIONAL STOCK EXCHANGE INFORMATION

As of 30 September 2014

Mining Tenements Held

As at 30 September 2014 the Company has an interest in the following projects and tenements that are all located in Western Australia.

Project Name	Licence Name	Beneficial Interest	Status
Barrambie			
	E57/769	100%	Live
	E57/770	100%	Live
	L57/30	100%	Live
	L20/55	100%	Live
	M57/173	100%	Live
Mount Marion			
	E15/1190	70% (*)	Live
	L15/315	70% (*)	Live
	L15/316	70% (*)	Live
	L15/317	70% (*)	Live
	L15/321	70% (*)	Live
	M15/999	70% (*)	Live
	M15/1000	70% (*)	Live
Mount Finnerty			
	E15/836	100%	Live
	E16/260	100%	Live
	E16/272	100%	Live
	E16/305	0% (**)	Live
	E16/308	100%	Live
	E16/330	0% (**)	Live
	E16/341	100%	Live
	E16/375	100%	Live
	E16/448	100%	Live
	M15/978	100%	Live
	M15/1371	100%	Live
	M16/506	100%	Live
	M16/507	100%	Live
	M16/511	100%	Live
	M16/522	100%	Live
	P16/2823	100%	Live
	P16/2824	100%	Live
	E16/455	100%	Live
	E15/1408	100%	Live
Lake Johnson			
	P63/1961	100%	Live
	P63/1964	100%	Live
	P63/1965	100%	Live
	P63/1966	100%	Live
	P63/1967	100%	Live
	E63/1701	100%	Live

* - registered holder is Reed Industrial Minerals Pty Ltd (Reed Resources Ltd 70%, Mineral Resources Ltd 30%).

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

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