



Reed Resources Ltd



ANNUAL REPORT
2009

CORPORATE DIRECTORY

Directors

David Reed (Executive Chairman)
Christopher Reed (Managing Director)
Peter Collins (Non-executive Director)
Ian Junk (Non-executive Director)
Steven Cole (Non-executive Director)

Company Secretaries

Jason Carone
Christopher Reed

Registered Office

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West Perth 6005

Contact Details

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Stock Exchange Listing

Reed Resources Ltd are listed on the
Australian Stock Exchange
(Home Branch - Perth) ASX Code: RDR

ACN & ABN Numbers

ACN 099 116 631 ABN 89 099 116 631

Auditors

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

Bankers

National Bank Australia
Bank of Queensland

Solicitors

Allens Arthur Robinson
Level 37, QV1
250 St Georges Terrace
Perth WA 6000

Hunt and Humphry
Hyatt Centre Level 2
20 Terrace Road
East Perth WA 6004

Freehills
250 St Georges Terrace
Perth WA 6000

Accountants

Lawrence Business Management
1133 Albany Hwy
Bentley WA

Flavel Tierney
8/295 Rokeby Road
Subiaco WA

Share Registry

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

Annual General Meeting

Thursday, 26 November 2009 at 3:00pm Western Standard
Time
First floor, 104 Marine Parade, Cottesloe
Western Australia

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CHAIRMAN'S LETTER

Dear Shareholders,

Despite the difficult Global Financial Crisis in the last twelve months, I believe that our company is in a much stronger position financially and with respect to the value of our resource assets.

Vanadium

We completed the definitive feasibility study at a cost of over \$20m, which is no small achievement for a company of our size. We carried out over 55,000 meters of drilling and now have the highest grade vanadium deposit in Australia, containing 65.2 million tonnes at 0.82% vanadium pentoxide.

Gold

Although our Gold JV has not achieved projected production rates, the operation has been profitable for us. We are looking at options for increased production having recently purchased the Nimbus Treatment Plant near Kalgoorlie and completed an agreement with our Joint Venture partners Kingsrose Mining Ltd to retain the total mining assets from 1 June 2010.

Nickel

We have an ongoing Joint Venture with Western Areas at Mt Finnerty and we recently finalised an option over some very prospective ground adjoining our Mt Finnerty leases with an unlisted company Barranco. This 60% earn-in will be funded and explored by Reed within the next few months.

Iron Ore

Our 20% interest in the JV with Cliffs is maturing, and we expect some resource estimates prior to the end of the calendar year. A number of new targets are being explored on the tenements and Reed is funding its 20% interest.

Base Metals

We have recently finalized an option with Anglo American for state of the art electromagnetic exploration over the Bell Rock Range. Nickel and copper prospect of 471 square kilometres. Anglo are currently flying the area with the proprietary "Spectrum" EM system in their DC-3 modified aircraft.

Lithium

This is probably the most exciting project we have, after entering an option purchase agreement with a local prospector over the high-grade Mt Marion Lithium deposits, near Kambalda, WA.

The previous work was undertaken by Western Mining in the early 1960s and mid 1970s which included extensive drilling and evaluation of the deposit. We have scheduled a drilling program to commence in December, targeting four to five million tonnes of spodumene at a grade of 1.5% to 2%. Different options to operate and fast-track the production of lithium concentrate are under consideration. The deposit is adjacent to power and a haul road which could connect to our Nimbus Plant site. Our engineer, Bill Crossley, who completed an excellent effort on our vanadium project has been appointed to manage the lithium feasibility study.

In summary, notwithstanding market conditions and the volatility of our share price, I believe it has been a rewarding year in advancing our prospects. We are now capitalized at a time of writing at approximately \$80m, have liquid funds of \$15 million and no debt.

With all our commodities, a case can be made for increased demand and subsequent prices in the next few years. Gold, which has been one of my pet interests for over 40 years, has never looked stronger. With the increased physical demand and an alternate storage of wealth against a falling US Dollar, falling world production and limited exploration success, I feel we will be surprised by the upward potential in prices.

Vanadium is a major component in strengthening steel and nickel is also associated with stainless steel and we expect to see increased demand from China and the rest of the world strengthening the markets for these commodities.

Lithium is the mineral of the moment, being a major component in storage batteries for electric cars and this should ensure solid demand and increased prices as electric cars replace the conventional fossil fuel powered vehicles.

In closing, I would like to take the opportunity to thank my Board for their continued dedicated work. I would also like to thank our managing director Christopher Reed, company secretary Jason Carone and all our staff and contractors for an excellent effort in a very busy period in our company's development.

Yours sincerely,



David Reed

EXECUTIVE CHAIRMAN

23 October 2009

CORPORATE GOVERNANCE STATEMENT

The Board of directors of Reed Resources Ltd (the “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 it is conducted appropriately and in the best interests of the Company and its shareholders.

This corporate governance statement outlines the key principles and practices of the Company which together with adopted policies and company 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 2007 (“Recommendations”).

A copy of the Recommendations and the Company’s Corporate Governance Charter (“Charter”) has been placed on the Company’s website in the corporate governance 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. He is responsible for overseeing the overall efficient and effective operation of the exploration and mining related activities of the company, and for bringing material and other relevant matters to the attention of the Board in an accurate and timely manner.

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

The Nominations 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.

A combined performance and remuneration review for 2008/09 concerning the CEO took place in August 2009 via the Nominations and Remuneration Committee.

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 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 of thought and decision making as critical to effective governance, and is satisfied that its Board composition meets these requirements. However, against the Recommendations technical indicia of "independence" the Company does not strictly comply with this Recommendation.

From 1 July 2008 to 23 July 2008 the Board comprised:

- 2 non-executive independent directors (Peter Collins and Ian Junk);
- 2 executive directors (David John Reed and Chris Reed).

From 24 July 2008 Steven Cole (non-executive independent) joined the Board resulting in 3 non-executive independent directors and 2 executive directors.

Recommendation 2.2 – The chairperson should be an independent director.

The chairperson (David John Reed) is an executive director and 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 Chief Executive Officer were not exercised by the same individual.

Recommendation 2.4 – The Board should establish a nomination committee.

The Board did establish a Nomination and Remuneration Committee.

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

The Nominations 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 annually on its operations in the context of its remit.

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

CORPORATE GOVERNANCE STATEMENT CONTINUED

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 2009 were as follows (with all directors noted as continuing as at 30 June 2009 still being in office at the date of this annual report):

David John Reed	Executive Chairman - 1 July 2008 to 30 June 2009 (cont)
Steven Cole	non-executive/independent – 24 July 2008 to 30 June 2009 (cont)
Peter Lionel Fleury Collins	non-executive/independent - 1 July 2008 to 30 June 2009 (cont)
Ian Courtney Junk	non-executive/independent – 1 July 2008 to 30 June 2009 (cont)
Christopher John Reed	executive - 1 July 2008 to 30 June 2009 (cont)

The Company has accepted the definition of "independence" in the Recommendations in the above analysis.

The Company's Corporate Governance Charter empowers a director to take independent professional advice at the expense of the Company.

Members of the Board's Nominations and Remuneration Committee, and their attendance at meetings of that committee, were as follows (a total of 2 meetings were held):

Director	Number of Mtgs Eligible to Attend	Number of Mtgs Attended
Steven Cole (Chairman)	2	2
Peter Lionel Fleury Collins	2	2
Ian Courtney Junk	2	2

In accordance with the process for Board, Board Committee and director evaluation as described in the Charter such an evaluation has been considered and tentatively scheduled for fourth quarter 2009 rather than in the relevant period itself.

The Company departed from the Recommendations in that:

- for the period 1 July 2008 to 23 July 2008 only, the Board did not comprise a majority of independent directors;
- the chairperson is not an independent director.

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

- it is satisfied with the level of independence of thought and decision making being contributed by its non-executive and executive directors;
- the current size of the Company's business operations does not warrant an expanded Board merely to satisfy the independence Recommendations;
- 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 being executive.

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 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.

Recommendation 3.2 : Establish and disclose the Policy Concerning Trading in Company Securities by directors, officers and employees.

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.

Recommendation 3.3: Provide the Information Indicated in Guide to Reporting on Principle 3.

The Company is not aware of any departures from Recommendations 3.1, 3.2 or 3.3.

Copies of the Company's current Board Members Code of Conduct and Group Code of Conduct/Values and the Company's Share Trading Policy is 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 established a combined Audit and Risk Management Committee as from 26 September 2008. Prior to then the Board as a whole fulfilled such functions.

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

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

The Company's Audit and Risk Management Committee has 3 members all being non-executive directors (Steven Cole, Peter Collins and Ian Junk), all of whom, including the Chairman (Steven Cole), are independent.

Recommendation 4.3: The Audit Committee should have a formal charter.

The Company's Audit and Risk Management Committee has a formal charter as set out in the Charter.

CORPORATE GOVERNANCE STATEMENT CONTINUED

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 Mtgs Eligible to Attend	Number of Mtgs Attended
Steven Cole	3	3
Peter Lionel Fleury Collins	3	3
Ian Courtney Junk	3	3

The qualifications of the Directors on the Audit and Risk Management Committee appear in the Directors' Report section of this Annual Report.

The Company is not aware of any departures from the Recommendations under Principle 4 except that prior to 26 September 2008 the Company did not have a separately constituted audit committee.

In explanation of the reasons for this departure prior to 26 September 2008, the Company advises that the costs to the Company of alternate technically compliant arrangements were not warranted having regard to the then size and scale of business operations of the Company.

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

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

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

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

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

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

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

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

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

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

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.

In addition, the Board has resolved, and the executive is in the process of developing a more robust system for identifying, assessing, monitoring and managing material risk throughout the organisation, including internal compliance and control systems, and procedures based on AS/NZ4360. A recent Board resolution to engage external professional consultants to facilitate and assist in this exercise is expected to assure completion of this project by the end of 2009.

Details of the Company's policy on these matters is 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 preliminarily reported to it as to the effectiveness of the Company's management of its material business risks, although the Board has requested a more comprehensive report from management upon completion of the more robust risk management system currently being developed (as referred to in the response to Recommendation 7.1 above) based on AS/NZ 4360.

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 although notes it is continuing to develop and refine its risk management and internal control processes and procedures into more robust systems and procedures based on AS/ANZ4360.

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.

CORPORATE GOVERNANCE STATEMENT

CONTINUED

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 Nominations and Remuneration Committee in respect of remuneration are set out in the Charter.

Recommendation 8.2: 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 base salary (based on factors such as skills, experience, value to the Company and length of service), superannuation and, as appropriate, performance incentives, including by way of longer term share options and shorter term cash bonus entitlements (as appropriate). 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 standards.
- 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. Some longer term share options were also awarded to non-executive directors in consideration of maintaining relatively modest non-executive director fee structures and expectations of extra demand for non-executive time inputs for the company's benefit. Details of these are set out in the Remuneration Report within the Directors' Report.
- 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 8.3: 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.

Departure from Recommendations

Although the Company believes it has complied with Recommendation 8, it notes that the issue of options to the non-executive directors as referred to above is not consistent with the statement in item 2 of Box 8.2 of the Recommendations.

In explanation thereof:

- the level of remuneration paid by the Company to its non-executive directors is perceived to be modest, especially having regard to the additional service and contributions expected to be made by them at this stage of the Company's evolution;
- the issue of options to the non-executive directors is a "non cash" means by which they can receive some modest recompense for such additional service and contributions.

Information Publicly Available

The Charter contains a section formally setting out the charter of the Company's Nominations 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 Recommendation 2.6 above.
3	✓	-	N/A
4	-	Partial	Refer response to Recommendation 4.4 above.
5	✓	-	N/A
6	✓	-	N/A
7	✓	-	However refer to the qualified statement in the response to Recommendation 7.4 above.
8	✓	-	However refer to the qualified statement in the response to Recommendation 8.3 above.



DIRECTORS' REPORT

The directors of Reed Resources Ltd submit herewith the annual financial report of the company for the financial year ended 30 June 2009. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

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

Name	Particulars
David John Reed	<p>Executive Chairman</p> <p>FCPA OAM</p> <p>Term of Office: Appointed 20 December 2001</p> <p>Current External Directorships: None</p> <p>Skills, Experience and Expertise: Mr David Reed is a Fellow member of CPA Australia, and graduated in accountancy in 1965. He has 40 years experience in stockbroking including 22 years based in Kalgoorlie. In 1985 he became chairman of stock-broking firm Eyres Reed Ltd in Perth until its sale to CIBC World Markets in 1997. He has extensive public company experience having sat as chairman of several listed exploration companies. He has a long history in the gold mining industry, including chairman of Fund Raising for the Australian Prospectors and Miners Hall of Fame. He is also a Founder and Session Chairman of the Diggers and Dealers Forum in Kalgoorlie, and a past Secretary of the amalgamated Prospectors and Leaseholders Association.</p>
Christopher John Reed	<p>Managing Director/Chief Executive Officer/Company Secretary</p> <p>BComm, GradCertMinEcon, ASA, MAusIMM</p> <p>Term of Office: Appointed 20 December 2001</p> <p>Current External Directorships: None</p> <p>Skills, Experience and Expertise: Mr Chris Reed graduated with a Bachelor of Commerce from the University of Notre Dame. He holds a Graduate Certificate in Mineral Economics from the WA School of Mines, is a Member of the Australasian Institute of Mining and Metallurgy and is an Associate Member of CPA Australia. He has 15 years experience in the mineral exploration and mining industry.</p>
Peter Lionel Fleury Collins	<p>Non-executive Director</p> <p>Term of Office: Appointed 20 December 2001</p> <p>Company Board Committee Membership: Nomination and Remuneration Committee and Audit and Risk Management Committee</p> <p>Current External Directorships: None</p> <p>Skills, Experience and Expertise: Dr Peter Collins graduated with a Bachelor of Science with honours from the University of Tasmania, where he also gained his Doctor of Philosophy. He has 25 years experience as a geologist in Tasmania and Western Australia. He has been an economic geologist and tin-tungsten commodity specialist with the Tasmanian Geological Survey. He has lectured in geology at Curtin University of Technology since 1987 and has been widely active in the investigation of mineral deposits in WA. Dr Collins was responsible for the planning and management of the exploration programme that discovered the Sand George deposit at Comet Vale.</p>

Ian Courtney Junk

Non-executive Director

Term of Office: Appointed 1 December 2003

Company Board Committee Membership: Nomination and Remuneration Committee and Audit and Risk Management Committee

Current External Directorships: CBR-TSX, BMC-TSX, Committee Bay Resources, Brilliant Mining Corp

Skills, Experience and Expertise: Mr Ian Junk graduated with a Bachelor of Engineering with honours from the WA School of Mines and holds a First Class Mine Managers Certificate. Ian is a highly respected mining engineer with considerable experience in narrow vein underground mining and project development. Ian and his brother Leigh were chosen as national finalists in the 2003 Ernst & Young – Young Entrepreneur of the Year for their successful implementation of innovative mining methods at the Miitel nickel mine. Ian is a Member of the Australasian Institute of Mining and Metallurgy.

Steven Cole

Non-executive Director

Term of Office: Appointed 24 July 2008

Company Board Committee Membership: Nomination and Remuneration Committee and Audit and Risk Management Committee

Current External Directorships: Emerson Stewart Group Limited, Solco Limited, 2 Australian subsidiaries of Sanmina-SCI Systems Holdings Inc (USA), 2 Investment Trusts managing approximately \$20M, 2 Government Boards and 2 Professional and Charitable boards.

Skills, Experience and Expertise: Steven has 35 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, and proprietary and NFP organisations covering the industrial, financial, educational, professional services, health and resources sectors.

Further information on the directors is contained in the corporate governance statement on page 1.

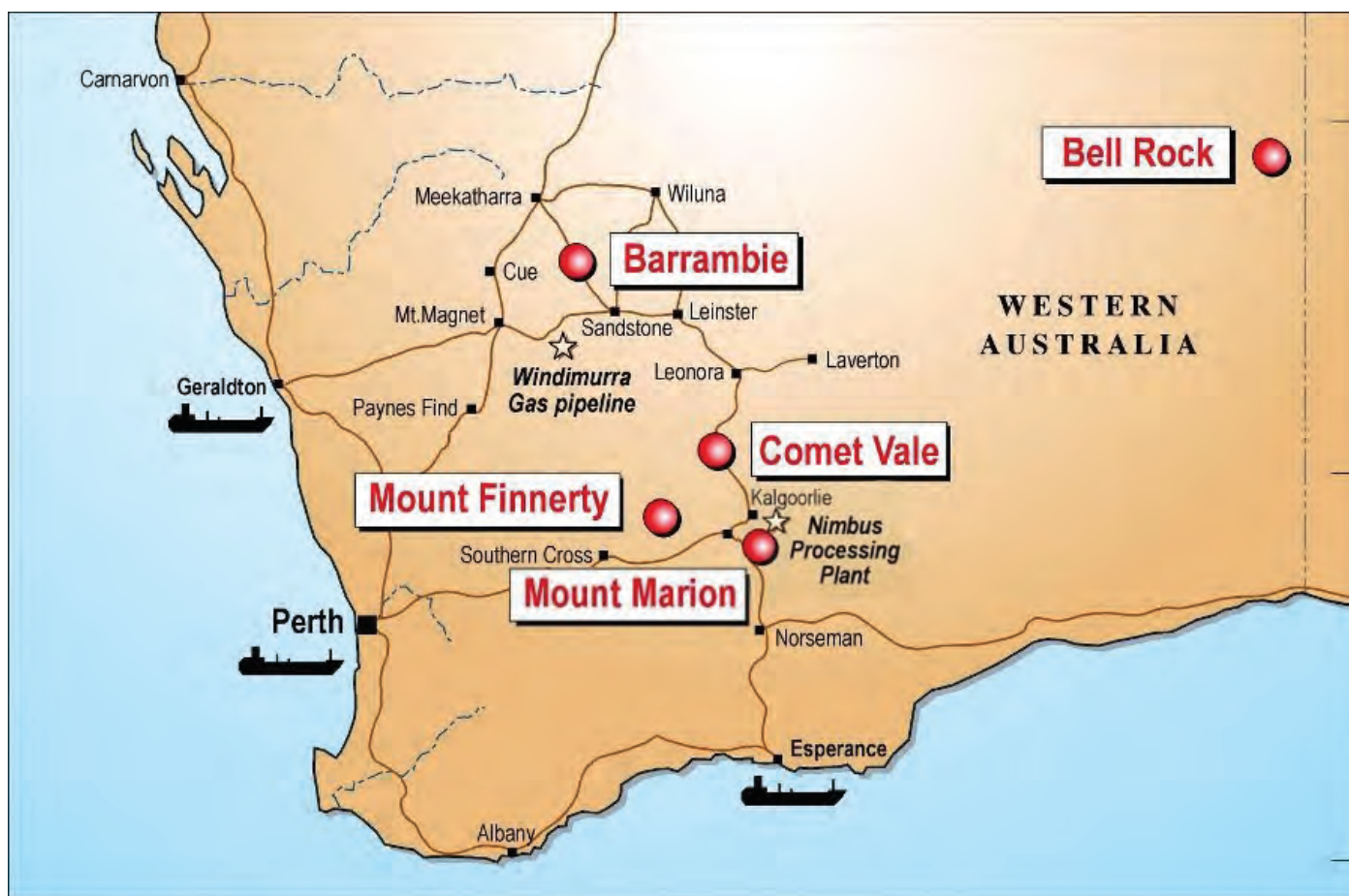
DIRECTORS' REPORT CONTINUED

PRINCIPAL ACTIVITIES

The consolidated entity's principal activities during the period consisted of exploration for gold and other minerals, the evaluation of the Barrambie vanadium project and the ongoing gold mining operation at Comet Vale.

REVIEW OF OPERATIONS

The consolidated loss after income tax for the year attributable to members of Reed Resources Ltd was \$2,468,834. The company has invested \$9,336,052 in capitalised exploration expenditure and development costs in the year ended 30 June 2009.



BARRAMBIE VANADIUM PROJECT

(100% Reed)

During the year the Company completed the Definitive Feasibility Study ("DFS") to produce 6,300t of vanadium per annum, as ferrovandium. The study has been the main undertaking of management for the past two years and cost some A\$20 million, including 55,000 metres of drilling. The project is both technically feasible and economically viable.

This study indicated that, based on the existing mineralisation, the Barrambie vanadium processing plant and associated infrastructure will target a through put of 3.2 million tonnes per annum of vanadium bearing magnetite mineralisation at a grade of 0.82% V_2O_5 and produce either approximately 11,200 tonnes of vanadium pentoxide (V_2O_5) or 7,700 tonnes of ferro vanadium (FeV_{80}) per annum, for a minimum 12 year period.

Mineral Resource Estimate - February 2009

The Company announced on the 13th February 2009 an increase in Mineral Resources at the Barrambie vanadium deposit. Mineral Resource estimation was undertaken by Snowden Mining Industry Consultants Pty Ltd ("Snowden").

Table 1. Mineral Resource estimates for the Barrambie V-Ti deposit, at a cut-off grade of 0.5% V₂O₅

Category	Tonnes (Mt)	V ₂ O ₅ (%)	TiO ₂ (%)	Fe ₂ O ₃ (%)
Indicated	49.2	0.82	17.3	48.9
Inferred	16.0	0.81	17.2	50.2
Total	65.2	0.82	17.3	49.2

Probable Ore Reserve - April 2009

The Company announced on the 5th of May 2009 its reserve estimate at the Barrambie vanadium deposit. Reserve estimation was undertaken by Snowden Mining Industry Consultants Pty Ltd ("Snowden").

Table 2. Probable Ore Reserve* estimate for the Barrambie vanadium deposit, April 2009.

Ore (Mt) diluted*	V ₂ O ₅ (%) diluted*	TiO ₂ (%) diluted*	Fe ₂ O ₃ (%) diluted*	Al ₂ O ₃ (%) diluted*	SiO ₂ (%) diluted*
39.7	0.82	15.69	48.77	11.59	16.12

* Probable Ore Reserve is reported for a diluted cut-off grade of 0.6 % V₂O₅.
All tonnes are estimated as dry tonnes.

Capital Cost of Barrambie Mine Development

The capital cost estimate covers the cost of managing, designing, procuring and constructing the process plant, mine and associated infrastructure. The owners costs include initial mining costs, plant EPCM, owners costs for the recruitment and management of an owners team prior to construction and sufficient capital to cover the owners site based team from recruitment through to commissioning plus a contingency factor of 10%.

Capital Costs Barrambie Mine Development	Aus \$
Total Direct Construction Cost	\$456.2M
Pre commissioning, owner's costs, and EPCM	\$172.7M
Total Construction and Development Cost	\$628.9M

Operating Costs of Barrambie Mine Development

The total operating cost has been estimated at below US\$20/kg of contained vanadium. Processing costs remain commercial-in-confidence at this time, mining costs have been estimated at A\$3.09/t per tonne.

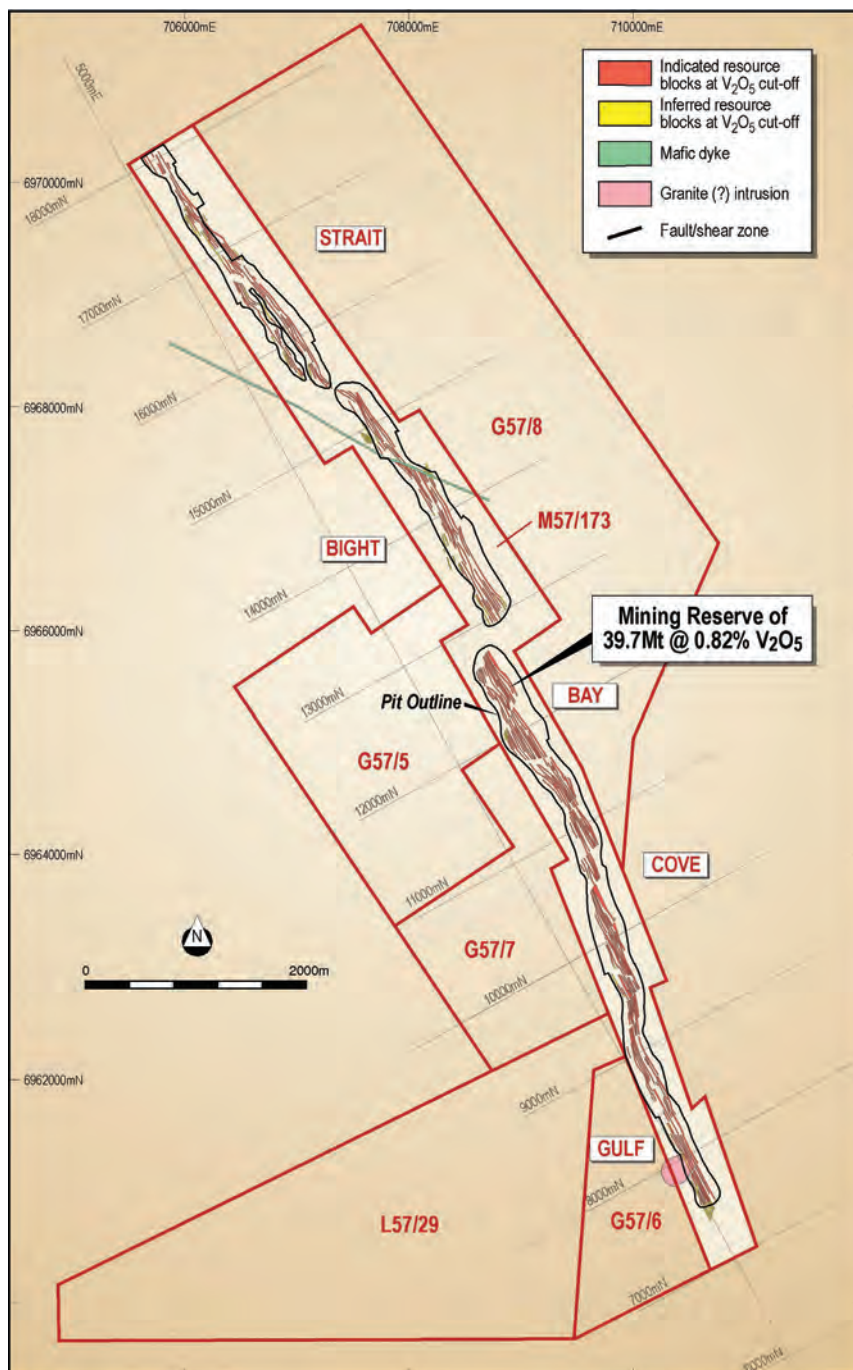
The operating cost estimate includes all forecast costs in mining ore and operating the process plant on an annualised basis. The cost has been derived by determining the annual cost of each operating expense component and developing an overall operating cost per tonne of ore milled.

DIRECTORS' REPORT CONTINUED

Development Strategy

The Company is currently progressing with the approvals process, it had been assessed as requiring a Public Environmental Review (PER). Comments by the relevant decision making authorities on the draft PER document have been received and a final version for release to the public is being prepared. Once approved for release, the Company plans to commence a strategic partner selection process for the development of the project. The market price for vanadium has improved from a financial crisis low of US\$18/kg to US\$34/kg.

The Company expended \$5,406,266 on direct costs for exploration and evaluation of the Barrambie Vanadium Project during the year.



COMET VALE PROJECT

Sand Queen Gold Mine
Production Joint Venture
(Kingsrose Mining Ltd earning 50% of M29/321, M29/52)

During the year Kingsrose Mining Ltd, our Joint Venture Operator, continued underground operations at the Sand Queen mine and 4 parcels of ore were treated or sold in the year for 6,959.4 ounces in total (3,225 ounces RDR share). KRM completed mining the 2Level of the Sand George and Sand Queen orebodies and the majority of ore was produced from the 3Level of the Sand George. Reconciliations indicate that the production grades have increased from 5.2 g/t for the 2Level to 12.0 g/t Au on the 3Level. Development towards the Sand George on 4Level is well advanced and will provide the majority of the ore over the next 18 months.

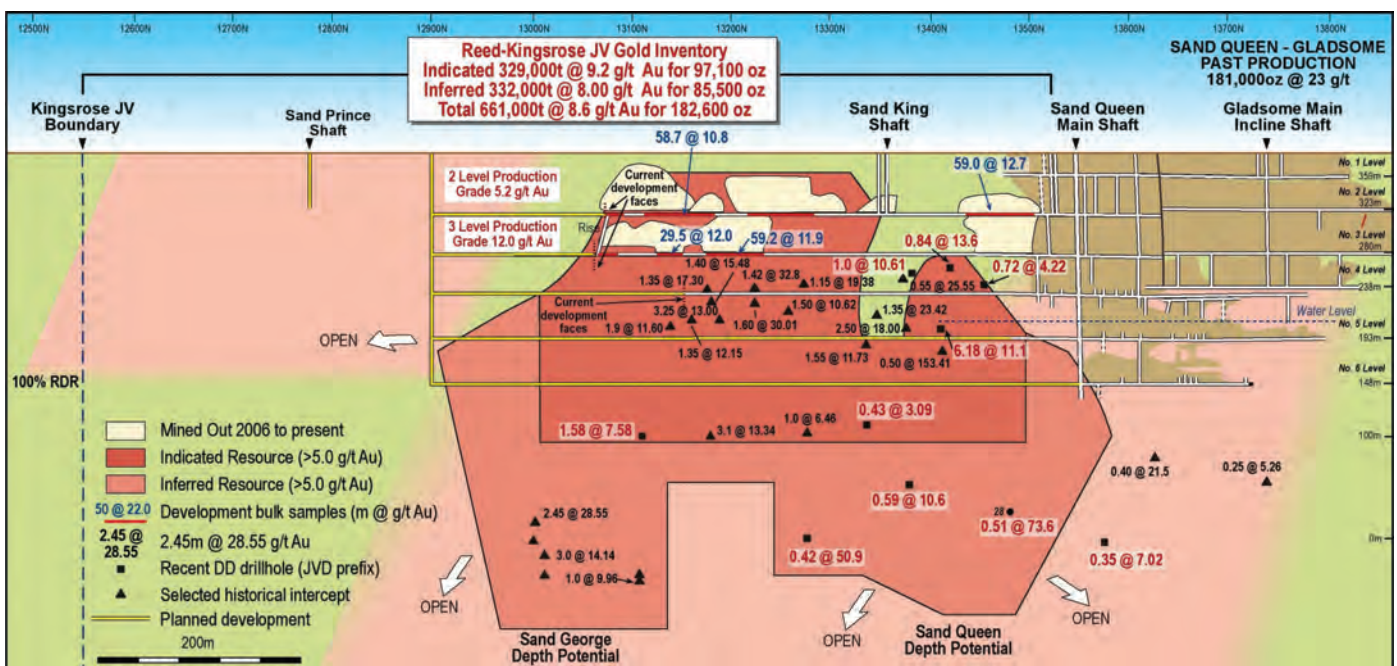
The average cash cost per ounce was A\$588, and the average price received was A\$1,146. "Cash costs" include all expenditures by Reed, directly incurred on mining and milling, plus overheads and royalties. The cash cost was higher than the previous year due to higher costs experienced in selling the ore parcels when compared to toll treatments. Cash costs are expected to decrease in the 2009/10 as the Company reverts back to toll treatment whilst the recently acquired Nimbus processing plant is being evaluated for refurbishment and recommissioning. The Company is evaluating the development of open pit operations to provide a baseload feed to enable an initial processing rate of 100,000 tpa.

The next milling campaign has been scheduled for mid September 2009.

Mineral Resource Estimate - December 2009

During the year a new resource estimate was completed for the Sand Queen Mine following completion of drilling campaign that consisted of 4,456 metres of reverse circulation percussion drilling and 2,290 metres of diamond core drilling.

The combined Mineral Resource for the Sand Queen mine is estimated at 661,000 tonnes at 8.6 g/t Au for 186,000 ounces gold (Table 3; ASX announcement 2nd December 2008). This includes an estimated 97,000 ounces of gold in the vicinity of the current and planned mine workings.



DIRECTORS' REPORT CONTINUED

Table 3. Mineral Resource estimate for the Sand Queen Gold Mine, at a cut-off grade of 5 g/t Au

Category	Volume (bcm)	Tonnes (t)	Grade (Au g/t)	Au (Ounces)
Indicated	122,000	329,000	9.2	97,100
Inferred	123,000	322,000	8.0	85,500
Total	245,000	661,000	8.6	182,600

For the year the Company expended \$999,520 on direct costs for exploration and evaluation of the Comet Vale Project.

MOUNT FINNERTY PROJECT

(100% Reed)

Mount Finnerty Iron Ore Joint Venture

Cliffs Asia Pacific Iron Ore Pty Ltd (formerly Portman) 80% Fe rights

Iron ore exploration is undertaken by Cliffs Natural Resources ("Cliffs") in joint venture with Reed Resources Ltd. The principal aim of this exploration is to locate sufficient iron mineralisation within trucking distance of Cliffs' Koolyanobbing Iron Ore operation, which is about 65km to the west. Previous exploration has identified two key exploration targets: banded iron formation (BIF) hosted iron enrichment (BID) deposits (e.g. FIN1 to FIN11 prospects) and channel iron deposits (CID) within broad palaeochannels that have been identified from geophysical interpretation of satellite imagery and aeromagnetic and ground magnetic survey data.

During the June 2009 quarter, Cliffs completed 29 RC drill holes (for 3,907 m) at the FIN9 prospect (drilling completed) and at FIN10 (drilling continuing). A total of 3,617 RC drill samples were submitted for assay (results pending). The aim of this latest phase of drilling is to define resources at the FIN9 and FIN10 prospects and to test extensions to known iron mineralisation at the FIN10 and FIN11 targets. This will require some 62 reverse circulation (RC) drill holes. The field component of the current drilling program was completed in August. It is anticipated that laboratory analyses for each prospect will be released as they become available. Drill results will then be used to undertake mineral resource estimations, which are expected to be completed in November 2009.

The drilling program will be complimented by further detailed geological mapping and surface sampling during the next 2-3 months from which it is hoped to define additional areas of iron enrichment within the BIF units to be targeted for drill testing. Responsibility for iron ore exploration of the Mount Finnerty area has changed from Cliffs Asia Pacific Iron Ore Pty Ltd to Cliffs Natural Resources' new Global Exploration Group. This is seen by Reed Resources as a positive move as exploration will be conducted under a dedicated exploration team.

Nickel Exploration

Western Areas earning 65% Ni rights

Exploration by Western Areas during the year consisted of primarily RAB drilling programs testing the prospective basal contact of the Western Ultramafic unit (WUM) and other potentially favourable lithologies. A RAB drilling program (WMFRB127-351 for 5,248 metres) at Johnnies Dam and Yalenberine Creek defined moderately high Mg ultramafic rocks at Johnnies Dam. Uncalibrated Niton results show nickel values up to 1.4% Ni in WMFR294 in the Johnnies Dam area that are probably related to shallow saprolite concentration.

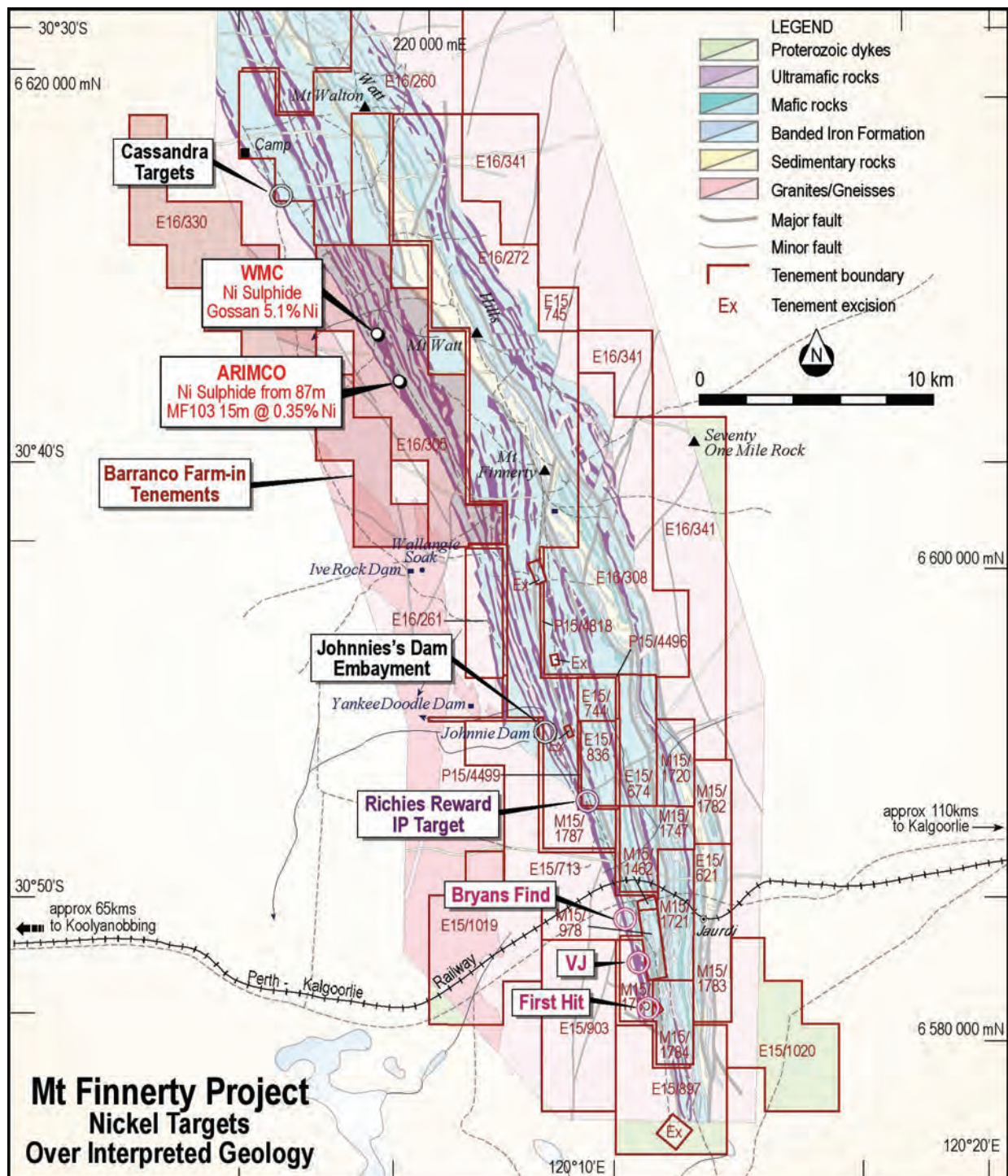
Western Areas completed a five drill hole RC drilling program (total 330 metres) in the June Quarter. This drilling tested the prospective basal contact of the Western Ultramafic Unit (WUM) at Richies Reward. Drill hole MFRC06 intersected 1m @ 0.9 g/t Au and 0.5 % Cu at 48-49m associated with sulphides and quartz veining, up dip from a target IP anomaly. Further drilling is planned for May 2009 following a review of targets after all data has been received.

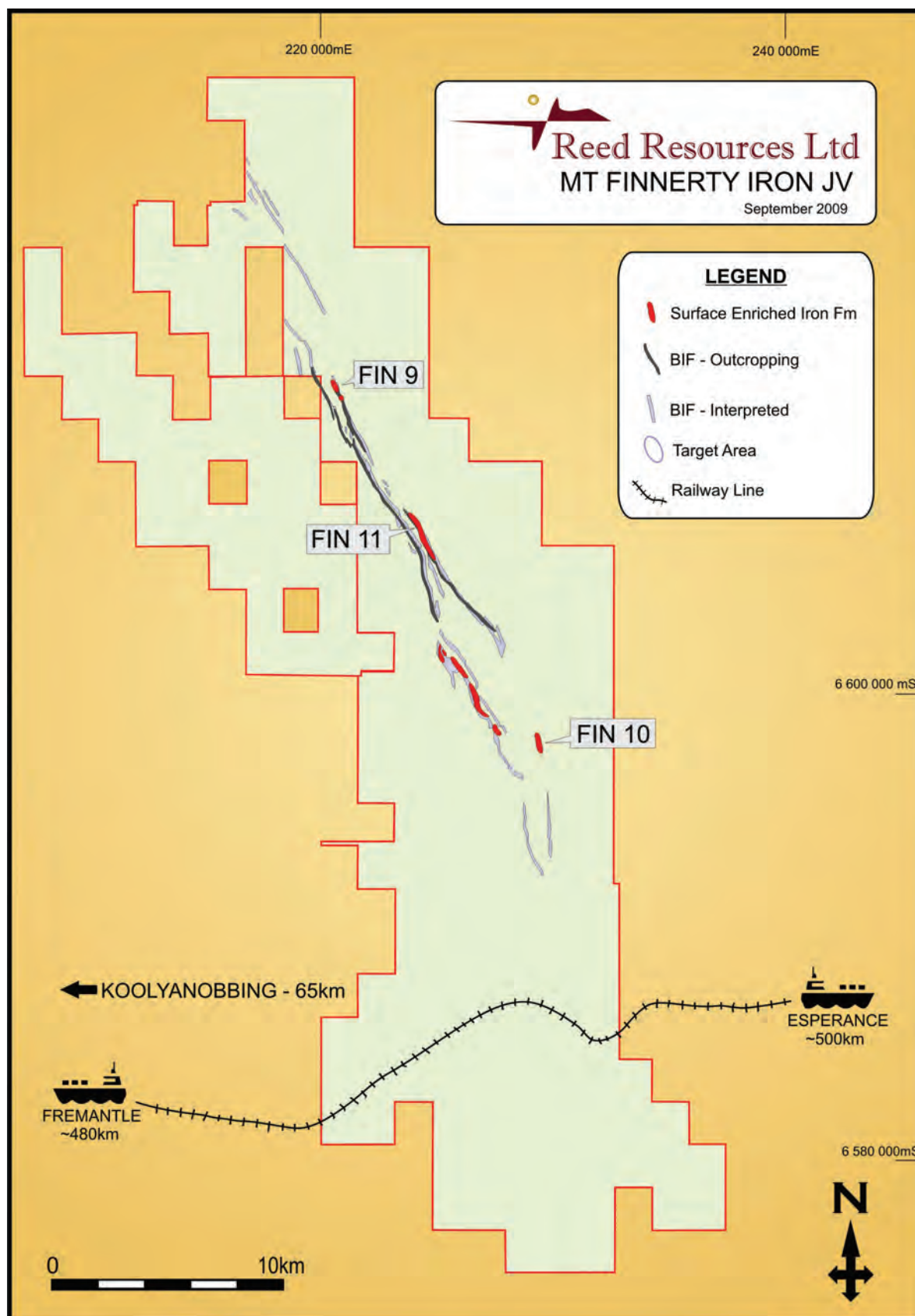
Compilation and review of previous exploration is continuing to identify new targets.

Gold and Other Minerals Exploration

Significant Mineralisation reports have been prepared for the Flinders, Tasman and Giles-Forrest gold prospects in preparation for lodgement of Mining Lease applications.

For the year the Company expended \$384,665 on direct costs for exploration and evaluation of the Mount Finnerty Project, including contributions to the Cliffs JV.





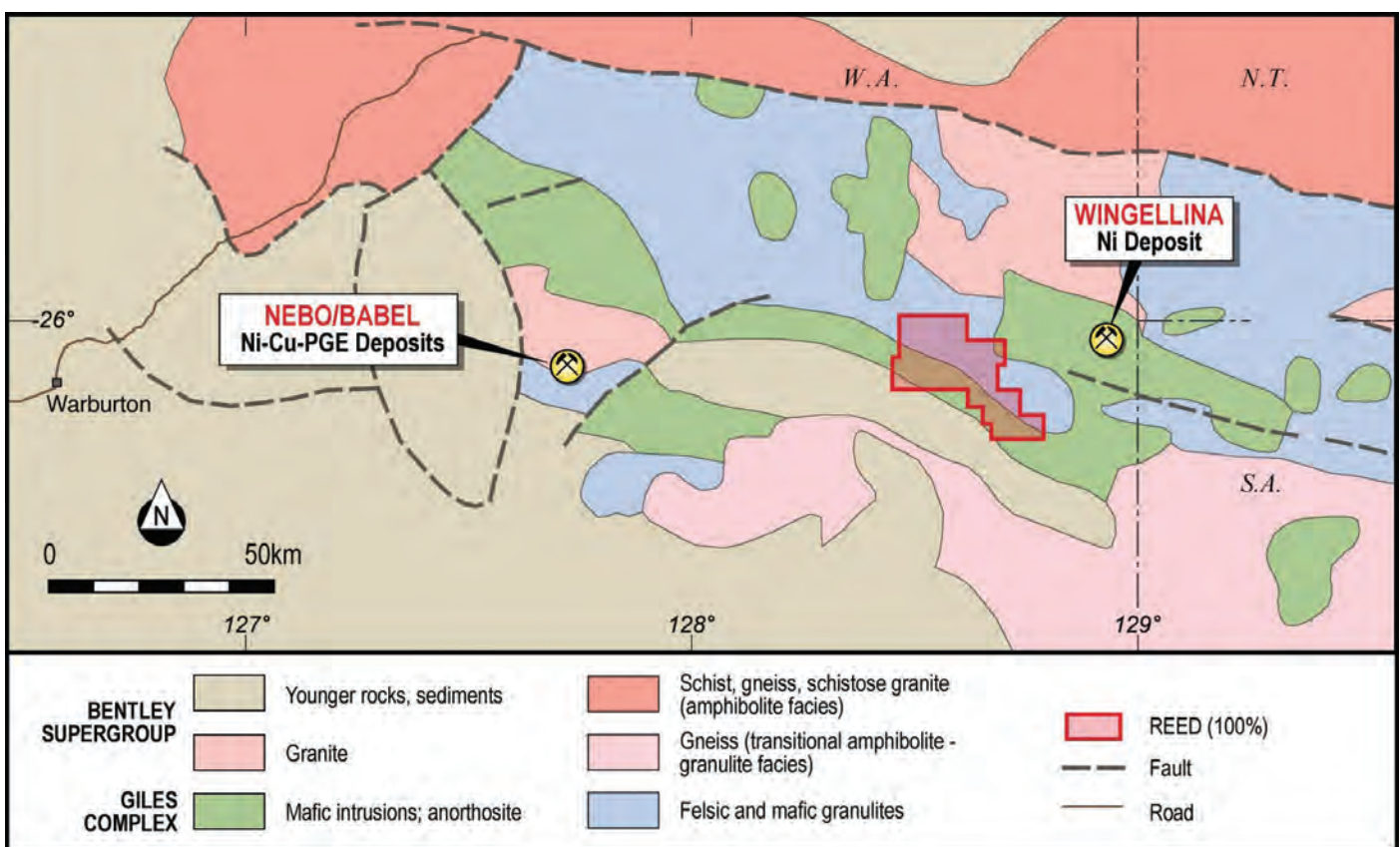
BELL ROCK RANGE PROJECT

(100% Reed)

The Bell Rock Range project within the western part of the Proterozoic Musgrave Province in central Australia is highly prospective for several commodities, particularly Ni-Cu sulphide and PGE mineralisation in area that is underexplored.

During the year the Company has conducted anthropological research and held discussions with local aboriginal communities to obtain agreements for access within the exploration licence. In the latter part of the year the Company commenced discussions with parties interested in farming into the project.

The Company expended \$24,347 on exploration of the Bell Rock Range Project.



CORPORATE

Placements

During the year the Company issued 2 million ordinary shares in the Company to Prime Minerals Limited as part consideration for a strategic land acquisition around its Barrambie Vanadium deposit.

Further information

Further, more detailed information on the Company's activities during the year is available in the Company's quarterly reports to the Australian Stock Exchange.

DIRECTORS' REPORT CONTINUED

Changes in state of affairs

There was no significant change in the state of affairs of the consolidated entity during the financial year.

Subsequent events

On 15 July 2009, the Company issued 500,000 ordinary shares in the Company to Breakaway Resources Limited pursuant to the terms of a sale agreement of the same date for the sale and purchase of a joint venture interest located in close proximity to the Company's Mount Finnerty project tenements. In addition, on this date the Company issued 400,000 ordinary shares in the Company to a consultant to the Company pursuant to the terms of the consulting agreement entered into.

On 11 August 2009, the Company requested that the ASX put an immediate halt on the trading of the Company's shares pending the announcement of an asset acquisition. Following this, the Company announced on 13 August 2009 that it had secured an option to acquire a goldfields lithium project at a cost of \$200,000.

On 21 August 2009, the Company requested that the ASX put an immediate halt on the trading of the Company's shares pending an announcement of a capital raising. The Company announced to the market on 25 August 2009 the details of a \$10.9M capital raising through a \$6.4M placement ("Placement") to institutional and qualified investors and a \$4.5M share purchase plan. The lead manager and underwriter of the capital raising was Patersons Securities Ltd. The funds raised will be applied to advance the Mount Marion Lithium and Barrambie vanadium projects.

On 31 August 2009, the Company also exercised its option to acquire the Nimbus plant using funds raised in the Placement and the transaction was completed on 4 September 2009 with the payment of the purchase price of \$2.25M.

On 7 September 2009, 1,600,000 options were issued to three employees and one consultant of the Company pursuant to the Company's employee share option plan. The exercise price of the options is \$0.80 and the expiry date for the exercise of the options is 31 December 2013.

Future developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

Environmental regulations

The Company is aware of its environmental obligations with regards to its exploration, development and production activities and ensures that it complies with all regulations when carrying out such work.

Dividends

In respect of the financial year ended 30 June 2009, the company has not paid an interim dividend and no final dividend is recommended. In respect of the financial year ended 2008, the company did not pay an interim dividend and no final dividend was recommended.

Share options

Share options granted to directors and executives

During and since the end of the financial year an aggregate 2,100,000 share options were granted to the following directors and executives of the company and the consolidated entity as part of their remuneration:

Directors and Executives	Number of Options Granted	Issuing Entity	Number of Ordinary Shares under Option
Christopher Reed	600,000	Reed Resources Ltd	600,000
Peter Collins	200,000	Reed Resources Ltd	200,000
Ian Junk	200,000	Reed Resources Ltd	200,000
David Potter	250,000	Reed Resources Ltd	250,000
Claudio Sheriff-Zegers	150,000	Reed Resources Ltd	150,000
Jason Carone	300,000	Reed Resources Ltd	300,000
Steven Cole	250,000	Reed Resources Ltd	250,000
Non-Key Management	150,000	Reed Resources Ltd	250,000

Shares under option or issued on exercise of options

Details of unissued shares or interests under option as at the date of this report are:

Options series	Number	Grant date	Expiry date	Exercise price \$	Fair value at grant date \$
Issued 20 July 2005	1,000,000	20/7/2005	1/7/2010	\$0.50	\$0.08
Issued 2 August 2006	700,000	2/8/2006	30/12/2011	\$0.75	\$0.19
Issued 13 December 2006	2,000,000	13/12/2006	30/12/2011	\$0.75	\$0.19
Issued 14 September 2007	300,000	14/09/2007	31/12/2012	\$0.85	\$0.22
Issued 28 November 2007	1,500,000	28/11/2007	31/12/2012	\$0.85	\$0.22
Issued 7 December 2007	2,500,000	7/12/2007	31/12/2009	\$0.78	\$0.34
Issued 13 June 2008	1,333,333	24/5/2007	30/6/2010	\$1.08	\$0.60
Issued 15 September 2008	600,000	15/9/2008	30/6/2013	\$1.20	\$0.13
Issued 25 November 2008	1,250,000	25/11/2008	30/6/2013	\$1.20	\$0.03

The holders of these options do not have the right, by virtue of the option, to participate in any share issue or interest issue of any other body corporate or registered scheme.

A further 1,600,000 options were issued to three employees and one consultant of the Company on 7 September 2009 pursuant to the Company's employee share option plan. The exercise price of the options is \$0.80 and the expiry date for the exercise of the options is 31 December 2013.

Indemnification of officers and auditors

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary and all executive officers of the company and of any related body corporate against a liability incurred as a director, secretary or executive officer to the extent permitted by 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 company or of any related body corporate against a liability incurred as such an officer or auditor.

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

DIRECTORS' REPORT CONTINUED

Directors	Board of Directors		Nomination & Remuneration Committee		Audit Committee	
	Held	Attended	Held	Attended	Held	Attended
David Reed (Chairman)	13	11	-	-	-	-
Christopher Reed	13	13	-	-	-	-
Peter Collins	13	13	2	2	3	3
Ian Junk	13	13	2	2	3	3
Steven Cole	13	13	2	2	3	3

Directors' shareholdings

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 21 September 2009.

Directors	Fully paid ordinary shares Number	Share options Number
David Reed	21,689,715	-
Christopher Reed	1,823,800	3,600,000
Peter Collins	285,705	700,000
Ian Junk	735,700	700,000
Steven Cole	1,900	250,000

REMUNERATION REPORT

Details of Key Management Personnel

The following persons acted as directors of the company during or since the end of the financial year:

- David Reed - Executive Chairman
- Christopher Reed - Managing Director/Chief Executive Officer/Joint Company Secretary
- Peter Collins - Non-executive Director
- Ian Junk - Non-executive Director
- Steven Cole - Non-executive Director/Deputy Chairman (appointed 24 July 2008)

The senior executives of the company and the group for the financial year were:

- David Reed - Executive Chairman
- Christopher Reed - Managing Director/Chief Executive Officer/Joint Company Secretary



- William John Crossley - Project Manager Barrambie
- Jason Carone - Financial Controller and Joint Company Secretary (appointed 4 March 2009)
- David Potter - Manager – Chief Geologist (cessation 17 April 2009)
- Claudio Sheriff - Zegers – Geologist (cessation 31 December 2008)

Unless otherwise disclosed, the Key Management Personnel held their position from 1 July 2008 until the date of this report.

Remuneration policy for directors and executives

The Group's remuneration policy is to provide a fixed remuneration component and a performance based component. The Board believes that this remuneration policy is appropriate given the stage of development of the Company and the activities which it undertakes and is appropriate in aligning Key Management Personnel objectives with shareholder and business objectives.

The remuneration policy in regard to setting the terms and conditions for the Group's executives (including the Managing Director) has been developed by the Board taking into account market conditions and comparable salary levels for companies of a similar size and operating in similar sectors.

The Company is a developing listed company with most of its funds allocated to specific exploration and new business development activities. As a result, the Board has chosen to issue incentive options to executives as a key component of the incentive portion of their remuneration, in order to retain the services of the executives and to provide an incentive linked to the performance of the Company. The Board considers that each executive's experience in the resources industry will greatly assist the Company in progressing its projects to the next stage of development and the identification of new projects. As such, the Board believes that the number of incentive options granted to executives is commensurate to their value to the Company.

Other than service-based vesting conditions, there are no additional performance criteria on the incentive options granted to executives as, given the speculative nature of the Company's activities and the small management team responsible for its running, it is considered the performance of the executives and the performance and value of the Company are closely related. The Board has a policy of granting options to key management personnel with exercise prices above the respective share price at the time that the options were agreed to be granted. As such, incentive options granted to executives will generally only be of benefit if the executives perform to the level whereby the value of the Company increases sufficiently to warrant exercising the incentive options granted. Given the stage of development of the Company and the high risk nature its activities, the Board considers that the prospects of the Company and resulting impact on shareholder wealth are largely linked to the success of this approach, rather than by referring to current or prior year earnings. All incentive options are performance based and the percentage of total remuneration are disclosed in the table below.

All remuneration paid to Key Management Personnel is valued at cost to the company and expensed. Incentive options are valued using the Black Scholes valuation methodology. The value of these incentive options is expensed as they vest.

The executive directors of the Company are employed under Service Agreements which have been in existence since July and August 2006. The Service Agreements are similar in their contents and only differ in hours of service and remuneration levels. The service contracts have a duration of three years and renew automatically unless terminated by either the Company by giving twelve months notice to the individual; or by the individual by giving six months notice to the Company. In August 2009 the executive directors agreed to extend their contracts for a further 3 years. The level of compensation is not dependent on the satisfaction of any performance condition.

The Board policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. Given the current size, nature and risks of the Company, incentive options have been used to attract and retain Non-Executive Directors. The Nomination and Remuneration committee on behalf of the Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at a General Meeting. Fees for Non-Executive Directors are not linked to the performance of the economic entity.

DIRECTORS' REPORT CONTINUED

However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and Non-Executive Directors have received options in order to secure their services.

To date the Company has been undertaking exploration activities, and does not expect to be undertaking profitable operations until after the successful commercialisation, production and sales of commodities from one or more of its projects. Accordingly, the Board does not consider current or prior year earning when assessing remuneration of Key Management Personnel.

As a result of the Company's exploration and business development activities, the Board anticipates that it will retain future earnings (if any) and other cash resources for the operation and development of its business. Accordingly, the Company does not currently have a policy with respect to the payment of dividends, and as a result the remuneration policy does not take into account the level of dividends or other distribution to shareholders (e.g. return of capital). In addition, the Board does not directly base remuneration levels on the Company's share price or movement in the share price over time. However, as noted above a number of Key Management Personnel have received incentive options which will generally only be of benefit if the Key Management Personnel perform to the level whereby the share price of the Company increases sufficiently to warrant exercising the options granted.

Remuneration packages contain the following key elements:

- a) Short-term benefits – salary, superannuation and non-monetary benefits including the provision of a motor vehicle;
- b) Share based payments – share options granted under the executive share option plan as disclosed in note 7 to the financial statements.

The committee's remuneration policies are designed to align executive's remuneration with shareholders' interest and to retain appropriately qualified executive talent 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.

There is currently no Board policy in relation to the person granted the option limiting his or her exposure to risk in relation to the securities as the options are issued in addition to their separate remuneration package. The Nomination and Remuneration committee intends to review whether such a policy would likely be of benefit during the coming financial year.

Relationship between the remuneration policy and company performance

The tables below set out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to June 2009:

	30 June 2009	30 June 2008	30 June 2007	30 June 2006	30 June 2005
	\$	\$	\$	\$	\$
Revenue	3,593,481	1,972,498	402,864	257,348	-
Net loss before tax	(3,629,760)	(4,439,216)	(3,005,087)	(1,530,129)	(167,263)
Net loss after tax	(2,468,834)	(3,179,303)	(2,423,092)	(986,182)	(655,900)
Share price at start of year	1.03	0.46	0.52	0.22	0.24
Share price at end of year	0.24	1.03	0.46	0.52	0.22
Market capitalisation at year end (undiluted)	33,036,000	139,513,500	45,112,750	42,052,500	15,400,000
Basic loss per share	(1.80)	(2.83)	(2.93)	(1.33)	(1.06)
Diluted loss per share	(1.80)	(2.83)	(2.93)	(1.33)	(1.06)
Dividends Paid	Nil	Nil	Nil	Nil	Nil

Director and executive remuneration

The directors and the three identified company executives and group executives 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	Termination benefits	Share-based payment	Total	% consisting of options
	Salary & fees	Bonus	Non-monetary	Other	Super-annuation		Options & rights		
2009	\$	\$	\$	\$	\$	\$	\$	\$	\$
Directors:									
David Reed	100,000	-	-	-	9,000	-	-	109,000	-
Christopher Reed	250,000	-	-	-	22,500	-	18,240	290,740	6.27
Peter Collins	40,000	-	-	-	3,600	-	6,080	49,680	12.24
Steven Cole	45,833	-	-	-	4,125	-	7,600	57,558	13.20
Ian Junk	40,000	-	-	-	3,600	-	6,080	49,680	12.24
Executives:									
William J Crossley	270,343	-	-	-	100,000	-	-	370,343	-
Jason Carone	109,236	-	13,514	-	11,100	-	38,130	171,980	22.17
David Potter	125,000	-	-	-	11,250	59,152	31,775	227,177	13.99
Claudio Sheriff-Zegers	42,500	-	-	-	3,825	33,170	19,065	98,560	19.34
Total	1,022,912	-	13,514	-	169,000	92,322	126,970	1,424,718	8.91

	Short-term employee benefits				Post-employment benefits	Termination benefits	Share-based payment	Total	% Consisting of Options
	Salary & fees	Bonus	Non-monetary	Other	Super-annuation		Options & rights		
2008	\$	\$	\$	\$	\$	\$	\$	\$	\$
Directors:									
David Reed	100,000	-	-	-	9,000	-	-	109,000	-
Christopher Reed	208,256	-	11,233	-	16,201	-	220,000	455,690	48.28
Peter Collins	40,000	-	-	24,987	3,600	-	-	68,587	-
Ian Junk	40,000	-	-	-	3,600	-	-	43,600	-
Executives:									
William J Crossley	138,909	-	-	-	58,333	-	110,000	307,242	35.80
David Potter	137,500	-	-	-	12,375	-	88,000	237,875	37.00
Claudio Sheriff-Zegers	82,500	-	-	-	7,425	-	66,000	155,925	42.33
Total	747,165	-	11,233	24,987	110,534	-	484,000	1,377,919	35.13

DIRECTORS' REPORT CONTINUED

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

Options series	Number	Grant date	Expiry date	Exercise price \$	Fair value at grant date \$
Issued 3 August 2004	1,750,000	3/8/2004	31/12/2008	\$0.35	\$0.07
Issued 11 January 2005	250,000	11/13/2005	31/12/2008	\$0.35	\$0.07
Issued 20 July 2005	1,000,000	20/7/2005	1/7/2010	\$0.50	\$0.08
Issued 2 August 2006	700,000	2/8/2006	30/12/2011	\$0.75	\$0.19
Issued 13 December 2006	2,000,000	13/12/2006	30/12/2011	\$0.75	\$0.19
Issued 28 November 2007	2,000,000	28/11/2007	30/12/2012	\$0.85	\$0.22
Issued 15 September 2008	1,000,000	15/9/2008	30/6/2013	\$1.20	\$0.13
Issued 25 November 2008	1,250,000	25/11/2008	30/6/2013	\$1.20	\$0.03

The weighted average fair value of the share options granted during the financial year is \$0.15 (2008: \$0.19). The values attributed to the equity options were calculated using the Black Scholes model. Expected volatility is based on the historical share price volatility. The fair value at grant date for the options issued in 2008 was not correctly reported at 31/12/2008 due to an error with the historical share price volatility calculation. This was corrected at year end such that there is no error in the annual report.

The following grants of share-based payment compensation to directors and senior management relate to the current financial year:

Name	Option series	During the financial year				% of compensation for the year consisting of options
		No. granted	No. vested	% of grant vested	% of grant forfeited	
Christopher Reed	25 November 2008	600,000	600,000	100	-	6.27
Peter Collins	25 November 2008	200,000	200,000	100	-	12.24
Ian Junk	25 November 2008	200,000	200,000	100	-	12.24
David Potter (i)	15 September 2008	250,000	164,384	66	-	13.99
Claudio Sheriff-Zegers	15 September 2008	150,000	-	-	100	19.34
Jason Carone (i)	15 September 2008	300,000	197,260	66	-	22.17
Steven Cole	25 November 2008	250,000	250,000	100	-	13.20

The Directors options vested on grant date with no further requirements for vesting whilst the other options vest in accordance with the Employee Share Option Plan 2007. No amounts were payable in relation to options vesting.

(i) Two hundred and seventy five thousand were exercisable after 15 September 2009 and two hundred and seventy five thousand were exercisable after 15 March 2010.

Value of options issued to directors and senior management

The following table summarises the value of options granted, exercised or lapsed during the annual reporting period to the identified directors and senior management:

	Value of options granted at the grant date (i)	Value of options exercised at the exercise date (ii)	Value of options lapsed/cancelled at the date of lapse	Total
	\$	\$	\$	\$
Directors:				
David Reed	-	-	-	-
Christopher Reed	18,240	-	-	18,240
Peter Collins	6,080	-	-	6,080
Ian Junk	6,080	-	-	6,080
Steven Cole	7,600	-	-	7,600
Executives:				
Jason Carone	38,130	-	-	38,130
David Potter	31,775	-	-	31,775
Claudio Sheriff - Zegers	19,065	-	(19,065)	-

(i) The value of options granted during the period is recognised in compensation over the vesting period of the grant, in accordance with Australian accounting standards.

(ii) Only options granted in previous financial years were exercised during the financial year.

(ii) Options were issued during the financial year ended 30 June 2009 to directors and executives had an exercise price of \$1.20 exercisable at any time on or before 30 June 2013.

Proceedings on behalf of the company

No person has applied for leave of 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.

Non-audit services

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.

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 8 to the financial statements.

Auditor's independence declaration

The auditor's independence declaration is included on page 28 of the annual 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



Christopher Reed

Director

West Perth, WA, 21 September 2009



The Board of Directors
Reed Resources Ltd
97 Outram Street,
West Perth WA 6005

21 September 2009

Dear Board Members

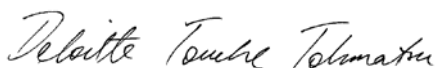
AUDITOR'S INDEPENDENCE DECLARATION TO REED RESOURCES LTD

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 financial year ended 30 June 2009, 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



Mark Gover
Partner
Chartered Accountants

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

We have audited the accompanying financial report of Reed Resources Ltd, which comprises the balance sheet as at 30 June 2009, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 31 to 71.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing 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 entity's preparation and fair presentation of the financial report 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 entity'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*.

Auditor's Opinion

In our opinion:

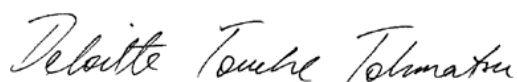
- (a) the financial report of Reed Resources Ltd is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 21 to 27 of the directors' report for the year ended 30 June 2009. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Reed Resources Ltd for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Mark Gover
Partner
Chartered Accountants
Perth, 21 September 2009

Directors' declaration

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company and the consolidated entity; and
- (c) 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

A handwritten signature in black ink, appearing to read 'C Reed', is written over a light blue rectangular background.

Christopher Reed

Director

West Perth, WA, 21 September 2009

INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Note	Consolidated		Company	
		2009	2008	2009	2008
		\$	\$	\$	\$
Revenue	4	3,593,481	1,972,498	3,593,481	1,972,498
Cost of sales before amortisation	4	(2,399,777)	(955,063)	(2,399,777)	(955,063)
Gross profit before amortisation		1,193,704	1,017,435	1,193,704	1,017,435
Amortisation expense	12	(1,299,742)	(446,559)	(1,299,742)	(446,559)
Gross (loss)/profit		(106,038)	570,876	(106,038)	570,876
Other income	4	932,778	483,175	932,115	482,867
Employment expenses	4	(1,734,632)	(1,707,516)	(1,734,632)	(1,707,516)
Occupancy expenses		(204,981)	(177,764)	(204,981)	(177,764)
Administration expenses		(2,021,970)	(1,390,775)	(2,018,202)	(1,385,124)
Finance costs		(149,762)	(155,761)	(17,133)	(516)
Impairment of exploration assets	12	(310,689)	(2,061,451)	-	(1,621,438)
Other expenses		(34,467)	-	(34,467)	-
Loss before income tax		(3,629,761)	(4,439,216)	(3,183,338)	(3,838,615)
Income tax benefit	5	1,160,927	1,259,913	1,027,000	961,304
Loss for the year		(2,468,834)	(3,179,303)	(2,156,338)	(2,877,311)
Loss per share					
Basic (cents per share)	18	(1.80)	(2.83)		
Diluted (cents per share)	18	(1.80)	(2.83)		

Notes to the financial statements are included on pages 38 to 71.

BALANCE SHEET

AS AT 30 JUNE 2009

	Note	Consolidated		Company	
		2009	2008	2009	2008
		\$	\$	\$	\$
Current assets					
Cash and cash equivalents	28	9,287,755	19,973,009	9,255,945	19,890,909
Trade and other receivables	9	288,695	487,504	159,525	487,363
Current tax assets	5	412,348	323,535	412,348	323,535
Total current assets		9,988,798	20,784,048	9,827,818	20,701,807
Non-current assets					
Exploration & development expenditure	12	28,121,379	20,445,485	24,643,203	19,498,550
Other intangible assets	10	50,000	-	2,961,680	621,579
Property, plant and equipment	11	237,897	323,799	237,897	323,799
Trade and other receivables	9	-	-	2,190,712	1,434,255
Deferred tax assets	5	4,766,787	4,018,207	4,309,153	3,694,500
Total non-current assets		33,176,063	24,787,491	34,342,645	25,572,683
Total assets		43,164,861	45,571,539	44,170,463	46,274,490
Current liabilities					
Trade and other payables	13	318,934	1,984,559	249,544	1,925,014
Borrowings	22	-	16,964	-	16,964
Total current liabilities		318,934	2,001,523	249,544	1,941,978
Non-current liabilities					
Provisions	14	192,665	-	192,665	-
Borrowings	22	-	9,020	-	9,020
Total non-current liabilities		192,665	9,020	192,665	9,020
Total liabilities		511,599	2,010,543	442,209	1,950,998
Net assets		42,653,262	43,560,996	43,728,254	44,323,492
Equity					
Issued capital	15	50,277,004	48,881,004	50,277,004	48,881,004
Accumulated losses	17	(10,694,342)	(8,225,508)	(9,619,350)	(7,463,012)
Reserves	16	3,070,600	2,905,500	3,070,600	2,905,500
Total equity		42,653,262	43,560,996	43,728,254	44,323,492

Notes to the financial statements are included on pages 38 to 71.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

Consolidated	Issued capital	Share based payments reserve	Accumulated losses	Total attributable to equity holders of the entity
	\$	\$	\$	\$
Balance at 1/7/07	22,728,236	743,000	(5,046,205)	18,425,031
Loss for the period	-	-	(3,179,303)	(3,179,303)
Total recognised income and expense	-	-	(3,179,303)	(3,179,303)
Recognition of share-based payments	-	2,162,500	-	2,162,500
Issue of share capital	28,250,000	-	-	28,250,000
Issue of shares under share option plan	35,000	-	-	35,000
Share issue costs	(3,366,440)	-	-	(3,366,440)
Income tax on items taken directly to equity	1,234,208	-	-	1,234,208
Balance at 30/6/08	48,881,004	2,905,500	(8,225,508)	43,560,996
Balance at 1/7/08	48,881,004	2,905,500	(8,225,508)	43,560,996
Loss for the period	-	-	(2,468,834)	(2,468,834)
Total recognised income and expense	-	-	(2,468,834)	(2,468,834)
Recognition of share-based payments	-	165,100	-	165,100
Issue of share capital	1,396,000	-	-	1,396,000
Balance at 30/6/09	50,277,004	3,070,600	(10,694,342)	42,653,262

Company	Issued capital	Share based payments reserve	Accumulated losses	Total attributable to equity holders of the entity
	\$	\$	\$	\$
Balance at 1/7/07	22,728,236	743,000	(4,585,701)	18,885,535
Loss for the period	-	-	(2,877,311)	(2,877,311)
Total recognised income and expense	-	-	(2,877,311)	(2,877,311)
Recognition of share-based payments	-	2,162,500	-	2,162,500
Issue of share capital	28,250,000	-	-	28,250,000
Issue of shares under share option plan	35,000	-	-	35,000
Share issue costs	(3,366,440)	-	-	(3,366,440)
Income tax on items taken directly to equity	1,234,208	-	-	1,234,208
Balance at 30/6/08	48,881,004	2,905,500	(7,463,012)	44,323,492
Balance at 1/7/08	48,881,004	2,905,500	(7,463,012)	44,323,492
Loss for the period	-	-	(2,156,338)	(2,156,338)
Total recognised income and expense	-	-	(2,156,338)	(2,156,338)
Recognition of share-based payments	-	165,100	-	165,100
Issue of share capital	1,396,000	-	-	1,396,000
Balance at 30/6/09	50,277,004	3,070,600	(9,619,350)	43,728,254

Notes to the financial statements are included on pages 38 to 71.

CASH FLOW STATEMENT

AS AT 30 JUNE 2009

	Note	Consolidated		Company	
		2009	2008	2009	2008
		\$	\$	\$	\$
Cash flows from operating activities					
Receipts from customers		3,883,330	1,936,482	3,883,330	1,936,482
Payments to suppliers and employees		(6,055,756)	(3,524,768)	(6,052,131)	(3,423,416)
Interest received		906,887	446,595	906,224	446,287
Interest and other finance costs paid		(133,804)	-	(1,175)	-
Income tax refund		323,535	87,490	323,535	87,490
Net cash used in operating activities	28	(1,075,808)	(1,054,201)	(940,217)	(953,157)
Cash flows from investing activities					
Exploration and development costs paid		(9,561,679)	(9,811,854)	(7,940,422)	(9,755,243)
Amounts advanced to related parties		-	-	(756,457)	(239,755)
Payment for interest in controlled subsidiary		-	-	(1,000,101)	-
Payment for other financial assets		(50,000)	-	-	-
Proceeds from sale of property, plant & equipment		46,341	-	46,341	-
Payment for property, plant & equipment		(17,696)	(85,921)	(17,696)	(85,921)
Net cash used in investing activities		(9,583,034)	(9,897,775)	(9,668,335)	(10,080,919)
Cash flows from financing activities					
Proceeds from issues of shares		-	28,285,000	-	28,285,000
Payment for share issue costs		-	(1,738,941)	-	(1,738,941)
Repayment of borrowings		(26,412)	-	(26,412)	-
Net cash (used in)/provided by financing activities		(26,412)	26,546,059	(26,412)	26,546,059
Net (decrease)/increase in cash and cash equivalents		(10,685,254)	15,594,083	(10,634,964)	15,511,983
Cash and cash equivalents at the beginning of the financial year		19,973,009	4,378,926	19,890,909	4,378,926
Cash and cash equivalents at the end of the financial year	28	9,287,755	19,973,009	9,255,945	19,890,909

Notes to the financial statements are included on pages 38 to 71.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

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1. GENERAL INFORMATION

Reed Resources Ltd is a listed public company, incorporated in Australia and operating in West Perth.

Reed Resources Ltd's registered office and its principal place of business are as follows:

Registered office
97 Outram St, West Perth, WA, 6005

Principal place of business
97 Outram 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 report includes the separate financial statements of the company and the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS 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 on 21 September 2009.

Basis of preparation

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.

Critical accounting judgements 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 judgements in applying the entity's accounting policies, and key sources of estimation uncertainty.

Standards and Interpretations issued not yet effective

At the date of authorisation of the financial report, the Standards and Interpretations listed below were in issue but not yet effective.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES CONT.

Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Group and the Company's financial report:

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
<ul style="list-style-type: none"> AASB 101 'Presentation of Financial Statements' (revised September 2007), AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101', AASB 2007-10 'Further Amendments to Australian Accounting Standards arising from AASB 101' 	1 January 2009	30 June 2010
<ul style="list-style-type: none"> AASB 8 'Operating Segments', AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8' 	1 January 2009	30 June 2010
<ul style="list-style-type: none"> AASB 2009-2 'Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments' 	1 January 2009 (and that ends on or after 30 April 2009)	30 June 2010

Initial application of the following Standards/Interpretations is not expected to have any material impact on the financial report of the Group and the Company:

Standard/Interpretation		
<ul style="list-style-type: none"> AASB 123 'Borrowing Costs' (revised), AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123' 	1 January 2009	30 June 2010
<ul style="list-style-type: none"> AASB 3 'Business Combinations' (revised), AASB 127 'Consolidated and Separate Financial Statements' (revised) and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127' 	Business combinations occurring after the beginning of annual reporting periods beginning 1 July 2009	30 June 2010
<ul style="list-style-type: none"> AASB 2008-1 'Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations' 	1 January 2009	30 June 2010
<ul style="list-style-type: none"> AASB 2008-2 'Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations arising on Liquidation' 	1 January 2009	30 June 2010
<ul style="list-style-type: none"> AASB 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project' 	1 January 2009	30 June 2010
<ul style="list-style-type: none"> AASB 2008-6 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project' 	1 July 2009	30 June 2010
<ul style="list-style-type: none"> AASB 2008-7 'Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate' 	1 January 2009	30 June 2010
<ul style="list-style-type: none"> AASB 2008-8 'Amendments to Australian Accounting Standards – Eligible Hedged Items' 	1 July 2009	30 June 2010
<ul style="list-style-type: none"> AASB 2009-4 'Amendments to Australian Accounting Standards arising from the Annual Improvements Process' 	1 July 2009	30 June 2010
<ul style="list-style-type: none"> AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process' 	1 January 2010	30 June 2011

2. SIGNIFICANT ACCOUNTING POLICIES CONT.

Standard/Interpretation		
• AASB 2009-6 "Amendments to Australian Accounting Standards"	1 January 2009	30 June 2010
• AASB 2009-7 "Amendments to Australian Accounting Standards"	1 July 2009	30 June 2010
• AASB 1 'First-time Adoption of Australian Accounting Standards'	1 July 2009	30 June 2010
• AASB Interpretation 15 'Agreements for the Construction of Real Estate'	1 January 2009	30 June 2010
• AASB Interpretation 16 'Hedges of a Net Investment in a Foreign Operation'	1 October 2008	30 June 2010
• AASB Interpretation 17 'Distributions of Non-cash Assets to Owners', AASB 2008-13 'Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-cash Assets to Owners'	1 July 2009	30 June 2010
• AASB Interpretation 18 'Transfers of Assets from Customers'	1 July 2009	30 June 2010

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

b) Employee benefits

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

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

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

Contributions to defined contribution superannuation plans are expensed when incurred.

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.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES CONT.

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 (n).

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 services 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.

2. SIGNIFICANT ACCOUNTING POLICIES CONT.

e) Impairment of assets

At each reporting date, the consolidated entity reviews the carrying 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 carrying 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 carrying 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 carrying amount does not exceed the carrying 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.

f) 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 carrying 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.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES CONT.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income 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.

g) 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). 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.

2. SIGNIFICANT ACCOUNTING POLICIES CONT.

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 affect unit-of-production calculations are dealt with on a prospective basis.

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 straight line 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.

h) 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.

i) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. A list of subsidiaries appears in note 24 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 values 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.

j) 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, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is calculated on a straight line 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 is reviewed at the end of each annual reporting period with the effect of any changes recognised on a prospective basis.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES CONT.

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**

k) 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 cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

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.

l) 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.

m) Joint ventures

Jointly controlled assets and operations

Interests in jointly controlled assets and operations are reported in the financial statements by including the consolidated entity's share of assets employed in the joint ventures, the share of liabilities incurred in relation to the joint ventures and the share of any expenses incurred in relation to the joint ventures in their respective classification categories.

n) Share-based payments

Equity-settled share-based payments granted after 7 November 2002 that vest on or after 1 January 2005, are measured at fair value at the date of grant. Fair value is measured by use of Black Scholes model.

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.

o) Financial assets

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company 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. All of the company/s and group financial assets are classified as Loans and receivables.

2. SIGNIFICANT ACCOUNTING POLICIES CONT.

Loans and receivables

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

Interest is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet 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 against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. 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.

p) 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.

Group as lessee

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 against income, 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 lease 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 are incurred.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

3. CRITICAL ACCOUNTING JUDGEMENTS 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.

Critical Judgements in Applying the Entity's Accounting Policies

The following are the critical judgements 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) Impairment of Intercompany Loans

The Company made loans and advances to its subsidiaries as detailed in Note 9 to the financial statements. These loans and advances were established to fund exploration and resource development in the subsidiary. The recovery of these loans and advances is entirely dependent upon returns from the successful development of mining operations or from surpluses from the sale of either the subsidiary companies or their projects.

b) 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.

Key areas of estimation uncertainty

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

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 the future price of gold, future cash flows, an estimated discount rate and estimates of recoverable gold ounces. In addition, cash flows are projected over the life of mine, which is based on indicated ore resources. Estimates of ore are dependent on various assumptions, in addition to those described above, a cut-off grade of 5g/t Au. Changes in these estimates could materially impact on ore reserves, and could therefore affect estimates of future cash flows used in the assessment of recoverable amount.

The Company estimates its mineral resources based on information compiled 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 recoverable gold ounces, 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 a lengthy time frame.

Where a change in estimated recoverable gold ounces contained in indicated resources is made, depreciation and amortisation is accounted for prospectively.

The determination of indicated resources 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 provision for rehabilitation.

The exploration costs capitalised in relation to the Barrambie project total \$5,406,252 and is expected to be recovered in full.

4. LOSS FOR THE YEAR

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
(a) Revenue				
Revenue from operations consisted of the following items:				
Revenue from the sale of goods	3,593,481	1,972,498	3,593,481	1,972,498
Interest revenue	885,072	482,971	884,409	482,663
Other	47,706	204	47,706	204
	4,526,259	2,455,673	4,525,596	2,455,365
(b) Loss before income tax				
Loss before income tax has been arrived at after charging the following expenses:				
Finance costs:				
Borrowing costs	(133,805)	(155,761)	(1,176)	(516)
Provision for rehabilitation	(15,957)	-	(15,957)	-
	(149,762)	(155,761)	(17,133)	(516)
Cost of goods sold	(3,699,519)	(1,401,622)	(3,699,519)	(1,401,622)
Depreciation of non-current assets	(102,514)	(61,202)	(102,514)	(61,202)
Employee benefit expense				
Share-based payments:				
Equity settled share-based payments	(146,035)	(506,000)	(146,035)	(506,000)
Defined contribution plans	(185,061)	(131,426)	(185,061)	(131,426)
Other employee benefits	(1,403,536)	(1,070,090)	(1,403,536)	(1,070,090)
	(1,734,632)	(1,707,516)	(1,734,632)	(1,707,516)

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

5. INCOME TAXES

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
(a) Income tax recognised in profit or loss				
Tax income comprises:				
Current tax income	412,347	323,535	412,347	323,535
Deferred tax income relating to the origination and reversal of temporary differences	748,580	936,378	614,653	637,769
Total tax income	1,160,927	1,259,913	1,027,000	961,304
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:				
Loss from operations	(3,629,761)	(4,439,216)	(3,183,338)	(3,838,615)
Income tax income calculated at 30%	1,088,928	1,331,765	955,001	1,151,585
Effect of expenses that are not deductible in determining taxable profit	(86,319)	(167,109)	(86,319)	(167,109)
Effect of research and development tax off-set	137,035	64,707	137,035	64,707
Adjustments recognised in the current year in relation to the current tax of prior years	21,283	30,550	21,283	(87,879)
	1,160,927	1,259,913	1,027,000	961,304

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

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Deferred tax assets comprise: (i)				
Unclaimed share issue costs	709,736	967,415	709,736	967,415
Accrued expenses	18,267	-	18,267	-
Tax losses – revenue	10,734,534	8,185,232	10,119,034	7,761,332
	11,462,537	9,152,647	10,847,037	8,728,747
Deferred tax liabilities comprise:				
Temporary differences – capitalised expenditure	6,695,750	5,134,440	6,537,884	5,034,247

(i) deferred tax assets have been recorded based upon the Directors assessment of future probable taxable profits arising from current development assets.

5. INCOME TAXES CONTINUED

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
(c) Current tax balances				
Current tax assets comprise:				
Tax refund receivable	412,348	323,535	412,348	323,535
	412,348	323,535	412,348	323,535

Taxable and deductible temporary differences arise from the following:

	Consolidated			
	Opening balance \$	Charged to equity \$	Charged to income \$	Closing balance \$
2009				
Gross deferred tax liabilities:				
Capitalised expenditure	5,134,440	-	1,561,308	6,695,748
Gross deferred tax assets:				
Unclaimed share issue costs	967,415	-	(257,680)	709,735
Accrued expenses	-	-	18,267	18,267
Tax losses - revenue	8,185,232	-	2,549,301	10,734,533
	4,018,207	-	748,580	4,766,787

	Company			
	Opening balance \$	Charged to equity \$	Charged to income \$	Closing balance \$
2008				
Gross deferred tax liabilities:				
Capitalised expenditure	2,927,866	-	2,206,574	5,134,440
Gross deferred tax assets:				
Unclaimed share issue costs	-	1,234,208	(266,793)	967,415
Tax losses - revenue	4,687,608	-	3,497,624	8,185,232
	1,759,742	1,234,208	1,024,257	4,018,207

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

5. INCOME TAXES CONTINUED

	Company			
	Opening balance	Charged to equity	Charged to income	Closing balance
2009	\$	\$	\$	\$
Gross deferred tax liabilities:				
Capitalised expenditure	5,034,247	-	1,503,636	6,537,883
Gross deferred tax assets:				
Unclaimed share issue costs	967,415	-	(257,680)	709,735
Accrued expenses	-	-	18,267	18,267
Tax losses - revenue	7,761,332	-	2,357,702	10,119,034
	3,694,500	-	614,653	4,309,153

	Company			
	Opening balance	Charged to equity	Charged to income	Closing balance
2008	\$	\$	\$	\$
Gross deferred tax liabilities:				
Capitalised expenditure	2,594,183	-	2,440,064	5,034,247
Gross deferred tax assets:				
Unclaimed share issue costs	-	1,234,208	(266,793)	967,415
Tax losses - revenue	4,328,827	-	3,432,505	7,761,332
	1,734,644	1,234,208	725,648	3,694,500

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 24.

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 if the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

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.

6. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of Reed Resources Ltd during the year were:

- David Reed (Executive Chairman)
- Christopher Reed (Managing Director)
- Peter Collins (Non-executive Director)
- Ian Junk (Non-executive Director)
- William Crossley (Project Manager - Barrambie)
- Jason Carone (Financial controller and Company Secretary), appointed 4 March 2009
- Steven Cole (Non-executive Director), appointed 24 July 2008
- David Potter (Chief Geologist), resigned 1 May 2009
- Claudio Sheriff-Zegers (Geologist), resigned 23 December 2008

Key management personnel compensation

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

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Short-term employee benefits	1,036,426	783,385	1,036,426	783,385
Post-employment benefits	169,000	110,534	169,000	110,534
Termination benefits	92,322		92,322	
Share-based payment	126,970	484,000	126,970	484,000
	1,424,718	1,377,919	1,424,718	1,377,919

The compensation of each member of the key management personnel of the Group is set out below:

(a) Key management personnel compensation

Non-executive Directors are compensated by fees determined by the Board within the aggregate Directors' fee pool limit of \$250,000 approved by shareholders in November 2008. The pool limit is not at present fully utilised. In setting the fees, account is taken of the responsibilities inherent in the stewardship of the Company and the demands made of Directors in the discharge of their responsibilities. Advice is taken from independent consultancy sources to ensure remuneration accords with market practice.

The executive directors of the Company are employed under Service Agreements which have been in existence since July and August 2006. The Service Agreements are similar in their contents and only differ in hours of service and remuneration levels. The service contracts have a duration of three years and renew automatically unless terminated by either the Company by giving twelve months notice to the individual; or by the individual by giving six months notice to the Company. In August 2009 the executive directors agreed to extend their contracts for a further 3 years. The level of compensation is not dependent on the satisfaction of any performance condition.

The two remaining key management personnel of the Company are employed under Employment and Service or Agreements which have been in existence since August 2007 and 2009 respectively. The compensation under the employment contract is reviewable every 12 months at the discretion of the Company and it is renewed automatically unless terminated by either the Company by giving three months notice to the individual; or by the individual by giving three months notice to the Company. The service agreement is for a 12 month term and maybe terminated by either party providing four weeks notice. In both instances the level of compensation is not dependent on the satisfaction of any performance condition. Share-based payments include options issued under the executive share option plan. The issue of options is not dependent on the satisfaction of any specific performance condition. The exercise price of the options is set at a level that demands a high level of performance if it is to be achieved.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

6. KEY MANAGEMENT PERSONNEL COMPENSATION CONTINUED

Key management personnel compensation

2009	Short-term benefits			Post-employment			Share-based payments			Total
	Salary	Other	Non-monetary	Superannuation	Prescribed-benefits	Other	Equity settled options	Cash settled	Termination benefits	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
David Reed	100,000	-	-	9,000	-	-	-	-	-	109,000
Christopher Reed (i)	250,000	-	-	22,500	-	-	18,240	-	-	290,740
Peter Collins (i)	40,000	-	-	3,600	-	-	6,080	-	-	49,680
Ian Junk (i)	40,000	-	-	3,600	-	-	6,080	-	-	49,680
William Crossley (i)	270,343	-	-	100,000	-	-	-	-	-	370,343
Jason Carone (i)	109,236	-	13,514	11,100	-	-	38,130	-	-	171,980
Steven Cole (i)	45,833	-	-	4,125	-	-	7,600	-	-	57,558
David Potter (i)	125,000	-	-	11,250	-	-	31,775	-	59,152	227,177
Claudio Sheriff-Zegers (i)	42,500	-	-	3,825	-	-	19,065	-	33,170	98,560
Total	1,022,912	-	13,514	169,000	-	-	126,970	-	92,322	1,424,718

(i) Mr C Reed, Mr P Collins, Mr I Junk, Mr J Carone, Mr S Cole, Mr D Potter and Mr C Sheriff-Zegers were granted share options under the employee share option plan on 15/9/08 and 25/11/08. Further details of the options granted are contained in notes 7 and 26 to the financial statements.

2008	Short-term benefits			Post-employment			Share-based payments			Total
	Salary	Other	Non-monetary	Superannuation	Prescribed-benefits	Other	Equity settled options	Cash settled	Termination benefits	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
David Reed	100,000	-	-	9,000	-	-	-	-	-	109,000
Christopher Reed (i)	208,256	-	11,233	16,201	-	-	220,000	-	-	455,690
Peter Collins (i)	40,000	24,987	-	3,600	-	-	-	-	-	68,587
Ian Junk (i)	40,000	-	-	3,600	-	-	-	-	-	43,600
William Crossley (i)	138,909	-	-	58,333	-	-	110,000	-	-	307,242
David Potter (i)	137,500	-	-	12,375	-	-	88,000	-	-	237,875
Claudio Sheriff-Zegers (i)	82,500	-	-	7,425	-	-	66,000	-	-	155,925
Total	747,165	24,987	11,233	110,534	-	-	484,000	-	-	1,377,919

(i) Mr D Potter and Mr C Sheriff were granted share options under the employee share option plan on 14/9/07. Mr C Reed and Mr W Crossley were granted share options under the employee share option plan on 28/11/07. Further details of the options granted are contained in notes 7 and 26 to the financial statements.

7. SHARE BASED PAYMENTS

Employee and Executive share option plan

Reed Resources Ltd has an ownership based remuneration scheme for executives and employees (including executive directors). In accordance with the provisions of the scheme, as approved by shareholders at an extraordinary general meeting, options were issued during the financial year ended 30 June 2009 to executives and employees with an exercise price of \$1.20. One million two hundred and fifty thousand were exercisable at any time on or before 30 June 2013. The number of options granted was calculated by the board after considering the experience of grantee, the current market price and current market practice. Directors' options vest at the date of their issue and employees' options vest according to the employee share option plan 2007.

As at 30 June 2009 the Company had issued 7,650,000 share options (30 June 2008: 8,000,000). Share options carry no rights to dividends and no voting rights.

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

Options series	Number	Grant date	Expiry date	Exercise price \$	Fair value at grant date \$
Issued 3 August 2004	1,750,000	3/8/2004	31/12/2008	\$0.35	\$0.07
Issued 11 January 2005	250,000	11/1/2005	31/12/2008	\$0.35	\$0.07
Issued 20 July 2005	1,000,000	20/7/2005	1/7/2010	\$0.50	\$0.08
Issued 2 August 2006	700,000	2/8/2006	30/12/2011	\$0.75	\$0.19
Issued 13 December 2006	2,000,000	13/12/2006	30/12/2011	\$0.75	\$0.19
Issued 28 November 2007	2,000,000	28/11/2007	30/12/2012	\$0.85	\$0.22
Issued 15 September 2008	1,000,000	15/9/2008	30/6/2013	\$1.20	\$0.13
Issued 25 November 2008	1,250,000	25/11/2008	30/6/2013	\$1.20	\$0.03

The weighted average fair value of the share options granted during the financial year is \$0.15 (2007: \$0.19). The values attributed to the equity options were calculated using the Black Scholes model based on the following input. Expected volatility is based on the historical share price volatility.

Inputs into the model	Option series				
	20 Jul 2005	2 Aug 2006	13 Dec 2006	14 Sep 2007 28 Nov 2007	15 Sep 2008 25 Nov 2008
Grant date share price	\$0.27	\$0.50	\$0.52	\$0.61	\$0.57, \$0.28
Exercise price	\$0.50	\$0.75	\$0.75	\$0.85	\$1.20
Expected volatility	74%	77%	77%	63%	64%, 69%
Option life	5 years	5 years	5 years	5 years	5 Years
Dividend yield	-	-	-	-	-
Risk-free interest rate	5.34%	5.68%	5.68%	6.27%	6.53%

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7. SHARE BASED PAYMENTS CONTINUED

The following reconciles the outstanding share options granted under the executive and employee share option plan at the beginning and end of the financial year:

	2009		2008	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of the financial year	8,000,000	\$0.65	5,700,000	\$0.57
Granted during the financial year as compensation	2,100,000	\$1.20	2,300,000	\$0.85
Lapsed during the financial year (i)	(2,450,000)	-	-	-
Balance at end of the financial year (ii)	7,650,000	\$0.86	8,000,000	\$0.65

(i) Lapsed during the financial year

There were 2,450,000 share options that lapsed during the financial year (2008: nil).

(ii) Balance at end of the financial year

The share options outstanding at the end of the financial year had a weighted average exercise price of \$0.86 (2008: \$0.65), and a weighted average remaining contractual life of 1,137 days (2008: 980 days).

Share based payments

During the year Reed Resources Ltd made share based payments to suppliers for the provision of services. Options were issued during the financial year ended 30 June 2009 to Bryan Smith Geosciences Pty Ltd for services received. The options vest at the date of their issue.

As at 30 June 2009 the Company had issued 6,383,333 share options (30 June 2008: 6,233,333). Share options carry no rights to dividends and no voting rights.

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

Options series	Number	Grant date	Expiry date	Exercise price \$	Fair value at grant date \$
Issued 3 August 2004	200,000	3/8/2004	31/12/2008	\$0.35	\$0.07
Issued 24 May 2007	2,000,000	24/5/2007	31/5/2009	\$0.60	\$0.075
Issued 14 September 2007	200,000	14/9/2007	31/12/2012	\$0.85	\$0.22
Issued 7 December 2007	2,500,000	7/12/2007	31/12/2009	\$0.78	\$0.34
Issued 13 June 2008	1,333,333	24/5/2007	30/6/2010	\$1.08	\$0.60
Issued 15 September 2008	150,000	15/9/2008	30/6/2013	\$1.20	\$0.13

Inputs into the model	Option Series			
	14 Sep 07	7 Dec 07	13 June 08	15 Sep 08
Grant date share price	\$0.61	\$0.96	\$0.90	\$0.57
Exercise price	\$0.85	\$0.78	\$1.08	\$1.20
Expected volatility	63%	63%	199%	64%
Option life	5 Years	2 years	2 years	5 Years
Dividend yield	-	-	-	-
Risk-free interest rate	6.27%	6.27%	7.32%	6.53%

7. SHARE BASED PAYMENTS CONTINUED

The following reconciles the outstanding share options granted to suppliers for the provision of services at the beginning and end of the financial year:

	2009		2008	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Balance at beginning of the financial year	6,233,333	\$0.79	2,000,000	\$0.60
Granted during the financial year as compensation	150,000	\$1.20	4,233,333	\$0.80
Lapsed during the financial year	(2,200,000)	\$0.60	-	-
Balance at end of the financial year	4,183,333	\$0.89	6,233,333	\$0.79

8. REMUNERATION OF AUDITORS

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Auditor of the parent entity (Deloitte Touche Tohmatsu)				
Audit or review of the financial report	63,830	64,100	63,830	64,100
Other advice - corporate	9,800	3,675	9,800	3,675
	73,630	67,775	73,630	67,775

9. TRADE AND OTHER RECEIVABLES

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Current trade and other receivables				
Trade receivables	132,281	17,693	3,111	17,693
Other receivables	42,155	69,479	42,155	69,479
Goods and services tax (GST) recoverable	114,259	400,332	114,259	400,191
	288,695	487,504	159,525	487,363
Non current trade and other receivables				
Amounts receivable from wholly owned subsidiaries	-	-	2,190,712	1,434,255

The current trade and other receivables relate to monies due from Cliffs and Western Areas in relation to the Mount Finnerty joint venture project. The average credit period is 45 days. These amounts are not past due or impaired. These receivables are not interest bearing. There is no credit risk associated with the receivables as the amounts owing if not received may be offset against future contributions to the joint ventures when requested of the Company. All amounts above are financial assets accounted for at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

9. TRADE AND OTHER RECEIVABLES CONTINUED

The amounts receivable from wholly owned subsidiaries have been assessed for recovery based on the underlying operations of those subsidiaries. The recovery is dependent upon the discovery of commercially viable mineral and other natural resource deposits, their development and exploration or alternatively their sale. Accordingly the Company is subject to the credit risk of the subsidiaries in this regard.

10. OTHER NON-CURRENT INTANGIBLE ASSETS

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Shares in controlled entities (at cost)	-	-	2,961,680	621,579
Option fee – To acquire the Nimbus Plant for \$2.25M. Option exercised on 31 August 2009, refer to Note 27 Subsequent events.	50,000	-	-	-
	50,000	-	2,961,680	621,579

11. PROPERTY, PLANT AND EQUIPMENT

	Consolidated			
	Buildings at cost \$	Furniture & Fittings at cost \$	Plant and equipment at cost \$	Total \$
Gross carrying amount				
Balance at 1 July 2007	27,900	137,656	421,872	587,428
Additions	-	35,894	50,027	85,921
Balance at 1 July 2008	27,900	173,550	471,899	673,349
Additions	-	3,249	15,225	18,474
Disposals	-	-	(116,502)	(116,502)
Balance at 30 June 2009	27,900	176,799	370,622	575,321
Accumulated depreciation				
Balance at 1 July 2007	4,845	74,388	209,115	288,348
Depreciation expense	1,383	27,974	31,845	61,202
Balance at 1 July 2008	6,228	102,362	240,960	349,550
Disposals	-	-	(70,463)	(70,463)
Depreciation expense	1,300	24,434	32,603	58,337
Balance at 30 June 2009	7,528	126,796	203,100	337,424
Net book value				
As at 30 June 2008	21,672	71,188	230,939	323,799
As at 30 June 2009	20,372	50,003	167,522	237,897

11. PROPERTY, PLANT AND EQUIPMENT CONTINUED

	Company			
	Buildings at cost	Furniture & Fittings at cost	Plant and equipment at cost	Total
	\$	\$	\$	\$
Gross carrying amount				
Balance at 1 July 2007	27,900	137,656	421,872	587,428
Additions	-	35,894	50,027	85,921
Balance at 1 July 2008	27,900	173,550	471,899	673,349
Additions	-	3,249	15,225	18,474
Disposals	-	-	(116,502)	(116,502)
Balance at 30 June 2009	27,900	176,799	370,622	575,321
Accumulated depreciation				
Balance at 1 July 2007	4,845	74,388	209,115	288,348
Depreciation expense	1,383	27,974	31,845	61,202
Balance at 1 July 2008	6,228	102,362	240,960	349,550
Disposals	-	-	(70,463)	(70,463)
Depreciation expense	1,300	24,434	32,603	58,337
Balance at 30 June 2009	7,528	126,796	203,100	337,424
Net book value				
As at 30 June 2008	21,672	71,188	230,939	323,799
As at 30 June 2009	20,372	50,003	167,522	237,897

12. EXPLORATION AND DEVELOPMENT EXPENDITURE

	Capitalised development	Consolidated Capitalised exploration	Total
	\$	\$	\$
Gross carrying amount			
Balance at 1 July 2007	6,089,228	7,606,622	13,695,850
Additions	221,469	10,353,678	10,575,147
Balance at 1 July 2008	6,310,697	17,960,300	24,270,997
Additions	717,176	8,436,620	9,153,796
Rehabilitation asset	176,706	-	176,706
Balance at 30 June 2009	7,204,579	26,396,920	33,601,499
Accumulated amortisation and impairment			
Balance at 1 July 2007	146,127	1,171,385	1,317,512
Amortisation expense (i)	446,549	-	446,549

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

12. EXPLORATION AND DEVELOPMENT EXPENDITURE CONTINUED

	Capitalised development \$	Consolidated Capitalised exploration \$	Total \$
Impairment losses charged to profit (ii)	494,051	1,567,400	2,061,451
Balance at 1 July 2008	1,086,727	2,738,785	3,825,512
Amortisation expense (i)	1,299,742	-	1,299,742
Impairment losses charged to profit (ii)	-	310,689	310,689
Depreciation of rehabilitation asset (iii)	44,177	-	44,177
Balance at 30 June 2009	2,430,646	3,049,474	5,480,120
Net book value			
As at 30 June 2008	5,223,970	15,221,515	20,445,485
As at 30 June 2009	4,773,933	23,347,446	28,121,379
	Capitalised development \$	Company Capitalised exploration \$	Total \$
Gross carrying amount			
Balance at 1 July 2007	6,083,678	5,826,124	11,909,802
Additions	221,468	10,297,207	10,518,675
Balance at 1 July 2008	6,305,146	16,123,331	22,428,477
Additions	722,725	5,589,141	6,311,866
Rehabilitation asset	176,706	-	176,706
Balance at 30 June 2009	7,204,577	21,712,472	28,917,049
Accumulated amortisation and impairment			
Balance at 1 July 2007	146,127	715,813	861,940
Amortisation expense (i)	446,549	-	446,549
Impairment losses charged to profit (ii)	494,051	1,127,387	1,621,438
Balance at 1 July 2008	1,086,727	1,843,200	2,929,927
Amortisation expense (i)	1,299,742	-	1,299,742
Impairment losses charged to profit (ii)	-	-	-
Depreciation of rehabilitation asset (iii)	44,177	-	44,177
Balance at 30 June 2009	2,430,646	1,843,200	4,273,846
Net book value			
As at 30 June 2008	5,218,420	14,280,131	19,498,550
As at 30 June 2009	4,773,931	19,869,272	24,643,203

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) Amortisation expense is included in the assessment of 'cost of sales'.

(ii) A detailed review of each tenement within each area of interest has been performed in accordance with the accounting policy detailed in note 1(g). All costs in relation to tenements that are considered to be impaired, including those abandoned or those where operations are not continuing, have been written off.

(iii) Depreciation of the rehabilitation asset is included in note 4 under depreciation of non current assets.

13 CURRENT TRADE AND OTHER PAYABLES

	2009 \$	2008 \$	2009 \$	2008 \$
Trade and other payables	318,934	1,984,559	249,544	1,925,014

The average credit period on purchases is 2 months. No interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

14. PROVISIONS

	2009 \$	2008 \$	2009 \$	2008 \$
Provision for rehabilitation	192,665	-	192,665	-

15 ISSUED CAPITAL

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
137,650,000 fully paid ordinary shares (2008: 135,450,000)	50,277,004	48,881,004	50,277,004	48,881,004

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.

	2009		2008	
	No.	\$	No.	\$
Fully paid ordinary shares				
Balance at beginning of financial year	135,450,000	48,881,004	97,016,667	22,728,236
Issue of shares for cash	-		38,333,333	28,250,000
Share issue costs	-		-	(3,366,440)
Income tax on items taken directly to equity	-		-	1,234,208
Issue of shares as part payment for acquisition of private Company	2,000,000	1,340,000	-	-
Issue of share as donation	200,000	56,000	-	-
Issue of shares under option plan	-	-	100,000	35,000
Balance at end of financial year	137,650,000	50,277,004	135,450,000	48,881,004

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

Share options

In accordance with the provisions of the executive share option plan, at 30 June 2008, executives had options over 8,000,000 ordinary shares (all of which were vested) in aggregate, with 2,000,000 of those options expiring on 31/12/2008, 1,000,000 expiring 1/7/2010, 2,700,000 expiring 30/12/2011 and the remainder expiring on 31/12/2012. As at 30 June 2009, executives had options over 7,650,000 ordinary shares (7,311,644 of which are vested) in aggregate, with 1,000,000 of those options expiring 1/7/2010, 2,700,000 expiring 30/12/2011, 2,000,000 expiring 30/12/2012 and the remainder expiring on 30/6/2013. During the year 150,000 options were issued to non-employees as payment for services rendered. As at 30 June 2009 4,183,333 (2008: 6,233,333) options were held by non-employees.

Share options carry no rights to dividends and no voting rights. Further details of the executive share option plan are contained in note 7 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

16. RESERVES

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Share based payments reserve				
Balance at beginning of financial year	2,905,500	743,000	2,905,500	743,000
Share-based payment	165,100	2,162,500	165,100	2,162,500
Balance at end of financial year	3,070,600	2,905,500	3,070,600	2,905,500

The equity-settled benefits reserve arises on the grant of share options for the provision of services by consultants and to executives and senior employees under the employee share option plan. Share Options are also granted to suppliers. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share-based payments to employees is made in note 26 to the financial statements.

17. ACCUMULATED LOSSES

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Balance at beginning of financial year	(8,225,508)	(5,046,205)	(7,463,012)	(4,585,701)
Net loss attributable to members of the parent entity	(2,468,834)	(3,179,303)	(2,156,338)	(2,877,311)
Balance at end of financial year	(10,694,342)	(8,225,508)	(9,619,350)	(7,463,012)

18. LOSS PER SHARE

	Consolidated	
	2009 Cents per share	2008 Cents per share
Basic loss per share:	(1.80)	(2.83)
Diluted loss per share:	(1.80)	(2.83)

Basic loss per share

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

	2009 \$	2008 \$
Loss (a)	(2,468,834)	(3,179,303)

	2009 No.	2008 No.
Weighted average number of ordinary shares for the purposes of basic loss per share	137,245,068	112,247,997

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

18. LOSS PER SHARE CONTINUED

Diluted loss per share

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

	2009 \$	2008 \$
Loss (a)	(2,468,834)	(3,179,303)

	2009 No.	2008 No.
Weighted average number of ordinary shares for the purposes of diluted loss per share (b), (c)	137,245,068	112,247,997

(a) Loss used in the calculation of diluted loss per share reconciles to net loss in the income statement as follows:

	2009 \$	2008 \$
Net loss	(2,468,834)	(3,179,303)
Loss used in the calculation of diluted EPS	(2,468,834)	(3,179,303)

(b) The weighted average number of ordinary shares for the purposes of diluted loss per share reconciles to the weighted average number of ordinary shares used in the calculation of basic loss per share as follows:

	Consolidated	
	2009 No.	2008 No.
Weighted average number of ordinary shares used in the calculation of basic EPS	137,245,068	112,247,997

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.

19. COMMITMENTS FOR EXPENDITURE

(a) Capital expenditure commitments

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 Company was required to procure a bank guarantee in the amount of \$8.7 million from its bankers, which represents the present value of the Company's commitment under the agreement. The gas transmission and the Company's commitment does not commence until 1 July 2010.

The Company has approved Portman Iron Ore Limited's exploration programs for Mt Finnerty for the 2009 calendar year. Accordingly, the Company is committed to exploration expenditure totalling \$156,200 in the ensuing six months.

(b) Lease commitments

Finance lease liabilities and non-cancellable operating lease commitments are disclosed in note 21 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

20 CONTINGENT LIABILITIES

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Contingent liabilities incurred by the Group arising from interests in joint ventures (i)	80,000	-	-	-

(i) In consideration of Cliffs agreeing to provide performance bonds totaling \$80,000 for the benefit of the Company to the Department of Mines and Petroleum in relation to four Mount Finnerty Project tenements, the Company agrees to unconditionally indemnify Cliffs in respect of any claims made against Cliffs in respect of the performance bonds where such claims arise out of the Company'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 Company alone or by a third party with the Company's consent.

21. LEASES

Finance leases

Leasing arrangements

The finance lease relates to a motor vehicle with a lease term of three years. The consolidated entity has an option to purchase the motor vehicle at the conclusion of the lease agreement.

Finance lease liabilities

	Minimum future lease payments				Present value of minimum future lease payments			
	Consolidated		Company		Consolidated		Company	
	2009	2008	2009	2008	2009	2008	2009	2008
	\$		\$		\$		\$	
No later than 1 year	-	18,476	-	18,476	-	16,964	-	16,964
Later than 1 year and not later than 5 years	-	9,238	-	9,238	-	9,020	-	9,020
Minimum lease payments*	-	27,714	-	27,714	-	25,984	-	25,984
Less future finance charges	-	1,730	-	1,730	-	-	-	-
Present value of minimum lease payments	-	25,984	-	25,984	-	25,984	-	25,984

* Minimum future lease payments include the aggregate of all lease payments and any guaranteed residual.

Operating leases

Leasing arrangements

2 operating leases relate to commercial premises with lease terms of two years commencing 1 January 2009 with options to extend for a further two years. A further 2 operating leases relate to commercial premises with lease terms of 12 months commencing 1 August 2009 with no options to extend. These operating lease contracts contain annual market value review clauses. The consolidated entity does not have an option to purchase the leased assets at the expiry of the leases.

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Non-cancellable operating lease payments				
Not longer than 1 year	196,260	104,912	196,260	104,912
Longer than 1 year and not longer than 5 years	84,565	45,202	84,565	45,202
	280,825	150,114	280,825	150,114

22 BORROWINGS

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Secured – at amortised cost				
<u>Current</u>				
Hire purchase	-	16,964	-	16,964
<u>Non-current</u>				
Hire purchase	-	9,020	-	9,020
	-	25,984	-	25,984

The loan was secured by the assets to which it relates. The interest rate was fixed at 8.25% pa.

23. JOINTLY CONTROLLED OPERATIONS AND ASSETS

Name of entity	Principal activity	Output interest	
		2009 %	2008 %
Reed Resources Ltd	Gold production	50	50

The consolidated entity's interest in assets employed in the above jointly controlled operations and assets is detailed below. The amounts are included in the financial statements and consolidated financial statements under their respective asset categories:

	Consolidated	
	2009 \$	2008 \$
Non-current assets		
Exploration and development expenditure	4,447,311	5,016,873
Total non-current assets	4,447,311	5,016,873
Total assets	4,447,311	5,016,873

24. SUBSIDIARIES

Name of entity	Country of incorporation	Ownership interest	
		2009 %	2008 %
Parent entity			
Reed Resources Ltd	Australia	-	-
Subsidiaries			
Mount Finnerty Pty Ltd	Australia	100	100
Barrambie Gas Pty Ltd	Australia	100	100
Australian Vanadium Corporation (Holdings) Pty Ltd	Australia	100	-
Australian Vanadium Corporation Pty Ltd	Australia	100	-
Kalgoorlie Ore Treatment Company Pty Limited	Australia	100	-

These companies are members of a tax consolidated group. Reed Resources is the head entity of the tax consolidated group.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

25. SEGMENT INFORMATION

The consolidated entity operates in one business and one geographical segment, being mineral resource exploration, development and production carried out in Western Australia.

26. 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 24 to the financial statements.

(b) Key management personnel remuneration

Details of key management personnel remuneration are disclosed in note 6 to the financial statements.

(c) Key management personnel equity holdings

Fully paid ordinary shares of Reed Resources Ltd

	Balance@ 1/7/08	Balance on appointment	Received on exercise of options	Net other change	Balance@ 30/6/09	Balance held nominally
2009	No.	No.	No.	No.	No.	No.
David Reed	20,239,715	-	-	1,450,000	21,689,715	-
Christopher Reed	1,823,800	-	-	40,000	1,863,800	-
Peter Collins	285,705	-	-	-	285,705	-
Ian Junk	735,700	-	-	-	735,700	-
Steven Cole	-	1,900	-	-	1,900	-
Jason Carone	-	10,000	-	128,500	138,500	-
David Potter	76,358	-	-	(22,222)	54,136	-
Claudio Sheriff-Zegers	12,200	-	-	-	12,200	-
	23,173,478	11,900	-	1,596,278	24,781,656	-

	Balance@ 1/7/07	Balance on appointment	Received on exercise of options	Net other change	Balance@ 30/6/08	Balance held nominally
2008	No.	No.	No.	No.	No.	No.
David Reed	22,939,715	-	-	(2,700,000)	20,239,715	-
Christopher Reed	1,823,800	-	-	-	1,823,800	-
Peter Collins	285,705	-	-	-	285,705	-
Ian Junk	1,035,700	-	-	(300,000)	735,700	-
David Potter	109,700	-	-	(33,342)	76,358	-
Claudio Sheriff-Zegers	12,200	-	-	-	12,200	-
	26,206,820	-	-	(3,033,342)	23,173,478	-

26. RELATED PARTY DISCLOSURES CONTINUED

Executive share options of Reed Resources Ltd

	Bal @ 1/7/08 No.	Granted as remuneration No.	Exercised / (lapsed) No.	Bal @ 30/6/09 No.	Bal vested @ 30/6/09 No.	Vested but not exercisable No.	Vested and exercisable No.	Options vested during year No.
2009								
Christopher Reed	4,000,000	600,000	(1,000,000)	3,600,000	3,600,000	-	3,600,000	600,000
Peter Collins	1,000,000	200,000	(500,000)	700,000	700,000	-	700,000	200,000
Ian Junk	750,000	200,000	(250,000)	700,000	700,000	-	700,000	200,000
David Potter	1,150,000	250,000	(250,000)	1,150,000	1,150,000	164,384	900,000	-
Claudio Sheriff-Zegers	500,000	150,000	(450,000)	200,000	200,000	-	200,000	150,000
Jason Carone	-	300,000	-	300,000	197,260	197,260	-	-
Steven Cole	-	250,000	-	250,000	250,000	-	250,000	250,000
William Crossley	500,000	-	-	500,000	500,000	-	500,000	-
Non key management personnel	100,000	150,000	-	250,000	250,000	98,630	100,000	-
	8,000,000	2,100,000	(2,450,000)	7,650,000	7,650,000	700,000	6,950,000	1,400,000

	Bal @ 1/7/07 No.	Granted as remuneration No.	Exercised / (lapsed) No.	Bal @ 30/6/08 No.	Bal vested @ 30/6/08 No.	Vested but not exercisable No.	Vested and exercisable No.	Options vested during year No.
2008								
Christopher Reed	3,000,000	1,000,000		4,000,000	4,000,000	-	4,000,000	1,000,000
Peter Collins	1,000,000	-		1,000,000	1,000,000	-	1,000,000	-
Ian Junk	750,000	-		750,000	750,000	-	750,000	-
David Potter	750,000	400,000		1,150,000	1,150,000	400,000	750,000	-
Claudio Sheriff-Zegers	200,000	300,000		500,000	500,000	200,000	200,000	-
William Crossley	-	500,000		500,000	500,000	-	500,000	500,000
Non key management personnel	-	100,000		100,000	100,000	-	100,000	100,000
	5,700,000	2,300,000		8,000,000	8,000,000	600,000	7,400,000	1,600,000

All share options issued during the financial year were made in accordance with the provisions of the executive share option plan.

Further details of the executive share option plan and of share options granted during the financial year is contained in notes 6 and 7 to the financial statements.

	Consolidated	
	2008 \$	2007 \$
(d) Other transactions with key management personnel		
The profit from operations includes the following items of revenue and expense that resulted from transactions other than compensation, loans or equity holdings, with key management personnel or their related parties:		
Service fees	46,160	46,360
Rent	159,250	137,700
Sale of assets	15,000	-
Consulting fees	31,848	24,987
Royalties	124,404	39,086
Total recognised as expenses	376,662	248,133

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

26. RELATED PARTY DISCLOSURES CONTINUED

(e) Transactions with other related parties

Other related parties include:

- the parent entity;
- associates
- joint ventures in which the entity is a venturer;
- subsidiaries
- key management personnel of Reed Resources Ltd
- 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 totaled \$2,190,712 at 30 June 2009 (\$1,434,255 at 30 June 2008). These loans are repayable on demand and interest free.

There were no other transactions that occurred during the financial year between entities in the wholly owned group.

Transactions involving other related parties

Reed Resources Ltd has entered into arrangements with Trucking Nominees Pty Ltd, a company associated with Mr. D Reed, for the provision of offices and office equipment in West Perth and Kalgoorlie at cost plus 5%. The total amount for the year was \$205,410 (2008: \$184,060), being rent and service fees.

Mr. P Collins provides geological consulting services to the Company. The total amount for the year was \$31,848 (2008: \$24,987).

One vehicle was sold to a director and one to an employee of the Company at market value.

Reed Resources Ltd has a royalty agreement with MTAB Pty Ltd which is a company controlled by David Reed.

The above amounts were made for services rendered in the ordinary course of business and on normal commercial terms and conditions.

(f) Controlling entities

The parent entity in the group is Reed Resources Ltd a company incorporated in Australia.

27. SUBSEQUENT EVENTS

On 15 July 2009, the Company issued 500,000 ordinary shares in the Company to Breakaway Resources Limited pursuant to the terms of a sale agreement of the same date for the sale and purchase of a joint venture interest located in close proximity to the Company's Mount Finnerty project tenements. In addition, on this date the Company issued 400,000 ordinary shares in the Company to a consultant to the Company pursuant to the terms of the consulting agreement entered into.

On 11 August 2009, the Company requested that the ASX put an immediate halt on the trading of the Company's shares pending the announcement of an asset acquisition. Following this, the Company announced on 13 August 2009 that it had secured an option to acquire a goldfields lithium project at a cost of \$200,000. On 21 August 2009, the Company requested that the ASX put an immediate halt on the trading of the Company's shares pending an announcement of a capital raising. The Company announced to the market on 25 August 2009 the details of a \$10.9M capital raising through a \$6.4M placement ("Placement") to institutional and qualified investors and a \$4.5M share purchase plan. The lead manager and underwriter of the capital raising was Patersons Securities Ltd. The funds raised will be applied to advance the Mount Marion Lithium and Barrambie vanadium projects.

27. SUBSEQUENT EVENTS CONTINUED

On 31 August 2009, the Company also exercised its option to acquire the Nimbus plant using funds raised in the Placement and the transaction was completed on 4 September 2009 with the payment of the purchase price of \$2.25M. On 7 September 2009, 1,600,000 options were issued to three employees and one consultant of the Company pursuant to the Company's employee share option plan. The exercise price of the options is \$0.80 and the expiry date for the exercise of the options is 31 December 2013.

28. NOTES TO THE CASH FLOW STATEMENT

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
(a) Reconciliation of cash and cash equivalents				
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 balance sheet as follows:				
Cash and cash equivalents	9,287,755	19,973,009	9,255,945	19,890,909

(b) Cash balances not available for use

Cash restrictions exist on \$8,765,000 of the cash balance as at 30 June 2009. The cash restrictions relates to unconditional performance bonds issued by National Australia Bank in favour of the Minister of State Development and DBNGP (WA) Transmission Pty Ltd. Two separate term deposits of \$65,000 and \$8,700,000 respectively have been restricted in their use to ensure they serve as guarantees for the bonds.

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
(c) Reconciliation of loss for the period to net cash flows from operating activities				
Loss for the period	(2,468,834)	(3,179,303)	(2,156,338)	(2,877,311)
(Gain)/loss on sale of or disposal of non-current assets	(302)	-	(302)	-
Depreciation of non-current assets	102,514	61,202	102,514	61,202
Amortisation of non-current assets	1,299,742	446,549	1,299,742	446,549
Equity settled share-based payment	221,100	506,000	221,100	506,000
Impairment of non-current assets	310,689	2,061,451	-	1,621,438
(Increase) / decrease in current tax asset	(88,813)	87,490	(88,813)	87,490
(Increase) / decrease in deferred tax asset	(748,500)	(936,378)	(614,653)	(637,769)
Decrease / (Increase) in assets:				
Current receivables	310,315	(215,432)	310,172	(215,432)

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

28. NOTES TO THE CASH FLOW STATEMENT CONTINUED

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Decrease / (Increase) in liabilities:				
Current payables	(36,015)	114,219	(36,015)	54,675
Other non-cash expenses	22,375	-	22,375	-
Net cash from operating activities	(1,075,808)	(1,054,201)	(940,217)	(953,157)

(d) Non cash financing and investing activities

On 1 September 2008, the Company issued 2,000,000 fully paid ordinary shares at \$0.67 per share, as part consideration for the purchase of Shares in Australian Vanadium Corporation Pty Ltd.

29. FINANCIAL INSTRUMENTS

Cash restrictions exist on \$8,765,000 of the cash balance as at 30 June 2009. The cash restrictions relates to unconditional performance bonds issued by National Australia Bank in favour of the Minister of State Development and DBNGP (WA) Transmission Pty Ltd. Two separate term deposits of \$65,000 and \$8,700,000 respectively have been restricted in their use to ensure they serve as guarantees for the bonds.

(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.

Maturity profile of financial instruments

The Company's interest rate exposure is limited to the restricted term deposit in the amount of \$8.7 million. For every 1% change in interest rates, interest income may increase or decrease by \$87,000 per annum. To maximise exposure to increases in interest rates the deposit has been placed on a monthly rolling term deposit.

The following tables detail the exposure to interest rate risk:

Consolidated

	Weighted average effective interest rate	Variable interest rate	Maturity dates			Non interest bearing	Total
			Less than 1 year	1-5 years	More than 5 years		
2009	%	\$	\$	\$	\$	\$	\$
Financial assets:							
Cash and cash equivalents	3.2	-	9,286,650	-	-	1,105	9,287,755
Trade and other receivables	-	-	-	-	-	288,695	288,695
Financial liabilities:							
Trade payables	-	-	-	-	-	318,934	318,934

29. FINANCIAL INSTRUMENTS CONTINUED

Consolidated

2008	Weighted average effective interest rate	Variable interest rate	Maturity dates			Non interest bearing	Total
			Less than 1 year	1-5 years	More than 5 years		
	%	\$	\$	\$	\$	\$	\$
Financial assets:							
Cash and cash equivalents	7.3	-	19,973,005	-	-	4	19,973,009
Trade and other receivables	-	-	-	-	-	487,504	487,504
Financial liabilities:							
Trade payables	-	-	-	-	-	1,984,559	1,984,559
Borrowings	-	-	-	-	-	16,964	16,964

Company

2009	Weighted average effective interest rate	Variable interest rate	Maturity dates			Non interest bearing	Total
			Less than 1 year	1-5 years	More than 5 years		
	%	\$	\$	\$	\$	\$	\$
Financial assets:							
Cash and cash equivalents	3.2	-	9,255,943	-	-	2	9,255,945
Trade and other receivables	-	-	-	-	-	2,350,237	2,350,237
Financial liabilities:							
Trade payables	-	-	-	-	-	249,544	249,544

Company

2008	Weighted average effective interest rate	Variable interest rate	Maturity dates			Non interest bearing	Total
			Less than 1 year	1-5 years	More than 5 years		
	%	\$	\$	\$	\$	\$	\$
Financial assets:							
Cash and cash equivalents	7.3	-	19,890,907	-	-	2	19,890,909
Trade and other receivables	-	-	-	-	-	1,921,618	1,921,618
Financial liabilities:							
Trade payables	-	-	-	-	-	1,925,014	1,925,014

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

29. FINANCIAL INSTRUMENTS CONTINUED

(c) Credit risk management

Credit risk refers to the risk that a 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 creditworthy 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 are spread amongst approved counterparties.

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

(d) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who has 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, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

(e) Fair value

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their respective net fair values, other than intercompany loans from the company to its subsidiaries determined in accordance with the accounting policies disclosed in Note 2 to the financial statements.

(f) Commodity Price Risk

The Group is exposed to gold and other commodity price risk. These commodity prices can be volatile and are influenced by factors beyond the Group's control. No hedging or derivative transactions have been used to manage commodity price risk.

(g) Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Given the stage of development of the Group, the Board's objective is to minimise debt and to raise funds as required through the issue of new shares. There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

ADDITIONAL STOCK EXCHANGE INFORMATION AS AT 9 OCTOBER 2009

The shareholder information set out below was applicable as at 9 October 2009.

Distribution of equity securities:

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

Range	Total holders	Units	% of Issued Capital
1 - 1,000	164	72,639	0.04
1,001 - 5,000	538	1,629,555	0.95
5,001 - 10,000	397	3,239,916	1.89
10,001 - 100,000	1359	43,752,981	25.48
100,001 - 9,999,999,999	264	122,965,246	71.63
Rounding			0.01
Total	2,722	171,660,337	100.00

Top 20 holders of ordinary shares:

Rank	Name	Units	% of Units
1.	TRUCKING NOMINEES PTY LTD ←D J REED SUPER FUND A/C→	11,877,034	6.92
2.	MR DAVID JOHN REED	9,019,149	5.25
3.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	3,400,000	1.98
4.	ROCK SECURITIES LIMITED	3,200,000	1.86
5.	TERAN NOMINEES PTY LTD	2,802,522	1.63
6.	COROM PTY LTD	2,527,034	1.47
7.	EQUITY TRUSTEES LIMITED ←SGH PI SMALLER CO'S FUND→	2,427,256	1.41
8.	ANZ NOMINEES LIMITED ←CASH INCOME A/C→	2,333,287	1.36
9.	JK ASSIMINA PTY LTD ←THE JASMINE KAILIS S/F A/C→	2,035,134	1.19
10.	UBS NOMINEES PTY LTD	2,025,000	1.18
11.	PRIME MINERALS LIMITED	2,015,134	1.17
12.	WILKES HOLDINGS PTY LTD	2,013,731	1.17
13.	MRS JASMINE KAILIS	1,590,134	0.93
14.	ROBMOB PTY LTD ←ROBINSON SUPER FUND ACCOUNT→	1,427,034	0.83
15.	HAREWOOD PTY LTD	1,420,134	0.83
16.	MR CHRISTOPHER JOHN REED	1,356,421	0.79
17.	DOTTIE INVESTMENTS PTY LTD	1,290,134	0.75
18.	COLBERN FIDUCIARY NOMINEES PTY LTD	1,250,000	0.73
19.	RONDEUR PTY LTD	1,165,134	0.68
20.	SEAFORD NOMINEES PTY LTD ←SEAFORD NOMINEES PL SF A/C→	1,100,000	0.64
Totals: Top 20 holders of ORDINARY SHARES (GROUPED)		56,274,272	32.78

SUBSTANTIAL HOLDERS

Substantial holders in the company are set out below:

Ordinary Shares	Number Held	Percentage
D J REED	21,750,251	12.67%

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's joint company secretaries are Mr Christopher Reed and Mr Jason Carone.

The address of the principal registered office in Australia is:

97 Outram Street, West Perth, Western Australia 6005.

Telephone: (08) 9322 1182,

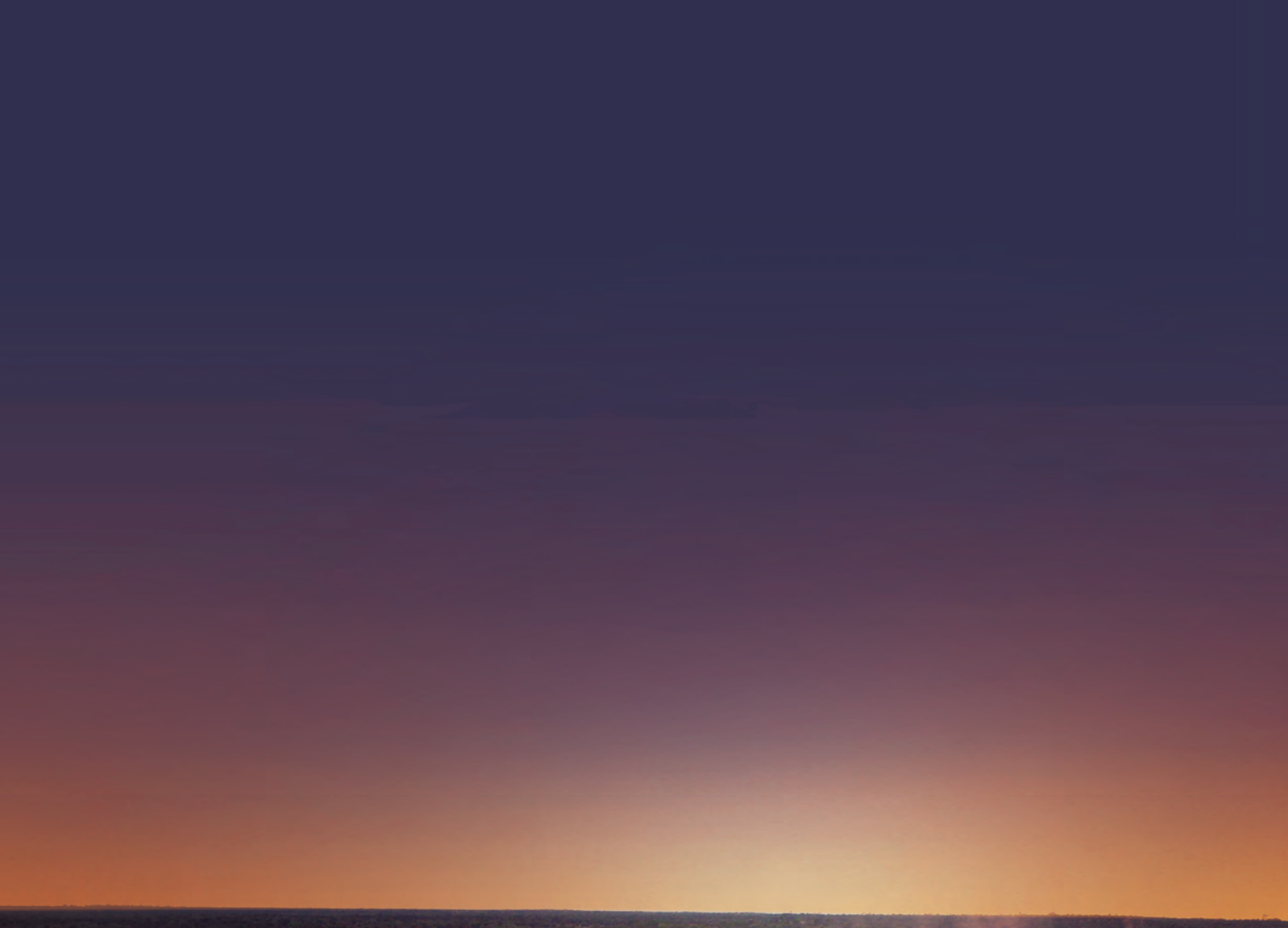
Facsimile (08) 9321 0556,

Website www.reedresources.com

Registers of securities are held at the following addresses

97 Outram Street, West Perth, Western Australia 6005

Quotation has been granted for all ordinary shares of the company on all Member Exchanges of the Australian Stock Exchange Limited.





Registered office:

97 Outram St
West Perth WA 6005

T: +61 8 9322 1182

F: +61 8 9321 0556

Kalgoorlie office:

69 Hannan St
Kalgoorlie WA 6430

T: +61 8 9022 2626

F: +61 8 9021 1011