

ASX Release
31 January 2012

REED RESOURCES QUARTERLY ACTIVITIES REPORT
For the three months ended 31 December 2011

Highlights:

Corporate Update

- As of 31 December 2011, the Company had \$11.7 million in cash and term deposits, including \$9 million in restricted use term deposits supporting performance bonds and \$1.3 million in listed securities
- Subsequent to the end of the quarter, Reed Resources has strengthened and expanded its management and operations team with the appointments of Mr David Lim as Company Chief Financial Officer, Mr Geoffrey Cheong as Processing Manager, and Mr Kenneth Fairless as Maintenance Superintendent

Project Update

Meekatharra Gold Project

- Bankable Feasibility Study nearing completion and due for release in February 2012
- Mineral Resource Inventory increased by 498,000 oz to 3.27 Moz Au
- Open pit Ore Reserves increase 18% from 251,000oz to 308,800oz
- Total Ore Reserves of 533,700oz, as at 31st December, 2011
- Finalising metallurgical test work for Mickey Doolan deposit

Mt Marion Lithium Project

- Reviewing timing/production profile pending marketing review of high-grade mica products
- Construction of modular processing plant well advanced

Barrambie Vanadium Project

- Commenced Concept Study to produce titanium, vanadium and iron concentrate for export

Corporate Update

The following corporate events took place during the quarter:

- 15 November 2011: the Company held its Annual General Meeting (“AGM”). Resolutions 1 to 6 were carried on a show of hands as an ordinary resolution whilst resolutions 7 and 8 were carried as an ordinary resolution following a poll.
- 23 December 2011: the Company lodged a copy of its Performance Rights Plan Rules that had been previously adopted and approved by shareholders at the AGM.

At the end of the quarter the Company had \$11.7 million in cash and term deposits, including \$9 million in restricted-use term deposits supporting performance bonds and \$1.3 million in listed securities.

Subsequent to the end of the quarter, Reed Resources bolstered its management and operations team with the appointments of Mr David Lim as Company Chief Financial Officer, Mr Geoffrey Cheong as Processing Manager, and Mr Kenneth Fairless as Maintenance Superintendent.

The appointments further expand the management and operations experience of Reed Resources and strongly position the Company to bring its flagship Meekatharra Gold Project back into production in late 2012.

Project Update

MEEKATHARRA GOLD PROJECT (Reed 100%)



Figure 1 Bluebird Processing Plant

The Meekatharra Gold Project, centred on the Bluebird processing plant, is located 640km northeast of Perth and 10 km south of Meekatharra, in the Murchison Region of Western Australia (Figure 2).

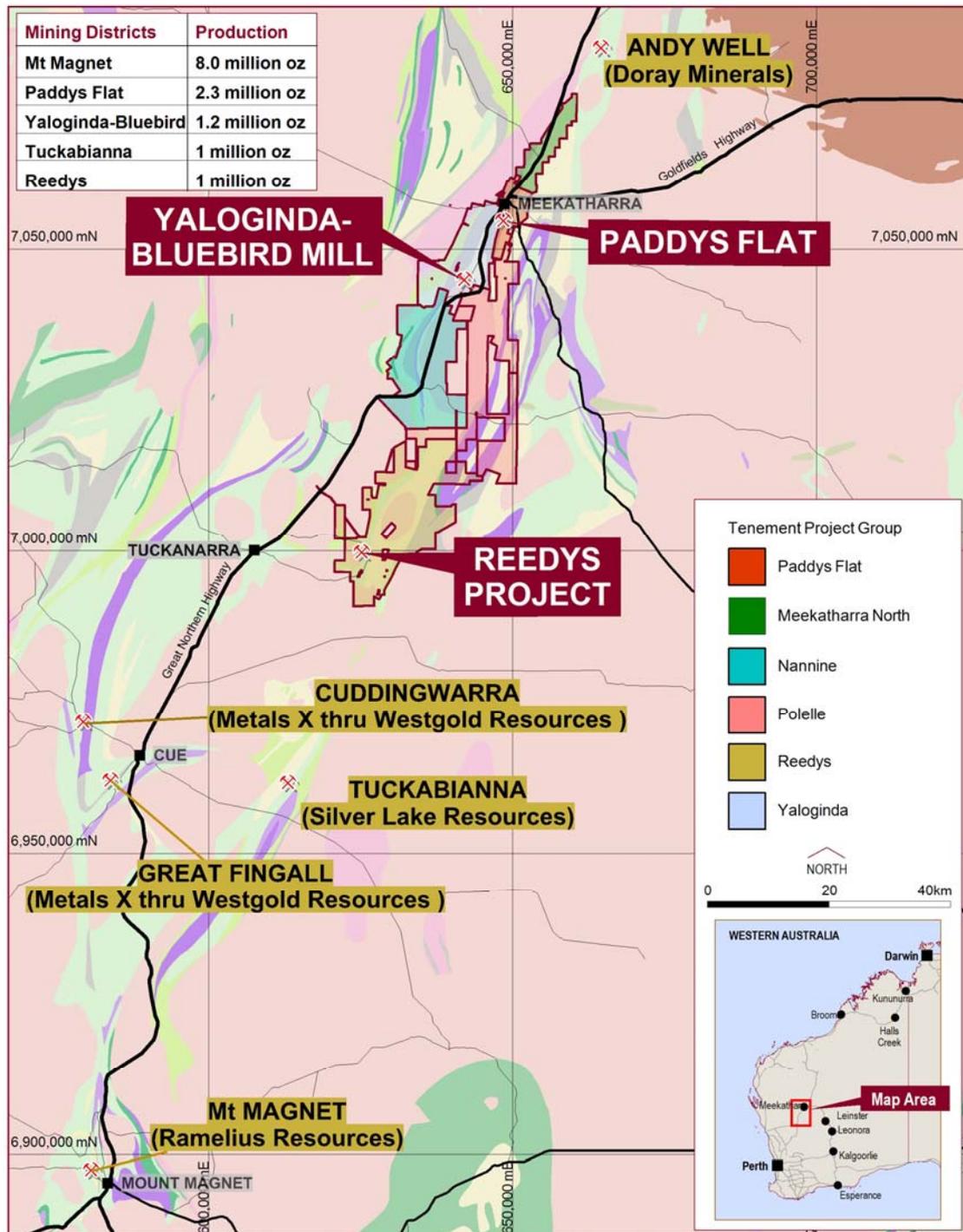


Figure 2: Location of tenement holdings overlain on bedrock geology of the Meekatharra – Mt Magnet region of the Murchison Province showing gold production from key Reed Resources mining districts and the location of other mining camps in the area.

Bankable Feasibility Study - Work Packages and Upgrade Studies

The Company is completing the document which is scheduled to be delivered in February 2012, within the original timeframe. Final metallurgical results and operational costs are currently being collated to build into the financial model.

Village

A tender document for the accommodation village refurbishment and upgrade is ready for award. This will be awarded following completion of the BFS.

Processing Plant

The upgrade and refurbishment strategy has been finalised.

Power Station

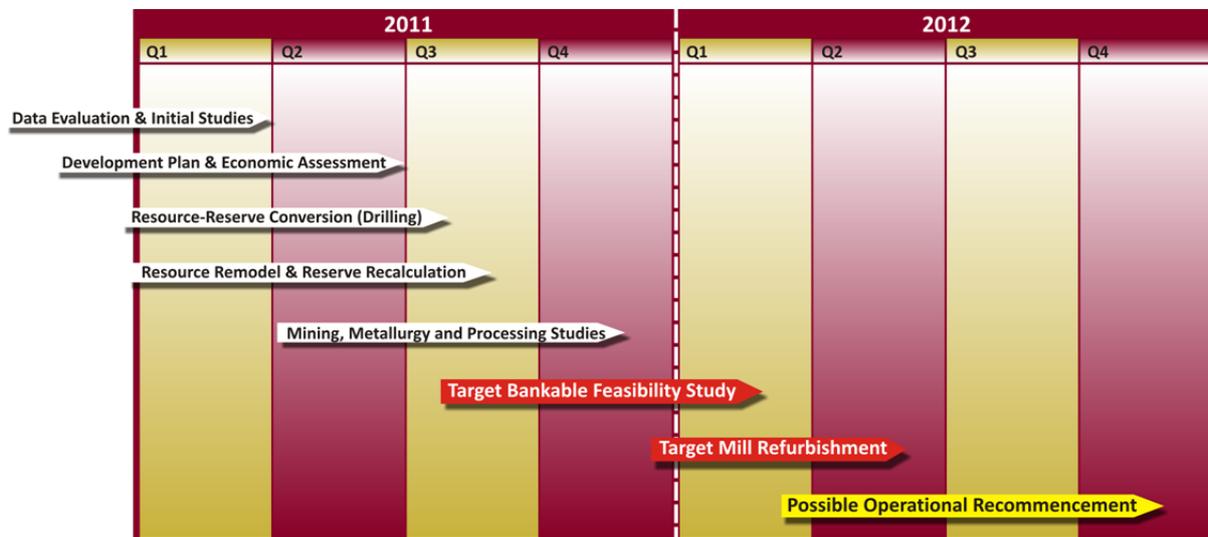
It has been decided that a Build-Own-Operate (BOO) arrangement will be undertaken on the power facility. Reed Resources is engaging with providers of power to run this facility on diesel fuel.

Mining Tender

The open pit mining tender was distributed to ten (10) interested parties. Responses were received in January, which validate the open pit mining cost estimates for the BFS. The tender is due for award in April/May to allow time for a complete bid evaluation process to be undertaken.

Overall Project Timeline

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



Recommencement of Mining - Strategy

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

Stage 1 - Recommencement - Yaloginda

The open pit mining plan on the existing reserves demonstrates that a 21 month (two year) mine life can be maintained at an average feed rate of approximately 1.6Mtpa, blending soft oxide and fresh rock through the Bluebird Mill. Two fleets of open pit machinery will be required to best optimise the mining of the various ore bodies.

An additional 80 rooms will be added to the village that will replace 72 “shared en suite” rooms. Replacement of the dining facility will accommodate 200 people. The mill will be refurbished and the crushing circuit upgraded.

Mining at Paddys Flat will now form basis of the Stage 2 – expansion strategy due to the potential for simultaneous underground and open pit operations. The “Super Pit” optimisation in progress could also significantly alter the Companies mining strategy.

Stage 2 – Expansion – Paddys Flat

The second phase of the operational strategy is to ensure that the mine continues to operate at a sustainable level for a minimum of six years, with options to expand Stage 1 production levels, and potentially involve multiple operations.

A number of expansion options are being examined including:

- Metallurgical test work on the 600,000oz Mickey Doolan resource was finalised in December. With a fine-grind circuit and flotation this ore body will recover at 88%. Ongoing work to define the detailed circuit is being progressed.
- Evaluation of the Paddys Flat “Super Pit” option. This will incorporate a full resource and reserve evaluation of the entire field (see announcement 29th August, 2011). The resource models were completed by Snowden and the Whittle is in progress by Minecomp. The mining plan will be created from the results of the optimisation.
- The Paddys Flat underground operation is a profitable entity and has been accurately scheduled to produce a three year mine life in its own right. It was decided to delay recommencement of this underground mine pending the results from the Super Pit optimisation as this could form part of a larger operational strategy at Paddys Flat, without the added risk and complexity compounding Stage 1.
- Reedy evaluations are ongoing with several options to pursue underground and further open pit cutbacks. The South Emu-Rand trend represents an ore body with a 2km strike length boasting a grade that in places reaches in excess of 10g/t Au. The South Emu underground evaluation is advanced.

Ongoing Evaluations

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

Since Reed Resources acquired this landholding in January 2011 the Mineral Resource Inventory has been increased by 0.8Moz or 32% to a total of 3.3 million ounces of gold and the Reserves have increased by 28% from 0.42Moz to 0.54Moz (as at December 31st, 2011). The latest Resource and Reserve inventory is tabulated overleaf.

MINERAL RESOURCE INVENTORY (31ST DEC, 2011)

Project	Category	Tonnes (Mt)	Au (g/t)	Au (koz)
Meekatharra North	Indicated	0.7	1.3	29
	Inferred	0.2	1.2	6
Paddy's Flat	Indicated	23.4	1.6	1,180
	Inferred	11.8	1.5	584
Yaloginda	Indicated	10.1	1.7	565
	Inferred	6.2	1.7	343
Reedys	Indicated	2.7	3.1	276
	Inferred	3.7	2.4	289
TOTAL	Indicated	36.9	1.7	2,051
	Inferred	22.0	1.7	1,223
	TOTAL	58.9	1.7	3,273

ORE RESERVE INVENTORY (31ST DEC, 2011)

Project	Category	Tonnes (Mt)	Au (g/t)	Au (koz)
Bluebird	Probable	1.41	1.9	87.0
Prohibition	Probable	1.11	2.7	96.0
South Junction	Probable	0.1	1.5	4.5
Surprise	Probable	0.1	3.0	13.0
Batavia	Probable	0.2	2.4	14.0
Whangamata	Probable	0.3	1.4	11.3
GNH	Probable	0.9	1.3	33.6
Jack Ryan	Probable	0.2	3.1	21.8
Callisto	Probable	0.1	3.1	7.2
Rand	Probable	0.1	2.4	7.6
South Emu	Probable	0.1	4.7	12.8
Total (Open Pit)	Probable	4.6	2.1	308.8
Prohibition	Probable	1.3	2.4	104.1
Vivian/Consols	Probable	0.3	7.7	63.6
Fatts/Mudlode	Probable	0.4	4.7	57.2
Sub-Total	Probable	2.0	3.6	224.9
Total	Probable	6.5	2.5	533.7

Notes:

1. Resources and Reserves comply with the Australian JORC Code (2004) reporting guidelines.
2. Resources are inclusive of Reserves.

Project Finance

During the quarter the Company commenced its project financing process along with its advisors, Noah's Rule Pty Ltd and Bligh Capital Partners Pty Ltd. A review of financing alternatives, risk boundaries and debt carrying capacity were completed and preliminary expressions of interest sought from potential project financiers. The forward work program for the current quarter is to finalise the financial model and seek term sheets from project financiers.

MT MARION LITHIUM PROJECT

(Reed 70%, Mineral Resources Limited 30%)

During the quarter the Company, together with our partner Mineral Resources Limited (“Mineral Resources”), continued to advance the Mount Marion Lithium Project.

The Mount Marion Project is planned to initially commence operations with a capacity of 200,000 tpa of 6% Li₂O chemical grade spodumene concentrate, 60,000 tpa of muscovite mica, and 30 tpa tantalite concentrate.

Mine Development Update

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

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

During the quarter, mica samples were produced and dispatched to selected distributors and end users for evaluation. The company is seeking to confirm the potentially significant economic contribution from producing high-grade mica products as a by-product of the spodumene recovery plant. Mt Marion has the potential to be a significant producer of mica, a silicate mineral used in metallic automotive paints, building products, paper, plastics and cosmetics. The results of this study will assist the Company and Mineral Resources in finalising the preferred production profile and timing for the commencement of operations. An update is expected in the March Quarter 2012.

Lithium Carbonate Development Strategy

The Company is continuing strategic discussions with third parties in relation to various proposed transaction structures ranging from downstream toll treatment and/or joint ventures through to partial and outright acquisition of the upstream (spodumene concentrate) operations. It should be stressed that discussions remain preliminary and there can be no assurance that a binding proposal will emerge.

The Company is also working with Mineral Resources on a review of the most appropriate methods for the Project’s special purpose vehicle to become an independently financed, industrial mineral company. Reed and Mineral Resources will keep the market informed as matters develop further.

BARRAMBIE VANADIUM PROJECT

(Reed 100%)

During the December quarter of 2011 the Company, in consultation with its engineers and metallurgical advisors, commenced a concept study level evaluation of the production of a titanium rich concentrate from the Eastern Band of the Barrambie Fe-Ti-V deposit. The recovery of titanium and iron units via the production and export of a titanomagnetite concentrate, has the potential to make the project economics significantly more robust than as a vanadium-only operation.

Owners of the Windimurra and Balla Balla Fe-Ti-V deposits are receiving renewed interest in titanomagnetite concentrates in light of the tripling of ilmenite prices in 2011.

The purpose of the study is to:

- Investigate the potential of producing at least 500,000tpa of concentrate from the Eastern Band of the Barrambie ore body.
- This concentrate would be sold for the value of the contained units of Fe, Ti, and V.
- Establish that, with the current knowledge of the Eastern band ore and the purity of the concentrates produced during the SKM Definitive Feasibility Study 2009, the concentrate is of sufficient quality to be used as feed stock to an end user.
- Produce related CAPEX and OPEX projections.
- Project potential revenues.

The study is expected to be concluded in the March Quarter 2012 at which time a forward work program and new resource estimate will be released.

As far as the Company is aware, Barrambie's Eastern Band is currently the second highest grade hard rock titanium deposit globally (behind Rio Tinto's Lac Tio mine in Canada). Following the discovery of Barrambie in the late 1960s, a feasibility study was conducted in the early 1970s on a smelting operation to produce a titanium slag, with vanadium slag and pig iron as by-products.

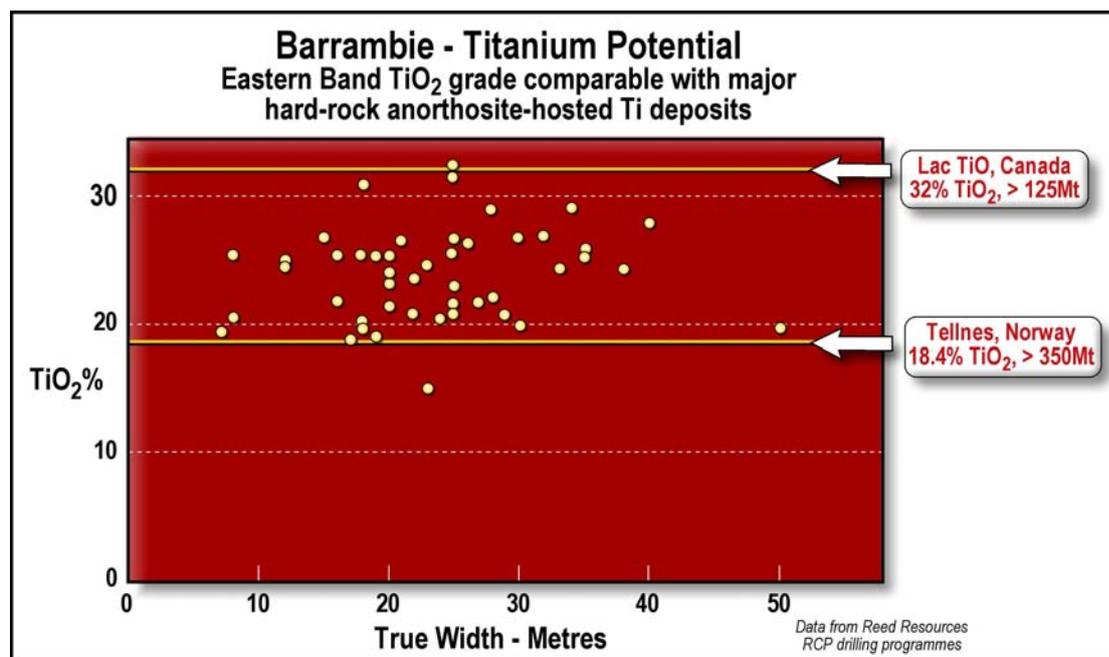


Figure 3. An indication of the size of the Eastern Band at Barrambie and its grade in comparison with two of the world's highest grade titanium deposits.

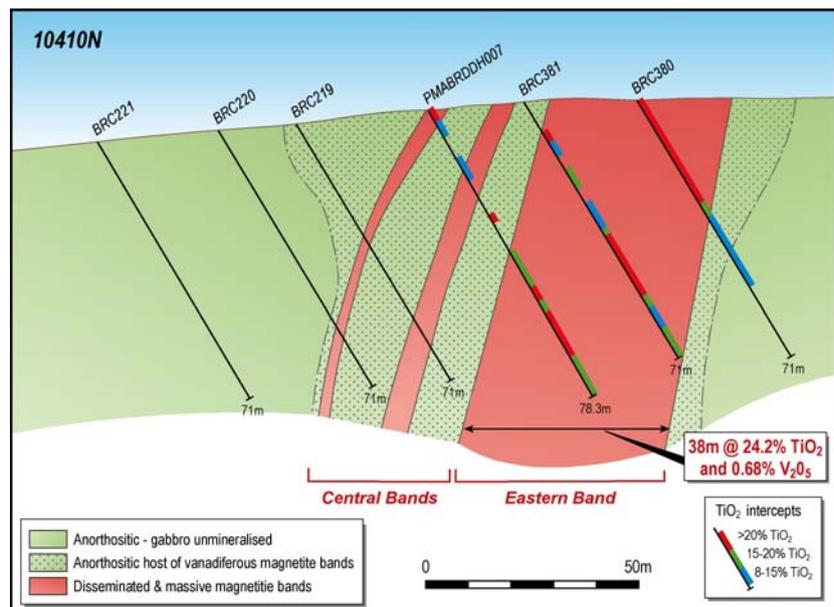
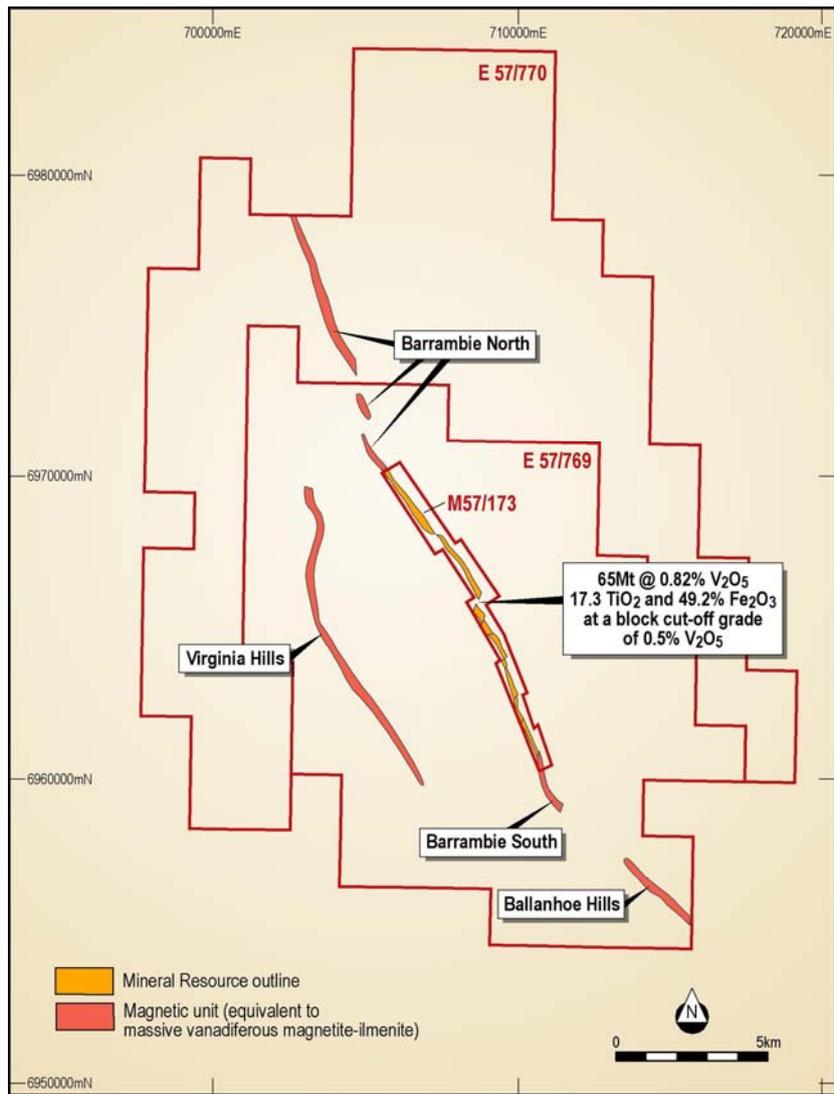


Figure 4. Plan of the Barrambie project showing position vanadiferous magnetite-ilmenite mineralisation (top) and typical cross section.

COMET VALE GOLD PROJECT

(Reed 100%)

The Sand Queen mine remains on care and maintenance and there was no production during the December quarter. The plan for resumption of operations at Sand Queen to coincide with the recommissioning of the Nimbus plant by Macphersons Reward Gold Limited (MRP) has been updated. Subsequent to the quarter, Reed has engaged PCF Capital to seek expressions of interest for the possible sale of Comet Vale project. The project has combined underground and open-pit resources of 792Kt @ 8.2g/t Au for 208,000 oz. Although it is high-grade, its scale in comparison with the Company's Meekatharra project has rendered it a non-core asset.

MT FINNERTY PROJECT

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

Iron Ore (Cliffs 80%, Reed 20%)

During the reporting period, no work was undertaken at the Mt Finnerty prospects. A high level desktop review in Q1 2011 identified potential for a low grade magnetite resource within areas of the Mt Finnerty Range. A budget has been prepared for approval ahead of the 2012 exploration season with the major activities comprising a focussed diamond drilling campaign in order to capture samples of favourable material types to facilitate magnetite characterisation studies.

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

During the quarter an auger geochemical sampling survey was conducted, which confirmed strongly anomalous Ni-Cu-Pt-Pd values coincident with the contact of the western ultramafic unit with a hornfelsed basalt footwall (Figure 5).

A wide-spaced RC program drilled in the previous September Quarter intersected non-nickeliferous disseminated sulphides in a number of the drill holes, but there are elevated copper and PGE values at the contact positions in addition to the high MgO tenor of the ultramafics. All of these features are favourable indicators for nickel sulphides.

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

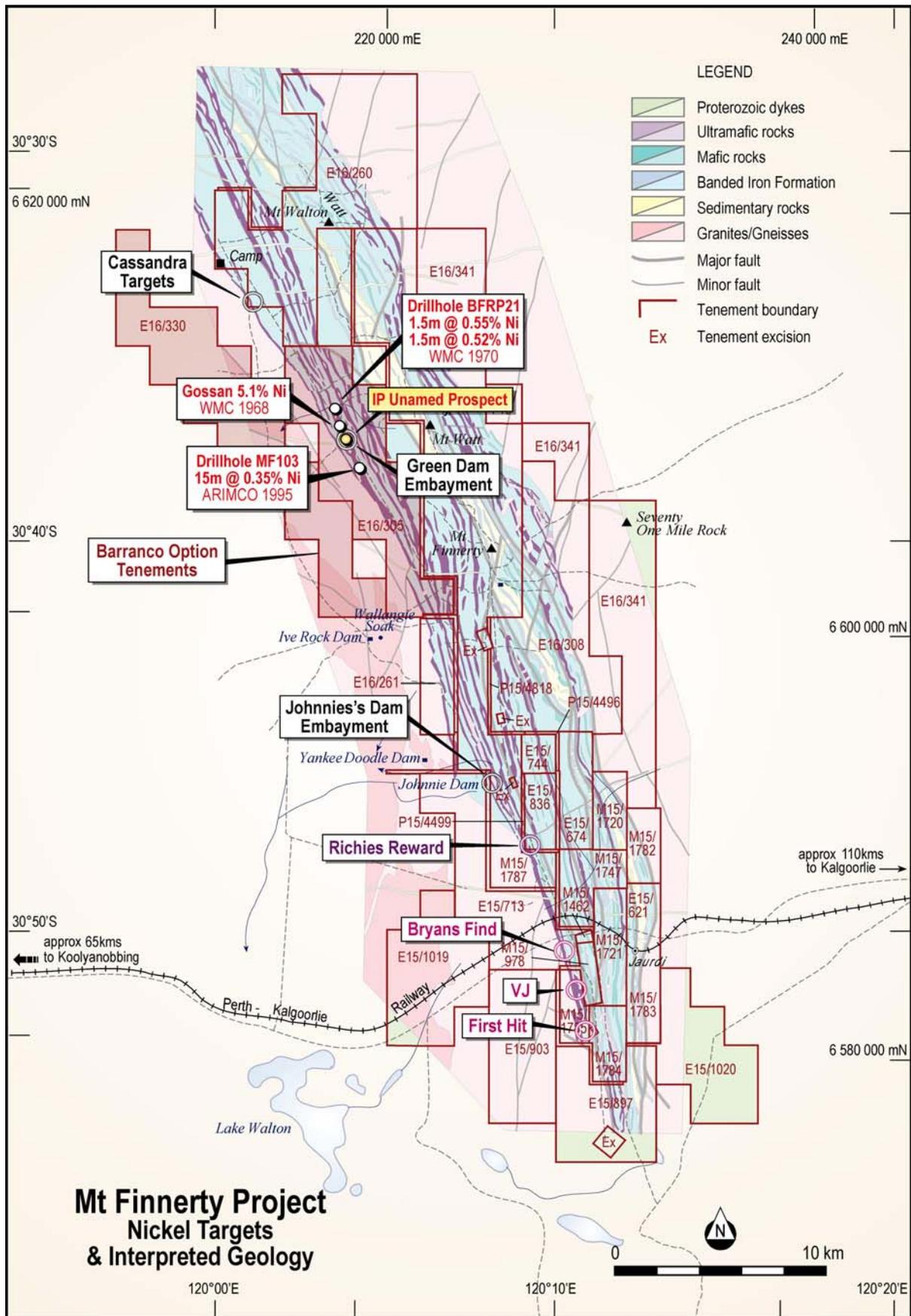


Figure 5: Drilling at Mt Finnerty during the quarter focussed on the prospective ultramafic basalt contact within E16/305.

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About Reed Resources

Reed Resources Ltd (ASX: RDR, OTC: RDRUY) is an emerging Western Australian gold producer focused on bringing its flagship Meekatharra Gold Project into production in the second half of 2012.

Reed Resources' wholly owned Meekatharra Gold Project is located in the prolific Murchison region of Western Australia and has a current JORC resource of 3.27 Moz and existing infrastructure including the 3 Mtpa Bluebird processing plant.

Reed Resources' other projects include:

- **Mount Marion:** High-grade lithium project located 40km south of Kalgoorlie in JV with Mineral Resources Limited (ASX: MIN) and set to be the World's second biggest lithium concentrate operation. Currently under construction.
- **Barrambie:** Definitive Feasibility Study completed on the production 6300t of vanadium per annum. Currently in approvals process and evaluating recovery of titanium slag and pig iron as co-products.
- **Comet Vale:** Currently on care & maintenance. JORC resource of 186,000 oz at 10.8 g/t Au.
- **Mount Finnerty Iron Ore:** Iron ore JV with Cliffs Natural Resources and nickel farm-in with Barranco Resources NL.

Reed Resources' American Depositary Receipts (ADR's) trade under the code RDRUY (CUSIP Number: 758254106). Each Reed Resources ADR is equivalent to 10 ordinary shares of Reed Resources as traded on the ASX. The Bank of New York Mellon is the depository bank.

Website: www.reedresources.com

COMPETENT PERSONS STATEMENT

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