Reed Resources Ltd

A.C.N. 099 116 631

Half-Year Report

for the 6 months ended 31 December 2013

The directors of Reed Resources Ltd ("Company")("Reed") submit herewith the financial report of Reed Resources Ltd and its subsidiaries ("Group")("Consolidated Entity") for the half-year ended 31 December 2013. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of the directors of the company during or since the end of the half year are:

Mr S. Cole
Mrs V. Guthrie
Mr C. Johnstone
Mr D. Reed
Mr C. Reed
Mr L. Tonkin

The above named directors held office during and since the end of the half-year except for:

Mr C. Johnstone	- retired 30 September 2013
Mr L. Tonkin	- retired 30 September 2013
Mrs V. Guthrie	- retired 20 November 2013

REVIEW OF OPERATIONS

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

MEEKATHARRA GOLD PROJECT

(Reed 100%)

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.

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

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

Administrators are continuing a sale process which remains incomplete and there can be no assurance that a binding agreement will emerge. Reed will keep the market informed as matters develop further.

MT MARION LITHIUM PROJECT

(Reed 70%, Mineral Resources Ltd 30%)

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

COMPARISON OF BATTERY GRADE SPECIFICATIONS WITH LEADING LITHIUM HYDROXIDE MONOHYDRATE PRODUCER		
Items	**FMC**	**RIM Results**
LiOH.H2O % Min	56.5	57
Fe ppm	≤5	3
Na ppm	≤20	8
K ppm	≤10	3
Cl ppm	≤20	15
Ca ppm	≤15	9
Al ppm	≤10	1
Ni ppm	≤10	10
Si ppm	≤30	<30

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

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

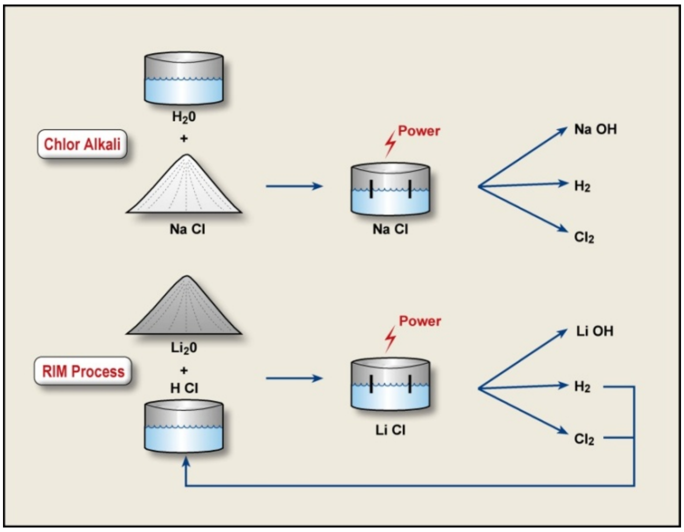

Figure 1 *Simplified process flowsheet comparison*

<u>Lithium Down-streaming Strategy</u>

The results of a Pre-feasibility Study ("**PFS**") announced on 17 October 2012, indicate robust financial returns and endorsed an integrated down-streaming strategy to maximise Mt Marion's value. A summary of results, based on RIM's proprietary process flow sheet, is shown in Table 2 below.

During the half year four diamond drill holes were completed to prepare lithium concentrates for future metallurgical test work utilising RIM's proprietary processing technology.

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

Operating Parameters	Quantity
Spodumene Concentrate Feed	147,100 tpa
Spodumene Concentrate Grade	6.0 % Li_2O
Lithium Hydroxide/Lithium Carbonate Production	10,000/8,810 tpa
Life of Mine (LOM) Production	200,000t LiOH 176,200t Li_2CO_3
LOM Revenue	US$ 3.15 billion
Pre-tax Cash flow	US$ 1.19 billion
Pre-tax NPV 12%	US$ 321 million
Pre-tax Internal Rate of Return	94%
Average Cost per tonne of LiOH	US$ 3,878
Average Cost per tonne of Li2CO3	US$ 4,538
Total initial capital costs	US$ 83 million

BARRAMBIE TITANIUM PROJECT
(Reed 100%)

During the period the Company reported the results of its Scoping Study on its Barrambie Titanium Project. This initial economic assessment by Snowden Mining Industry Consultants (Snowden) indicates potential for a viable hard-rock titanium and vanadium mining and processing operation and recommends progression to a Pre-Feasibility Study.

The highlights for an initial 50,000tpa throughput module, the subject of the study, are summarised below. Operating and Capital Costs are both valid as at October 2013 with an indicative accuracy in the range of ±35%. All analysis is in A$ dollars and assumes a selling price of US$3,000/t for titanium dioxide and US$11,000/t for vanadium pentoxide, and uses an AUD exchange rate of US$1.00.

The Scoping Study has identified many opportunities to further improve the economics by optimising factors such as scalability of plant throughput rate, co-generation of electricity to reduce operating costs and to recover and market pure iron and aluminium oxide products.

SCOPING STUDY HIGHLIGHTS	
Annual Production	13,000t TiO_2 300t V_2O_5
Life of Mine (LOM)	27 years
Life of Mine (LOM) Revenue	A$ 1,143 million
Pre-tax Cashflow	A$ 516 million
Pre-tax NPV (12% discount rate)	A$ 87 million
Pre-tax Internal Rate of Return	24%
Average Net Operating Cost per tonne of recovered TiO_2	A$ 1,214
Total initial capital costs	A$ 109 million
Payback of capital costs	4 years

Cautionary Statement

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

Technology Licensing Agreement

During the period the Company executed an agreement to licence a patented acid leach process to extract all valuable metals from the Barrambie Titanium-Vanadium-Iron deposit, this process was evaluated in the Snowden Scoping Study.

In exchange for the non-exclusive licence, Reed will pay a royalty of 5% of gross revenue. In addition, the patent holders will also receive up to 20% of the value of any transaction that involves a significant change in control of AVC.

Project Development and Corporate Strategy

A continuous scale mini-plant trial of the process will commence in February 2014 and subject to the success of the test work it is Reed's intention to proceed with a pre-feasibility study (PFS) as recommended by Snowden. The proposed work plan to the end of the PFS is anticipated to be funded internally, with an anticipated date of completion of September 2014. The currently preferred project development strategy is to advance the project to a suitable stage of evaluation to attract a joint venture partner to fund and operate the development of the Barrambie project.

COMET VALE GOLD PROJECT
(Reed 100%)

The Sand Queen mine remains on care and maintenance. A sale process for the Comet Vale project was commenced in the period and the sale agreement with the preferred bidder executed subsequent to the end of the period for total consideration of up to $2 million cash.

MOUNT FINNERTY PROJECT

The Mt Finnerty Project located about 65km east of Koolyanobbing is currently being explored for iron ore and nickel mineralisation in its own right.

Iron Ore

No significant activity occurred during this period. During the period the Company announced the resumption of 100% of the iron rights at its Mt Finnerty Project following the amicable termination of the "Mt Finnerty Iron Ore Joint Venture" with Cliffs Asia Pacific Iron Ore Pty Ltd ("Cliffs").

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

Reed engaged PCF Capital Pty Ltd to run a sale process on wholly owned subsidiary Mount Finnerty Pty Ltd ("MFPL") which holds the tenements and iron rights, as part of its continuing asset realisation program. A short program of RC drilling has been planned into one of more than twenty targets to demonstrate the exploration potential to several interested parties. Indicative bids have been received and discussions remain preliminary and there can be no assurance that a binding proposal will emerge. Reed will keep the market informed as matters develop further.

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

Exploration during the period included the interpretation of the analytical data from three diamond holes drilled in the June 2013 Quarter, as well as petrographic identification of alteration mineralogy.

Results indicate significant enrichment in the chalcophile elements, Cu, Ni, Ag, Au & Pd. The best intersection is 12.8% Cu – 0.41% Ni – 59 g/t Ag & 379 ppb Pd in 9cm from 128m down hole in GDD005. Petrographic identification included violarite (high grade nickel sulphides) – chalcopyrite – trace sphalerite – trace molybdenite – trace electrum (Au-Ag alloy).

Table 1 *Drill intercept*

Hole No.	MGA Northing	MGA Easting	From (m)	To (m)	Interval (m)	Ni (%)	Cu (%)	Co (ppm)	Au (ppm)	Ag (ppm)	Pd (ppb)	Pt (ppb)
GDD005	6608100	218625	127.89	127.98	0.09	0.41	12.82	809	2.24	59	379	4

Petrographic identification of nickel sulphides in drill holes within the shear zone and in fresh rock to the north provides evidence of multiple sulphide mineralising events. The conceptual geological model is illustrated below (Figure 2).

Consultants, Newexco, completed an interim assessment of the NiS mineralisation potential based on the lithogeochemistry of all drilling completed to date. Preliminary conclusions include two to three distinct populations of base metal signatures consistent with multiple flows interpreted previously by geological logging of the Green Dam ultramafic pile. Geophysical inversion modelling of the aeromagnetic data suggests a moderately southward-plunging high magnesian magnetic body. Drilling has not tested this body effectively due to depth and distribution of coverage.

Forthcoming exploration is planned to infill geophysical surveys over the 4km prospective strike length ahead of the diamond drilling phase, which has been postponed until completion of these surveys. The Company was successful in obtaining a $75,000 exploration incentive grant from the Department of Mines and Petroleum.

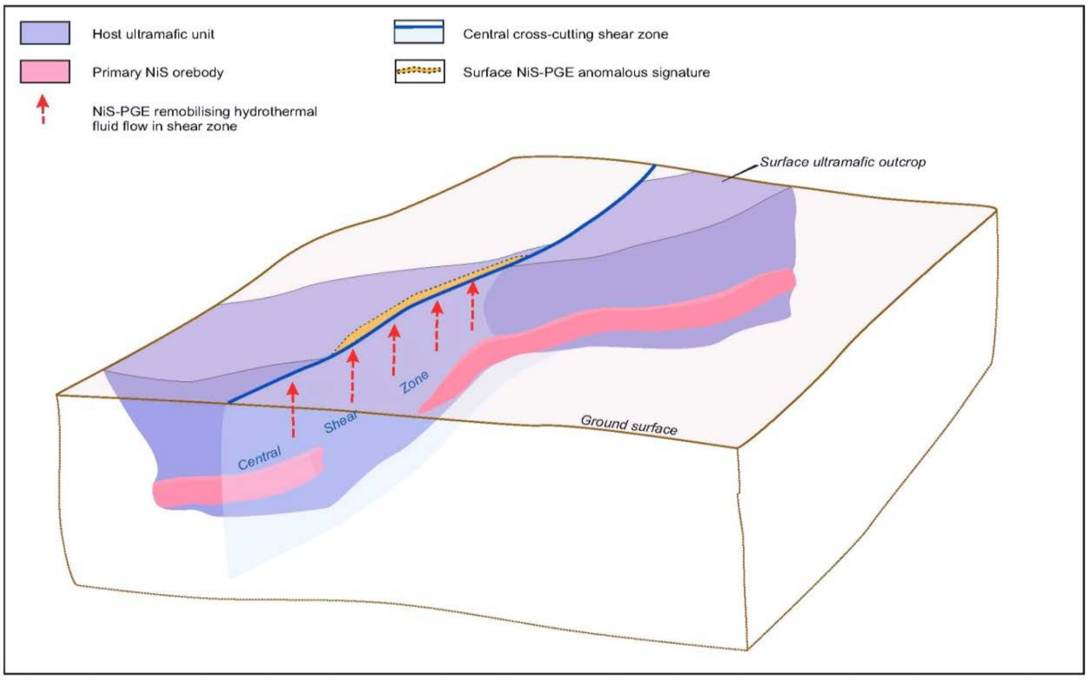

Figure 2 *Conceptual geological model (looking North)*

ROYALTY INTERESTS

During the period the Company disposed of its 1% Net Smelter Royalty on all zinc extracted and recovered from M26/0490 and M26/0598, containing the Nimbus Silver-Gold-Zinc mine, to tenement owner Macphersons Resources Ltd ("MRP". Consideration received was 891,810 shares in MRP which were disposed of, realising $185K.

COMPETENT PERSONS STATEMENT

The Company confirms that it is not aware of any new information or data that materially affects the information included in the following ASX Releases during the period and subsequently reported herein:

	September 2013 Quarterly Activities Report
13/11/2013	Barrambie Scoping Study Results
2/12/2013	Mt Marion - Breakthrough test work results
6/12/2013	Barrambie - Amended JORC 2012 Mineral Resource Estimate
9/12/2013	Mt Marion - JORC 2012 Mineral Resource Estimate

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

CORPORATE

Administrators appointed to GMK Exploration Pty Ltd

On the 16th August 2013, Reed Resources Ltd (**ASX: RDR**) (**"Reed"** or **"the Company"**), announced that GMK Exploration Pty Ltd ("GMKE"), the subsidiary of Reed that owns and operates the Meekatharra Gold Project was placed in voluntary administration.

The Company is working with the Administrators to optimise the outcome for all concerned, including Reed.

Board & Management Changes

Following the appointment of Administrators to GMKE, Reed has conducted a material restructure to its board and management team and scaled down its cost profile to reflect the developmental stage of its two remaining core assets.

Reed CEO, Luke Tonkin resigned and Chris Reed resumed the role of CEO/MD on a scaled back remuneration basis, consistent with the overall strategic philosophy, effective 1 October 2013. The Board of Reed has been reduced to one (only) executive and 2 (only) non-executives, including the Chair, and volunteered a significant reduction in directors' fees. Cobb Johnstone, who joined the board 1 February 2013 retired on the 30 September 2013. In addition, Dr Vanessa Guthrie who joined the Board on 17 June 2011 resigned as non-executive director effective 20 November 2013 due to her increasing commitments and workload as managing director of Toro Energy.

Darren Wates ceased as joint company secretary on 9 October 2013 with Jason Carone continuing as the sole company secretary.

Finances

Cash and term deposits on hand as of 31 December 2013 totalled $10.1 million, including $6.2 million in restricted use term deposits supporting performance bonds and other contractual obligations.

The Chairman, David Reed committed to provide a standby facility to support the Company's working capital position, with definitive agreements executed and announced on the 27th September 2013. As at 31 December 2013 the Company had drawn down $2M on the stand by facility.

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

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

Dividends

No dividends were paid, proposed or declared during the half year to 31 December 2013 (2012: Nil).

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 8 of the half-year report.

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

On behalf of the directors

CReed.

Christopher Reed

Managing Director

Perth, 7 March 2014

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

7 March 2014

Dear Board Members

Reed Resources Ltd

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

As lead audit partner for the review of the financial statements of Reed Resources Limited for the half-year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

M. Gover

Mark Gover
Partner
Chartered Accountant

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Reed Resources Ltd, which comprises the condensed statement of financial position as at 31 December 2013, and condensed statement of profit and loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 11 to 23.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Reed Resources Ltd financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Reed Resources Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Deloitte.

Auditor's Independence Declaration

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

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

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 1 in the financial report, which indicates that the Consolidated Entity incurred a net loss of $18.9 million and experienced net cash outflows from operating and investing activities of $4.8 million during half year ended 31 December 2013. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the ability of the Consolidated Entity to continue as a going concern and therefore, the Consolidated Entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

M. Gover

Mark Gover
Partner
Chartered Accountant
Perth, 7 March 2014

Directors' declaration

The directors declare that:

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

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

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors

CReed.

Christopher Reed
Managing Director
7 March 2014

Consolidated statement of profit or loss and other comprehensive income
for the half year ended 31 December 2013

	Note	31 Dec 2013 $	31 Dec 2012 $
Continuing operations			
Revenue		7,725,495	1,160,133
Cost of sales		(9,898,030)	(1,087,849)
Gross profit/(loss)		(2,172,535)	72,284
Other income		270,534	533,582
Administration expenses		(318,487)	(1,429,994)
Employee expenses		(929,611)	(2,652,526)
Finance costs		(566,560)	(2,130,098)
Occupancy expenses		(190,064)	(272,351)
Other expenses		(276,373)	(505,090)
Loss on revaluation of derivatives		-	(3,802,609)
Impairment of non-current assets	2	(977,282)	-
Loss on deconsolidation	9	(11,971,580)	134,457
Loss before income tax		(17,131,958)	(10,052,345)
Income tax benefit			-
Loss for the period from continuing operations		(17,131,958)	(10,052,345)
Discontinued operations			
Profit/(loss) for the period from discontinued operations, net of income tax	8	(1,719,623)	(25,736)
Loss for the period		**(18,851,581)**	**(10,078,081)**
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit and loss			
Loss on available-for-sale investments		**-**	**-**
Total comprehensive income for the period		**(18,851,581)**	**(10,078,081)**
Loss attributable to:			
Owners of the Company		**(18,851,581)**	**(10,078,081)**
Total comprehensive income attributable to:			
Owners of the Company		**(18,851,581)**	**(10,078,081)**
Loss per share			
From continuing operations:			
Basic and diluted (cents per share)		(3.28)	(2.10)
From continuing and discontinued operations:			
Basic and diluted (cents per share)		(3.61)	(2.10)

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

Consolidated statement of financial position
as at 31 December 2013

	Note	31 Dec 2013 $	30 Jun 2013 $
Current assets			
Cash and cash equivalents		3,947,102	7,207,251
Trade and other receivables		205,902	3,017,419
Inventories		-	4,563,082
Assets classified as held for sale	8	2,108,983	3,106,366
Total current assets		**6,261,987**	**17,894,118**
Non-current assets			
Loan to jointly controlled entity		931,804	926,164
Property, plant and equipment	5	460,990	9,547,034
Exploration and evaluation expenditure		10,000,000	26,501,000
Investment in jointly controlled entity		1,510,836	1,510,835
Other financial assets		6,135,001	11,783,000
Total non-current assets		**19,038,631**	**50,268,033**
Total assets		**25,300,618**	**68,162,151**
Current liabilities			
Trade and other payables		427,960	14,753,047
Borrowings	6	1,868,708	431,541
Provisions		1,089,438	2,548,775
		3,386,106	17,733,363
Liabilities directly associated with held for sale assets	8	254,074	251,918
Total current liabilities		**3,640,180**	**17,985,281**
Non-current liabilities			
Provisions		196,382	9,836,592
Total non-current liabilities		**196,382**	**9,836,592**
Total liabilities		**3,836,562**	**27,821,873**
Net assets		**21,464,056**	**40,340,278**
Equity			
Issued capital		158,292,130	158,046,134
Accumulated losses		(142,131,528)	(123,279,948)
Reserves		5,303,454	5,574,092
Total equity		**21,464,056**	**40,340,278**

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

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Consolidated statement of changes in equity
for the Half-Year ended 31 December 2013

	Issued Capital $	Other equity reserve $	Share based payments reserve $	Accumulated losses $	Total $
Balance as at 1/07/12	148,058,577	-	5,023,183	(47,698,088)	105,383,672
Loss for the period	-	-	-	(10,078,081)	(10,078,081)
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(10,078,081)	(10,078,081)
Recognition of share-based payments	-	-	355,787	-	355,787
Issue of share capital	9,999,810	-	-	-	9,999,810
Share issue costs, net of tax	(446,782)	-	-	-	(446,782)
Balance at 31/12/12	**157,611,605**	**-**	**5,378,970**	**(57,776,169)**	**105,214,406**
Balance as at 1/7/13	158,046,134		5,574,092	(123,279,947)	40,340,279
Loss for the period	-	-	-	(18,851,581)	(18,851,581)
Total comprehensive income for the period	-	-	-	(18,851,581)	(18,851,581)
Recognition of share-based payments	250,646	-	(429,267)	-	(178,621)
Recognition of convertible note equity (see Note 6)	-	158,629	-	-	158,629
Issue of share capital	-	-	-	-	-
Share issue costs, net of tax	(4,650)	-	-	-	(4,650)
Balance at 31/12/13	**158,292,130**	**158,629**	**5,144,825**	**(142,131,528)**	**21,464,056**

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

Consolidated statement of cash flows
for the half year ended 31 December 2013

	Note	31 Dec 2013 $	31 Dec 2012 $
Cash flows from operating activities			
Receipts from customers		10,935,660	726,750
Payments to suppliers and employees		(17,714,734)	(10,524,383)
Net cash used in operating activities		(6,779,074)	(9,797,633)
Cash flows from investing activities			
Exploration and evaluation costs		(1,044,615)	(3,119,460)
Development costs			(334,593)
Payment for property, plant & equipment		(16,007)	(20,477,977)
Proceeds from sale of Nimbus royalty		185,107	-
Interest received		166,371	738,975
Transfer to restricted deposits		-	(189,000)
Transfer from restricted deposits		2,700,000	3,057,763
Purchase of financial assets		-	(3,069,335)
Net cash used in investing activities		1,990,856	(23,393,627)
Cash flows from financing activities			
Proceeds from issues of shares		-	9,999,810
Payment for share issue costs		-	(444,951)
Interest paid		(78,746)	(1,663,980)
Proceeds from borrowings	6	3,000,000	19,000,000
Repayment of borrowings		(1,390,809)	(47,668)
Net cash provided by/(used in) financing activities		1,530,445	26,843,211
Net increase in cash and cash equivalents		(3,257,773)	(6,348,049)
Cash and cash equivalents at the beginning of the period		7,214,138	25,645,762
Cash and cash equivalents at the end of the period	3	3,956,365	19,297,713

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

Index to notes to the consolidated financial statements

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Notes to the consolidated financial statements

1. Significant accounting policies

Statement of compliance

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

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current 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.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's annual financial report for the financial year ended 30 June 2013. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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

New and revised Standards and amendments thereof and Interpretations effective for the current half year that are relevant to the Group include:

- **AASB 10** *Consolidated Financial Statements* and **AASB 2011-7** *Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards*
- **AASB 11** *Joint Arrangements* and **AASB 2011-7** *Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards*
- **AASB 12** *Disclosure of Interests in Other Entities* and **AASB 2011-7** *Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards*
- **AASB 127** *Separate Financial Statements (2011)* and **AASB 2011-7** *Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards*
- **AASB 128** *Investments in Associates and Joint Ventures (2011)* and **AASB 2011-7** *Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards*
- **AASB 13** *Fair Value Measurement* and **AASB 2011-8** *Amendments to Australian Accounting Standards arising from AASB 13*
- **AASB 119** *Employee Benefits (2011)* and **AASB 2011-10** *Amendments to Australian Accounting Standards arising from AASB 119 (2011)*
- **AASB 2012-2** *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*
- **AASB 2012-5** *Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle*
- **AASB 2012-10** *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments*

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the amounts reported for the current or prior half years for the Group.

Going Concern Assumption

The half year financial report for Reed Resources Ltd has been prepared on the going concern basis which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Consolidated Entity has incurred a net loss after tax of $18,851,581 (December 2012: Loss $10,078,081) and had cash outflows from operating and investing activities of $4,788,218 for the half year ended 31 December 2013 (December 2012: $33,191,260). At 31 December 2013 the Consolidated Entity had net current assets of $2,621,807 (June 2013: net current liabilities of $91,163).

During the period the Consolidated Entity's main operating subsidiary, GMK Exploration Pty Ltd (GMKE), went into Administration (16 August 2013) and was deconsolidated at this date due to a loss of control under AASB 10 *'Consolidated Financial Statements'*.

During the period the Consolidated Entity also secured a loan of $3,000,000, from its non-executive chairman, David Reed, with $1,000,000 repaid before 31 December 2013. Refer note 6 for further details. The repayment of the convertible notes of $2,000,000 is due in November 2014, unless previously converted to equity.

Subsequent to 31 December 2013, the Consolidated Entity accepted a cash offer for the conditional sale of the Comet Vale Gold Project. Refer Note 10 for further details.

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

(i) The directors expect that the remaining proceeds from sale of the Comet Vale Gold Project, of up to $1,900,000, will be received prior to September 2014 with the majority of the proceeds received prior to 31 March 2014.

(ii) The directors expect to receive, within twelve months from the date of the signing the half-year financial report, a dividend from the outcome of the GMKE voluntary administration process. However, as the timing and quantum of a return is not certain, no receivable for such recovery has been recorded in the financial report.

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

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

(v) The directors have reviewed the amounts and timing of expenditure required to execute the Consolidated Entity's business strategy, and the funds required in order for it to prudently commit to certain work programs. Should the Consolidated Entity be unable to raise the funds required to execute tasks in the forecast timeframes, management would be required to implement a revised strategy of reduced activity and expenditure until such time as funds become available.

Should the Consolidated Entity be unable to secure adequate additional funding in line with the planned timing from the sources referred to in (i) to (iv) above, and should the Consolidated Entity not be able to contain its expenditure commitments within its available cash flows and liquid reserves there is a material uncertainty whether the Consolidated Entity will be able to continue as a going concern and therefore, whether it will realise its assets and discharge its liabilities in the normal course of business.

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

2. Segment information

Basis for segmentation:

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

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

For the six months ended 31 December 2013

Reportable operating segments	Gold $	Titanium $	Other $	Unallocated $	Total $
Continuing operations					
Revenue from external customers	7,570,850	154,645	-	-	7,725,495
Cost of sales	(9,849,479)	(48,551)	-	-	(9,898,030)
Gross profit/(loss)	**(2,278,629)**	**106,094**	**-**	**-**	**(2,172,535)**
Other income	1,606	-	(101,401)	370,328	270,534
Impairment	-	(575,143)	(402,139)	-	(977,282)
Depreciation and amortisation	-	-	-	(80,091)	(80,091)

Total income	7,572,456	154,645	(101,401)	370,328	7,996,029
Total expenses	(10,127,666)	(1,067,472)	(278,822)	(1,682,446)	(13,156,407)
Loss on deconsolidation	**(11,971,580)**				**(11,971,580)**
Profit/(loss) before tax	**14,526,790)**	**(912,827)**	**(380,223)**	**(1,312,118)**	**(17,131,958)**
Discontinued operations					
Total revenue	598	-	-	-	598
Total expenses	(1,720,221)	-	-	-	(1,720,221)
Loss before tax	**(1,719,623)**	**-**	**-**	**-**	**(1,719,623)**
Consolidated loss before tax					
Income tax benefit	-	-	-	-	-
Consolidated loss after tax	**(16,246,413)**	**(912,827)**	**(380,223)**	**(1,312,118)**	**(18,851,581)**

As at 31 December 2013

Reportable operating segments	Gold $	Titanium $	Other $	Unallocated $	Total $
Increase/(decrease) in non-current assets	(43,410,428)	(8,561,208)	(5,252,505)	2,373,126	(54,851,015)
Impairment	(1,714,082)	(575,143)	(402,139)		(2,691,364)
Movement on deconsolidation	26,312,977	-	-	-	26,312,977
Re-classification as held for sale	-	-	-	-	-
Consolidated movement in non-current assets	(18,811,533)	(9,136,350)	(5,654,644)	2,373,126	(31,229,402)
Total segment assets	-	10,094,085	61,776	13,035,770	23,191,630
Assets classified as held for sale	2,108,983	-	-	-	2,108,983
Consolidated total assets	**2,108,983**	**10,094,085**	**61,776**	**13,035,770**	**25,300,612**

For the six months ended 31 December 2012

Reportable operating segments	Gold $	Titanium $	Other $	Unallocated $	Total $
Continuing operations					
Revenue from external customers	-	1,160,133	-	-	1,160,133
Cost of sales	-	(1,087,849)	-	-	(1,087,849)
Gross profit/(loss)	**-**	**72,284**	**-**	**-**	**72,284**
Other income	75,337	-	50,518	407,727	533,582
Total income	75,337	1,160,133	50,518	407,727	1,693,715
Total expenses	(6,471,194)	(1,562,484)	(169,402)	(3,542,980)	(11,746,060)
Loss before tax	**(6,395,857)**	**(402,351)**	**(118,884)**	**(3,135,253)**	**(10,052,345)**
Depreciation and amortisation	-	-	-	(169,303)	(169,303)

Discontinued operations					
Total revenue	870	-	-	-	870
Total expenses	(26,606)	-	-	-	(26,606)
Gain on disposal of subsidiary	-	-	-	-	-
Loss before tax	**(25,736)**	**-**	**-**	**-**	**(25,736)**
Consolidated loss before tax	**(6,421,593)**	**(402,351)**	**(118,884)**	**(3,135,253)**	**(10,078,081)**
Income tax benefit	**-**	**-**	**-**	**-**	**-**
Consolidated loss after tax	**(6,421,593)**	**(402,351)**	**(118,884)**	**(3,135,253)**	**(10,078,081)**

As at 30 June 2013

Reportable operating segments	Gold $	Titanium $	Other $	Unallocated $	Total $
Movement in non-current assets	(20,834,026)	(9,146,876)	(5,674,644)	5,578,613	(30,076.933)
Impairment	-	-	-	-	-
Re-classification as held for sale	(3,062,383)	-	-	-	(3,062,383)
Consolidated additions to non-current assets	(23,896,409)	(9,146,876)	(5,674,644)	5,578,613	(33,139,316)
Total segment assets	39,011,201	10,119,660	184,358	15,740,566	65,055,785
Assets classified as held for sale	3,106,366	-	-	-	3,106,366
Consolidated total assets	**42,117,597**	**10,119,660**	**184,358**	**15,740,566**	**68,162,151**

3. Cash and cash equivalents

	31 Dec 2013 $	30 June 2013 $
Cash and cash equivalents	3,947,102	7,207,251
Cash and cash equivalents included in assets classified as held for sale[1]	9,263	6,887
	3,956,365	7,214,138

(1) Refer to note 8

4. Dividends

No dividends were paid, proposed or declared during the half-years to 31 December 2013 and 31 December 2012.

5. Property, plant and equipment

	31 Dec 2013 $	30 Jun 2013 $
Opening balance	11,961,737	23,559,720
Deconsolidated entity	(9,904,487)	
Additions	14,436	20,340,061
Disposals	-	(36,878)
Transfers From WIP	(700)	-
Impairment	(509,692)	(31,901,166)
	1,561,294	11,961,737
Less accumulated depreciation	(3,220,931)	(2,414,703)
Add back deconsolidated entity's accumulated depreciation	2,120,627	
	460,990	**9,547,034**

6. Borrowings

In August 2013 the Chairman, David Reed committed to provide a standby facility to support the Company's working capital position, with definitive agreements executed and announced on the 27th September 2013. As at 31 December 2013 the Company had drawn down $2M on the standby facility.

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

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

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

7. Share capital

During the half-year reporting period, Reed Resources Ltd issued the following share capital:

6 months to 31 December 2013:

On 9 October the Company granted 3,310,370 performance rights to Chris Reed which may vest on 30 June 2014 or 31 December 2014 and a further 1,098,369 to an eligible employee which may vest on 30 June 2016 or 31 December 2016 on the satisfaction of certain performance conditions based on the Company's total shareholder return performance and percentile ranking relative to comparator companies.

In addition during the quarter 2,644,231 ordinary shares were issued to eligible employees following the vesting of performance rights pursuant to the Reed Resources Ltd performance rights plan of which 1,834,000 were issued to executive directors of the company.

6 months to 31 December 2012:

- 55,554,491 shares were issued as part of a Share Placement and Share Purchase Plan to raise $9,553,027 net of costs;
- 1,000,000 shares options were issued to consultants as part consideration for services rendered in relation to the raising of debt and equity funds required to develop the company's Meekatharra Gold Operations. The fair value of the shares options issued was $3,720; and
- 1,410,500 shares were issued to employees as part of their remuneration. Of this amount, 1,333,000 were issued to executive directors of the company.

As noted above, during the 6 months to 31 December 2013 no share options over the company's ordinary shares were issued during reporting period (2012: 1,000,000).

4,408,739 performance rights were issued to Reed employees during the current half-year period (2012: 7,819,989) for nil cash consideration. These performance rights may result in the issue of a total of 4,408,739 shares if the applicable vesting and performance criteria are satisfied over the vesting period.

8. Discontinued operations

Half year ended 31 December 2013
Sand Queen Gold Mines Pty Ltd, a wholly owned subsidiary of Reed is classified as held-for-sale under *AASB 5 Non-current Assets Held for Sale and Discontinued Operations*.

The profit / (loss) for the period from the discontinued operations is analysed as follows:

	31 Dec 2013 $	31 Dec 2012 $
Revenue	598	870
Impairment of non-current assets	(1,714,082)	
Operating expenses	(6,139)	(26,606)
Loss before income tax	(1,719,623)	(25,736)
Income tax expense	-	-
Loss after income tax for the period	(1,719,623)	(25,736)

9. Deconsolidation of subsidiary

Deconsolidation of GMK Exploration Pty Ltd (GMK)

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

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

	16 Aug 2013 $
Net assets of GMK de-recognised on deconsolidation	(11,971,581)
Investment in subsidiary entity recognised on deconsolidation	1
Loan to subsidiary entity recognised on deconsolidation(i)	-
Loss on disposal	**(11,971,580)**

(i) The intercompany loan from Reed to GMK at the date of the appointment of the Administrators to GMK was $72,185,555. At the second creditors meeting of GMK, creditors resolved for GMK to enter into a Holding Deed of Company Arrangement to allow the Administrators further time to realise the assets of GMK in an orderly manner. Accordingly, Reed has elected to write down the entire carrying value of the loan to GMK as at 31 December 2013, as the sale of the GMK assets is yet to be finalised. Whilst the Administrator has indicated from the information available to them that a dividend is likely to be paid to creditors in the future, including to Reed, the timing and quantum of such a dividend is not able to be estimated at this time.

Reconciliation of GMK net assets de-recognised on deconsolidation:

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

10. Events subsequent to balance date

On 6 February 2014 Reed announced that it had accepted a binding cash offer for the conditional sale of its Subsidiary Sand Queen Gold Mines Pty Ltd (SQGM). SQGM holds Reed's Comet Vale Gold Project, located near Kalgoorlie. Under the transaction, Reed will receive a non-refundable deposit of $100,000 and $1 million on completion of the transfer of shares in SQGM, plus up to a further $900,000 in instalments. Completion of the sale and receipt of the $1 million payment is expected to occur in the March Quarter 2014.

11. Financial Instruments

The fair value of the Group's financial assets and liabilities are determined on the following basis.

Financial assets and financial liabilities that are measured at fair value on a recurring basis

Subsequent to initial recognition, at fair value financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observable. Levels are defined as follows:

(i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets of liabilities.

(ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included with level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 31 December 2013 the Group has no material financial assets and liabilities that are measured on a recurring basis.

Financial assets and financial liabilities that are not measured at fair value on a recurring basis (but where fair value disclosures are required)

At 31 December 2013 and 31 December 2012, the carrying amount of financial assets and financial liabilities for the Group is considered to approximate their fair values.