

**Reed Resources Ltd**

**099 116 631**

**Annual report for the financial year ended 30 June 2008**

## 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's corporate governance framework is consistent with the principles of good corporate governance and corresponding best practice recommendations as published by the ASX Corporate Governance Council except where noted to the contrary in this statement, with explanation given as to the reason for any non-conformance. Copies of the Company's policies, charter and corporate governance statement are available on the corporate governance section of the Company's website at [www.reedresources.com/](http://www.reedresources.com/).

The Company is committed to reviewing and amending its corporate governance policies as appropriate to reflect the activities and growth of the Company, current legislation and good governance practice. To this end subsequent to the year end the Company has adopted a comprehensive revitalised Charter wholly in line with ASX 2<sup>nd</sup> edition.

### **Principle 1: Lay solid foundations for management and oversight**

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*Recognise and publish the respective roles and responsibilities of board and management.*

**Recommendation 1.1:** Formalise and disclose the functions reserved to the board and those delegated to management.

#### **Role of the Board**

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.

The Company is committed to the circulation of relevant materials to directors in a timely manner to facilitate directors' participation in Board discussions on a fully informed basis.

## Principle 2: Structure the board to add value

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*Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.*

**Recommendation 2.1:** A majority of the board should be independent directors.

### Composition of the Board

The Company's Board has two non-executive and independent directors, and two executive directors including the chairman, all of whom held the position during the past year. One third of the directors are subject to retirement (subject to opportunity for re-election by shareholders in general meeting) by rotation at annual general meetings and in compliance with conditions as stipulated in the *Corporations Act*.

Election of Board members is substantially the province of the Company's shareholders in general meeting. However, subject thereto, the Company commits to the following principles:

- a Board comprising directors with a blend of skills, experience and attributes appropriate for the Company and its business; and
- the principal criterion for the appointment of new directors being their ability to add value to the Company and its business.

**Nature of departure:** The Board did not have a majority of independent directors during the year, however, The Board and its Nomination and Remuneration Committee appointed a non-executive Director subsequent to year end. Mr Steven Cole was appointed as Deputy Chairman on 24 July 2008.

**Explanation for departure:** Previously the Company was relatively small and its business operations were not sophisticated. The Board comprised only four directors. At the time the Board believed its current membership base to be sufficient to optimise the Company's performance in a cost efficient manner without the need for additional director input and associated cost. As previously foreshadowed with the growth of the Company's operations, it became desirable to appoint another non-executive and independent director.

**Recommendation 2.2:** The chairperson should be an independent director.

**Nature of departure:** 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 box 2.1 of the ASX Corporate Governance Council *Principles of Good Corporate Governance and Best Practice Recommendations*.

**Explanation for departure:** The Board considers that at present, the role of David Reed as executive chairperson of the company remains in the best interests of the company. David has a unique understanding of the Company's mining tenements and operations, as well as holding a unique profile in the Western Australian gold mining industry. Due to the present, relatively small nature of the Company's business operations, and the availability of David's services, cost benefit analysis weighs against the utility of an independent chairperson. The Board is mindful of the recommendation that the chairperson should be an independent director, and accordingly, the Board and its Nomination and Remuneration Committee sought fit to appoint an independent director subsequent to year end on 24 July 2008.

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

The roles of chairperson (David John Reed) and chief executive officer (Christopher John Reed) are not exercised by the same person.

**Recommendation 2.4:** The board should establish a nomination committee.

#### **Nomination and Remuneration Committee**

Since 13 June 2006, the Board adopted a Nomination and Remuneration Committee Charter, a copy of which is available on the Company's website. This combined Committee is responsible for overseeing the Company's remuneration and compensation plans, policies and practices on behalf of the Board and shareholders.

The Nomination component of the Committee assists the Board in fulfilling its responsibilities to shareholders with regard to:

- identifying the necessary and desirable competencies of Board members;
- assessing the extent to which the competencies are represented on the Board; and
- the selection and appointment process for directors.

In endeavouring to ensure that the Board has an appropriate mix of skills and experience, the committee will consider directors who have a demonstrated record of high levels of integrity and performance and improving shareholder returns, and who can apply those skills and experience to the benefit of the Company.

The Remuneration component of the Committee assists the Board in ensuring 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.

**Recommendation 2.5:** Provide the information set out in the Guide to reporting on Principle 2

#### **Directors' skills, experience and expertise**

*The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report.*

#### **David John Reed, OAM, FCPA, age 62**

**Position with Company:** Executive Chairman

**Term of Office:** Appointed 20 December 2001

**Independent:** No

**Company Board Committee Membership:** Nomination and Remuneration Committee

**Current External Directorships:** None

**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.

#### **Christopher John Reed, BComm, GradCertMinEcon, ASA, MAusIMM, age 35**

**Position with Company:** Managing Director/Chief Executive Officer/Secretary

**Term of Office:** Appointed 20 December 2001

**Independent:** No

**Company Board Committee Membership:** None

**Current External Directorships:** None

**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.

**Peter Lionel Fleury Collins, BSc(Hons), PhD, MAIG, age 58**

**Position with Company:** Non-Executive Director

**Term of Office:** Appointed 20 December 2001

**Independent:** Yes

**Company Board Committee Membership:** Nomination and Remuneration Committee

**Current External Directorships:** None

**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.

**Ian Courtney Junk, BEng (Hons), MAusIMM, age 40**

**Position with Company:** Non-Executive Director

**Term of Office:** Appointed 1 December 2003

**Independent:** Yes

**Company Board Committee Membership:** Nomination and Remuneration 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, LIb (Hons), FAICD, age 57**

**Position with Company:** Non-Executive Director

**Term of Office:** Appointed 24 July 2008

**Independent:** Yes

**Company Board Committee Membership:** Nomination and Remuneration Committee

**Current External Directorships:** Emerson Stewart Group Limited, Solco Limited (and Group subsidiaries), Sanmina-SCI Holdings Australia Pty Ltd and Sanmina-SCI Australia Pty Ltd, 2 Australian subsidiaries of Sanmina-SCI Systems Holdings Inc (USA), DGB Investment Funds Pty Ltd and Bilton Canning Pty Ltd

**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.

**Director independence**

*The names of the directors considered by the board to constitute independent directors and company's materiality thresholds.*

Directors are expected to bring independent views and judgement to the Board's deliberations. Since 13 June 2006, the Company has adopted a policy in regard to director independence substantially in accordance with the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations*, a copy of which is available on the Company website.

The directors considered by the Board to be independent are the non-executive directors, Ian Courtney Junk, Peter Lionel Fleury Collins and the recently appointed Deputy Chairman Steven Cole.

The Board assesses director independence at least on an annual basis, and otherwise when changing circumstances otherwise warrant, including, depending on disclosures from time to time made by individual directors. Directors are considered to be independent if they are independent of management, have no material business, dependency or other relationship with the Company that could materially impede their objectivity or independent judgement, and are thus able to exercise true independence

of mind in the interests of the Company. If the Board determines that a director's independent status is lost, it will immediately disclose this to the market.

#### **Independent Professional Advice**

A statement as to whether there is a procedure agreed by the board for directors to take independent professional advice at the expense of the company.

It is part of the corporate governance policies agreed to by the Board that in order to fulfill their responsibilities, and subject to the chairman's prior approval (not to be unreasonably withheld), directors, at the Company's expense, have the right to obtain independent professional advice on issues that may arise in the course of their duties.

#### **Term of Office of each Director**

The term of office held by each director in office at the date of the annual report.

<b>Director</b>	<b>Office Held</b>	<b>Term of Office Held</b>
David John Reed	Executive Chairman	since 20 December 2001
Christopher John Reed	Executive Director/Chief Executive Officer	since 20 December 2001
	Company Secretary	since 20 December 2001
Peter Lionel Fleury Collins	Non-executive Director	since 20 December 2001
Ian Courtney Junk	Non-executive Director	since 1 December 2003
Steven Cole	Non-executive Director/Deputy Chairman	Appointed 24 July 2008

#### **Nomination and Remuneration Committee**

The names of members of the nomination committee and their attendance at meetings of the committee.

The Nomination and Remuneration Committee met once during the 2007-2008 financial year. Attendance of each member was as follows:

<b>Director</b>	<b>No. of meetings attended</b>
David Reed - (Committee Chair) Executive Chairman	1/1
Peter Collins – Non-executive Director	1/1
Ian Junk – Non-executive Director	1/1

#### **Principle 3: Promote ethical and responsible decision-making**

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*Actively promote ethical and responsible decision-making.*

**Recommendation 3.1:** Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:

- 3.1.1 the practices necessary to maintain confidence in the company's integrity
- 3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

**Nature of departure:** The Board presently has not adopted a formal code of conduct.

**Explanation for departure:** The Board is committed to the establishment and maintenance of appropriate ethical standards to underpin the Company's operations and corporate practices. Having regard to the relatively small number of personnel engaged in the Company's operations, and the ability of the Board to intimately interact with those people to instil ethical standards, the utility of a formal code of conduct was, until recently, considered not to be essential. With the continued growth of the corporation and the appointment of Steven Cole to the Board, the company is developing a revitalised Corporate Governance Charter which will be reflective of the revised ASX Corporate Governance Council Recommendations (2008) and encompass a formal code of ethics and conduct for all directors, officers and employees of the company.

**Recommendation 3.2:** Disclose the policy concerning trading in company securities by directors, officers and employees.

#### Share trading policy

Since 13 June 2006, the Company has adopted a formal policy on the trading of its shares by its directors, officers and employees. The policy prohibits directors, officers and employees from engaging in short-term trading of any the Company's securities, or buying or selling the Company's shares, if they possess unpublished, price-sensitive information. In addition, directors and senior management must not buy or sell the Company's shares in the period between the end of the half or full financial year and the release of the results for the relevant period. Directors and senior management must also receive approval from the chairman, or company secretary, before buying or selling Company shares.

A copy of the Company's Share Trading Policy can be found in the corporate governance section of our website.

**Recommendation 3.3:** Provide the information indicated in Guide to reporting on Principle 3.

There is no further information to be provided.

#### **Principle 4: Safeguard integrity in financial reporting**

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*Have a structure to independently verify and safeguard the integrity of the company's financial reporting.*

**Recommendation 4.1:** Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational result and are in accordance with relevant accounting standards.

The chief executive officer provides such letters of assurance to the Board for each half-year and full-year results.

**Recommendation 4.2:** The board should establish an audit committee.

**Nature of departure:** The Board does not have a formal audit committee although it is in the process of establishing one in compliance with the comprehensive revitalised charter which has now been adopted by the Company subsequent to year end in line with ASX Corporate Governance Council Guidelines, Second Edition.

**Explanation for departure:** The Company presently does not have a separately constituted audit committee as it is not presently of a size, or its affairs of such complexity, to warrant such a committee. All matters capable of delegation to such a committee are presently dealt with by the full Board. The Board as a whole will investigate and recommend candidates for appointment as external auditors of the Company and from time to time will review the scope, performance and fees of its external auditors to ensure the appropriate processes are in place to support the Board in fulfilling responsibilities relating to:

- reporting of financial information to users of financial reports;
- application of accounting policies;
- financial management; and
- internal financial control systems.

**Recommendation 4.3:** Structure the audit committee so that it consists of:

- only non-executive directors
- a majority of independent directors

## Reed Resources Ltd

### Corporate governance statement

- an independent chairperson, who is not chairperson of the board
- at least three members

**Notice of departure:** The Board does not have a formal audit committee.

**Explanation for departure:** See explanation in recommendation 4.2 above.

**Recommendation 4.4:** The audit committee should have a formal charter.

**Notice of departure:** The board does not have a formal audit committee.

**Explanation for departure:** See explanation in recommendation 4.2 above.

**Recommendation 4.5:** Provide the information indicated in Guide to reporting on Principle 4.

### Qualifications of Audit Committee Members

*Details of the names and qualifications of those appointed to the audit committee, or, where an audit committee has not been formed, those who fulfil the functions of an audit committee.*

The people, and their qualifications, who fulfil the functions of an audit committee are as follows:

Member	Qualifications
David John Reed - Executive Chairman	Diploma in Accounting, Fellow CPA
Christopher John Reed – Chief Executive Officer	BComm, Graduate Certificate Mineral Economics
Peter Lionel Fleury Collins – Non-executive Director	BSc (Hons), PhD (Geology)
Ian Courtney Junk – Non-executive Director	BEng (Hons)

### Audit Committee

*The number of meetings of the audit committee and the names of the attendees.*

Although no formal audit committee has been established, there were 2 meetings of the full Board at which functions commonly dealt with by an audit committee were addressed during the 2007-2008 financial year. Attendance of each Board member at those meetings is as follows:

Director	No. of meetings attended
David Reed - (Committee Chair) Executive Chairman	2/2
Christopher Reed – Chief Executive Officer	2/2
Peter Collins – Non-executive Director	2/2
Ian Junk – Non-executive Director	2/2

The Company's new Corporate Governance charter requires a formal audit committee, which will be appointed during the course of the next financial year.

## Principle 5: Make timely and balanced disclosure

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*Promote timely and balanced disclosure of all material matters concerning the company.*

**Recommendation 5.1:** Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.

### Disclosure policy

The Company is committed to providing best practice continuous disclosure and, therefore, has comprehensive policies and procedures designed to ensure compliance with continuous and periodic disclosure obligations under the Corporations Act and the ASX Listing Rules. Since 13 June 2006, the Board has adopted a formal Continuous Disclosure Policy, a copy of which is available on the Company's website.

Continuous disclosure is included as an agenda item at all meetings of the Board. Any issue that arises which may need to be disclosed is to be immediately reported to the disclosure officer, which is Mr Christopher Reed as Company Secretary. The disclosure officer has primary responsibility for administration the Company's disclosure policy. While the disclosure officer is responsible for administering this policy, only the Chairman can authorise the release of any statement to the market.

All information disclosed to the ASX is posted on the Company's web-site immediately after it is disclosed to the ASX. The Company makes all market announcements, media briefings, details of shareholders meetings, press releases and financial reports available on the Company's web-site.

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

There is no further information to be provided.

## Principle 6: Respect the rights of shareholders

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*Respect the rights of shareholders and facilitate the effective exercise of those rights*

**Recommendation 6.1:** Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.

### Shareholder communication

The Company places considerable importance on timely and effective communication with our shareholders and the market.

We use internet-based information systems to improve communication with our shareholders and the investment community. Examples include electronic posting of company announcements on our website (usually within one hour of lodgement with the ASX), and notifying our shareholders of ASX announcements and Company-related news and updates via email.

**Recommendation 6.2:** Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The company's external auditor, Deloitte, attends all annual general meetings and is available to answer shareholder questions.

## **Principle 7: Recognise and manage risk**

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*Establish a sound system of risk oversight and management and internal control*

**Recommendation 7.1:** The board or appropriate board committee should establish policies on risk oversight and management.

### **Identification and Management of Risk**

The Company and Board recognize the importance of identifying and controlling risks to ensure that they do not have a negative impact on the Company. On 13 June 2006 the Board formally adopted a Risk Management Policy which sets out a policy framework for establishing a system of risk oversight, management and internal control in order to identify, assess, monitor and manage risk. It is anticipated that internal initiatives will be monitored, implemented and managed under these developing initiatives from time to time.

The Board as a whole is responsible for efficient and effective risk assessment and risk management. Management of risks will be discussed by the Board at periodic strategic planning meetings. In addition, key operational risks and their management, will be recurring items for deliberation at Board Meetings.

**Recommendation 7.2:** The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing that:

- 7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board
- 7.2.2 the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The chief executive officer discharging his combined function of chief executive officer and chief financial officer provides such written assurance to the Board.

**Recommendation 7.3:** Provide the information in Guide to reporting on Principle 7.

### **Risk Management Policy**

*Description of the company's risk management policy and internal compliance and control system.*

The following sets forth the key areas of risk management perceived to be relevant to the Company and which is anticipated will be embraced within the policy framework now committed to in the terms of the Risk Management Policy adopted on 15 June 2006.

The risk profile of the Company includes both financial and non-financial factors. In addressing the Company's risk management policy and internal compliance and control systems, the Board receives and considers reports, presentations and representations from senior management, and key executives which are used in the process of identifying, monitoring and managing material risks. The Board considers whether there are any failures of risk management, internal control or compliance matters and assesses the impact of identified risks on the Company.

The risk profile of the Company includes risk management initiatives for mitigation of risks that may negatively impact on the Company's goals and objectives. Risk factors identified include \$US/\$AUD currency movements, fuel pricing, gold commodity prices, occupational and environmental issues, and operational and management efficiency.

The company's aim is to mitigate or manage these risk through a range of risk initiatives that include retaining competent management and staff, maintaining an experienced and multi-discipline board that can work effectively together, a tenement portfolio that includes a range of active exploration and development stage projects, financial and internal audits, and continued development and commitment to corporate governance practices.

Since 13 June 2006, the Board has adopted a high-level Risk Management Policy which was applied in the 2007-2008 financial year. It is anticipated that this policy will be developed further during the course of the 2008-2009 financial year with the review of the Corporate Governance Charter.

A copy of the company's present Risk Management Policy, which is subject to the Board's periodic review, is available on the Company's website.

#### **Principle 8: Encourage enhanced performance**

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*Fairly review and actively encourage enhanced board and management effectiveness*

**Recommendation 8.1:** Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.

#### **Board and board committee performance evaluation**

Each year the directors evaluate both the collective performance of the Board and that of individual members. Similarly, a process of annual performance evaluation is conducted for the Board committees.

Following the creation of a separate Nomination and Remuneration Committee and Charter on 13 June 2006, the Committee is responsible for assessing that the framework and the process used for conducting evaluations are appropriate and for making recommendations to the Board in relation to the performance of the chief executive officer and other key executives.

#### **Principle 9: Remunerate fairly and responsibly**

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*Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined.*

**Recommendation 9.1:** Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.

#### **Directors' Remuneration Arrangements**

The remuneration of an executive director will be decided by the Nomination and Remuneration Committee.

The maximum aggregate 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.

Director remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions of each non-executive director. The Board may award additional remuneration to non-executive directors called upon to perform extra services or make special exertions on behalf of the Company.

The Company's 2008 remuneration report is located on page 19 of the 2008 Annual Report.

**Recommendation 9.2:** The board should establish a remuneration committee.

The Board has a Nomination and Remuneration Committee, as outlined in recommendation 2.4 above.

**Recommendation 9.3:** Clearly distinguish the structure of non-executive directors' remuneration from that of executives.

**Nature of departure:** In addition to their directors' emoluments, the company's Non-executive Directors are eligible to receive options under the company's long-term incentive plan, which approach is not in compliance with the guidelines for non-executive director remuneration as outlined in box 9.3 of the ASX Corporate Governance Council *Principles of Good Corporate Governance and Best Practice Recommendations*.

**Explanation for departure:** All non-executive directors are remunerated by way of annual fees which are set out in the Remuneration Report of the 2008 Annual Report, the maximum aggregate level of which fees has been approved by shareholders in general meeting. However, in order to attract and maintain high-calibre, non-executive directors, the Board, in recognition of each of the non-executive directors contribution to the Company's progress to date, and to further incentivise their ongoing performance consider it appropriate to offer options to acquire fully paid ordinary shares from time to time with the approval of the shareholders at the Annual General Meeting. Details of these proposed options are further set out in the 2008 Annual Report.

**Recommendation 9.4:** Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.

At the 2006 Annual General Meeting, approval was granted for the remuneration arrangements of both executive and non-executive directors and, the issue to the chief executive officer of 1,000,000 new options to acquire fully paid ordinary shares of the Company, as part of the company's long-term incentive plan. Further details of these options and all executive and non-executive directors are provided in 2008 Annual Report. The Remuneration Report will also be tabled at the 2008 Annual General meeting for adoption by the Company.

**Recommendation 9.5:** Provide the information indicated in the Guide to reporting on Principle 9.

#### **Remuneration Policy Disclosure**

*Disclose the company's remuneration policies referred to in best practice recommendations 9.1 and box 9.1.*

The Nomination and Remuneration Committee is responsible for setting the Company's remuneration policy. In determining such policy remuneration, the Committee is mandated to take into account all factors which it deems necessary to ensure that members of the executive management of the Company are motivated to pursue the long-term growth and success of the Company within an appropriate control framework so that there is a clear relationship between key executive performance and remuneration.

Further information is provided in the Remuneration Report on page 19 of the Annual Report.

#### **Remuneration Committee**

*The names of members of the remuneration committee and their attendance at meetings of the committee.*

See Recommendation 2.5 above.

#### **Retirement and other statutory superannuation schemes for Non-executive Directors**

*The existence and terms of any schemes for retirement benefits, other than statutory superannuation, for non-executive directors.*

The Company does not provide any scheme for retirement or other benefits to non-executive directors other than statutory superannuation.

**Principle 10: Recognise the legitimate interests of stakeholders**

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*Recognise legal and other obligations to all legitimate stakeholders*

**Recommendation 10.1:** Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.

**Nature of departure:** The Company presently has not adopted a formal code of conduct.

**Explanation for departure:** The Board is committed to the establishment and maintenance of appropriate ethical standards to underpin the Company's operations and corporate practices including obligations to external stakeholders. With the continued growth of the corporation and the appointment of Steven Cole to the Board, the company is developing a revitalised Corporate Governance Charter which will be reflective of the revised ASX Corporate Governance Council Recommendations (2008) and encompass, a formal code of ethics and conduct for all directors, officers and employees of the company which will also cover obligations to all legitimate stakeholders.

## Directors' report

The directors of Reed Resources Ltd submit herewith the annual financial report of the company for the financial year ended 30 June 2008. 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:

<b>Name</b>	<b>Particulars</b>
David John Reed	<p>Executive Chairman</p> <p><b>Term of Office:</b> Appointed 20 December 2001</p> <p><b>Company Board Committee Membership:</b> Nomination and Remuneration Committee</p> <p><b>Current External Directorships:</b> None</p> <p><b>Skills, Experience and Expertise:</b> 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><b>BComm, GradCertMinEcon, ASA, MAusIMM</b></p> <p><b>Term of Office:</b> Appointed 20 December 2001</p> <p><b>Current External Directorships:</b> None</p> <p><b>Skills, Experience and Expertise:</b> 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><b>Term of Office:</b> Appointed 20 December 2001</p> <p><b>Company Board Committee Membership:</b> Nomination and Remuneration Committee</p> <p><b>Current External Directorships:</b> None</p> <p><b>Skills, Experience and Expertise:</b> 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	<p>Non-executive Director</p> <p><b>Term of Office:</b> Appointed 1 December 2003</p> <p><b>Company Board Committee Membership:</b> Nomination and Remuneration Committee</p> <p><b>Current External Directorships:</b> CBR-TSX, BMC-TSX, Committee Bay Resources, Brilliant Mining Corp</p> <p><b>Skills, Experience and Expertise:</b> 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 &amp; 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.</p>

Steven Cole

Non-executive Director

**Term of Office:** Appointed 24 July 2008

**Company Board Committee Membership:** Nomination and Remuneration Committee

**Current External Directorships:** Emerson Stewart Group Limited, Solco Limited (and Group subsidiaries), Sanmina-SCI Holdings Australia Pty Ltd and Sanmina-SCI Australia Pty Ltd, 2 Australian subsidiaries of Sanmina-SCI Systems Holdings Inc (USA), DGB Investment Funds Pty Ltd and Bilton Canning Pty Ltd

**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.

### 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 \$3,179,303.

Reed Resources Ltd raised \$16,250,000 from the issue of 25,000,000 ordinary fully-paid shares at 65 cents per share on 7 December 2007. Reed Resources Ltd raised \$11,999,999 from the issue of 13,333,333 ordinary fully-paid shares at 90 cents per share on 13 June 2008. The company has invested \$10,297,207 in capitalised exploration expenditure and development costs in the year ended 30 June 2008.

### BARRAMBIE VANADIUM PROJECT (100% Reed)

During the year, the Company progressed the Definitive Feasibility Study (DFS) aimed at establishing Barrambie as the world's most technologically advanced vanadium mine and processing plant, thereby maximising the sustainable competitive advantages generated by being the highest grade resource in Australia.

#### Project management

Mr William John Crossley was appointed as project manager. Mr Crossley has over 30 years experience in development, operation, management and administration of mines and mining companies. Recently Mr Crossley was General Manager–Nickel for Consolidated Minerals. The study team comprises Sinclair Knight Merz ("SKM") (study management and controls, engineering and infrastructure), Snowden Group (resource and mining studies), METS (process design and review), Aquaterra (water, environmental studies and approvals) with geological and field support by Reed Resources.

#### Mineral Resource Estimate

A total of 395 RC drill holes were completed in the year for a total of 27,962 metres of drilling; 154 RC holes were drilled in preparation for the re-estimation of mineral resources and mine planning purposes in May 2008. The assay results confirm the exceptional tenor of the vanadiferous magnetite-ilmenite mineralisation. The average grade of all high-grade intercepts (assays greater than 0.6% V<sub>2</sub>O<sub>5</sub> continuous within each intercept) is 0.90 % V<sub>2</sub>O<sub>5</sub> for the Central Bands and 0.80 % V<sub>2</sub>O<sub>5</sub> for the Eastern Band. Drilling has confirmed continuity of the thick massive Eastern Band and numerous narrow massive bands making up the Central Bands.

Snowden Mining Industry Consultants ("Snowden") completed an initial Mineral Resource estimate for the Barrambie deposit. The Mineral Resource has been estimated over a strike length of 5 km between 7535 mN and 12600 mN (local grid). This is equivalent to about 40% of the interpreted total strike length of about 11 km of vanadiferous-titaniferous magnetite mineralisation within Mining Lease M57/173.

The total Indicated and Inferred Mineral Resource is estimated at 36.3 Mt at 0.82% V<sub>2</sub>O<sub>5</sub>, 17.7% TiO<sub>2</sub> and 49.2% Fe<sub>2</sub>O<sub>3</sub> at a block cut-off grade of 0.5% V<sub>2</sub>O<sub>5</sub>. This cut-off grade appears to best represent the higher grade massive magnetite bands that will be the target for any selective mining of the deposit. This is also the highest resource grade of any of the major vanadiferous magnetite deposits in Western Australia.

Drill holes in the southern 2 km of strike length, referred to as the Gulf area, are not sufficiently close-spaced for much of this area to be included in the resource estimate. The deposit remains open to the north and south, and at depth.

### **Northern Strike Extension and Infill Drilling**

A 25,000 metre reverse circulation drilling program commenced at Barrambie on the 20<sup>th</sup> May 2008 with the objective of extending the resource for a further 6 kilometres from 12000 mN to 18000 mN (local grid). The additional drilling is expected to contribute to a substantial increase in Mineral Resources. At 30 June 2008, 241 RC holes for 17,028 metres had been completed.

A second phase of diamond drilling commenced in July 2008. The diamond drilling program is taking place throughout the deposit to provide additional geotechnical data for pit wall design and additional metallurgical samples.

### **Beneficiation Test work**

A total of 13 PQ3 diamond drill holes were completed in the year for a total of 917 metres of drilling to provide samples for metallurgical test work. Holes were drilled to the base of oxidation (70 metres approximately) to provide representative bulk samples from a range of depths within both the Central and Eastern Bands.

Process flow sheets have been finalised with a relatively high level of confidence based on laboratory scale and pilot plant metallurgical test work performed at a number of laboratories in Perth and overseas, all under the supervision and direction of SKM.

Trends identified from the metallurgical variability test work have assisted in predicting the optimal treatment routes and recoveries for the resource. This test work has resulted in a conservatively designed beneficiation plant that will enable a high level of metallurgical flexibility in the operation of the plant, particularly during start up and in the early years of the operation when the majority of the ore feed is expected to come from the Central oxide ore zone.

### **Roast Pilot Plant Test Work**

Results from the pilot roast test work performed in Germany in early 2008 indicate that satisfactory levels of vanadium recovery of approximately 90% could be achieved by roasting Central zone concentrate in the presence of sodium carbonate at a temperature of 1200 degrees centigrade.

### **Expansion to produce Ferrovandium**

In May 2008 the Company announced the addition of a Ferrovandium circuit to the Definitive Feasibility Study. The conversion of vanadium pentoxide (V<sub>2</sub>O<sub>5</sub>) (9,000 tpa) to ferrovandium (FeV80) (6,300 tpa) as the final product, will add significant value to the product stream, as ferrovandium achieves a significant price premium over vanadium pentoxide.

### **Marketing**

The counterparty to the Sales and Marketing Agreement has agreed to extend the date for DFS completion as a condition precedent, to 15 August 2008. The price of ferrovandium at 30 June 2008 was US80/kg of contained vanadium.

## **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 three parcels of ore were treated in the year for 2,042 ounces (RDR share). The Sand George lodes are being developed on both the 2 and 3 Levels, utilising the Sand Queen Main Shaft for access, with most ore production from stopes on the 3 Level.

**Table 1** Gold Production Statistics

	<b>Oct 07</b>	<b>Feb 08</b>	<b>May 08</b>	<b>Weighted Average/Total</b>
Ore g/t Au	7.87	10.66	10.85	
Development g/t Au	4.56	2.45	3.3	
Ounces Au (RDR share)	734	608	700	2,042
Cash Cost A\$/oz	498	311	398	408
Sale Price A\$/oz	830	1011	964	930

The average cash cost per ounce was A\$408, and the average price received was A\$930. "Cash costs" include all expenditures by Reed, directly incurred on mining and milling, plus overheads and royalties. The cash cost is expected to decrease as the proportion of stope ore to development ore increases as mining of the Sand George lodes reaches a more advanced stage.

The next milling campaign is scheduled for July 2008. The tonnage milled in each campaign is expected to increase as mining of the Sand George lodes increases to full production.

**MOUNT FINNERTY PROJECT**  
(100% Reed, Portman 80% Fe rights, Western Areas earning 65% Ni rights)

**Mount Finnerty Iron Ore Joint Venture**

During the year Portman Iron Ore Limited completed twenty-one holes of RC drilling for 1,560 m at the FIN9, 10 and 11 prospects. This target consists of goethite-hematite enriched iron formation over a strike length of 700 metres and up to 30 metres wide. Previous surface sampling returned values up to 65 % Fe. Portman is targeting deposits of 5-10 Mt of iron ore within trucking distance of its 8 Mtpa Koolyanobbing operation.

At FIN10 mineralisation was intersected on two drill traverses, which are located about 90 metres apart. Mineralisation appears to reach ore grades (i.e., >58% Fe) as massive hematite-goethite within a variably mineralised envelope of banded iron formation (BIF). The mineralisation is open at depth and along strike to the north where the outcrop continues for over 100m before disappearing beneath cover.

Results interpreted from logging were varied, FIN 9 was planned on an area that had shown significant results during a previous drill program (21, 12 & 10m @ 60% Fe)(Figure 3), but drilling did not intersect any obvious extensions to known mineralisation. FIN 11 tested for a southern extension of possible mineralization at FIN 9. With the exception of one hole with minor evident ore grade interceptions, there was no significant iron mineralization obvious in drilling.

**Table 2** RC drill hole intercepts of iron-enriched BIF at FIN10 prospect.

Hole ID	From (m)	To (m)	Intercept (m)	Fe %	SiO2 %	Al2O3 %	P %	LOI %
MFRC036	50	61	11	61.42	4.44	1.87	0.059	5.44
MFRC037	13	25	12	62.67	2.09	2.26	0.060	5.60
MFRC038	20	30	10	60.45	3.63	2.98	0.061	6.64

An extensive program of Rotary Air Blast (RAB) and Air Core drilling confirmed the presence of detrital and channel iron enrichment within broad palaeochannel systems as interpreted from aeromagnetic data and satellite imagery. Some drill holes in the program also tested the potential for concealed primary banded iron formation (BIF)-hosted iron ore deposits. A total of 240 holes with an accumulated length of 4,619 metres were drilled during November, 2007. Beneficiation test work commenced on composite samples from the Jaurdi secondary-enriched palaeochannel.

**Western Areas Nickel Farm-In**

During the year Western Areas continued exploration for nickel sulphide mineralisation associated with two ultramafic sequences along the western flanks of the greenstone belt.

Geological mapping, RAB drilling and re-interpretation of aeromagnetic survey data has confirmed the presence of a coherent sequence of spinifex-textured komatiitic ultramafic flows along the western flank of the greenstone belt.

Drilling and soil sampling programmes targeted geochemical anomalies that are coincident with the basal contact of the ultramafic rocks. A total of 126 RAB holes with an accumulated length of 3,956 metres were drilled during October-November, 2007.

The best nickel assays from the RAB drilling program are from holes MFR064 and MFR065 (results reported in the March Quarterly activities report). The anomalous intervals are confined to weathered clay zones and have confirmed the NITON Ni results with no significant Cu values and weakly anomalous PGE's and minor Au. Four lines of follow-up IP survey was undertaken to test for the presence of possible low level sulphides, as indicated on the attached plan. No significant IP responses were defined over the target zones but two moderate IP anomalies were located on the western edge of the greenstone belt on or near its contact with adjacent granite. The source of these responses is not known at this time.

**OTHER PROJECTS**  
(100% Reed)

During the year the Company was granted an exploration licence (E69/2293) over an area along the northern contact (~35 km) of the Bell Rock Range intrusion, in the West Musgrave region of WA. The Bell Rock Range project is within the western part of the Proterozoic Musgrave Province in central Australia. It is highly prospective for several commodities, particularly Ni-Cu sulphide and PGE mineralisation. The company is currently negotiating agreements for access within the exploration licence. Once this is finalised, initial exploration is scheduled to include ground reconnaissance geological mapping and sampling and airborne geophysical surveys.

## **CORPORATE**

### **Placements**

During the year the Company raised A\$16.25 million via a placement of 25 million new shares at A\$0.65 per share. The placement will be subject to shareholder approval at the Company's Annual General Meeting held on 25 November, 2008. The Company is pleased to report that the placement was significantly oversubscribed and was corner-stoned by major existing UK institutional shareholder RAB Capital plc. The placement was arranged by Transocean Securities Pty Ltd.

The Company also raised A\$12.00 Million via a placement of 13.33 Million shares at A\$0.90 per share to a syndicate led by Nicholas Curtis. The syndicate will look to assist Reed in the advancement of the Barrambie project including investigating a number of strategies related to the financing and further development of the project. The placement was arranged by Transocean Securities Pty Ltd and Paterson Securities Ltd.

### **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

### **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 24 July 2008, the Company appointed Steven Cole to the position of Deputy Chairman.

On 4 August 2008, the Company released an update on the Barrambie DFS, Snowden's evaluation of the indicated resources identified a recoverable inventory within an optimised pit design which is significantly higher than that anticipated. As a result the roasting /refinery circuit of the process plant will be redesigned to accommodate the increased output associated with the increased grade of mineral inventory.

On 29 August the Company expanded its landholdings around its Barrambie Vanadium Deposit through the acquisition of Australian Vanadium Corporation Pty Ltd, a subsidiary of Prime Minerals Limited. Australian Vanadium Corporation Pty Ltd holds two Exploration Licence applications, E57/742 and E57/743, which encompass an additional 14km of strike extensions of magnetic formations within the Barrambie Intrusive Complex.

#### Summary of Agreement:

- \$1m cash;
- 2 million Ordinary Shares in Reed Resources Ltd;
- 2% Net Smelter Royalty of production from within the relevant tenement area; and
- Original Vendor free carried to 20% until completion of Bankable Feasibility Study.

On 24 September 2008 Kingsrose Mining Ltd advised that they may not achieve the 25,000oz production milestone by 31 May 2009 to continue participating in the joint venture as per the deed of consent assumption and variation dated 8 October 2007. Kingsrose Mining Ltd have indicated that they wish to commence discussions to renegotiate joint venture terms. Accordingly the directors of the Company are considering the request.

### **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. During the year two incidents occurred at the Sand Queen Gold Mine at Comet Vale. The incidents related to the spillage of saline water from the ongoing dewatering of the underground workings. The Department of Environment and Conservation advised in August 2008 that the alleged breaches will result in a formal letter of warning.

### **Dividends**

In respect of the financial year ended 30 June 2008, the company has not paid an interim dividend and no final dividend is recommended. In respect of the financial year ended 2007, 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 2,300,000 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	1,000,000	Reed Resources Ltd	1,000,000
William John Crossley	500,000	Reed Resources Ltd	500,000
David Potter	400,000	Reed Resources Ltd	400,000
Claudio Sheriff-Zegers	300,000	Reed Resources Ltd	300,000
Simon Hicks	100,000	Reed Resources Ltd	100,000

### 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:

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Reed Resources Ltd	2,000,000	Ordinary	\$0.35	31/12/2008
Reed Resources Ltd	1,000,000	Ordinary	\$0.50	1/7/2010
Reed Resources Ltd	2,700,000	Ordinary	\$0.75	30/12/2011
Reed Resources Ltd	2,300,000	Ordinary	\$0.85	31/12/2012

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.

### 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, 7 board meetings, 1 nomination and remuneration committee meetings and 2 audit committee meetings were held.

Directors	Board of directors		Nomination & remuneration committee		Audit committee	
	Held	Attended	Held	Attended	Held	Attended
David Reed	7	7	1	1	2	2
Christopher Reed	7	7	1	-	2	2
Peter Collins	7	7	1	1	2	2
Ian Junk	7	7	1	1	2	2

### 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 the date of this report.

Directors	Fully paid ordinary shares Number	Share options Number
David Reed	20,239,715	-
Christopher Reed	1,823,800	4,000,000
Peter Collins	285,705	1,000,000
Ian Junk	735,700	750,000
Steven Cole	1,900	-

## **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/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:

- Christopher Reed - Managing Director/Chief Executive Officer/Company Secretary
- William John Crossley - Project Manager Barrambie (appointed 26 November 2007)
- David Potter - Manager – Head Geologist
- David Reed - Executive Chairman
- Claudio Sheriff - Zegers – Geologist

Unless otherwise disclosed, the Key Management Personnel held their position from 1 July 2007 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 of 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 Officers of the Company are employed under Employment Agreements which have been in existence since April 2002. The Service Agreements are all identical in their contents and only differ in 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. No other payments are payable on termination. The level of remuneration 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. 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.

The Company is currently 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 earnings 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:

- Short-term benefits – salary, superannuation and non-monetary benefits including the provision a motor vehicle;
- 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 2008:

	30 June 2008	30 June 2007	30 June 2006	30 June 2005	30 June 2004
	\$	\$	\$	\$	\$
Revenue	1,972,498	402,864	257,348	-	-
Net loss before tax	(4,439,216)	(3,005,087)	(1,530,129)	(167,263)	(766,984)
Net loss after tax	(3,179,303)	(2,423,092)	(986,182)	(655,900)	(766,984)
Share price at start of year	0.46	0.52	0.22	0.24	0.18
Share price at end of year	1.03	0.46	0.52	0.22	0.24
Market capitalisation at year end (undiluted)	139,513,500	45,112,750	42,052,500	15,400,000	14,880,000
Basic earnings per share	(2.83)	(2.93)	(1.33)	(1.06)	(1.50)
Diluted earnings per share	(2.83)	(2.93)	(1.33)	(1.06)	(1.50)
Dividends Paid	Nil	Nil	Nil	Nil	Nil

Note:

The group adopted the Australian equivalents to International Financial Reporting Standards with effect from 1 July 2005, which resulted in various changes to its accounting policies from that date. The results for the year ended 30 June 2005 have been restated to comply with AIFRS, except for AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* (the Group applied the exemption available under AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards* from having to apply AASB 132 and AASB 139 to comparative periods).

#### 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	Other long-term employee benefits*	Share-based payment	Total	% consisting of options
	Salary & fees	Bonus	Non-monetary	Other	Superannuation		Options & rights		
2008	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Directors:</b>									
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	-
<b>Executives:</b>									
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
<b>Total</b>	<b>747,165</b>	<b>-</b>	<b>11,233</b>	<b>24,987</b>	<b>110,534</b>	<b>-</b>	<b>484,000</b>	<b>1,377,919</b>	<b>35.13</b>

**Reed Resources Ltd**  
Directors' report

2007	Short-term employee benefits				Post-employment benefits	Other long-term employee benefits*	Share-based payment	Total	% consisting of options
	Salary & fees	Bonus	Non-monetary	Other	Super-annuation		Options & rights		
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Directors:</b>									
David Reed	100,000	-	-	-	9,000	-	-	109,000	0.00
Christopher Reed	156,494	-	-	-	14,084	-	190,000	360,578	52.69
Peter Collins	40,000	-	-	-	3,600	-	95,000	138,600	68.54
Ian Junk	16,667	-	-	-	27,399	-	95,000	139,066	68.31
<b>Executives:</b>									
David Potter	120,000	-	-	-	10,800	-	95,000	225,800	42.07
Claudio Sheriff-Zegers	75,000	-	-	-	6,750	-	38,000	119,750	31.73
<b>Total</b>	<b>508,161</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>71,633</b>	<b>-</b>	<b>513,000</b>	<b>1,092,794</b>	<b>46.94</b>

\* no long service leave has been provided.

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 14 September 2007	800,000	14/9/2007	30/12/2012	\$0.85	\$0.22
Issued 28 November 2007	1,500,000	28/11/2007	30/12/2012	\$0.85	\$0.22

The weighted average fair value of the share options granted during the financial year is \$0.22 (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. One million and six hundred thousand were exercisable at any time on or before 31 December 2012, three hundred and fifty thousand were exercisable after 14 September 2008 and three hundred and fifty thousand were exercisable after 14 March 2009.

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	
David Potter	Issued 14 September 2007	400,000	400,000	100	-	37.00
Claudio Sheriff-Zegers	Issued 14 September 2007	300,000	300,000	100	-	42.33
Christopher Reed	Issued 28 November 2007	1,000,000	1,000,000	100	-	48.28
William J Crossley	Issued 28 November 2007	500,000	500,000	100	-	35.80

Options vested on grant date with no further requirements for vesting. No amounts were payable in relation to options vesting.

### 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 at the date of lapse \$	Total \$
<b>Directors:</b>				
David Reed	-	-	-	-
Christopher Reed	220,000	-	-	220,000
Peter Collins	-	-	-	-
Ian Junk	-	-	-	-
<b>Executives:</b>				
William J Crossley	110,000	-	-	110,000
David Potter	88,000	-	-	88,000
Claudio Sheriff - Zegers	66,000	-	-	66,000
Simon Hicks	22,000	-	-	22,000

- (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.
- (iii) Options were issued during the financial year ended 30 June 2008 to directors and executives had an exercise price of \$0.85 exercisable at any time on or before 31 December 2012.

### 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 23 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, 26 September 2008

Board of Directors  
Reed Resources Ltd  
97 Outram Street  
West Perth WA 6000

26 September 2008

Dear Board Members

**Reed Resources Ltd**

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

As lead audit partner for the audit of the consolidated financial statements of Reed Resources Ltd for the financial year ended 30 June 2008, 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 Limited**

We have audited the accompanying financial report of Reed Resources Limited, which comprises the balance sheet as at 30 June 2008, 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 26 to 59.

### *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.

# Deloitte.

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 Limited 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 2008 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 19 to 22 of the directors' report for the year ended 30 June 2008. 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 Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.



**DELOITTE TOUCHE TOHMATSU**



Mark Gover  
Partner  
Chartered Accountants  
Perth, 26 September 2008

## 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



Christopher Reed  
Director  
West Perth, WA, 26 September 2008

**Income statement  
for the financial year ended 30 June 2008**

	Note	Consolidated		Company	
		2008 \$	2007 \$	2008 \$	2007 \$
Revenue	4	1,972,498	402,864	1,972,498	402,864
Cost of sales	4	(1,401,622)	(310,951)	(1,401,622)	(310,951)
<b>Gross profit</b>		570,876	91,913	570,876	91,913
Other income	4	483,175	91,584	482,867	91,584
Employment expenses		(1,707,516)	(1,143,482)	(1,707,516)	(1,143,482)
Occupancy expenses		(177,764)	(108,702)	(177,764)	(108,702)
Administration expenses		(1,390,775)	(788,790)	(1,385,124)	(788,790)
Finance costs		(155,761)	(30,218)	(516)	(30,218)
Impairment of exploration assets	12	(2,061,451)	(1,055,650)	(1,621,438)	(613,181)
Other expenses		-	(61,742)	-	(61,742)
<b>Loss before income tax</b>		(4,439,216)	(3,005,087)	(3,838,615)	(2,562,618)
Income tax benefit	5	1,259,913	581,995	961,304	686,110
<b>Loss for the year</b>		(3,179,303)	(2,423,092)	(2,877,311)	(1,876,508)
<b>Loss per share</b>					
Basic (cents per share)	17	(2.83)	(2.93)		
Diluted (cents per share)	17	(2.83)	(2.93)		

Notes to the financial statements are included on pages 31 to 59.

**Balance sheet  
as at 30 June 2008**

	Note	Consolidated		Company	
		2008 \$	2007 \$	2008 \$	2007 \$
<b>Current assets</b>					
Cash and cash equivalents	26	19,973,009	4,378,926	19,890,909	4,378,926
Trade and other receivables	9	487,504	290,319	487,363	290,319
Current tax assets	5	323,535	87,491	323,535	87,491
<b>Total current assets</b>		<b>20,784,048</b>	<b>4,756,736</b>	<b>20,701,807</b>	<b>4,756,736</b>
<b>Non-current assets</b>					
Exploration & development expenditure	12	20,445,485	12,378,338	19,498,550	11,047,862
Other financial assets	10	-	-	621,579	621,578
Property, plant and equipment	11	323,799	299,080	323,799	299,080
Trade and other receivables	9	-	-	1,434,255	1,194,500
Deferred tax assets	5	4,018,207	1,847,621	3,694,500	1,822,523
<b>Total non-current assets</b>		<b>24,787,491</b>	<b>14,525,039</b>	<b>25,572,683</b>	<b>14,985,543</b>
<b>Total assets</b>		<b>45,571,539</b>	<b>19,281,775</b>	<b>46,274,490</b>	<b>19,742,279</b>
<b>Current liabilities</b>					
Trade and other payables	13	1,984,559	815,134	1,925,014	815,134
Borrowings	20	16,964	15,625	16,964	15,625
<b>Total current liabilities</b>		<b>2,001,523</b>	<b>830,759</b>	<b>1,941,978</b>	<b>830,759</b>
<b>Non-current liabilities</b>					
Borrowings	20	9,020	25,985	9,020	25,985
<b>Total non-current liabilities</b>		<b>9,020</b>	<b>25,985</b>	<b>9,020</b>	<b>25,985</b>
<b>Total liabilities</b>		<b>2,010,543</b>	<b>856,744</b>	<b>1,950,998</b>	<b>856,744</b>
<b>Net assets</b>		<b>43,560,996</b>	<b>18,425,031</b>	<b>44,323,492</b>	<b>18,885,535</b>
<b>Equity</b>					
Issued capital	14	48,881,004	22,728,236	48,881,004	22,728,236
Accumulated losses	16	(8,225,508)	(5,046,205)	(7,463,012)	(4,585,701)
Reserves	15	2,905,500	743,000	2,905,500	743,000
<b>Total equity</b>		<b>43,560,996</b>	<b>18,425,031</b>	<b>44,323,492</b>	<b>18,885,535</b>

Notes to the financial statements are included on pages 31 to 59.

## Statement of changes in equity for the financial year ended 30 June 2008

### Consolidated

	Issued capital \$	Share based payments reserve \$	Accumulated losses \$	Total attributable to equity holders of the entity \$
Balance at 1/7/06	16,203,679	98,147	(2,623,113)	13,678,713
Loss for the period	-	-	(2,423,092)	(2,423,092)
<b>Total recognised income and expense</b>	-	-	(2,423,092)	(2,423,092)
Recognition of share-based payments	-	663,000	-	663,000
Issue of share capital	7,000,000	-	-	7,000,000
Transfer from equity settled benefits reserve	18,147	(18,147)	-	-
Issue of shares under share option plan	87,500	-	-	87,500
Share issue costs	(581,090)	-	-	(581,090)
<b>Balance at 30/6/07</b>	<b>22,728,236</b>	<b>743,000</b>	<b>(5,046,205)</b>	<b>18,425,031</b>
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)
<b>Total recognised income and expense</b>	-	-	(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
<b>Balance at 30/6/08</b>	<b>48,881,004</b>	<b>2,905,500</b>	<b>(8,225,508)</b>	<b>43,560,996</b>

### Company

	Issued capital \$	Share based payments reserve \$	Accumulated losses \$	Total attributable to equity holders of the entity \$
Balance at 1/7/06	16,203,679	98,147	(2,709,193)	13,592,633
Loss for the period	-	-	(1,876,508)	(1,876,508)
<b>Total recognised income and expense</b>	-	-	(1,876,508)	(1,876,508)
Recognition of share-based payments	-	663,000	-	663,000
Issue of share capital	7,000,000	-	-	7,000,000
Transfer from equity settled benefits reserve	18,147	(18,147)	-	-
Issue of shares under share option plan	87,500	-	-	87,500
Share issue costs	(581,090)	-	-	(581,090)
<b>Balance at 30/6/07</b>	<b>22,728,236</b>	<b>743,000</b>	<b>(4,585,701)</b>	<b>18,885,535</b>
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)
<b>Total recognised income and expense</b>	-	-	(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
<b>Balance at 30/6/08</b>	<b>48,881,004</b>	<b>2,905,500</b>	<b>(7,463,012)</b>	<b>44,323,492</b>

Notes to the financial statements are included on pages 31 to 59.

**Cash flow statement  
for the financial year ended 30 June 2008**

	Note	Consolidated		Company	
		2008 \$	2007 \$	2008 \$	2007 \$
<b>Cash flows from operating activities</b>					
Receipts from customers		1,936,482	402,864	1,936,482	402,864
Payments to suppliers and employees		(3,524,768)	(1,785,012)	(3,423,416)	(1,785,012)
Interest received		446,595	92,307	446,287	92,307
Income tax refund		87,490	110,036	87,490	110,036
Net cash used in operating activities	26	(1,054,201)	(1,179,805)	(953,157)	(1,179,805)
<b>Cash flows from investing activities</b>					
Exploration and development costs paid		(9,811,854)	(2,665,863)	(9,755,243)	(2,568,928)
Amounts advanced to related parties		-	-	(239,755)	(96,935)
Payment for property, plant & equipment		(85,921)	(91,386)	(85,921)	(91,386)
Net cash used in investing activities		(9,897,775)	(2,757,249)	(10,080,919)	(2,757,249)
<b>Cash flows from financing activities</b>					
Proceeds from issues of shares		28,285,000	7,087,500	28,285,000	7,087,500
Payment for share issue costs		(1,738,941)	(426,092)	(1,738,941)	(426,092)
Proceeds from borrowings		-	41,609	-	41,609
Net cash provided by financing activities		26,546,059	6,703,017	26,546,059	6,703,017
<b>Net increase in cash and cash equivalents</b>		15,594,083	2,765,963	15,511,983	2,765,963
<b>Cash and cash equivalents at the beginning of the financial year</b>		4,378,926	1,612,963	4,378,926	1,612,963
<b>Cash and cash equivalents at the end of the financial year</b>	26	19,973,009	4,378,926	19,890,909	4,378,926

Notes to the financial statements are included on pages 31 to 59.

**Notes to the financial statements  
for the financial year ended 30 June 2008**

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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 26 September 2008.

### Basis of preparation

The financial report has been prepared on the basis of historical cost. 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.

### Adoption of new and revised Accounting 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 annual reporting period. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below. The Group has also adopted the following Standards as listed below which only impacted on the Group's financial statements with respect to disclosure:

- AASB 101 'Presentation of Financial Statements (revised October 2006)
- AASB 7 'Financial Instruments: Disclosures'

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2008. These are outlined in the table below:

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New Standard replacing AASB114 <i>Segment Reporting</i> , which adopts a management reporting approach to segment reporting.	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements.	1 July 2009
AASB 123 (revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards.	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial report.	1 July 2009

**2. Summary of accounting policies (cont'd)**

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based payments: Vesting Conditions and Cancellations	The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	The Group has share-based payment arrangements that may be affected by these amendments. However, the Group has not yet determined the extent of the impact, if any.	1 July 2009
Amendments to International Financial Reporting Standards (AASB 2008-7)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to AASB 27 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e. parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment.  AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.	1 January 2009	These amendments are not expected to have any impact on the Company's financial report.	1 July 2009
AASB 2008-5 and AASB 2008-6	Improvements to IFRSs.	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.	1 January 2009 except for amendments to AASB 5 (via AASB 2008-6), which are effective from 1 July 2009	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009.

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.

## 2. Summary of accounting policies (cont'd)

### (c) Financial instruments issued by the company

#### Debt and equity instruments

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

#### Financial liabilities

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

#### Financial liabilities at fair value through profit or loss

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

A financial liability is held for trading if:

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

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

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

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in note 2 (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. Summary of accounting policies (cont'd)

### (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.

#### 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.

## 2. Summary of accounting policies (cont'd)

### 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.

### 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.

### (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.

## 2 Summary of accounting policies (cont'd)

### (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 22 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.

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.

## 2. Summary of accounting policies (cont'd)

### (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.

#### 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.

### 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.

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>4. Loss for the year</b>				
<b>(a) Revenue</b>				
Revenue from operations consisted of the following items:				
Revenue from the sale of goods	1,972,498	402,864	1,972,498	402,864
Interest revenue	482,971	91,584	482,663	91,584
Other	204	-	204	-
	<b>2,455,673</b>	<b>494,448</b>	<b>2,455,365</b>	<b>494,448</b>
<b>(b) Loss before income tax</b>				
Loss before income tax has been arrived at after charging the following expenses:				
Finance costs:				
Borrowing costs	(155,761)	(30,218)	(516)	(30,218)
Cost of goods sold	(1,401,622)	(310,951)	(1,401,622)	(310,951)
Depreciation of non-current assets	(61,202)	(63,363)	(61,202)	(63,363)
Employee benefit expense				
Share-based payments:				
Equity settled share-based payments	(506,000)	(513,000)	(506,000)	(513,000)
Defined contribution plans	(131,426)	(47,406)	(131,426)	(47,406)
Other employee benefits	(1,070,090)	(583,076)	(1,070,090)	(583,076)
	<b>(1,707,516)</b>	<b>(1,143,482)</b>	<b>(1,707,516)</b>	<b>(1,143,482)</b>

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>5. Income taxes</b>				
<b>(a) Income tax recognised in profit or loss</b>				
<b>Tax income comprises:</b>				
Current tax income	323,535	87,491	323,535	87,491
Adjustments recognised in the current year in relation to the current tax of prior years	-	109,849	-	109,849
Deferred tax expense relating to the origination and reversal of temporary differences	936,378	384,655	637,769	488,770
<b>Total tax income</b>	<b>1,259,913</b>	<b>581,995</b>	<b>961,304</b>	<b>686,110</b>
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	(4,439,216)	(3,005,087)	(3,838,615)	(2,562,618)
Income tax income calculated at 30%	1,331,765	901,526	1,151,585	768,785
Effect of expenses that are not deductible in determining taxable profit	(167,109)	(168,180)	(167,109)	(168,180)
Effect of research and development tax off-set	64,707	17,498	64,707	17,498
Adjustments recognised in the current year in relation to the current tax of prior years	30,550	(168,849)	(87,879)	68,007
	<b>1,259,913</b>	<b>581,995</b>	<b>961,304</b>	<b>686,110</b>

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	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>(b) Deferred tax balances</b>				
<b>Deferred tax assets comprise: (i)</b>				
Unclaimed share issue costs	967,415	-	967,415	-
Tax losses – revenue	8,185,232	4,775,487	7,761,332	4,416,706
	<b>9,152,647</b>	<b>4,775,487</b>	<b>8,728,747</b>	<b>4,416,706</b>
<b>Deferred tax liabilities comprise:</b>				
Temporary differences – capitalised expenditure	5,134,440	2,927,866	5,034,247	2,594,183

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

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>(c) Current tax balances</b>				
<b>Current tax assets comprise:</b>				
Tax refund receivable	323,535	87,491	323,535	87,491

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>(d) Deferred tax recognised directly in equity:</b>				
Share issue expenses deductible over 5 years	1,234,208	-	1,234,208	-

## 5. Income taxes (cont'd)

Taxable and deductible temporary differences arise from the following:

2008	Consolidated			
	Opening balance \$	Charged to equity \$	Charged to income \$	Closing balance \$
<b>Gross deferred tax liabilities:</b>				
Capitalised expenditure	2,927,866	-	2,206,574	5,134,440
<b>Gross deferred tax assets:</b>				
Unclaimed share issue costs	-	1,234,208	967,415	2,201,623
Tax losses - revenue	4,775,487	-	2,175,537	6,951,024
	1,847,621	1,234,208	936,378	4,018,207

2007	Consolidated			
	Opening balance \$	Charged to equity \$	Charged to income \$	Closing balance \$
<b>Gross deferred tax liabilities:</b>				
Capitalised expenditure	1,970,804	-	957,062	2,927,866
<b>Gross deferred tax assets:</b>				
Tax losses - revenue	3,433,770	-	1,341,717	4,775,487
	1,462,966	-	384,655	1,847,621

2008	Company			
	Opening balance \$	Charged to equity \$	Charged to income \$	Closing balance \$
<b>Gross deferred tax liabilities:</b>				
Capitalised expenditure	2,594,183	-	2,440,064	5,034,247
<b>Gross deferred tax assets:</b>				
Unclaimed share issue costs	-	1,234,208	967,415	2,201,623
Tax losses - revenue	4,416,706	-	2,110,418	6,527,124
	1,822,523	1,234,208	637,769	3,694,500

2007	Company			
	Opening balance \$	Charged to equity \$	Charged to income \$	Closing balance \$
<b>Gross deferred tax liabilities:</b>				
Capitalised expenditure	1,778,897	-	815,286	2,594,183
<b>Gross deferred tax assets:</b>				
Tax losses - revenue	3,112,649	-	1,304,057	4,416,706
	1,333,752	-	488,771	1,822,523

### 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 22.

#### 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 and Company Secretary)
- Peter Collins (Non-executive Director)
- Ian Junk (Non-executive Director)
- William Crossley (Project Manager - Barrambie)
- David Potter (Chief Geologist)
- Claudio Sheriff-Zegers (Geologist)

### Key management personnel compensation

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

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Short-term employee benefits	783,385	508,161	783,385	508,161
Post-employment benefits	110,534	71,633	110,534	71,633
Share-based payment	484,000	513,000	484,000	513,000
	1,377,919	1,092,794	1,377,919	1,092,794

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 \$100,000 approved by shareholders in April 2002. 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 April 2002. The Service Agreements are all identical in their contents and only differ in 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. The level of compensation is not dependent on the satisfaction of any performance condition.

The key management personnel of the Company are employed under Service Agreements which have been in existence since August 2004. These were updated by a letter of variation in July 2006. The compensation under the service 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 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.

#### Key management personnel compensation

2008	Short-term benefits			Post-employment			Share-based payments			Total
	Salary	Other	Non-monetary	Superannuation	Prescribed benefits	Other	Equity settled options	Cash settled	Other	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
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 24 to the financial statements.

2007	Short-term benefits			Post-employment			Share-based payments			Total
	Salary	Other	Non-monetary	Superannuation	Prescribed benefits	Other	Equity settled options	Cash settled	Other	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
David Reed	100,000	-	-	9,000	-	-	-	-	-	109,000
Christopher Reed (i)	156,494	-	-	14,084	-	-	190,000	-	-	360,578
Peter Collins (i)	40,000	-	-	3,600	-	-	95,000	-	-	138,600
Ian Junk (i)	16,667	-	-	27,399	-	-	95,000	-	-	139,066
David Potter (i)	120,000	-	-	10,800	-	-	95,000	-	-	225,800
Claudio Sheriff-Zegers (i)	75,000	-	-	6,750	-	-	38,000	-	-	119,750
<b>Total</b>	<b>508,161</b>	<b>-</b>	<b>-</b>	<b>71,633</b>	<b>-</b>	<b>-</b>	<b>513,000</b>	<b>-</b>	<b>-</b>	<b>1,092,794</b>

(i) Mr D Potter and other executives were granted share options under the employee share option plan on 2/8/06. Mr C Reed and other executives were granted share options under the employee share option plan on 13/12/06. Further details of the options granted are contained in notes 7 and 24 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 2008 to executives and employees with an exercise price of \$0.85. One million and six hundred thousand were exercisable at any time on or before 31 December 2012, three hundred and fifty thousand were exercisable after 14 September 2008 and three hundred and fifty thousand were exercisable after 14 March 2009. The number of options granted was calculated by the board after considering the experience of grantee, the current market price and current market practice. Options vest at the date of their issue.

As at 30 June 2008 the Company had issued 8,000,000 share options (30 June 2007: 5,700,000). 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 14 September 2007	800,000	14/9/2007	30/12/2012	\$0.85	\$0.22
Issued 28 November 2007	1,500,000	28/11/2007	30/12/2012	\$0.85	\$0.22

The weighted average fair value of the share options granted during the financial year is \$0.22 (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				
	3 Aug 2004 11 Jan 2005	20 Jul 2005	2 Aug 2006	13 Dec 2006	14 Sep 2007 28 Nov 2007
Grant date share price	\$0.23	\$0.27	\$0.50	\$0.52	\$0.61
Exercise price	\$0.35	\$0.50	\$0.75	\$0.75	\$0.85
Expected volatility	60%	74%	77%	77%	63%
Option life	4.5 years	5 years	5 years	5 years	5 years
Dividend yield	-	-	-	-	-
Risk-free interest rate	5.63%	5.34%	5.68%	5.68%	6.27%

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:

	2008		2007	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of the financial year	5,700,000	\$0.57	3,250,000	\$0.40
Granted during the financial year as compensation	2,300,000	\$0.85	2,700,000	\$0.75
Exercised during the financial year (i)	-	-	(250,000)	\$0.35
Balance at end of the financial year (ii)	8,000,000	\$0.65	5,700,000	\$0.57

**(i) Exercised during the financial year**

There were no share options granted under the executive and employee share option plan that were exercised during the financial year:

**(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 \$0.65 (2007: \$0.57), and a weighted average remaining contractual life of 980 days (2007: 1,162 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 2008 to Transocean Securities Pty Ltd as part of its capital raising fees. The number of options granted were pursuant to 'Equity Raising an Corporate Advisory Mandate' letter agreements. The options vest at the date of their issue.

As at 30 June 2008 the Company had issued 5,833,333 share options (30 June 2007: 2,000,000). 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 24 May 2007	2,000,000	24/5/2007	31/05/2009	\$0.60	\$0.075
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

Inputs into the model	Option Series		
	24 May 07	7 Dec 07	13 June 08
Grant date share price	\$0.45	\$0.96	\$0.90
Exercise price	\$0.60	\$0.78	\$1.08
Expected volatility	63%	63%	199%
Option life	2 years	2 years	2 years
Dividend yield	-	-	-
Risk-free interest rate	6.25%	6.27%	7.32%

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

	2008		2007	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of the financial year	2,000,000	\$0.60	-	-
Granted during the financial year as compensation	3,833,333	\$0.80	2,000,000	\$0.60
Exercised during the financial year (i)	-	-	-	-
Balance at end of the financial year (ii)	5,833,333	\$0.79	2,000,000	\$0.60

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>8. Remuneration of auditors</b>				
<b>Auditor of the parent entity (Deloitte Touche Tohmatsu)</b>				
Audit or review of the financial report	64,100	44,190	64,100	44,190
Risk management services	-	5,325	-	5,325
Other advice - corporate	3,675	-	3,675	-
	<b>67,775</b>	<b>49,515</b>	<b>67,775</b>	<b>49,515</b>

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>9. Trade and other receivables</b>				
Current trade and other receivables				
Trade receivables	17,693	93,691	17,693	93,691
Other receivables	69,479	14,095	69,479	14,095
Goods and services tax (GST) recoverable	400,332	182,533	400,191	182,533
	<b>487,504</b>	<b>290,319</b>	<b>487,363</b>	<b>290,319</b>
Non current trade and other receivables				
Amounts receivable from wholly owned subsidiaries	-	-	1,434,255	1,194,500

The current trade and other receivables relate to monies due from Kingsrose Mining Ltd for accrued Department of Industry and Resources gold royalty. These amounts are not past due or impaired. These receivables are not interest bearing. There is no credit risk associated with the Kingsrose Mining Ltd receivable as this amount is withheld prior to the transfer of Kingsrose Mining Ltd's share of the refined gold. All amounts above are financial assets accounted for at amortised cost.

The amounts receivable from wholly owned subsidiaries have been assessed for recovery based on the underlying operations of those subsidiaries. The recovery is dependant 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.

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>10. Other non-current financial assets</b>				
Shares in controlled entities (at cost)	-	-	621,579	621,578

11. Property, plant and equipment

	Consolidated			
	Buildings at cost	Furniture & Fittings at cost	Plant and equipment at cost	Total
	\$	\$	\$	\$
<b>Gross carrying amount</b>				
Balance at 1 July 2006	27,900	108,531	359,611	496,042
Additions	-	29,125	62,261	91,386
<b>Balance at 1 July 2007</b>	27,900	137,656	421,872	587,428
Additions	-	35,894	50,027	85,921
<b>Balance at 30 June 2008</b>	27,900	173,550	471,899	673,349
<b>Accumulated depreciation</b>				
Balance at 1 July 2006	3,373	46,331	175,281	224,985
Depreciation expense	1,472	28,057	33,834	63,363
<b>Balance at 1 July 2007</b>	4,845	74,388	209,115	288,348
Depreciation expense	1,383	27,974	31,845	61,202
<b>Balance at 30 June 2008</b>	6,228	102,362	240,960	349,550
<b>Net book value</b>				
As at 30 June 2007	23,055	63,268	212,757	299,080
As at 30 June 2008	21,672	71,188	230,939	323,799

	Company			
	Buildings at cost	Furniture & Fittings at cost	Plant and equipment at cost	Total
	\$	\$	\$	\$
<b>Gross carrying amount</b>				
Balance at 1 July 2006	27,900	108,531	359,611	496,042
Additions	-	29,125	62,261	91,386
<b>Balance at 1 July 2007</b>	27,900	137,656	421,872	587,428
Additions	-	35,894	50,027	85,921
<b>Balance at 30 June 2008</b>	27,900	173,550	471,899	673,349
<b>Accumulated depreciation</b>				
Balance at 1 July 2006	3,373	46,331	175,281	224,985
Depreciation expense	1,472	28,057	33,834	63,363
<b>Balance at 1 July 2007</b>	4,845	74,388	209,115	288,348
Depreciation expense	1,383	27,974	31,845	61,202
<b>Balance at 30 June 2008</b>	6,228	102,362	240,960	349,550
<b>Net book value</b>				
As at 30 June 2007	23,055	63,268	212,757	299,080
As at 30 June 2008	21,672	71,188	230,939	323,799

12. Exploration and development expenditure

	Consolidated		
	Capitalised development	Capitalised exploration	Total
	\$	\$	\$
<b>Gross carrying amount</b>			
<b>Balance at 1 July 2006</b>	2,089,892	8,484,510	10,574,402
Transferred from capitalised exploration	3,999,336	(3,999,336)	-
Additions	-	3,121,448	3,121,448
<b>Balance at 1 July 2007</b>	6,089,228	7,606,622	13,695,850
Additions	221,469	10,353,678	10,575,147
<b>Balance at 30 June 2008</b>	6,310,697	17,960,300	24,270,997
<b>Accumulated amortisation and impairment</b>			
<b>Balance at 1 July 2006</b>	51,872	115,735	167,607
Amortisation expense (i)	94,255	-	94,255
Impairment losses charged to profit (ii)	-	1,055,650	1,055,650
<b>Balance at 1 July 2007</b>	146,127	1,171,385	1,317,512
Amortisation expense (i)	446,549	-	446,549
Impairment losses charged to profit (ii)	494,051	1,567,400	2,061,451
<b>Balance at 30 June 2008</b>	1,086,727	2,738,785	3,825,512
<b>Net book value</b>			
As at 30 June 2007	5,943,101	6,435,237	12,378,338
As at 30 June 2008	5,223,970	15,221,515	20,445,485

	Company		
	Capitalised development	Capitalised exploration	Total
	\$	\$	\$
<b>Gross carrying amount</b>			
<b>Balance at 1 July 2006</b>	2,084,342	6,800,947	8,885,289
Transferred from capitalised exploration	3,999,336	(3,999,336)	-
Additions	-	3,024,513	3,024,513
<b>Balance at 1 July 2007</b>	6,083,678	5,826,124	11,909,802
Additions	221,468	10,297,207	10,518,675
<b>Balance at 30 June 2008</b>	6,305,146	16,123,331	22,428,477
<b>Accumulated amortisation and impairment</b>			
<b>Balance at 1 July 2006</b>	51,872	102,632	154,504
Amortisation expense (i)	94,255	-	94,255
Impairment losses charged to profit (ii)	-	613,181	613,181
<b>Balance at 1 July 2007</b>	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
<b>Balance at 30 June 2008</b>	1,086,727	1,843,200	2,929,927
<b>Net book value</b>			
As at 30 June 2007	5,937,551	5,110,311	11,047,862
As at 30 June 2008	5,218,420	14,280,131	19,498,550

(i) Amortisation expense is included in the line item 'cost of sales'.

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

(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.

**13. Current trade and other payables**

	2008		2007	
	\$	\$	\$	\$
Trade and other payables	1,984,559	815,134	1,925,014	815,134

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. Issued capital**

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
135,450,000 fully paid ordinary shares (2007: 97,016,667)	48,881,004	22,728,236	48,881,004	22,728,236

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.

	2008		2007	
	No.	\$	No.	\$
<b>Fully paid ordinary shares</b>				
Balance at beginning of financial year	97,016,667	22,728,236	80,100,000	16,203,679
Issue of shares for cash	38,333,333	28,250,000	16,666,667	7,000,000
Share issue costs	-	(3,366,440)	-	(581,090)
Income tax on items taken directly to equity	-	1,234,208	-	-
Transfer from equity settled benefit reserve	-	-	-	18,147
Issue of shares under option plan	100,000	35,000	250,000	87,500
Balance at end of financial year	135,450,000	48,881,004	97,016,667	22,728,236

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 2007, executives had options over 5,700,000 ordinary shares (all of which are vested) in aggregate, with 2,000,000 of those options expiring on 31/12/2008, 1,000,000 expiring 1/7/2010 and the remainder expiring on 30/12/2011. As at 30 June 2008, executives have options over 8,000,000 ordinary shares (all of which are 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. During the year 3,933,333 options were issued to non-employees as payment for services rendered. As at 30 June 2008, 6,233,333 (2007: 2,300,000) 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.

**15. Reserves**

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Share based payments reserve</b>				
Balance at beginning of financial year	743,000	98,147	743,000	98,147
Transfer to issued capital	-	(18,147)	-	(18,147)
Share-based payment	2,162,500	663,000	2,162,500	663,000
Balance at end of financial year	2,905,500	743,000	2,905,500	743,000

The equity-settled benefits reserve arises on the grant of share options for the provision of services and to executives and senior employees under the employee share option plan. 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 24 to the financial statements.

	<b>Consolidated</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>16. Accumulated losses</b>				
Balance at beginning of financial year	(5,046,205)	(2,623,113)	(4,585,701)	(2,709,193)
Net loss attributable to members of the parent entity	(3,179,303)	(2,423,092)	(2,877,311)	(1,876,508)
Balance at end of financial year	<b>(8,225,508)</b>	<b>(5,046,205)</b>	<b>(7,463,012)</b>	<b>(4,585,701)</b>

**17. Earnings per share**

	<b>Consolidated</b>	
	<b>2008</b>	<b>2007</b>
	<b>Cents per share</b>	<b>Cents per share</b>
<b>Basic earnings per share:</b>	(2.83)	(2.93)
<b>Diluted earnings per share:</b>	(2.83)	(2.93)

**Basic earnings per share**

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

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Earnings (a)	(3,179,303)	(2,423,092)
	<b>2008</b>	<b>2007</b>
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares for the purposes of basic earnings per share	112,247,997	82,562,525

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

**Diluted earnings per share**

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

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Earnings (a)	(3,179,303)	(2,423,092)
	<b>2008</b>	<b>2007</b>
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares for the purposes of diluted earnings per share (b), (c)	112,247,997	82,562,525

**17. Earnings per share (cont'd)**

- (a) Earnings used in the calculation of diluted earnings per share reconciles to net profit in the income statement as follows:

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Net loss	(3,179,303)	(2,423,092)
Earnings used in the calculation of diluted EPS	(3,179,303)	(2,423,092)

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

	<b>Consolidated</b>	
	<b>2008</b>	<b>2007</b>
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares used in the calculation of basic EPS	112,247,997	82,562,525

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

**18. Commitments for expenditure**

**(a) Capital expenditure commitments**

During the year Barrambie Gas Pty Ltd, a wholly owned subsidiary of the Company, 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 commences 1 July 2010.

The Company has approved Portman Iron Ore Limited's exploration programs for Mt Finnerty for the 2008 calendar year. Accordingly, the Company is committed to exploration expenditure totalling \$300,000 in the ensuing six months.

**(b) Lease commitments**

Finance lease liabilities and non-cancellable operating lease commitments are disclosed in note 19 to the financial statements.

## 19. 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	
	2008	2007	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$	\$	\$
No later than 1 year	18,476	18,476	18,476	18,476	16,964	15,625	16,964	15,625
Later than 1 year and not later than 5 years	9,238	27,714	9,238	27,714	9,020	25,985	9,020	25,985
Minimum lease payments*	27,714	46,190	27,714	46,190	25,984	41,610	25,984	41,610
Less future finance charges	1,730	4,580	1,730	4,580	-	-	-	-
Present value of minimum lease payments	25,984	41,610	25,984	41,610	25,984	41,610	25,984	41,610

\* Minimum future lease payments includes 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 2007 with options to extend for a further two years. A further operating lease relates to commercial premises with a lease term of 12 months commencing 1 August 2007 with an option to extend for a further 12 months. 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. A final operating lease relates to a motor vehicle with a lease term of 5 years commencing 23 September 2005. The consolidated entity has an option to purchase the vehicle at the expiry of the lease.

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Non-cancellable operating lease payments</b>				
Not longer than 1 year	104,912	135,908	104,912	135,908
Longer than 1 year and not longer than 5 years	45,202	119,643	45,202	119,643
	150,114	255,551	150,114	255,551

20. Borrowings

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>Secured – at amortised cost</b>				
<u>Current</u>				
Hire purchase	16,964	15,625	16,964	15,625
<u>Non-current</u>				
Hire purchase	9,020	25,985	9,020	25,985
	<b>25,984</b>	<b>41,610</b>	<b>25,984</b>	<b>41,610</b>

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

21. Jointly controlled operations and assets

Name of entity	Principal activity	Output interest	
		2008 %	2007 %
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	
	2008 \$	2007 \$
<b>Non-current assets</b>		
Exploration and development expenditure	5,016,873	5,506,123
<b>Total non-current assets</b>	<b>5,016,873</b>	<b>5,506,123</b>
<b>Total assets</b>	<b>5,016,873</b>	<b>5,506,123</b>

There are no contingent liabilities or capital commitments arising from the Group's interests in joint ventures.

22. Subsidiaries

Name of entity	Country of incorporation	Ownership interest	
		2008 %	2007 %
<b>Parent entity</b>			
Reed Resources Ltd	Australia	-	-
<b>Subsidiaries</b>			
Mount Finnerty Pty Ltd	Australia	100	100
Barrambie Gas Pty Ltd	Australia	100	-

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

23. 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.

## 24. 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 22 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@ 1/7/07	Granted as remuneration	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	-

	Balance@ 1/7/06	Granted as remuneration	Received on exercise of options	Net other change	Balance@ 30/6/07	Balance held nominally
2007	No.	No.	No.	No.	No.	No.
David Reed	20,604,115	-	-	2,335,600	22,939,715	-
Christopher Reed	2,230,000	-	-	(406,200)	1,823,800	-
Peter Collins	285,705	-	-	-	285,705	-
Ian Junk	1,175,000	-	250,000	(389,300)	1,035,700	-
David Potter	109,700	-	-	-	109,700	-
Claudio Sheriff-Zegers	-	-	-	12,200	12,200	-
	24,404,520	-	250,000	1,552,300	26,206,820	-

#### Executive share options of Reed Resources Ltd

	Bal @ 1/7/07	Granted as remuneration	Exercised	Bal @ 30/6/08	Bal vested @ 30/6/08	Vested but not exercisable	Vested and exercisable	Options vested during year
2008	No.	No.	No.	No.	No.	No.	No.	No.
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	50,000	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

	Bal @ 1/7/06	Granted as remuneration	Exercised	Bal @ 30/6/07	Bal vested @ 30/6/07	Vested but not exercisable	Vested and exercisable	Options vested during year
2007	No.	No.	No.	No.	No.	No.	No.	No.
Christopher Reed	2,000,000	1,000,000	-	3,000,000	3,000,000	-	3,000,000	1,000,000
Peter Collins	500,000	500,000	-	1,000,000	1,000,000	-	1,000,000	500,000
Ian Junk	500,000	500,000	250,000	750,000	750,000	-	750,000	500,000
David Potter	250,000	500,000	-	750,000	750,000	500,000	250,000	500,000
Claudio Sheriff-Zegers	-	200,000	-	200,000	200,000	200,000	-	200,000
	3,250,000	2,700,000	250,000	5,700,000	5,700,000	700,000	5,000,000	2,700,000

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

**24. Related party disclosures (cont'd)**

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.

	<b>Consolidated</b>	
	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
<b>(d) Other transactions with key management personnel</b>		
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	46,360	36,865
Rent	137,700	102,900
Consulting fees	24,987	12,025
Royalties	39,086	8,226
Total recognised as expenses	<b>248,133</b>	<b>160,016</b>

**(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 a subsidiary. The loan totaled \$1,434,255 at 30 June 2008 (\$1,194,500 at 30 June 2007). 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 \$184,060 (2007: \$139,765), being rent and service fees.

Mr. P Collins provides geological consulting services to the Company. The total amount for the year was \$24,987 (2007: \$12,025).

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.

## 25. Subsequent events

On 24 July 2008, the Company appointed Steven Cole to the position of Deputy Chairman.

On 4 August 2008, the Company released an update on the Barrambie DFS, Snowden's evaluation of the indicated resources identified a recoverable inventory within an optimised pit design which is significantly higher than that anticipated. As a result the roasting /refinery circuit of the process plant will be redesigned to accommodate the increased output associated with the increased grade of mineral inventory.

On 29 August the Company expanded its landholdings around its Barrambie Vanadium Deposit through the acquisition of Australian Vanadium Corporation Pty Ltd, a subsidiary of Prime Minerals Limited. Australian Vanadium Corporation Pty Ltd holds two Exploration Licence applications, E57/742 and E57/743, which encompass an additional 14km of strike extensions of magnetic formations within the Barrambie Intrusive Complex.

Summary of Agreement:

- \$1m cash;
- 2 million Ordinary Shares in Reed Resources Ltd;
- 2% Net Smelter Royalty of production from within the relevant tenement area; and
- Original Vendor free carried to 20% until completion of Bankable Feasibility Study.

There has not been any other matter or circumstance that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

On 24 September 2008 Kingsrose Mining Ltd advised that they may not achieve the 25,000oz production milestone by 31 May 2009 to continue participating in the joint venture as per the deed of consent assumption and variation dated 8 October 2007. Kingsrose Mining Ltd have indicated that they wish to commence discussions to renegotiate joint venture terms. Accordingly the directors of the Company are considering the request.

26. Notes to the cash flow statement	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
(a) <b>Reconciliation of cash and cash equivalents</b>				
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	19,973,009	4,378,926	19,890,909	4,378,926

(b) **Cash balances not available for use**

Cash restrictions exist on \$8,772,259 of the cash balance as at 30 June 2008. 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 \$72,259 and \$8,700,000 respectively have been restricted in their use to ensure they serve as guarantees for the bonds.

(c) <b>Reconciliation of loss for the period to net cash flows from operating activities</b>	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Loss for the period	(3,179,303)	(2,423,092)	(2,877,311)	(1,876,508)
Depreciation of non-current assets	61,202	63,363	61,202	63,363
Amortisation of non-current assets	446,549	94,255	446,549	94,255
Equity settled share-based payment	506,000	513,000	506,000	513,000
R and D tax offset received	87,490	109,850	87,490	109,850
Impairment of non-current assets	2,061,451	1,055,650	1,621,438	613,181
Increase/(decrease) in deferred tax balances	(936,378)	(581,995)	(637,769)	(686,110)
(Increase)/decrease in assets:				
Current receivables	(215,432)	537	(215,432)	537
Increase/(decrease) in liabilities:				
Current payables	114,219	(11,373)	54,675	(11,373)
Net cash from operating activities	(1,054,201)	(1,179,805)	(953,157)	(1,179,805)

## 27. Financial instruments

### (a) Financial risk management objectives

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

### (b) Significant accounting policies

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

### 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 minimise the exposure to interest rate changes the funds were placed on deposit for a 6 month term that expires mid January 2008.

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		
2008	%	\$	\$	\$	\$	\$	
<b>Financial assets:</b>							
Cash and cash equivalents	7.3	-	19,973,005	-	-	4	19,973,009
Trade and other receivables	-	-	-	-	-	487,504	487,504
<b>Financial liabilities:</b>							
Trade payables	-	-	-	-	-	1,984,559	1,984,559

#### 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		
2007	%	\$	\$	\$	\$	\$	
<b>Financial assets:</b>							
Cash and cash equivalents	5.3	-	4,378,923	-	-	3	4,378,926
Trade and other receivables	-	-	-	-	-	290,319	290,319
<b>Financial liabilities:</b>							
Trade payables	-	-	-	-	-	815,134	815,134

27. Financial instruments (cont'd)

Company

	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		
2008	%	\$	\$	\$	\$	\$	
<b>Financial assets:</b>							
Cash and cash equivalents	7.3	-	19,890,905	-	-	4	19,890,909
Trade and other receivables	-	-	-	-	-	1,921,618	1,921,618
<b>Financial liabilities:</b>							
Trade payables	-	-	-	-	-	1,925,014	1,925,014

Company

	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		
2007	%	\$	\$	\$	\$	\$	
<b>Financial assets:</b>							
Cash and cash equivalents	5.3	-	4,378,923	-	-	3	4,378,926
Trade and other receivables	-	-	-	-	-	1,484,819	1,484,819
<b>Financial liabilities:</b>							
Trade payables	-	-	-	-	-	815,134	815,134

(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, 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 29 August 2008**

The shareholder information set out below was applicable as at 29 August 2008.

**Distribution of equity securities:**

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

Range	Total Holders	Units	% Issued Capital
1 - 1,000	211	88,236	0.07
1,001 - 5,000	462	1,441,580	1.06
5,001 - 10,000	326	2,775,856	2.05
10,001 - 100,000	765	25,575,645	18.88
100,001 - 9,999,999,999	177	105,568,683	77.94
Rounding			<b>0.00</b>
Total	<b>1,941</b>	<b>135,450,000</b>	<b>100.00</b>

**Top 20 holders of ordinary shares:**

Rank	Name	Units	% of Issued Capital
1	CITICORP NOMINEES PTY LTD	14,010,050	10.34
2	TRUCKING NOMINEES PTY LTD	10,211,900	7.54
3	MR DAVID JOHN REED	9,204,015	6.80
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 3	6,540,335	4.83
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	2,276,436	1.68
6	ROCK SECURITIES LTD	2,220,000	1.64
7	JK ASSIMINA LTD <THE JASMINE KAILIS S/F A/C>	2,020,000	1.49
8	WILKES HOLDINGS PTY LTD	2,013,731	1.49
9	TERAN NOMINEES PTY LTD	2,000,000	1.48
10	TRANSOCEAN NOMINEES PTY LTD	1,637,140	1.21
11	MRS JASMINE KAILIS	1,575,000	1.16
12	ROBMOB PTY LTD	1,411,900	1.04
13	MR. CHRISTOPHER JOHN REED	1,341,287	0.99
14	SPLICER NOMINEES PTY LTD	1,263,861	0.93
15	WILKES HOLDINGS PTY LTD	1,231,111	0.91
16	RONDEUR PTY LTD	1,150,000	0.85
17	DOTTIE INVESTMENTS PTY LTD	1,125,000	0.83
18	ZAMBARI INVESTMENTS PTY LTD	1,055,000	0.78
19	COLBERN FIDUCIARY NOMINEES	1,000,000	0.74
20	MR TIMOTHY CHARLES REED <ENTERPRISE A/C>	1,000,000	0.74
		<b>64,286,766</b>	<b>47.47</b>

## Substantial holders

Substantial holders in the company are set out below:

<b>Ordinary Shares</b>	<b>Number</b>	<b>Percentage</b>
D J REED	19,415,915	14.34%
CITICORP NOMINEES PTY LIMITED	14,010,050	10.34%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,816,771	6.51%

## Voting Rights

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

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

## Other

The name of the company secretary is Mr Christopher Reed.

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](http://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.