

Reed Resources Ltd

ACN: 099 116 631

Half-year Report for the half year ended 31 December 2009

Directors' report

The directors of Reed Resources Ltd ("the Company") ("Reed") submit herewith the financial report for the half-year ended 31 December 2009. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

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

Name

Mr D. J. Reed	Executive Chairman
Mr C. J. Reed	Managing Director and Company Secretary
Dr P. L. F. Collins	Non-Executive Director
Mr I. C. Junk	Non-Executive Director
Mr S. Cole	Non-Executive Director

Review of operations

The Company's exploration and development activities during the half year focused on the Comet Vale gold operations, the Mt Marion lithium project and advancing the Barrambie vanadium project. During the period, Cliffs Asia Pacific Iron Ore Pty Ltd ("Cliffs") and Western Areas NL ("WSA") continued exploration of the Mt Finnerty project for iron ore and nickel sulphide mineralisation, respectively, under joint venture agreements. During the period the Company entered into an option and joint venture agreement with Anglo American Exploration (Australia) Pty Ltd ("Anglo American") over the Bell Rock Range project, it also acquired the Farm-In rights of Breakaway Resources Ltd in their agreement with Barranco Resources NL in ground adjoining the Company's Mt Finnerty project. In addition, the Company entered into an option agreement to acquire the high grade Mount Marion Lithium Project, located approximately 40km south of Kalgoorlie in the Goldfields region of Western Australia and signed a agreement with Mineral Resources Ltd ("MIN") to develop the project.

MT MARION LITHIUM PROJECT (Reed option to acquire 100%)

(Production JV with Mineral Resources Limited)

On 13 August 2009 the Company announced that it had secured an option to purchase the Mt Marion lithium project ("Mount Marion Project") situated 40 km south of Kalgoorlie in the Goldfields region of Western Australia.

Key terms of the option are:

- A\$200,000 option fee for an option period of 2 years;
- A\$1.5M cash on exercise of the option;
- A\$1.5M cash on decision to mine; and
- A 2.5% gross royalty on spodumene concentrates, 3% gross on lithium carbonate produced in Australia, 2% gross royalty on all other minerals.

The Mt Marion project comprises two Mining Leases, M15/999 and M15/1000, which cover outcropping spodumene-bearing pegmatites.

On 27 October 2009, Reed announced it had signed an agreement with MIN to develop the Mount Marion Project. Under the terms of the binding agreement,

- MIN will build, own and operate the Mt Marion Project's processing facilities;
- MIN will fund all development and operating costs with accumulated development costs being amortised and repaid from future operations.
- Reed will be reimbursed for all expenditure incurred to date and be free-carried through the evaluation stage,
- MIN is to deliver an operations commencement notice by 30 June 2010, with operations to commence by 31 December 2010. If MIN, at its election, fails to give the operations commencement notice, the agreement will terminate but without recourse to Reed for sunk costs to that date or to reimbursement of Reed expenditure to date.
- MIN will be entitled to an economic interest in 40% of the net profit from the operations at the Mt Marion Project, with Reed retaining ownership and the balance of net profit and the right to purchase all Spodumene produced.

MIN, which has extensive experience in the construction and operation of significant mining operations throughout Australia, expects to mobilise a processing plant and related equipment in Q3 2010. First shipments of product, at a production rate of 17,000 tonnes per month of +6.5% Li₂O concentrate, is expected to commence from Q4 2010, subject to a decision to mine and obtaining all necessary approvals.

BARRAMBIE VANADIUM PROJECT
(Reed 100%)

The Barrambie Vanadium Project continues to be a high priority despite the current global financial crisis restricting access to previously available funding for a project of this nature. The Company is continuing to investigate various project development alternatives and strategies.

As part of the DFS, a draft Public Environmental Review (PER) document was lodged with the Environmental Protection Authority (EPA) during the first quarter 2009. A response has since been received from the EPA and the Company continued to engage with its consultants and the EPA with a view to progressing its Barrambie Draft Public Environmental Review (PER) through the due process. Progress was made on a number of outstanding issues as follows:

- A heritage survey was carried out on the proposed sites for the process plant, tailings dam, infrastructure, camp and air strip.
- A further stygofauna survey was conducted on the bore field and a further flora study was finalised on the proposed camp and airstrip site.

Results of all surveys conducted were as expected and the Company is targeting finalising the PER within the March quarter of 2010.

As the project is yet to come on line, the cash (\$8.7M) held on restricted term deposit as security for gas transmission charges has been reclassified by the Board as a non current asset as opposed to a current asset. Furthermore, the income derived from the term deposit has reduced in the period ended 31 December 2009 as compared to the prior year due to interest rate fluctuations.

In addition, the Company has acquired minority interests in two exploration licences (E57/769, E57/770) which contain magnetite-bearing formations along strike and to the west of the Barrambie Vanadium deposit. Consideration was 600,000 ordinary shares.

COMET VALE PROJECT (gold, nickel)

Sand Queen Mine Operations

(Production JV with Kingsrore Mining Ltd)

Key developments at the Comet Vale project during the period have been the mining of high grade ore from the 4 Level Sand George Lodes and the agreement reached with current Production Joint Venture partner Kingsrore Mining Limited ("Kingsrore") to terminate the existing joint venture arrangement.

Under the agreement, Kingsrore will continue to mine from and above the 4 Level under the existing arrangement until 31 May 2010 at which point Reed will become entitled to 100% of production and retain 100% of ownership. The Company plans to continue mining the 4 Level from the existing shaft until economic resources are exhausted.

Under the terms of the agreement, Reed will:

- Pay Kingsrore \$1M cash on 31 October 2009 (completed);
- Issue Kingsrore \$2M in Reed shares at the five business day volume-weighted average price (VWAP) up to and including 31 May 2010; and
- Purchase all mine assets and infrastructure for \$1M cash on 31 May 2010.

In addition, the Company commenced an operational review of the Comet Vale Project with the aim of increasing production from the existing underground operations. The review will also evaluate the potential of existing shallow, open pit gold resources at Comet Vale (e.g. Sand Prince West and Princess Grace prospects) to provide base load feed to enable a decision to refurbish and re-commission its recently purchased Nimbus Processing plant.

Sand Queen Mine Production

(Kingsrore JV partner)

During the period, Kingsrore mined and hauled 14,836 tonnes of ore to the surface. Approximately 7,319t of ore at an attributed mill grade of 10.02 g/t Au was toll-treated in two phases, from 12-20th October and 2-11th November. The Company's equity share of production was 927 ounces at estimated cash cost of A\$632/oz. At the end of the period, 477 ounces were yet to be realised and a further 11,705 tonnes of ore was stockpiled at Comet Vale and at the toll-treatment facility awaiting treatment. This resulted in a disparity when comparing gold production to that achieved in the prior year ended 31 December 2008.

Two parallel lodes, the Hanging Wall and Footwall Lodes, are currently being mined on 4 Level at Sand George. Mining continued on the high grade ore in the Level 4 Hanging Wall Block 1 stoping block. Grade control sampling in this stope has returned an average mined grade (including dilution) of 17.0 g/t Au with approximately 6,100 tonnes of broken ore at 17.0 g/t Au contained within this block.

The Company has scheduled for completion in the March Quarter the installation of additional pumping capacity to enable the dewatering and refurbishment of the existing shaft to provide access to the 5 Level and provide a second production level.

MOUNT FINNERTY PROJECT (iron, nickel, gold)

Iron Ore Joint Venture

(Reed 20%, Cliffs 80%)

During the period, joint venture partner Cliffs completed a RC drilling campaign and announced a maiden JORC Code compliant resource at the Mt Finnerty project in Western Australian that gives sufficient encouragement to progress exploration of other targets at the project. The combined Inferred Mineral Resources at the FIN9 and FIN10 prospects is 4.66 Mt at an average grade of 53.5% Fe, for a lower cut-off grade of 50% Fe, and with significantly low levels of phosphorous (P) and sulphur (S).

The results of targeting studies and previous geophysical data analysis generated numerous targets from various geophysical interpretations and detailed mapping was undertaken at the Gray, Mt Watt, Mt Watt South and Mt Finnerty targets.

Nickel Exploration

(Reed 100%, WSA earning 65% Ni Rights)

Exploration by WSA focussed on the Johnnies Dam prospect on the Western Ultramafic sequence on the western flank of the Watt Hills greenstone belt where a deep (220m) RC drill hole was designed to test an IP anomaly coincident with contact between the footwall basalt and the Western Ultramafic. However, the hole was stopped at 124m due to an inflow of salty water. The drill hole intersected unmineralised basalt and thin low-Mg ultramafic units and did not reach its target. Data from recent RC and RAB drilling has been compiled and further assessment of the assay results is in progress.

Nickel Exploration

(Barranco farm-in agreement)

During the half year, Reed reached an agreement with Breakaway Resources NL ("BRW") to acquire its earn-in rights in Barranco Resources NL ("Barranco")'s Mt Finnerty exploration project, principally Exploration Licences E16/305 and E16/330. The Company acquired BRW's rights to earn a 60% interest in the Barranco Mt Finnerty joint venture for a total consideration of 500,000 fully paid ordinary shares in Reed.

This section of the Watt Hills greenstone belt covered by Exploration Licence E16/305 is along strike from the ultramafic sequence currently being explored by WSA. The thick sequence of ultramafics within Barranco's ground is considered highly prospective for nickel sulphide mineralisation. Previous exploration in the area by Western Mining Corporation (WMC) during the 1970s discovered a gossan and two vertical drill holes in a subsequent drilling program intersected 1.34% Ni (BRFP28) and 1.14 % Ni (BRFP21) each over an interval of 3 metres.

The Company's exploration program included an induced polarisation (IP) survey and ground electromagnetic (EM) survey, supervised by Southern Geoscience Consultants. This work resulted in the discovery of a robust geophysical anomaly coincident with the 'gossan' and soil geochemical anomaly. The IP anomaly is close to a geological contact that was also interpreted from resistivity measurements during the IP survey. This geological contact is at the interpreted base of an ultramafic unit within the ultramafic-mafic volcanic sequence.

Following the success of the IP survey, a fixed loop electromagnetic (FLTEM) survey (5 lines, 4 line km, 100 m line spacing) was undertaken over the IP anomaly. The FLTEM survey revealed a diffuse EM anomaly that is attributed to a weakly conductive feature approximately coincident with the IP anomaly. Modelling of the EM anomaly indicates a steeply east-dipping planar feature, possibly a stratigraphic source that extends along strike to the north beyond the IP anomaly.

The geophysical anomalies also coincide with an extensive PGE soil geochemical anomaly that has maximum values in excess of 100 ppb Pt+Pd (2006). This anomaly is at least 500m in length along the strike of the ultramafic unit.

The coincidence of IP and EM geophysical anomalies below a nickel-bearing 'gossan' and an extensive PGE soil geochemical anomaly that parallels an interpreted basal ultramafic unit confirms the potential of this target and the remainder of the Mt Finnerty greenstone belt for nickel sulphide mineralisation. A RC/diamond drilling program to test the geophysical anomaly, confirm the ultramafic-mafic volcanic stratigraphy, and increase the geological understanding of the prospect commenced mid January 2010.

BELL ROCK RANGE PROJECT
(Reed 100%)

Bell Rock Range project (E69/2293) covers some 471 km² within the western part of the Proterozoic Musgrave Block in central Australia. It is highly prospective for several commodities, particularly Ni-Cu sulphide and PGE mineralisation.

On 29 September 2009, the Company entered into an Option and Joint Venture Agreement with Anglo American. Under the terms of the agreement Anglo American can earn a 75% interest by spending A\$3M on the Bell Rock Range Project. The key terms of the Agreement with Anglo American are:

- Anglo American can exercise an Option and earn 51% equity by spending A\$1M within 3 years;
- Upon Anglo American earning 51% equity it can elect to earn an additional 24% by additional expenditure of A\$2M in an additional 4 year period;
- Upon Anglo American earning 75% equity, Reed can elect to either contribute or dilute to a royalty of 2% Net Smelter Return ("NSR") from gold and 1.5% NSR for all other minerals; and
- The Agreement is subject to executing an Access Agreement with the Ngaanyatjarra Council.

An extensive airborne electromagnetic (EM) geophysical survey using their highly successful proprietary Spectrem system was completed in mid-October 2009 with 2,504 line kilometres of surveying completed, providing coverage over 95% of the tenement area at 250m line spacing. Preliminary grids and images of the Spectrem survey data were delivered to Reed in December 2009. The south-eastern corner of E69/2293 does not currently have Spectrem survey coverage, data over this part of the tenement will be collected as part of an on-going regional survey in Q1 2010.

The Spectrem survey over E69/2293 did not highlight any immediately obvious conductors that may represent massive sulphide mineralisation. However, data from some of the areas within E69/2293 that are obscured by conductive cover need to be interpreted in more detail to ensure that no potential conductive targets are overlooked – this work will be carried out in Q1 2010.

CORPORATE

The corporate events that took place during the six months to 31 December 2009 are summarised below:

- 15 July 2009 – as stated above the Company granted 500,000 fully paid ordinary shares in the Company to BRW pursuant to the terms of a Sale Agreement dated 15 July 2009 between the company and BRW for the sale and purchase of a joint venture interest. At this time the Company also granted 400,000 fully paid ordinary shares in the Company to Lennonville Pty Ltd ACN 075 867 515 as trustee for the Lennonville Trust, a consultant to the Company pursuant to a consulting agreement dated 1 July 2009 between the Company and the Consultant.
- 25 August 2009 - the Company placed 19.5 million shares at A\$0.33 per share to raise A\$6.4 million before costs to qualified investors, domestic and international institutional clients of Patersons Securities Ltd ("Patersons"). The Company announced a fully-underwritten Share Purchase Plan ("SPP") on the same terms to raise a further A\$4.5 million, which was duly approved by shareholders and completed in October 2009.
- 1 September 2009 - the executive directors of the Company, David Reed and Christopher Reed agreed to renew their contracts with the Company.
- 7 September 2009 – the Company issued 1,600,000 options to three employees and one consultant of the Company pursuant to the Employee Share Option Plan ("ESOP").
- 6 October 2009 – the Company held an Extraordinary General Meeting where shareholders ratified a number of share placements including the share purchase plan that concluded on 7 October 2009.
- 27 November 2009 – the Company held its Annual General Meeting where shareholders re-elected David Reed as Executive Chairman and Peter Collins as Non Executive Director of the Company.
- 9 December 2009 – the Company issued 5,350,000 options to directors of the Company of which 4.5 million are subject to deferred vesting in accordance with employment arrangements.
- 18 December 2009 – as stated above the Company issued 600,000 fully paid ordinary shares as consideration for the take out of a minority interest in two Exploration licences surrounding the Barrambie Vanadium Project.
- In addition, during the period 3.15 million unlisted options that were previously issued were not exercised and lapsed.

Auditor's independence declaration

The auditor's independence declaration is included on page 7 of the half-year report.

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

On behalf of the Directors

A handwritten signature in black ink, appearing to read "C Reed", is centered within a light gray rectangular box.

Christopher Reed
Director
Perth, 3 March 2010

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

3 March 2010

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 review of the financial statements of Reed Resources Ltd for the half- year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Mark Gover
Partner
Chartered Accountants

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

We have reviewed the accompanying half-year financial report of Reed Resources Ltd, which comprises the condensed consolidated balance sheet as at 31 December 2009, and the condensed consolidated statement of comprehensive income, the condensed consolidated cash flow statement and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 10 to 17.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year 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 half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Reed Resources Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Mark Gover

Partner

Chartered Accountants

Perth, 3 March 2010

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

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

On behalf of the Directors



Christopher Reed
Director
Perth, 3 March 2010

**Condensed consolidated statement of comprehensive income
for the half-year ended 31 December 2009**

	Consolidated	
	Half-year ended 31 Dec 2009 \$	Half-year ended 31 Dec 2008 \$
Continuing operations		
Revenue from sale of goods	519,284	2,496,462
Cost of sales before amortisation	(297,373)	(1,806,417)
Gross profit before amortisation	221,911	690,045
Amortisation expense	(177,358)	(581,724)
Gross profit	44,553	108,321
Other income	246,768	771,903
Employment expenses	(815,637)	(1,075,489)
Occupancy expenses	(109,254)	(99,846)
Administration expenses	(1,451,921)	(1,206,030)
Finance costs	(73,949)	(64,894)
Impairment of non-current assets	(468,876)	-
Other Expenses	-	(34,474)
Loss before tax	(2,628,316)	(1,600,509)
Income tax benefit	691,670	434,979
Loss for the period from continuing operations	(1,936,646)	(1,165,530)
Loss for the period	(1,936,646)	(1,165,530)
Other comprehensive income	-	-
Total comprehensive income for the half-year	(1,936,646)	(1,165,530)
Loss attributable to:		
Owners of the parent	(1,936,646)	(1,165,530)
Minority interests	-	-
	(1,936,646)	(1,165,530)
Total comprehensive income attributable to:		
Owners of the parent	(1,936,646)	(1,165,530)
Minority interests	-	-
	(1,936,646)	(1,165,530)
Earnings per share		
Basic (cents per share)	(1.22)	(0.85)
Diluted (cents per share)	(1.22)	(0.85)

Notes to the financial statements are included on page 15- 17.

**Condensed consolidated balance sheet
as at 31 December 2009**

	Consolidated	
	31 December 2009 \$	30 June 2009 \$
Current assets		
Cash and cash equivalents	4,083,382	9,287,755
Trade and other receivables	705,648	288,695
Inventories	522,586	-
Current tax assets	-	412,348
Total current assets	5,311,616	9,988,798
Non-current assets		
Exploration, Evaluation & development expenditure	31,868,704	28,121,379
Financial Assets	8,900,000	50,000
Property, plant and equipment	2,987,090	237,897
Deferred tax assets	5,665,681	4,766,787
Total non-current assets	49,421,475	33,176,063
Total assets	54,733,091	43,164,861
Current liabilities		
Trade and other payables	620,247	300,044
Provisions	542,446	18,890
Total current liabilities	1,162,693	318,934
Non-current liabilities		
Provisions	1,572,031	192,665
Total non-current liabilities	1,572,031	192,665
Total liabilities	2,734,724	511,599
Net assets	51,998,367	42,653,262
Equity		
Issued capital	61,273,894	50,277,004
Accumulated losses	(12,630,987)	(10,694,342)
Reserves	3,355,460	3,070,600
Total equity	51,998,367	42,653,262

Notes to the financial statements are included on page 15- 17.

**Condensed consolidated statement of changes in equity
for the half-year ended 31 December 2009**

	Share capital \$	Share based payments reserve \$	Accumulated losses \$	Total \$
Balance at 1 Jul 2008	48,881,004	2,905,500	(8,225,508)	43,560,996
Loss for the period			(1,165,530)	(1,165,530)
Total comprehensive income/(loss)			(1,165,530)	(1,165,530)
Recognition of share-based payments	-	165,100	-	165,100
Issue of share capital	1,396,000	-	-	1,396,000
Balance at 31 Dec 2008	50,227,004	3,070,600	(9,391,038)	43,956,566
Balance at 1 Jul 2009	50,277,004	3,070,600	(10,694,342)	42,653,262
Loss for the period	-	-	(1,936,645)	(1,936,645)
Total comprehensive income/(loss)	-	-	(1,936,645)	(1,936,645)
Recognition of share-based payments	-	284,860	-	284,860
Issue of share capital	11,480,411	-	-	11,480,411
Share issue costs	(483,521)	-	-	(483,521)
Balance at 31 Dec 2009	61,273,894	3,355,460	(12,630,987)	51,998,367

Notes to the financial statements are included on page 15 - 17.

**Condensed consolidated cash flow statement
for the half-year ended 31 December 2009**

	Consolidated	
	Half-year ended 31 Dec 2009 \$	Half-year ended 31 Dec 2008 \$
Cash flows from operating activities		
Receipts from customers	542,629	1,360,725
Other income	412,348	364,135
Payments to suppliers and employees	(2,189,536)	(4,022,093)
Net cash used in operating activities	(1,234,559)	(2,297,233)
Cash flows from investing activities		
Interest received	186,950	361,907
Payment for property, plant and equipment	(2,594,074)	(17,767)
Exploration and development costs paid	(3,098,357)	(5,512,008)
Purchase of tenements	-	(998,999)
Net cash used in investing activities	(5,505,481)	(6,166,867)
Cash flows from financing activities		
Proceeds from issues of equity securities	10,926,412	-
Payment for share issue costs	(690,745)	-
Repayment of borrowings	-	(21,511)
Net cash provided by financing activities	10,235,667	(21,511)
Net increase / (decrease) in cash and cash equivalents	(5,204,373)	(8,485,611)
Cash and cash equivalents at the beginning of the period	9,287,755	19,973,009
Transfer to financial assets	(8,700,000)	-
Cash and cash equivalents at the end of the period	4,083,382	11,487,398

Notes to the financial statements are included on page 15- 17.

Notes to the condensed consolidated financial statements

1. Significant accounting policies

Statement of compliance

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

Basis of preparation

The accounting policies adopted are consistent with those adopted and disclosed in the Company's 2009 annual financial report for the financial year ended 30 June 2009 except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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

New and revised Standards and Interpretations effective for the current reporting period that are relevant to the Group include:

AASB 8 Operating Segments

AASB 3 Business Combinations

AASB 101 Presentation of Financial Statements

AASB 127 Consolidated and Separate Financial Statements

The adoption of these new and revised standards and Interpretations has not had a significant impact on the company this half year.

The condensed financial statements have 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.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2009 annual financial report for the financial year ended 30 June 2009.

Going Concern

The financial statements have been prepared on the basis that the consolidated entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and the settlement of liabilities in the normal course of business. The Company will fund its future strategic and working capital requirements through capital raisings, as have successfully been transacted in the past. The Directors are of the opinion that the basis upon which the financial statements are prepared is appropriate in the circumstances.

2. Segment information

Basis for segmentation:

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

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

In contrast, the predecessor Standard (AASB 114 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. As a result, following the adoption of AASB 8, the identification of the Consolidated Entity's reportable segments has changed.

For the six months ended 31 December 2009:

Reportable Operating Segments	Gold \$	Vanadium \$	Other \$	Unallocated \$	Total \$
Revenue from external customers	519,284	-		-	519,284
Cost of sales before amortization	(297,373)	-		-	(297,373)
Gross profit before amortization	221,911	-		-	221,911
Amortization expense	(177,358)	-		-	(177,358)
Gross Profit/(Loss)	44,553	-		-	44,553
Revenue – Other	-	-	25,000	221,768	246,768
Inter segment revenue	-	-	-	-	-
Total Revenue	519,284	-	25,000	221,768	766,052
Total Expenses	(969,627)	(65,250)	(232,163)	(2,127,328)	(3,394,368)
Profit/(Loss) before tax	(450,343)	(65,250)	(207,163)	(1,905,560)	(2,628,316)

Reportable Operating Segments	Gold \$	Vanadium \$	Other \$	Unallocated \$	Total \$
Total Segment Assets	9,733,499	23,643,699	3,270,872	18,085,021	54,733,091

For the six months ended 31 December 2008:

Reportable Operating Segments	Gold \$	Vanadium \$	Other \$	Unallocated \$	Total \$
Revenue from external customers	2,496,462	-		-	2,496,462
Cost of sales before amortization	(1,806,417)	-		-	(1,806,417)
Gross profit before amortization	690,045	-		-	690,045
Amortization expense	(581,724)	-		-	(581,724)
Gross Profit/(Loss)	108,321	-		-	108,321
Revenue – Other	-	-	41,001	730,902	771,903
Inter segment revenue	-	-	-	-	-
Total Revenue	2,496,462	-	41,001	730,902	3,268,365
Total Expenses	(2,388,141)	(64,895)	(2,415,839)	-	(4,868,874)
Profit/(Loss) before tax	108,321	(64,895)	(2,374,838)	730,902	(1,600,509)

For the period ended 30 June 2009:

Reportable Operating Segments	Gold \$	Vanadium \$	Other \$	Unallocated \$	Total \$
Total Segment Assets	6,024,989	21,030,570	1,734,434	14,374,868	43,164,861

3. Dividends

No dividends were paid, proposed or declared during the half-year to 31 December 2009 or 31 December 2008.

4. Issuances of equity securities

During the half-year reporting period, Reed Resources Ltd made the following share issues:

- 15 July 2009 - 500,000 fully paid ordinary shares to BRW pursuant to the terms of a Sale Agreement and 400,000 fully paid ordinary shares to a consultant of the Company pursuant to a consulting agreement dated 1 July 2009.
- 25 August 2009 - the Company placed 19.5 million shares at A\$0.33 per share to raise A\$6.4 million before costs to qualified investors, domestic and international institutional clients of Patersons.
- 6 October 2009 – the Company placed 13.6 million shares at A\$0.33 per share to raise A\$4.5 million before costs by way of a share purchase plan.
- 18 December 2009 – 600,000 ordinary shares pursuant to a Sale Agreement for the sale and purchase of a minority interest in two exploration licences surrounding the Barrambie Vanadium Project.

In addition, the Company issued 6,950,000 share options (2008: 2,250,000) over ordinary shares under its employee and executive share option plans during the half-year reporting period. The share options issued to employees had a fair value at grant date of \$0.08 per share option (2008: \$0.15). The share options issued to directors had a fair value at grant date of \$0.24 and \$0.17 per share option (2008: \$0.15).

5. Prior period error

The fair value at grant date for the options issued in 2008 was not correctly reported at 31 December 2008 due to an error with the historical share price volatility calculation. This was corrected at year end such that there was no error in the annual report. The correction has reduced the employment expense for the period ending 31 December 2008 and net loss by \$1,057,775. This has reduced basic and dilute loss per share by \$0.77.