

Reed Resources Ltd

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Annual report for the financial year ended 30 June 2011

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 the best interests of the Company are promoted and shareholder value is delivered.

This corporate governance statement outlines the key principles and practices of the Company which in the terms of the Company's Corporate Governance Charter ("Charter"), define the Company's system of governance.

The Company is committed to implementing sound standards of corporate governance. In determining what those standards should involve, the Company has had regard to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 2nd Edition with 2010 amendments ("Recommendations").

A copy of the Recommendations and the Company's Charter has been placed on the Company's website in the operations, corporate policies section www.reedresources.com/corporate.php.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1 – Establish and disclose the functions reserved to the board and those delegated to senior executives.

The functions and responsibilities of the Board compared with those delegated to management are reflective of the Recommendations.

The Board is responsible for guiding and monitoring the Company on behalf of shareholders by whom they are elected and to whom they are accountable. The Board's primary responsibility is to oversee the development of strategies for the Company, setting and reviewing the Company's strategic objectives and monitoring the performance of the Company against those objectives.

The overall goals of the corporate governance process are to:

- deliver corporate and operational performance against objectives set;
- drive shareholder value;
- assure a prudential and ethical base to the Company's conduct and activities; and
- ensure compliance with the Company's legal and regulatory obligations.

Consistent with these goals, the Board assumes the following responsibilities:

- developing initiatives for profit and asset growth;
- reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- acting on behalf of, and being accountable to, the Company's shareholders;
- identifying business risks and implementing actions to manage those risks; and
- developing and effecting management and corporate systems to assure quality sound corporate performance.

The Board has delegated authority for the operations and administration of the Company to the Chief Executive Officer. He is responsible for overseeing the overall efficient and effective operation of the exploration and mining related activities of the company, and for bringing material and other relevant matters to the attention of the Board in an accurate and timely manner.

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

The Nominations and Remuneration Committee is charged in the terms of the Charter with periodic review of the job description and performance of the CEO according to agreed performance parameters.

An informal performance and remuneration review for 2010/11 concerning the CEO took place in June 2011 via the Nominations and Remuneration Committee, with a more formal and structured performance review scheduled for September 2011.

Other senior executives were the subject of informal evaluations against both individual performance and overall business measures. These evaluations were undertaken by the CEO progressively and periodically, in consultation with the Nomination and Remuneration Committee and the Board.

Outcomes arising from these evaluations included identifying skill improvement needs, re-description of positions of employment, remuneration reviews and in some cases remedial action.

The Charter contains a section formally setting out the Company's Board and Management Performance Enhancement Policy.

Recommendation 1.3 – Provide the information in the guide to reporting on Recommendations.

The Company is not aware of any departure from Recommendations 1.1 or 1.2. Performance evaluations for senior executives have taken place in the reporting period in accordance with the process disclosed.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Recommendation 2.1 – A majority of the Board should be independent directors.

The Board respects "independence" as critical to effective governance. The Board defines this to mean "independence of thought and decision making", and is satisfied that its Board composition meets these requirements.

For the majority of the year the Board comprised:

- 3 non-executive independent directors (Steven Cole, Peter Collins* and Ian Junk); and
- 2 executive directors (David John Reed and Chris Reed).

* Due to consulting work undertaken from time to time by Peter Collins for the Company, Peter might not satisfy the technical indicia of "independence" proposed in the Recommendations.

In addition, on 17 June 2011 Dr Vanessa Guthrie joined the Board as an independent non-executive director. The appointment followed a board initiated skills assessment of its needs, as the Company wanted to ensure it had the appropriate skills and experience around the Board table as it undergoes a significant transformation primarily from a mineral explorer to a commodity project developer, operator and producer.

Recommendation 2.2 – The chairperson should be an independent director.

The chairperson (David John Reed) is an executive director and substantial shareholder of the company and as such does not pass the criteria of independence as outlined in the Recommendations.

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

The roles of the Chairperson and the Chief Executive Officer were not exercised by the same individual.

Recommendation 2.4 – The Board should establish a nomination committee.

The Board has a Nomination and Remuneration Committee.

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

The Nominations and Remuneration Committee is charged in the terms of the Charter with Board and Board Committee membership, succession planning and performance evaluation, as well as Board member induction, education and development.

The Company has adopted policies and procedures in the Charter concerning the evaluation and development of its directors, executives and Board committee. Procedures include an induction protocol and a performance management system for the Board and its directors. Each Board committee also formally reports to the Board annually on its operations in the context of its remit.

The evaluation process adopted includes a self assessment questionnaire of each Board and Committee member, facilitated by the Chair of the Nomination and Remuneration Committee including a follow up qualitative interview and analysis, as well as a reporting process to each Director, the Nomination and Remuneration Committee and the Board. The questionnaire and interview focuses on individual, committee and overall Board performance and commentary.

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

Recommendation 2.6 – Provide the information indicated in *Guide to reporting on Principle 2*.

Contained in the Directors' Report section of this Annual Report are details of:

- the skills, experience and expertise relevant to the position of director held by each Director in office at the date of this Annual Report;
- the term of office held by each Director in office at the date of this Annual Report.

The terms of office, and their status as executive/non-executive/independent, for each director for the year ending 30 June 2011 were as follows (with all directors noted as continuing as at 30 June 2011 still being in office at the date of this annual report):

David John Reed	Executive Chairman - 1 July 2010 to 30 June 2011 (cont)
Steven Cole	non-executive/independent – 1 July 2010 to 30 June 2011(cont)
Peter Lionel Fleury Collins	non-executive/independent - 1 July 2010 to 30 June 2011 (cont)
Ian Courtney Junk	non-executive/independent – 1 July 2010 to 30 June 2011(cont)
Christopher John Reed	Chief Executive Officer and Managing Director - 1 July 2010 to 30 June 2011 (cont)
Vanessa Guthrie	non-executive/independent – 17 June 2011 to 30 June 2011 (cont)

The Company has adopted the definition of "independence" as set out in the response to Recommendation 2.1 above, in the above analysis.

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

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

Director	Number of Mtgs Eligible to Attend	Number of Mtgs Attended
Steven Cole (Chairman)	2	2
Peter Lionel Fleury Collins	2	2
Ian Courtney Junk	2	1

In accordance with the process for Board, Board Committee and director evaluation as described in the Charter such an evaluation and review has been considered and was undertaken in June/July 2010 and has been scheduled to be repeated in September 2011.

The Company departed from the Recommendations in that:

- (a) the Company adopts a varied definition of "independence" than in the Recommendations; and
- (b) the chairperson is not an independent director.

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

- it is satisfied with the level of independence of thought and decision making being contributed by all its non-executive directors;
- through the appointment of Steven Cole, an independent non-executive director with recognised corporate governance skills, as Deputy Chairman, extra governance oversight is brought to bear to Board proceedings notwithstanding the Chairman being executive;

- the Board was recently expanded with the introduction of Dr Vanessa Guthrie to the Board as a non-executive director. Together with the diverse array of skills, experience and perspective that Vanessa brings to the Board, she also brings an additional layer of independent oversight.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Recommendation 3.1: Establish a code of conduct and disclose the code, or a summary as to:

- 3.1.1 the practices necessary to maintain confidence in the company's integrity;**
- 3.1.2 the practices necessary to take into account legal obligations and reasonable expectations of stakeholders;**
- 3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.**

The Company has established a formal code of conduct in the Charter to guide the Directors, the CEO, the CFO (or equivalent) and other key executives with respect to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account legal obligations and reasonable expectations of stakeholders, and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Company's policy concerning trading in Company securities by Directors, officers and employees is set out in the Charter which has been placed on the Company's website. This policy was updated on 21 December 2010 to comply with Listing Rule 12.9 which came into effect on 1 January 2011.

Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy.

During the year the Company developed and adopted a diversity policy, which has been placed on the Company's website.

Recommendation 3.3: Companies should disclose the measurable objectives for achieving gender diversity

The Board and executive established the following strategies, initiatives and programs:

3.3.1 Phase 1 – Strategies

- (a) The development and adoption of the Policy.
- (b) The Group's governance charter embodying the Policy within its terms.
- (c) The assignment of responsibility for the Policy and its administration, monitoring and review.

3.3.2 Phase 2 – Initiatives and Programs

- (a) At Board / Board Committee level:
 - (i) Review the Board / Director selection and evaluation processes to ensure that:
 - (A) diversity is embedded as a relevant attribute;
 - (B) any skill / gap analysis matrix utilised includes due regard for the attribute of Diversity; and
 - (C) a clear statement exists as to the mix of skills and diversity that the Board is looking to achieve in membership of the Board.
 - (ii) When addressing Board succession planning, ensure that:
 - (A) the Policy is respected;

- (B) efforts are made to identify prospective appointees who have Diversity attributes;
 - (C) efforts are made for any short list of prospective appointees to include at least one male and at least one female candidate.
- (iii) When setting performance and remuneration KPI's for achievement by the CEO and the senior executive team under their employment contracts, ensure that the following are comprised within such KPI's:
- (A) the development of strategies, initiatives and programs towards the Principle; and
 - (B) attainment of measureable objectives towards the Principle, including gender diversity.
- (b) At Executive and Management Level
- (i) Review the Group's HR policies and processes to ensure that:
 - (A) they are "inclusive" in nature and responsive to the Policy;
 - (B) they do not expressly or implicitly operate in a manner contrary to the Policy;
 - (C) equal opportunity status applies to all positions within the Group, except where there is legitimate cause in the best interests of the Group and its personnel, to warrant otherwise; and
 - (D) any incidents of exception referred to in paragraph (C) are reported to the Company Secretary for verification (and on-referral as appropriate) having regard to the Policy.
 - (ii) Review the Group's physical environments and cultural practices to ensure that:
 - (A) they are "inclusive" in nature and responsive to the Policy;
 - (B) they do not expressly or implicitly operate in a manner contrary to the Policy.
 - (iii) Generally ensure in the Group's recruitment practices that:
 - (A) the Policy is respected;
 - (B) efforts are made for any short list of prospective appointees to include at least one male and at least one female candidate.
- (c) Generally – Development Programs
- (i) The Group commits to the career development of those of its personnel who aspire to develop their skills and abilities to take on more senior and responsible roles within the Group.
 - (ii) A standing program will be developed by management, with provisional budgetary funding approved from time to time by the Board, to achieve this objective.
 - (iii) A particular aim of this initiative is to improve the internal succession "pipeline" of personnel, especially gender diverse personnel, towards more senior and responsible roles within the Group.

3.3.3 Measurable objectives, targets and KPI's (refer paragraph 3 of Policy)

Strategies	By When	Status (✓ indicates objective, target and KPI met)
3.3.1 (a)	31 October 2010	✓
3.3.1 (b)	31 December 2010	✓
3.3.1 (c)	31 December 2010	✓
Initiatives / Program		
3.3.2 (a)(i)(A)	31 March 2011	✓
3.3.2 (a)(i)(B)	31 March 2011	✓
3.3.2 (a)(i)(C)	31 March 2011	✓
3.3.2 (a)(ii)	Ongoing	✓
3.3.2 (a)(iii)	30 June 2011 and ongoing	✓
3.3.2 (b)(i)	31 March 2011	✓
3.3.2 (b)(ii)	30 June 2011	✓
3.3.2 (b)(iii)	Ongoing	✓
3.3.2 (c)(i)	Ongoing	✓
3.3.2 (c)(ii)	30 June 2011	✓
Specific Gender Diversity Targets		
(1) At Board Level - At least one of the next 2 Board appointments desirably should be female with appropriate skills and attributes.	(1) When it is appropriate to expand or refresh the Board.	✓ Dr Vanessa Guthrie joined the Board on 17 June 2011.
(2) At Executive level - At least one of the next 2 executive appointments desirably should be female with appropriate skills and attributes.	(2) When it is appropriate to expand or refresh the executive team.	✓ Elizabeth Jones joined the executive team as Senior Planning Engineer on 7 June 2011.
(3) Generally - Subject to the qualifying note under this item 2(c), not less than 33% of new appointments should be male and not less than 33% of new appointments should be female.	(3) Annually by 30 June each year.	✓ As at 30 June 2011 the group had made 6 appointments, 2 female and 4 male.

Copies of the Company's current Board Members Code of Conduct and Group Code of Conduct/Values and the Company's Share Trading Policy and Diversity Policy are publicly available on the Company's website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Recommendation 4.1: The Board should establish an Audit Committee.

The Board has had a combined Audit and Risk Management Committee for the entire reporting period.

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

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

The Company's Audit and Risk Management Committee has 3 members all being non-executive directors (Steven Cole, Peter Collins and Ian Junk), all of whom, including the Chairman (Steven Cole), are independent. Dr Vanessa Guthrie is now also to be appointed to the Audit and Risk Management Committee.

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

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

Recommendation 4.4: Provide the information indicated in *Guide to reporting on Principle 4*.

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

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

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

The Company is not aware of any departures from the Recommendations under Principle 4.

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

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

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

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

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

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

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

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

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

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

Recommendation 6.2: Provide the information indicated in Guide to reporting on Principle 6.

Details of how the Company will communicate with its shareholders publicly is set out under the heading "Communications with Stakeholders" which is publicly available on the Company's website.

The Company is not aware of any departure from Recommendations 6.1 or 6.2.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

The Charter includes a formal policy on risk oversight and management. The Board also has established the Audit and Risk Management Committee of the Board.

The Board and executive through interactive workshop sessions have implemented a system for identifying, assessing, monitoring and managing material risks throughout the organisation, including internal compliance and control systems, and procedures based on AS/NZ ISO 31000:2009. To this end professional consultants have assisted with the changes from AS/NZ4360 and a company wide risk assessment review was finalised in September 2010.

Details of the Company's policy on these matters and any amendments in due course are set out under the heading "Risk Management Policy" in the Charter which is publicly available on the Company's website.

Recommendation 7.2: The Board to require management to design and implement the risk management and internal control system to manage the Company's material business risks, and report to it on whether those risks are being managed effectively. Board to disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

An Audit and Risk Management Committee has been established as set out in the Charter with preliminary responsibility for establishment and maintaining effective risk management and internal control systems.

The Board, including through the Audit and Risk Management Committee has required management to progress matters and report to it in the terms of this Recommendation.

Further, the Board discloses that management has reported to it as to the effectiveness of the Company's management of its material business risks, including the risk treatment actions taken to date to minimise the risks.

Recommendation 7.3: Board to disclose whether it has received assurance from the CEO (or equivalent) and the CFO (or equivalent) that the declaration provided in accordance with S.295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Company's CEO and CFO (or equivalent) provided the Board assurance in compliance with this Recommendation that the declaration provided in accordance with S.295A of the Corporations Act was founded on a sound system of risk management and internal control and that system was operating effectively in all material respects in relation to financial reporting risks.

Recommendation 7.4: Provide the information indicated in Guide to reporting on Principle 7.

The Company is not aware of any departure from Recommendations 7.1, 7.2 or 7.3.

A summary of the Company's policies on risk oversight and management of material business risks is publicly available under the heading "Risk Management Policy" in the Charter on the Company's website.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation 8.1: The Board should establish a remuneration committee.

The Board has established a combined Nomination and Remuneration Committee. Refer reporting on Recommendation 2.6 above.

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

Recommendation 8.2: Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

The structure of non-executive remuneration is clearly distinguishable from that of executive directors and senior executives.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the economic entity was as follows:

- Executives were to receive a base salary (based on factors such as skills, experience, value to the Company and length of service), superannuation and, as appropriate, performance incentives against key performance indicator attainment, including by way of longer term equity participation entitlements (as appropriate). The Nomination and Remuneration Committee (on reference from, and in consultation with, the CEO) reviews executive packages from time to time by reference to the economic entity's performance, executive performance and comparable information from industry benchmarks.
- The maximum remuneration of non-executive directors is the subject of Shareholder resolution in accordance with the Company's Constitution, the Corporations Act and the ASX Listing rules, as applicable. The apportionment of non-executive director remuneration within that maximum is made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive director. The Board may also award additional remuneration to non-executive directors called upon to perform extra services or make special exertions on behalf of the Company. Some longer term share options were also awarded to non-executive directors in 2010/2011 in consideration of maintaining relatively modest non-executive director fee structures and expectations of extra demand for non-executive time inputs for the company's benefit. Details of these are set out in the Remuneration Report within the Directors' Report.
- Greater details of the remuneration arrangements for Directors, Officers and senior executives are contained in the Remuneration Report comprised in the Directors' Report forming part of this Annual Report.

Recommendation 8.3: Provide the information indicated in *Guide to reporting on Principle 8*

Remuneration Committee (names of members and attendance at meetings)

Refer to the response to Recommendation 2.6 above concerning the Company's Nomination and Remuneration Committee.

Non Executive Director Retirement Benefits

Non-executive directors are entitled to statutory superannuation. There are no other schemes for retirement benefits for non-executive directors.

Departure from Recommendations

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

In explanation thereof:

- the level of remuneration paid by the Company to its non-executive directors in 2010/2011 was perceived to be modest, especially having regard to the additional service and contributions expected to be made by them at this stage of the Company's evolution;
- the issue of options to the non-executive directors is a "non cash" means by which they can receive some modest recompense for such additional service and contributions.

Information Publicly Available

The Charter contains a section formally setting out the charter of the Company's Nominations and Remuneration Committee. Details are publicly available on the Company's website.

EXECUTIVE SUMMARY OF COMPLIANCE WITH RECOMMENDATIONS			
Recommendation #	Compliant	Non-Compliant	If not, why not?
1	✓	-	N/A
2	-	Partial	Refer response to Recommendation 2.6 above.
3	✓	-	N/A
4	✓	-	N/A
5	✓	-	N/A
6	✓	-	N/A
7	✓	-	N/A
8	✓	-	However refer to the qualified statement in the response to Recommendation 8.3 above.

Directors' Report

The directors of Reed Resources Ltd submit herewith the annual financial report of the company for the financial year ended 30 June 2011. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

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

Name	Particulars
David John Reed OAM	<p>Executive Chairman</p> <p>Term of Office: Appointed 20 December 2001</p> <p>Current External Directorships: None</p> <p>Skills, Experience and Expertise: Mr David Reed is a former Fellow member of CPA Australia, and graduated in accountancy in 1965. He has 40 years experience in stock broking 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. Mr Reed was also Chairman of CIBC Australia from 1997 to 2003. 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 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</p> <p>BComm, GradCertMinEcon, ASA, MAusIMM</p> <p>Term of Office: Appointed 20 December 2001</p> <p>Current External Directorships: None</p> <p>Skills, Experience and Expertise: Mr Chris Reed graduated with a Bachelor of Commerce from the University of Notre Dame. He holds a Graduate Certificate in Mineral Economics from the WA School of Mines, is a Member of the Australasian Institute of Mining and Metallurgy and is an Associate Member of CPA Australia. Mr Reed is currently the Vice-president of the Association of Mining and Exploration Companies. He has over 15 years experience in the mineral exploration and mining industry.</p>
Peter Lionel Fleury Collins	<p>Non-executive Director</p> <p>Term of Office: Appointed 20 December 2001</p> <p>Company Board Committee Membership: Nomination and Remuneration Committee and Audit and Risk Management Committee</p> <p>Current External Directorships: None</p> <p>Skills, Experience and Expertise: Dr Peter Collins is a geologist with over 35 years experience in the minerals industry, government and academia. He has a BSc(Hons) and a PhD in geology from the University of Tasmania and currently holds a senior lecturing position in economic geology at Curtin University, Perth. Dr Collins is widely experienced in investigation and exploration of gold, base metals, ferrous metals, tin-tungsten and pegmatite mineralisation and was responsible for discovery of the Sand George gold deposit at Comet Vale, WA.</p>
Ian Courtney Junk	<p>Non-executive Director</p> <p>Term of Office: Appointed 1 December 2003</p> <p>Company Board Committee Membership: Nomination and Remuneration Committee and Audit and Risk Management Committee</p> <p>Current External Directorships: BMC-TSX Brilliant Mining Corp and Kimberley Metals Group Pty Ltd</p> <p>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, having managed several private mining companies and commissioned various mining operations. Ian has been a national finalist in the Ernst & Young –Entrepreneur of the Year and received a Goldfields, Business of the Year Award. Ian is a Member of the Australasian Institute of Mining and Metallurgy.</p>

Steven Cole	<p>Non-executive Director</p> <p>Term of Office: Appointed 24 July 2008</p> <p>Company Board Committee Membership: Nomination and Remuneration Committee and Audit and Risk Management Committee</p> <p>Current External Directorships: Emerson Stewart Group Limited, 2 investment trustees each managing around \$10 million in investments, Australian Institute of Company Directors Limited, QE11 Medical Centre Trust, and Brightwater Care Group Inc.</p> <p>Skills, Experience and Expertise: Steven has over 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.</p>
Vanessa Guthrie	<p>Non-executive Director</p> <p>Term of Office: Appointed 17 June 2011</p> <p>Company Board Committee Membership: Audit and Risk Management Committee</p> <p>Current External Directorships: None</p> <p>Skills, Experience and Expertise: Dr. Guthrie holds a Bachelor of Science with Honors II (I) (Geology), Doctor of Philosophy (Geology) and a graduate diploma in Business Management. Dr Guthrie has more than 20 years of experience in the Australian resources sector and has previously covered a number of diverse roles in mining, refining, smelting and gas production operations including roles ranging from Company Secretary to Mine Manager of Australia's largest bauxite operation and with the calibre of Woodside Energy Ltd, Alcoa World Alumina Australia, WMC Resources, RGC Limited, Goldfields Limited and Pasminco Ltd.</p>
Jason Carone	<p>Joint Company Secretary</p> <p>Term of Office: Appointed 4 March 2009</p> <p>Company Board Committee Membership: None</p> <p>Current External Directorships: None</p> <p>Skills, Experience and Expertise: Jason holds a Bachelor of Commerce in Accounting and Business Law from Curtin University, WA and has been a member of the Institute of Chartered Accountants since 2000. Jason joined Reed in September 2007 as Financial Controller and in March 2009 was appointed Joint Company Secretary. Jason brings to Reed over 10 years experience working in various professional and corporate capacities in Australia and South East Asia.</p>
Darren Wates	<p>Joint Company Secretary</p> <p>Term of Office: Appointed 6 April 2011</p> <p>Company Board Committee Membership: None</p> <p>Current External Directorships: None</p> <p>Skills, Experience and Expertise: Darren holds a Bachelor of Laws and a Bachelor of Commerce from Murdoch University, and a Graduate Diploma in Applied Finance and Investment through FINSIA (now Kaplan). Darren joined Reed Resources in December 2010 as Commercial Legal Counsel and in April 2011 was appointed Joint Company Secretary. Darren has over 10 years experience in corporate and commercial law in Western Australia, having worked in the Perth office of a national law firm and more recently in senior consultancy at a specialist corporate, commercial and resources law firm</p>

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 ongoing evaluation of the Barrambie vanadium project and the evaluation and development of the Mt Marion lithium project.

Review of operations

The consolidated loss after income tax for the year attributable to members of Reed Resources Ltd ("Reed Resources" or "the Company") was \$3,353,586 (2010: \$2,666,815). The company has invested \$6,248,368 in capitalised exploration expenditure and development costs in the year ended 30 June 2011.

MEEKATHARRA GOLD PROJECT (Reed 100%)

On 12 January 2011 Reed Resources announced the acquisition, via its wholly owned subsidiary GMK Exploration Pty Ltd, of 100% of the landholdings and assets of Mercator Gold Australia Pty Ltd ("Mercator"), which was in Administration (ASX release 12 January 2011).

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

The project comprises more than 800 km² of tenure covering 100 km strike length of the Murchison Greenstone belt, and has produced in excess of 4.5 million ounces of gold. The Murchison Greenstone belt is a proven fertile greenstone belt, hosting multi-million ounce deposits at Mt Magnet, Tuckabianna, Reedy's, Bluebird and Paddys Flat.

Mercator had delineated 2.5M ounces of gold in JORC Code compliant Resources, and Reserves in excess of 0.5M ounces prior to it commencing operations in early 2007. Mercator produced 44,000 ounces in the 18 months before suspension of operations in October 2008.

In addition, the Company acquired significant infrastructure, including a refurbished processing plant capable of up to 3Mtpa, a 180-man camp, offices, workshops and a 7MW diesel power plant. The replacement cost has been independently assessed at A\$104 million.

Terms and Financing

Under the terms of the agreement Reed Resources made the following payments to Mercator:

- \$2 million within 48 hours of execution of the agreement;
- \$15 million on 31 March 2011; and
- \$8 million at Settlement on 1 July 2011 and replacement of bonds (\$2.8 million).
- \$1.4 million in holding costs between 12 January 2011 and 30 June 2011.

The transaction settled on 1 July 2011 with Reed Resources issuing Mercator with \$1.3 million worth of Reed Resources shares based on the 5 day volume weighted average price (VWAP) prior to the settlement date.

Geology

During the year new resource estimates were completed for Prohibition, Vivian-Consols, Mudlode-Fatts, Surprise and Jess, delivering individual increases in gold grade and/or total ounces. The main resources that have been reworked focus on the targets that can realise immediate mining potential.

Since Reed Resources acquired this landholding in January 2011 the Mineral Resource Inventory has increased 288,800oz or 12% to now total 2.75 million ounces of gold.

Resource Extension Drilling

A program of Reverse Circulation (RC) drilling commenced at the end of June 2011 targeting resource extensions at Prohibition, Batavia and Rhens, and also test extensions to mineralisation at Chunderloo (copper – gold – silver), Sirdar, Rocklea, Whangamata, Paddys Flat and Reedy. Resource RC drilling will target extensions and areas of inferred resource category in the Prohibition resource (5.4 Mt @ 2.6 g/t for 454 Koz), the Batavia resource (0.3Mt @ 2.4 g/t or 24 Koz) and the Rhens resource (2.8Mt @ 1.6 g/t for 143 Koz). The aim of the program is to increase the open pit probable reserves at each of the areas targeted.

Exploration Drilling

The exploration drilling is aimed at progressing a number of brown field targets. Projects range from exploratory drilling beneath shallow historic workings (eg, Rocklea North), to validation drilling and targeting extensions to mineralisation in areas that have been extensively drilled to shallow depths (eg, Chunderloo).

Mining

During the Quarter ended 30 June 2011 increases in the global reserves included a new open pit at Prohibition capable of sustaining an additional 14 months of standalone mining. This new reserve is pivotal to recommencement of operations, as it represents a second base-load feed for the mill, and compliments the current 1.4Mt Probable Ore Reserve in the Bluebird Pit.

The Project now has 2 base-load ore sources that will provide open pit mill feed for almost 3 years from these two sources alone. Prohibition is the largest ore system in the Paddys Flat system that is immediately available for mining.

Reserve optimisations were completed for Jack Ryan, Rand and Callisto open at the Reedys area. This represents the first Reserve statement at Reedys in 14 years.

When Reed Resources acquired this landholding in January 2011 the Ore Reserve Inventory was 560,000 ounces of gold. Optimisations are continuing on the new Prohibition-Vivian-Consols-Mudlode-Fatts underground resource that will provide the additional feed to support the mine and additional high grade material. The Company expects additional reserves will be identified through the technical studies, further bolstering the mine plan and produce a low-risk recommencement strategy.

Bankable Feasibility Study -Work Packages and Upgrade Studies

In the second half of FY 2011 work has been ongoing with the mill refurbishment study with GR Engineering. The preliminary condition report is nearing completion. The aim of this study is to cost and identify the areas of the current circuit that need replacement or refurbishment. The next stage will be to assess the mill and identify any upgrades or circuitry changes that are required to feed fresh rock as opposed to the oxide material that it is optimised for. This is anticipated to be completed by November 2011.

The power supply study is advanced with the focus towards the various fuel options available. In particular evaluating the escalating cost of diesel, the sovereign risk associated with the carbon tax and the reduction in fuel rebates.

The accommodation village is being evaluated for upgrade and refurbishment. The condition report is nearing completion on this facility along with a costed option study to potentially replace some of the older rooms. This will also include a new village messing facility that will be needed to support the increased number of employees when production commences at both open pits and underground.

The Bankable Feasibility Study is on schedule for completion by the end of February 2012. The strategy to recommence operations (subject to decision to mine) by the last quarter of 2012 remains on track with the main requirements for operational recommencement being addressed. Reed Resources continues to build the dedicated technical team whose sole focus is to progress the Meekatharra Gold Project.

BARRAMBIE VANADIUM PROJECT (Reed 100%)

The Barrambie Vanadium Project continues to be a high priority for the Company. Since May 2010 Reed Resources has been in discussions with China Non-Ferrous Metal Industry's Foreign Engineering and Construction Co. Ltd ("NFC") about NFC participating in development of the Barrambie Vanadium Project. In November 2010 the Company signed a Memorandum of Understanding (MoU) with NFC and West Australian based engineering and construction company Arccon (WA) Pty Ltd ("Arccon") for the development of the Barrambie Vanadium Project situated in the Mid West Region of Western Australia. This MoU was replaced with an updated MoU on 23 June 2011. The MoU formalises discussions that had taken place between Reed and NFC, relating to an engineering procurement and construction contract ("EPC") and project financing.

The Company received an EPC budget estimate in July 2011 for the Barrambie Vanadium Project. The NFC / Arccon budget estimate indicates a potential capital cost saving of approximately \$100 million over the original Definitive Feasibility Study ("DFS"). The Direct Construction Costs and EPCM Fee estimate has been reduced from \$539 million to \$439 million. The Company subsequently received a final, fixed price EPC quote for Barrambie in early August 2011 which was consistent with the estimate.

The capital cost savings are in addition to processing plant operating cost savings of approximately 6% over the DFS estimates identified by Sinclair Knight Merz, which are primarily due to reductions in power and soda ash consumption arising from optimisation test work and plant re-design work carried out by NFC / Arcon.

Barrambie remains one of the world's highest grade vanadium deposits with a Probable Ore Reserve of 39.7 Mt at 0.82% V₂O₅. This Ore Reserve is based on an Indicated Mineral Resource of 49.2 Mt which represents a Resource to Reserve conversion rate of 81 %.

The Public Environmental Review Document (PER) was released to the public on 17th June 2010 and closed on 26th July 2010. A number of submissions were received from interested parties, and the EPA is currently considering the Company's response to the submissions before preparing its report and recommendations for the Minister. It is expected that the PER will be received early in the December Quarter 2011.

MT MARION LITHIUM PROJECT (Reed Resources 70%, Mineral Resources Limited 30%)

In August 2009 the Company 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. The Mt Marion project comprises two Mining Leases, M15/999 and M15/1000, which cover outcropping spodumene (LiAlSi₂O₆) bearing pegmatites.

On 16 July 2010 Mineral Resources Ltd ("MIN") delivered an Operations Commencement Notice and in turn on 13 August 2010 the Company exercised its rights under the Option Agreement and acquired 100% of the granted Mining Leases. MIN funded both the exercise price (\$1.5 million) and the Decision to Mine payment (\$1.5 million) at settlement of the Option.

The Joint Venture with MIN was expanded to include mica, tantalum and potash feldspars; test work has highlighted the potential to recover significant volumes of these by-products.

On 14 October 2010 the Company secured a Works Approval from the Department of Environment and Conservation (DEC) to commence erection of the mineral processing plant at the Mt Marion Lithium Project.

On 16 February 2011 the Company and MIN agreed the principles to which the ownership structure of the Mount Marion Project was to be amended. MIN will convert a right to 40% of profits to 30% equity interest in Reed Industrial Minerals Pty Ltd which holds 100% of the Mount Marion Project.

In March 2011 the Company and MIN received final approval from the Department of Mines and Petroleum for its mining proposal and site works commenced shortly thereafter. MIN constructed the plant in modular form at its workshops in Kwinana and commenced transportation of the plant to site in August 2011.

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

Mineral Resource Estimate

The Mt Marion deposit consists of a series of shallow westerly dipping, parallel sheets of spodumene-bearing pegmatite within mafic-ultramafic volcanic rocks. The pegmatite sheets are over 20 metres in thickness and have been drill tested to a depth of only about 100 metres below surface.

In July 2010 the Company advised that it had increased its mineral resource estimate for Mt Marion by 18% to a total of 10,522,000 tonnes of 1.4% Li₂O from the previously announced total of 8,924,000 tonnes of 1.4% Li₂O. The upgraded resource classification and increased confidence in the estimate was based upon additional geological modelling, bulk density and quality control work undertaken on the drilling at the Mt Marion lithium project.

In April 2011 the Company completed a resource expansion drilling program with a view to extending the open pit mine life through depth and strike extensions of existing deposits No.1, 2 and 2W on M15/1000 and the definition of new resources from pegmatite prospects at the No.4 Deposit and at Area 6 .

A Mineral Resource estimate was undertaken by Hellman and Schofield and reported subsequent to the end of the year (ASX Release 22 July 2011). Total resources now stand at 14.9Mt at 1.3% Li₂O for 201,000 tonnes of contained lithium oxide (Li₂O), representing a 38% increase over the previous estimate of 146,000 tonnes of contained Li₂O.

Lithium Carbonate Downstream Processing

In June 2010 the Company announced the results of a Pre-Feasibility Study (PFS) which investigated the processing of spodumene concentrates to produce battery-grade lithium carbonate (Li₂CO₃).

During the year the Company sought and received expressions of interest from a number of Asian parties involved in, or seeking to become involved in, the downstream processing of lithium concentrate, with a view to leveraging the status of Mt Marion as one of the world's largest potential sources of uncontracted spodumene.

The PFS confirmed significant benefits of producing lithium carbonate from spodumene concentrates and highlighted the potential for Reed Resources to become a major supplier of high-purity lithium chemicals to Asian lithium battery manufacturers.

Expressions of interest received incorporate a range of potential structures, including acquisition of an interest in the Mt Marion project, and a range of downstream processing joint ventures and investments.

The process has confirmed Reed Resource's expectation of a robust growth outlook for lithium chemicals as a result of the burgeoning market for a range of end-uses, particularly in the electric vehicle and energy storage industries. However, at this point, the company has not been presented with an opportunity to transact on terms that are considered to be value accretive to Reed Resources shareholders.

The Company is continuing to engage in dialogue with a number of parties with a view to furthering its downstream ambitions and, in the meantime, remains focussed on advancing preparations for the commencement of operations at Mt Marion.

COMET VALE PROJECT (100% Reed)

Sand Queen Gold Mine

The Company resumed 100% ownership of the Sand Queen Gold Mine at the Comet Vale Gold Project in Western Australia from 1 June 2010. Under the agreement Reed Resources has also assumed ownership of all associated joint venture assets and infrastructure. The mine remained on care and maintenance throughout the year and there was no production from the Sand Queen gold mine during the year.

During the year the Company completed the first phase of a staged holistic review of the Comet Vale Project. Stage 1 of the review examined the potential to expand the Princess Grace open pit. Stages 2 and 3 have not yet commenced, pending a review of the data and other potential opportunities.

Reserve Estimate

During the September 2010 quarter, the Sand Prince West pit was optimised and redesigned by Minecomp Pty Ltd. Extensional drilling is designed to delineate the Princess Grace lode system and thus provide impetus for a decline access into both the Princess Grace and Sand Queen/Sand George Lodes. A reserve for the Sand Prince West pit above an undiluted grade of 1.5g/t @ \$1,250/oz gold price is summarised in Table 2.

Table 2. Reserve estimates for the Sand Prince West deposit, Comet Vale project

Pit	Category	Tonnage	Grade g/t Au	Ounces
Sand Prince West	Probable	103,000	2.7	8,500

Princess Grace Extensional Drilling

The Stage 1 drilling program was completed during the December quarter. The drilling intersected the Princess Grace structure in each of the drill holes but the gold tenor of the intersections did not extend the current reserve or pit optimisation. The principle strategy behind this drilling was to extend the pit allowing a portal and underground access scenario to be developed to exploit the underground areas from the two main lode systems.

Exploration Forecast

The remainder of the drilling program was been placed on hold pending a review of the Company's gold assets and a strategy being formulated on the most effective vehicle for expansion of the gold business.

NIMBUS PROJECT PROCESSING PLANT (Reed 100%)

In April 2009 the Company secured an option to purchase the Nimbus Silver Project and Processing Plant, 15km southeast of Kalgoorlie. Reed Resources exercised its option on 4 September 2009 with a final payment of \$2.25 million to Polymetals Group Pty Ltd ('PGPL').

The Nimbus Project comprises two granted mining leases (M26/490, M26/598). PGPL commenced mining in early 2004 and produced approximately 3M oz of silver from two open pits before ceasing mining operations in late 2006. The processing plant was placed on care and maintenance in late 2007. There is significant base metal exploration upside and in-situ high-grade silver mineralisation beneath and between the open pits.

During the year the Company continued to progress the Pre-Feasibility Study for recommissioning of the Nimbus Treatment Plant. In addition, Western Power commenced work on the Bulong Road to enable power to be delivered to site via a power line easement that runs directly south from the Bulong road and into Nimbus mining lease M26/490.

Conditional Sale Agreement

On 20 May 2011 the Company announced the conditional sale of its subsidiary Kalgoorlie Ore Treatment Company Pty Ltd ("KOTC") that holds the Nimbus processing plant and associated assets, to Macphersons Reward Gold Limited (ASX code: MRP) pursuant to a binding memorandum of understanding ("MOU").

The sale which was subject to due diligence will see Macphersons pay cash and scrip consideration of \$4.5 million (\$3 million cash and \$1.5 million in MRP ordinary shares) plus reimburse the Company for up to \$500,000 of costs associated with power line installation and ball mill up grade prior to the contract becoming unconditional. Macphersons have paid a deposit of \$100,000 to secure the contract which includes a three month due diligence period. The Company will retain a 1% Net Smelter Royalty on zinc production from KOTC's two mining leases.

MRP also agreed to process up to 70,000 tonnes per annum of gold ore from Reed Resource's Comet Vale Gold Project for up to 4 years from commencement of first milling campaign.

MT FINNERTY PROJECT

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

All iron exploration is conducted by Cliffs Asia Pacific Iron Ore Pty Ltd ('Cliffs'), targeting banded iron formations along the central spine of the greenstone belt.

Nickel exploration has focussed on the western flank of the greenstone belt which is most prospective for massive nickel sulphide mineralisation. There are favourable high MgO ultramafic host rocks with intact basal contacts and highly anomalous geochemical results (high Cu and Ni) that have yet to be satisfactorily explained. The effectiveness of TEM as a search tool for massive sulphides in this area is compromised by the presence of a conductive overburden.

Iron Ore Joint Venture (Reed 20%, Cliffs 80%)

The first stage of resource definition drilling program was undertaken during the December 2010 quarter with a total of 25 RC holes completed. Drill assay results confirmed a low grade iron ore occurrence with potential for gold. A magnetite exploration review was completed during the quarter, and indicates the potential for substantial tonnages of magnetite.

Nickel Exploration (Barranco 100%, Reed Option to Acquire 100%)

Barranco Resources NL (Barranco) is the 100% registered holder of E16/305 and E16/330 ("Tenements"). Barranco and Reed Resources were parties to a farmin and joint venture agreement under which the earn-in period for Reed Resources to earn a 60% interest was due to expire on 31 August 2011. On 19 July 2011, the parties agreed to revised arrangements regarding the Tenements. Reed Resources withdrew from the JVA and Barranco granted Reed Resources an exclusive option to acquire the Tenements (Option). The Option is for an initial 1 year period, in return for the payment of an option fee of \$10,000. The option period may be extended by Reed Resources for three subsequent 1 year periods by the payment of \$20,000 for each

extension. The consideration payable for the exercise of the Option is \$500,000 cash and 1,500,000 Reed Resources shares. Reed Resources is responsible for maintaining the Tenements in good standing for the option period.

During the year exploration continued on the western flank of the Mt.Finnerty greenstone belt (in Exploration Licences E16/305, E16/330) following up the diffuse IP target from fixed loop TEM that was reported in the December quarter.

Two favourable targets encountered in GDD003 (down-hole EM and assay anomalies) will be followed up with additional diamond drilling planned for August 2011. These targets are a 4m thick pyrrhotite enriched sediment (black shale intercalated with ultramafic bands) and a strong conductive horizon logged as cumulate textured ultra-mafics with disseminated pyrrhotite throughout a 15m wide zone. Interpretation on the DHTM indicate that this hole was drilled within 10m of a favourable anomaly. This was also complimented with anomalous nickel and copper assays in the anomalous geophysical zones.

Nickel (Reed 100%)

Since the lapse of the agreement with Western Areas NL on 26th February, 2010 (ASX announcement 8 March 2010), the Mt Finnerty project tenements have been reviewed by Reed Resources and continue to rank as having significant anomalism that will be followed up in due course.

BELL ROCK RANGE PROJECT (Reed 100%,)

The Bell Rock Range project (E69/2293) covers some 471 km² of 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 Exploration (Australia) Pty Ltd ('AAE'). Under the terms of the agreement AAE could earn a 75% interest by spending \$3 million on the Bell Rock Range Project. One of the key terms of the Agreement with AAE was entering into an Access Agreement with the Ngaanyatjarra Council.

AAE was not able to obtain Access Approval from the Ngaanyatjarra Council to conduct exploration on the tenement and the purpose of the option agreement could not be realised, accordingly on 30 September 2010 both parties exchanged letters recording that the Option Period and Option Agreement be terminated. Subsequent to 30 June 2011 Reed Resources surrendered this tenement.

REED RESOURCES LTD – MINERAL RESOURCE STATEMENT

Meekatharra	Category	Tonnes (Mt)	Au (g/t)	Au (koz)
Meek, North	Indicated	0.7	1.3	29.0
	Inferred	0.2	1.2	6.0
Paddys Flat	Indicated	18.7	1.6	987.2
	Inferred	9.4	1.6	499.5
Yaloginda	Indicated	8.8	1.8	509
	Inferred	6.4	1.7	346
Reedys	Indicated	2.0	3.4	219
	Inferred	3.0	2.6	246
Total		49.2	1.8	2,841.7
Comet Vale	Category	Tonnes (Mt)	Au (g/t)	Gold (koz)
Comet Vale	Indicated	0.2	10.8	82.5
	Inferred	0.3	10.9	103.5
Total		0.5	10.8	186.0

Mt Marion	Category	Tonnes (Mt)	Li ₂ O (%)	Li ₂ O (kt)
1, 2, 2W, 4, 5, 6	Measured	2.0	1.45	29.2
	Indicated	4.8	1.39	66.3
	Inferred	8.1	1.30	105.1
Total		14.9	1.35	200.7
Barrambie	Category	Tonnes (Mt)	V ₂ O ₅ (%)	TiO ₂ (%)
Barrambie	Indicated	49.2	0.82	17.3
	Inferred	16.0	0.81	17.2
Total		65.2	0.82	17.3

REED RESOURCES LTD – ORE RESERVE STATEMENT

Meekatharra	Category	Tonnes (Mt)	Au (g/t)	Au (koz)
Bluebird	Probable	1.4	1.9	87.0
South Junct.	Probable	0.1	1.5	4.5
Prohibition	Probable	1.1	2.7	96.0
Surprise	Probable	0.1	3.0	13.0
Batavia	Probable	0.2	2.4	14.0
Jack Ryan	Probable	0.2	3.1	21.8
Callisto	Probable	0.1	3.1	7.2
Rand	Probable	0.1	2.4	7.6
Total (o/p)	Probable	3.3	2.3	251.1
Prohibition	Probable	1.3	2.4	104.1
Vivian/Cons.	Probable	0.3	7.7	63.6
Fatts/Mud.	Probable	0.4	4.7	57.2
Total (u/g)	Probable	2.0	3.6	224.9
Total	Probable	5.3	2.8	476
Barrambie	Category	Tonnes (Mt)	V ₂ O ₅ (%)	TiO ₂ (%)
Barrambie	Probable	39.7	0.82	15.7
Total		39.7	0.82	15.7

Notes:

- Resources and Reserves comply with the Australian JORC reporting guidelines.
- Resources are inclusive of Reserves.

CORPORATE

Placements

During the year the Company made the following share placements:

- On 29 July 2010 the Company announced to the market the details of a placement of 15 million shares at \$0.50 per share to raise \$7.5 million before costs to qualified investors, domestic and international institutional clients of Patersons Securities Ltd ("Patersons"). The placement was finalised on 4 August 2010.
- On 14 January 2011 the Company issued 1,000,000 ordinary shares in the Company to a consultant to the Company for a transaction related success fee.
- On 24 February 2011 the Company announced to the market the details of a \$40 million capital raising involving a placement and an underwritten share purchase plan. Both raisings were conducted at an issue price of \$0.58 per share. The two tranche placement to raise \$30 million before costs was made to qualified investors, domestic and international institutional clients of Bligh Capital Partners Pty Ltd. The Company announced a fully-underwritten Share Purchase Plan ("SPP") on the same terms to raise a further \$10 million. The placement and SPP were duly approved by shareholders and completed in April 2011.

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 1 July 2011, the Group completed the purchase of the Meekatharra Gold Project via its wholly owned subsidiary GMK Exploration Pty Ltd. The final payment on 1 July 2011 comprised \$8 million in cash and \$1.3 million worth of Reed Resources fully paid ordinary shares. The total purchase consideration and other costs directly attributed to the acquisition totalling \$28,431,001 will be transferred from other financial assets and recognised as property, plant and equipment and exploration assets. Approximately \$5.7 million will be recognised as a provision based on the estimate of the present value of future environmental rehabilitation obligations associated with the project site. In addition \$2,789,000 was placed on deposit as security for Unconditional Performance Bonds ("UPB") lodged with the Department of Mines and Petroleum.

On 29 July 2011 GMK Exploration entered into a non-cash backed bond facility with the Macquarie Bank in the amount of \$2.5 million as security for the UPB relating to the Meekatharra project. This facility is secured by way of a fixed and floating charge over the assets of GMK Exploration. Reed Resources has also provided a parent company guarantee. This in turn releases \$2.5 million in cash that was on deposit as security for the UPB.

On 6 July 2011, the Group secured an option to acquire outright ownership of the Nannine Mining Centre via its wholly owned subsidiary GMK Exploration Pty Ltd which, if exercised, would enable an extension of the land holding to a 110km long continuous land package. The cost of this option was \$103,098.

On 20 July 2011, the Company received the EPC budget estimate for the Barrambie vanadium project from the consortium of China Nonferrous Metal Industry's Foreign Engineering and Construction Co. Ltd ("NFC") and Arcon (WA) Pty Ltd ("Arcon"). Based on the EPC budget estimate received, the Barrambie vanadium project capex potentially reduced by 18% or \$100 million compared to the 2009 definitive feasibility study on a like-for-like basis.

On 8 September 2011 the Company completed the sale of its wholly owned subsidiary Kalgoorlie Ore Treatment Company Pty Ltd (KOTC) to MacPhersons Reward Gold Ltd (ASX Code: MRP) (MRP). KOTC holds the Nimbus Processing Plant and associated assets and is situated near Kalgoorlie, Western Australia. Reed Resources received cash consideration of \$3.4 million and \$1.6 million worth of MRP fully paid ordinary shares. This was in addition to a \$100,000 deposit received prior to reporting date in order for MRP to secure the purchase option. The Group expects to recognise a gain on the sale of its subsidiary of approximately \$0.6 million.

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

As required by section 299(f) of the Corporations Act the company states that it has performed all of its environmental obligations in accordance with applicable environmental regulations.

Dividends

In respect of the financial year ended 30 June 2011, the company has not paid an interim dividend and no final dividend is recommended. In respect of the financial year ended 2010, the company did not pay an interim dividend and no final dividend was recommended.

Share options granted to directors and executives

During and since the end of the financial year an aggregate 5,850,000 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
David Reed (i)	1,000,000	Reed Resources Ltd	1,000,000
Christopher Reed (i)	2,000,000	Reed Resources Ltd	2,000,000
Peter Collins (i)	250,000	Reed Resources Ltd	250,000
Ian Junk (i)	250,000	Reed Resources Ltd	250,000
Steven Cole (i)	500,000	Reed Resources Ltd	500,000
Jason Carone (ii)	600,000	Reed Resources Ltd	600,000
Darren Wates (iii)	500,000	Reed Resources Ltd	500,000
Craig Fawcett (iv)	750,000	Reed Resources Ltd	750,000

(i) Option series issued 6 December 2010.

(ii) Option series issued 27 August 2010.

(iii) Option series issued 8 April 2011.

(iv) Option series issued 26 July 2010.

Shares under option or issued on exercise of options

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

Options series	Number	Grant date	Expiry Date	Exercise Price	Fair Value at grant date
				\$	\$
Issued 14 September 2007	300,000	14/09/2007	31/12/2012	0.85	0.22
Issued 28 November 2007	1,500,000	28/11/2007	31/12/2012	0.85	0.22
Issued 15 September 2008	600,000	15/09/2008	30/06/2013	1.20	0.13
Issued 25 November 2008	1,250,000	25/11/2008	30/06/2013	1.20	0.03
Issued 7 September 2009	1,600,000	31/08/2009	31/12/2013	0.80	0.08
Issued 9 December 2009	4,500,000	26/11/2009	30/06/2012	0.80	0.17
Issued 9 December 2009	850,000	26/11/2009	31/12/2013	0.80	0.24
Issued 26 July 2010	750,000	19/07/2010	01/07/2013	1.00	0.05
Issued 27 August 2010	2,250,000	20/08/2010	01/07/2013	1.00	0.05
Issued 6 December 2010	4,000,000	25/11/2010	01/07/2012	1.00	0.08
Issued 8 April 2011	500,000	07/04/2011	01/07/2014	1.00	0.12

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.

The Company adopted a Performance Rights Plan (PRP) for its staff in July 2011. The Company believes this will assist the Company in remunerating and providing ongoing incentives to employees of the Company.

The rules of the PRP enable the Company to issue performance rights to eligible personnel subject to performance and vesting conditions determined by the Company. Each performance right entitles the holder, for nil cash consideration, to one fully paid ordinary share in the Company for every performance right offered, if the applicable performance and vesting conditions set for that holder are satisfied.

A total of 285,000 performance rights have been offered to and accepted by certain Reed Resources staff, none of whom are related parties of the Company. These performance rights may result in the issue of a total of 285,000 shares if the applicable vesting and performance criteria are satisfied over the next 12 to 24 months.

The Company intends to seek shareholder approval of the PRP in accordance with ASX Listing Rule 7.2, Exception 9, at its Annual General Meeting later this year, so that subsequent issues of securities pursuant to the PRP will not count towards the Company's annual placement capacity under ASX Listing Rule 7.1.

There were no unissued shares or interests issued during or since the end of the financial year as a result of exercise of an option.

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, 17 board meetings, 2 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 (Chairman)	17	17	-	-	-	-
Christopher Reed	17	16	2	2	2	1
Peter Collins	17	16	2	2	2	2
Ian Junk	17	13	2	1	2	2
Steve Cole (Deputy Chairman)	17	16	2	2	2	2
Vanessa Guthrie (appointed 17/06/2011)	1	1	-	-	-	-

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	21,776,113	2,500,000
Christopher Reed	2,909,202	6,600,000
Peter Collins	285,705	700,000
Ian Junk	781,102	700,000
Steven Cole	42,896	1,100,000
Vanessa Guthrie	-	-

Remuneration Report

Details of Directors and Senior Management

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
- Peter Collins - Non-executive Director
- Ian Junk - Non-executive Director
- Steven Cole – Non-executive Director/Deputy Chairman
- Vanessa Guthrie – Non-executive Director

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

- David Reed - Executive Chairman
- Christopher Reed - Managing Director/Chief Executive Officer/Joint Company Secretary
- Jason Carone - Financial Controller and Joint Company Secretary
- Craig Fawcett – General Manager - Gold
- Darren Wates – Legal Counsel (commenced 6 December 2010) and Joint Company Secretary (appointed 7 April 2011)

Unless otherwise disclosed, the Key Management Personnel held their position from 1 July 2010 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 Nomination and Remuneration Committee 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 directors of the Company are employed under Service Agreements. In July 2011 Mr Christopher Reed agreed to extend his contract for a further 3 years and Mr David Reed agreed to extend his contract for a further year. The Service

Agreements are similar in their contents and only differ in hours of service and remuneration levels. With respect to Mr Christopher Reed's Agreement the Agreement may be terminated by either the Company or the individual providing twelve months notice. In the case of Mr David Reed, the Company may terminate the Agreement by providing six months notice and Mr David Reed may terminate by giving three months notice to the Company. Prior to the end date of the agreements, the Company and the individual may mutually agree to extend or renew the term, or to continue the employment on a permanent (non fixed term) basis. If no new agreement is reached and the Company does not notify the individual that the employment ceases on the end date, the employment continues on the terms and conditions of the agreement except on a permanent (non fixed term) basis, and in the case of Mr Christopher Reed's agreement either party may then terminate the agreement by providing six months written notice. The level of compensation and any bonus is dependent on the satisfaction of performance conditions as set by the Nomination and Remuneration Committee.

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 \$250,000 as approved by shareholders at the General Meeting on 26 November 2008. 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.

To date the Company has undertaken 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.

To date remuneration packages contain the following key elements:

- a) Short-term benefits – salary, superannuation and non-monetary benefits;
- b) Share based payments – share options granted under the executive share option plan as disclosed in note 8 to the financial statements.

The committee's remuneration policies are designed to align executive's remuneration with shareholders' interests 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.

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 2011:

	30 June 2011	30 June 2010	30 June 2009	30 June 2008	30 June 2007
	\$	\$	\$	\$	\$
Revenue	347,821	2,883,931	3,593,481	1,972,498	402,864
Net loss before tax	(4,738,594)	(3,484,481)	(3,629,760)	(4,439,216)	(3,005,087)
Net loss after tax	(3,353,586)	(2,666,815)	(2,468,834)	(3,179,303)	(2,423,092)
Share price at start of year	0.60	0.24	1.03	0.46	0.52
Share price at end of year	0.50	0.60	0.24	1.03	0.46
Market capitalisation at year end (undiluted)	131,118,600	106,362,881	33,036,000	139,513,500	45,112,750
Basic loss per share	(1.50)	(1.61)	(1.80)	(2.83)	(2.93)
Diluted loss per share	(1.50)	(1.61)	(1.80)	(2.83)	(2.93)
Dividends Paid	Nil	Nil	Nil	Nil	Nil

Director and executive remuneration

The directors and the three identified company executives and group executives received the following amounts as compensation for their services as directors and executives of the company and/or the Group during the year:

2011	Short-term employee benefits				Post employment benefits	Termination Benefits	Share-based payment	Total	% Consisting of options
	Salary & Fees	Bonus	Non-monetary	Other	Super-annuation		Options & Rights		
	\$	\$	\$	\$	\$	\$	\$	\$	
Directors:									
David Reed	125,000	-	-	-	11,250	-	78,623	214,873	36.59
Christopher Reed	250,000	-	-	-	22,500	-	157,247	429,747	36.59
Peter Collins	40,000	-	-	-	3,600	-	19,656	63,256	31.07
Steven Cole	50,000	-	-	-	4,500	-	39,312	93,812	41.90
Ian Junk	40,000	-	-	-	3,600	-	19,656	63,256	31.07
Vanessa Guthrie	2,051	-	-	-	185	-	-	2,236	-
Executives:									
Jason Carone	145,301	30,000	4,011	-	16,200	-	70,495	266,007	26.50
Darren Wates	113,978	-	-	-	10,258	-	61,842	186,078	33.23
Craig Fawcett	205,000	-	-	-	18,450	-	137,626	361,076	38.12
Total	971,330	30,000	4,011	-	90,543	-	584,457	1,680,341	34.83

2010	Short-term employee benefits				Post employment benefits	Termination Benefits	Share-based payment	Total	% Consisting of options
	Salary & Fees	Bonus	Non-monetary	Other	Super-annuation		Options & Rights		
	\$	\$	\$	\$	\$	\$	\$	\$	
Directors:									
David Reed	125,000	-	-	-	11,250	-	106,766	243,016	43.93
Christopher Reed	250,000	-	-	5,498	22,500	-	213,532	491,530	43.44
Peter Collins	40,000	-	-	-	3,600	-	59,830	103,430	57.85
Steven Cole	50,000	-	-	-	4,125	-	83,762	137,887	60.75
Ian Junk	40,000	-	-	-	3,600	-	59,830	103,430	57.85
Executives:									
Jason Carone	135,902	-	13,703	-	12,375	-	38,311	200,291	19.13
Craig Fawcett	43,888	-	-	-	3,950	-	-	47,838	-
Total	684,790	-	13,703	5,498	61,400	-	562,031	1,327,422	42.34

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	Vesting Date
				\$	\$	
Issued 2 August 2006	700,000	02/08/2006	30/06/2011	0.75	0.19	At date of grant
Issued 13 December 2006	2,000,000	13/12/2006	30/06/2011	0.75	0.19	At date of grant
Issued 14 September 2007	700,000	14/09/2007	31/12/2012	0.85	0.22	Pursuant to ESOP
Issued 28 November 2007	1,500,000	28/11/2007	31/12/2012	0.85	0.22	At date of grant
Issued 15 September 2008	850,000	15/09/2008	30/06/2013	1.20	0.13	Pursuant to ESOP
Issued 25 November 2008	1,250,000	25/11/2008	30/06/2013	1.20	0.03	At date of grant
Issued 7 September 2009	1,600,000	31/08/2009	31/12/2013	0.80	0.08	Pursuant to ESOP*
Issued 9 December 2009	4,500,000	26/11/2009	31/12/2012	0.80	0.17	50% 21/12/2010 50% 31/12/2011
Issued 9 December 2009	850,000	26/11/2009	31/12/2013	0.80	0.24	Pursuant to ESOP
Issued 26 July 2010	750,000	19/07/2010	01/07/2013	1.00	0.18	50% 12/04/2011 50% 12/04/2012
Issued 27 August 2010	2,400,000	20/08/2010	01/07/2013	1.00	0.12	Pursuant to ESOP
Issued 6 December 2010	1,000,000	25/11/2010	01/07/2012	1.00	0.08	At date of grant
Issued 6 December 2010	3,000,000	25/11/2010	01/07/2012	1.00	0.08	50% 31/12/2010 50% 01/07/2011
Issued 8 April 2011	500,000	08/04/2011	01/07/2014	1.00	0.12	50% 06/12/2011 50% 06/06/2012

Service conditions only relate to options issued under the Company's Employee Share Option Plan 2007 ("ESOP") in that 50% of the options vest 12 months following issue with the balance vesting 18 months following issue. In addition, in the event that an employee leaves, the options lapse 3 months following the date of cessation of employment. The options marked with an asterisk (*) include 900,000 options with additional vesting conditions (one third 11 September 2010, one third 30 June 2011 and one third 30 June 2012).

The weighted average fair value of the share options granted during the financial year ranges between \$0.08 and \$0.18 (2010: \$0.08 & \$0.24). The values attributed to the equity options were calculated using the Black Scholes model. The expected volatility is based on the historical share price volatility.

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

Name	During the Financial Year					
	Option series	No. granted	No. vested	% of grant vested	% of grant forfeited	% of compensation for the year consisting of options
David Reed (i)	6 December 2010	1,000,000	500,000	50	-	36.59
Christopher Reed (i)	6 December 2010	2,000,000	1,000,000	50	-	36.59
Peter Collins (ii)	6 December 2010	250,000	250,000	100	-	31.07
Ian Junk (ii)	6 December 2010	250,000	250,000	100	-	31.07
Steven Cole (ii)	6 December 2010	500,000	500,000	100	-	41.90
Jason Carone (iii)	27 August 2010	600,000	-	-	-	26.50
Craig Fawcett (iv)	26 July 2010	750,000	375,000	50	-	38.12
Darren Wates (v)	8 April 2011	500,000	-	-	-	33.23

- (i) The executive directors options vest 50% on grant and 50% on 1 July 2011.
- (ii) The non-executive directors options vested on grant date with no further requirements for vesting.
- (iii) Jason Carone options vest pursuant to the ESOP.
- (iv) Craig Fawcett options vest 50% 12/04/2011 and 50% 12/04/2012.
- (v) Darren Wates options vest 50% 06/12/2011 and 50% 06/06/2012.

Value of options issued to directors and senior management

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

	Value of options granted at the grant date (i) \$	Value of options exercised at the exercise date (ii) \$	Value of options lapsed/cancelled at the date of lapse \$	Total \$
Directors:				
David Reed	78,623	-	-	78,623
Christopher Reed	157,247	-	-	157,247
Peter Collins	19,656	-	-	19,656
Ian Junk	19,656	-	-	19,656
Steven Cole	39,312	-	-	39,312
Executives:				
Jason Carone	70,495	-	-	70,495
Darren Wates	137,626	-	-	137,626
Craig Fawcett	61,842	-	-	61,842

- (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) Options were issued during the financial year ended 30 June 2011 to directors and executives at an exercise price of \$1.00 exercisable with an expiry date of 01/07/2012 for directors, 01/07/2013 for options issued to Jason Carone and Craig Fawcett and 01/07/2014 for options issued to Darren Wates.

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 10 to the financial statements.

Auditor's independence declaration

The auditor's independence declaration is included on page 29 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

Managing Director

West Perth, WA, 23 September 2011

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

23 September 2011

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 financial statements of Reed Resources Ltd for the financial year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Mark Gover
Partner
Chartered Accountants

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

Report on the Financial Report

We have audited the accompanying financial report of Reed Resources Ltd, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, 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 33 to 78.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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. Those 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 of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

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

Opinion

In our opinion:

- (a) the financial report of Reed Resources Ltd is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 23 to 27 of the directors' report for the year ended 30 June 2011. 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.

Opinion

In our opinion the Remuneration Report of Reed Resources Ltd for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

DELOITTE TOUCHE TOHMATSU

Mark Gover

Partner

Chartered Accountants

Perth, 23 September 2011

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) the attached financial statements are in compliance with International Financial Reporting Standards as stated in note 2 to the financial statements;
- (c) 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; and
- (d) 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

Managing Director

West Perth, WA, 23 September 2011

Consolidated statement of comprehensive income for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Continuing operations			
Revenue from sale of goods	5	347,821	2,883,931
Cost of sales before amortisation	5	(53,633)	(853,684)
Gross profit before amortisation		294,188	2,030,247
Amortisation expense	16	(230,775)	(569,828)
Gross profit		63,413	1,460,419
Other income	5	1,115,426	527,025
Employee expenses	5	(3,138,228)	(1,773,897)
Occupancy expenses		(254,519)	(216,523)
Administration expenses		(2,211,638)	(2,484,614)
Finance costs		(17,434)	(148,599)
Impairment of non-current assets	16	(74,356)	(533,016)
Other expenses		(221,258)	(315,276)
Loss before income tax		(4,738,594)	(3,484,481)
Income benefit tax	6	1,385,008	817,666
Loss for the period from continuing operations		(3,353,586)	(2,666,815)
Loss for the period		(3,353,586)	(2,666,815)
Other comprehensive income		-	-
Total comprehensive income for the period		(3,353,586)	(2,666,815)
Loss attributable to:			
Owners of the Company		(3,353,586)	(2,666,815)
Non-controlling interests		-	-
		(3,353,586)	(2,666,815)
Total comprehensive income attributable to:			
Owners of the Company		(3,353,586)	(2,666,815)
Non-controlling interests		-	-
		(3,353,586)	(2,666,815)
Loss per share			
Basic (cents per share)	23	(1.50)	(1.61)
Diluted (cents per share)	23	(1.50)	(1.61)

Notes to the financial statements are included on pages 37 to 78.

Consolidated statement of financial position as at 30 June 2011

	Note	2011 \$	2010 \$
Current assets			
Cash and cash equivalents	32	13,824,448	1,285,378
Trade and other receivables	12	1,118,288	943,460
Inventories	11	51,405	282,181
Current tax assets	6	286,923	413,720
		15,281,064	2,924,739
Assets classified as held for sale	7	4,269,580	-
Total current assets		19,550,644	2,924,739
Non-current assets			
Exploration and development expenditure	16	41,701,430	35,529,871
Other financial assets	14	39,991,635	8,767,394
Other intangible assets	13	-	300,000
Property, plant and equipment	15	1,304,158	4,406,174
Deferred tax assets	6	7,320,136	5,377,956
Total non-current assets		90,317,359	54,381,395
Total assets		109,868,003	57,306,134
Current liabilities			
Trade and other payables	17	873,745	1,113,529
Financial liabilities	18	9,400,000	-
Provisions	19	1,074,568	985,730
		11,348,313	2,099,259
Liabilities directly associated with assets classified as held for sale	7	27,320	-
Total current liabilities		11,375,633	2,099,259
Non-current liabilities			
Provisions	19	698,511	1,121,683
Total non-current liabilities		698,511	1,121,683
Total liabilities		12,074,144	3,220,942
Net assets		97,793,859	54,085,192
Equity			
Issued capital	20	109,790,915	63,773,894
Accumulated losses	22	(16,714,743)	(13,361,157)
Reserves	21	4,717,687	3,672,455
Total equity		97,793,859	54,085,192

Notes to the financial statements are included on pages 37 to 78.

**Consolidated statement of changes in equity
for the year ended 30 June 2011**

	Issued Capital \$	Share based payments reserve \$	Accumulated losses \$	Total attributable to equity holders of the entity \$
Balance at 01/07/09	50,277,004	3,070,600	(10,694,342)	42,653,262
Loss for the period	-	-	(2,666,815)	(2,666,815)
Total comprehensive income/(loss)	-	-	(2,666,815)	(2,666,815)
Recognition of share-based payments	-	601,855	-	601,855
Issue of share capital	13,980,411	-	-	13,980,411
Share issue costs, net of tax	(483,521)	-	-	(483,521)
Balance at 30/06/10	63,773,894	3,672,455	(13,361,157)	54,085,192
Balance at 01/07/10	63,773,894	3,672,455	(13,361,157)	54,085,192
Loss for the period	-	-	(3,353,586)	(3,353,586)
Total comprehensive (loss)	-	-	(3,353,586)	(3,353,586)
Recognition of share-based payments	-	1,045,232	-	1,045,232
Issue of share capital	47,876,157	-	-	47,876,157
Share issue costs, net of tax	(1,859,136)	-	-	(1,859,136)
Balance at 30/06/11	109,790,915	4,717,687	(16,714,743)	97,793,859

Notes to the financial statements are included on pages 37 to 78.

Consolidated statement of cash flows for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Cash flows from operating activities			
Receipts from customers		467,821	3,015,161
Payments to suppliers and employees		(4,278,762)	(4,478,728)
Interest received		1,012,799	360,322
Interest and other finance costs paid		-	(130,500)
Income tax refund		413,720	412,348
Net cash used in operating activities	32 (c)	(2,384,422)	(821,397)
Cash flows from investing activities			
Exploration and development costs paid		(7,382,394)	(4,830,920)
Payment for financial assets		(21,275,001)	-
Proceeds from sale of property, plant & equipment		232,000	-
Payment for property, plant & equipment		(816,093)	(4,318,334)
Net cash used in investing activities		(29,241,488)	(9,149,254)
Cash flows from financing activities			
Proceeds from issues of shares		47,499,951	11,426,413
Payment for share issue costs		(3,068,471)	(690,745)
Amounts advanced to related parties		-	(250,000)
Amounts received from related parties		-	250,000
Repayment of borrowings		-	-
Net cash provided by financing activities		44,431,480	10,735,668
Net increase in cash and cash equivalents		12,805,570	765,017
Cash and cash equivalents at the beginning of the Financial Year		1,285,378	9,287,755
Transfer to other financial assets	14	(208,000)	(8,767,394)
Cash and cash equivalents at the end of the financial year	32	13,882,948	1,285,378

Notes to the financial statements are included on pages 37 to 78.

Index to Notes to the consolidated financial statements

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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	Principal place of business
Level 1, 672 Murray St, West Perth WA 6005	Level 1, 672 Murray 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 statements comprise the consolidated financial statements of the Group.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards 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 23 September 2011.

Basic preparation

The accounting policies adopted are consistent with those adopted and disclosed in the Company's 2010 Annual Financial Report for the Financial Year Ended 30 June 2010 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 Boards ('AASB') that are relevant to its operations and effective for the current reporting period beginning 1 July 2010.

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

- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process - the Group has adopted most amendments prescribed by AASB 2009-5 except for amendments to AASB 117 leases. Adoption of the amendments will potentially result in reclassification of leases over land as finance leases. The amendments apply retrospectively to unexpired leases from 1 July 2010 and remove the guidance effectively prohibiting a lease over land to be classified as a financial lease.
- Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments - this Interpretation requires that equity instruments issued under such arrangements are to be measured at their fair value and any difference between carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

Initial application of the aforementioned Standards/Interpretations has not had any material impact on the financial report of the Group and the Company.

The financial report has been prepared on the basis of historical cost except for the revaluation of certain non financial assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Critical accounting judgments 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

2. Summary of accounting policies (cont'd)

revision and future periods if the revision affects both current and future periods. Refer to Note 3 for a discussion of critical judgments in applying the entity's accounting policies, and key sources of estimation uncertainty.

Standards and interpretations issued not yet effective

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

Management is currently evaluating the impact that the initial adoption of the following Standards and Interpretations will have on the financial report of the consolidated entity.

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
<ul style="list-style-type: none"> • AASB 124 Related Party Disclosures (2009), AASB 2009-12 Amendments to Australian Accounting Standards 	1 January 2011	30 June 2012
<ul style="list-style-type: none"> • AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, and AASB 2010-9 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) 	1 January 2013	30 June 2014
<ul style="list-style-type: none"> • AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project 	1 January 2011	30 June 2012
<ul style="list-style-type: none"> • AASB 2010-5 Amendments to Australian Accounting Standards 	1 January 2011	30 June 2012
<ul style="list-style-type: none"> • AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets 	1 July 2011	30 June 2012
<ul style="list-style-type: none"> • AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets 	1 January 2012	30 June 2013
<ul style="list-style-type: none"> • AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, AASB 127 Separate Financial Statements (2011), AASB 128 Investments in Associates and Joint Ventures (2011), and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards. AASB 13 Fair Value Measurements, AASB 119 Employee Benefits (2011), and AASB 2011-9 Amendments to Presentation of Items of Other Comprehensive Income. 	1 January 2013	30 June 2014

2. Summary of accounting policies (cont'd)

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Cash and cash equivalents

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

(b) Employee benefits

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

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

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

Contributions to defined contribution superannuation plans are expensed when incurred.

(c) Financial instruments issued by the company

Debt and equity instruments

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

Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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).

2. Summary of accounting policies (cont'd)

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 service 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 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.

(e) Non-current assets held for sale

Non-current assets and their disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less cost to sell.

(f) Impairment of assets

At each reporting date, the consolidated entity reviews the varying 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.

2. Summary of accounting policies (cont'd)

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.

(g) 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.

(h) 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). The recoverable amount for capitalised exploration costs has been determined as the fair value less costs to sell by reference to an active market. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development, accumulated expenditure is tested for impairment and transferred to capitalised development and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

2. Summary of accounting policies (cont'd)

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 probably reserves that effect unit-of-production calculations are dealt with on a prospective basis.

Provision for restoration and rehabilitation

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of development, production, transportation or storage activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date.

The initial estimate of the restoration and rehabilitation provision relating to development is capitalised into the cost of the related asset and depreciated over the estimated remaining life of the asset on a straight line basis. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

(i) 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.

(j) 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 26 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.

(k) 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, costs are determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is calculated on a diminishing value 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:

2. Summary of accounting policies (cont'd)

Furniture & Fittings	5-20 years
Plant and Equipment	2-10 years
Buildings	10-20 years

An item of property, plant and equipment is derecognised upon disposal when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit and loss.

(l) 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 cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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.

(m) 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.

(n) 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.

(o) 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.

(p) Financial assets

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the Company's 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,

2. Summary of accounting policies (cont'd)

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 income 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.

(q) 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 least 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 incurred.

2. Summary of accounting policies (cont'd)

(r) Inventories

Work in progress and finished goods inventories are measured at the lower of cost and net realisable value. Costs are assigned on a weighted average basis and comprise all costs of purchase, costs of conversion and any other costs incurred in bringing inventories to their present location and condition. Costs of conversion include costs relating directly to production in addition to an apportionment of fixed and variable production overhead expenses, and include costs such as depreciation and amortisation. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and any estimated selling costs. Consumable stores inventory are measured at the cost of acquisition.

3. Critical accounting judgments 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 to 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 judgments in applying the entity's accounting policies

The following are the critical judgments 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) 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.

(a) 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 timeframe.

Where a change is 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.

4. Parent entity disclosure

Financial Position	2011	2010
	\$	\$
Assets		
Current assets	13,990,521	2,315,833
Non-current assets	86,153,807	54,140,779
Total assets	100,144,328	56,456,612
Liabilities		
Current liabilities	759,911	746,273
Non-current liabilities	8,570	191,503
Total liabilities	768,481	937,776
Equity		
Issued capital	109,790,915	63,773,894
Retained earnings	(15,132,755)	(11,927,513)
Reserves		
Share based payments	4,717,687	3,672,455
Total equity	99,375,847	55,518,836
Financial Performance		
Loss for the year	(3,205,240)	(2,308,163)
Other comprehensive income	-	-
Total comprehensive income	(3,205,240)	(2,308,163)
Guarantees Entered Into on behalf of Subsidiaries (a)	8,771,634	8,767,394
Contingent liabilities		
Contingent liability arising from interest in joint ventures (b)	(80,000)	(80,000)
Contingent liability arising from MOU (c)	(234,490)	-
	(314,490)	(80,000)
Commitments for exploration, evaluation and development (d)	(433,310)	-

(a) Barrambie Gas Pty Ltd, a wholly owned subsidiary of the Company, is party to a gas transmission agreement with DBNGP (WA) Transmission Pty Ltd for the Barrambie project. As part of this agreement the parent entity was required to procure term deposits of \$8.7 million from its bankers as security. Refer to Note 14 for details.

(b) As part of the Mt Finnerty project joint venture agreement with Cliffs Asia Pacific Iron Ore Pty Ltd, the Company agreed to provide an indemnity in respect of performance bonds provided to the Department of Mines and Petroleum by Cliffs. Refer to Note 25 for details.

(c) During the period the Company entered into a memorandum of understanding (MOU) for the development of the Barrambie Vanadium project. Under prescribed circumstances the Company may become liable for payment of a fee of USD\$250,000. Refer to note 25 for details.

(d) The Company is committed to certain exploration and evaluation expenditure by virtue of contracts entered into by its wholly owned subsidiary GMK Exploration Pty Ltd for the Meekatharra Gold Project. Refer to note 24 for details.

5. Loss for the year

(a) Revenue

Revenue from operations consisted of the following items:

	2011 \$	2010 \$
Revenue from the sale of goods	347,821	2,883,931
Interest revenue	893,827	496,978
Gain on sale of plant and equipment	164,364	-
Other	57,235	30,047
	1,463,247	3,410,956

(b) Loss before Income Tax

Loss before income tax has been arrived at after charging the following expenses:

Finance costs:

Borrowing costs	-	(130,500)
Provision for rehabilitation	(17,430)	(18,099)
	(17,430)	(148,599)

Cost of goods sold

(284,408) (1,423,512)

Depreciation of non-current assets

(257,670) (126,214)

Employee benefits expense:

Equity settled share-based payments	(1,045,232)	(601,855)
Defined contribution plans	(151,682)	(91,659)
Other employee benefits	(1,941,314)	(1,080,383)
	(3,138,228)	(1,773,897)

6. Income taxes

(a) Income tax recognised in profit or loss**Tax income comprises:**

	2011 \$	2010 \$
Current tax income	286,923	413,720
Deferred tax income relating to the origination and reversal of temporary differences	1,098,085	403,946
Total tax income	1,385,008	817,666

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	(4,738,594)	(3,484,481)
Income tax calculated at 30%	1,421,578	1,045,344
Effect of expenses that are not deductible in determining taxable profit	(93,955)	(347,410)
Effect of research and development tax off-set	57,385	119,732
Adjustments recognised in the current year in relation to the current tax of prior years	-	-
	1,385,008	817,666

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.

(b) Deferred tax balances**Deferred tax assets comprise: (i)**

	2011 \$	2010 \$
Unclaimed share issue costs	1,132,102	624,074
Accrued expenses	71,654	38,522
Tax losses – revenue	15,393,737	12,401,657
	16,597,493	13,064,253

Deferred tax liabilities comprise:

Temporary differences – capitalised expenditure	9,200,911	7,686,299
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(i) deferred tax assets have been recorded based upon the Directors assessment of future probable taxable profits arising from current development assets.

Deferred tax balances are presented in the statement of financial position as follows:

	2011 \$	2010 \$
Deferred tax assets	16,521,047	13,064,253
Directly associated with assets held for sale	76,446	-
Deferred tax liabilities	(9,200,911)	(7,686,297)
	7,396,582	5,377,956

6. Income taxes (cont'd)

(c) Current tax balance

Current tax assets comprise:

Tax refund receivable

2011 \$	2010 \$
286,923	413,720
<u>286,923</u>	<u>413,720</u>

Taxable and deductible temporary differences arise from the following:

Consolidated				
2011	Opening Balance \$	Charged to Equity \$	Charged to Income \$	Closing Balance \$
Gross deferred tax liabilities:				
Capitalised expenditure	7,686,297	-	1,514,614	9,200,911
Gross deferred tax assets:				
Unclaimed share issue costs	624,074	920,541	(412,513)	1,132,102
Accrued expenses	38,522	-	33,132	71,654
Tax loss - revenue	12,401,657	-	2,992,080	15,393,737
	<u>13,064,253</u>	<u>920,541</u>	<u>2,612,699</u>	<u>16,597,493</u>
	5,377,956	920,541	1,098,085	7,396,582

Consolidated				
2010	Opening Balance \$	Charged to Equity \$	Charged to Income \$	Closing Balance \$
Gross deferred tax liabilities:				
Capitalised expenditure	6,695,748	-	990,549	7,686,297
Gross deferred tax assets:				
Unclaimed share issue costs	709,735	207,224	(292,885)	624,074
Accrued expenses	18,267	-	20,255	38,522
Tax loss - revenue	10,734,533	-	1,667,124	12,401,657
	<u>11,462,535</u>	<u>207,224</u>	<u>1,394,494</u>	<u>13,064,253</u>
	4,766,787	207,224	403,945	5,377,956

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 28.

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

6. Income taxes (cont'd)

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.

7. Assets classified as held for sale

	2011	2010
	\$	\$
Assets related to Nimbus Project	4,269,580	-
	4,269,580	-
Liabilities associated with assets held for sale	27,320	-
Amount recognised directly in equity associated with assets held for sale	-	-

On 20 May 2011 the Group entered into a conditional sales agreement of its subsidiary Kalgoorlie Ore Treatment Company Pty Ltd ("KOTC") to MacPhersons Reward Gold Ltd pursuant to a binding memorandum of understanding (MOU). The sale was subject to a 3-month due diligence period that was ongoing as at 30 June 2011 and finalised on 25 July 2011. The sale was completed on 8 September 2011. See note 31 subsequent events for further details. The major classes of assets and liabilities of the business at the end of the reporting period are as follows:

	2011
	\$
Cash and cash equivalents	58,500
Trade and other receivables	22,623
Exploration, evaluation and development expenditure	280,605
Financial assets	228,000
Property, plant & equipment	3,603,406
Deferred tax assets	76,446
Assets of Nimbus Project classified as held for sale	4,269,580
Trade and other payables	(22,357)
Provisions	(4,963)
Liabilities of Nimbus Project associated with assets classified as held for sale	(27,320)
Net assets of Nimbus Project classified as held for sale	4,242,260

8. Key management personnel compensation

The directors and other members of key management personnel of Reed Resources Ltd during the year were:

- David Reed (Executive Chairman)
- Christopher Reed (Managing Director)
- Peter Collins (Non-executive Director)
- Ian Junk (Non-executive Director)
- Steve Cole (Non-executive Director)
- Vanessa Guthrie (Non-executive Director - appointed 17 June 2011)
- Jason Carone (Financial Controller and Joint Company Secretary)
- Craig Fawcett (General Manager - Gold)
- Darren Wates (Legal Counsel – appointed 6 December 2010, and Joint Company Secretary – appointed 7 April 2011)

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

	2011	2010
	\$	\$
Short-term employee benefits	1,005,341	703,991
Post-employment benefits	90,543	61,400
Termination benefits	-	-
Share-based payment	584,457	562,031
	1,680,341	1,327,422

The compensation of each member of the key management personnel of the group is set out below.

(a) Key management personnel compensation

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

The executive directors of the Company are employed under Service Agreements. In July 2011 Mr Christopher Reed agreed to extend his contract for a further 3 years and Mr David Reed agreed to extend his contract for a further year. The Service Agreements are similar in their contents and only differ in hours of service and remuneration levels. With respect to Mr Christopher Reed's Agreement the Agreement may be terminated by either the Company or the individual providing twelve months notice. In the case of Mr David Reed, the Company may terminate the Agreement by providing six months notice and Mr David Reed may terminate by giving three months notice to the Company. Prior to the end date of the agreements, the Company and the individual may mutually agree to extend or renew the term, or to continue the employment on a permanent (non fixed term) basis. If no new agreement is reached and the Company does not notify the individual that the employment ceases on the end date, the employment continues on the terms and conditions of the agreement except on a permanent (non fixed term) basis, and in the case of Mr Christopher Reed's agreement either party may then terminate the agreement by providing six months written notice. The level of compensation and any bonus is dependent on the satisfaction of performance conditions as set by the Nomination and Remuneration Committee.

8. Key management personnel compensation (cont'd)

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 \$250,000 as approved by shareholders at the General Meeting on 26 November 2008. 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.

	Short-term benefits			Post-employment			Share-based payments		Termination benefits	Total
	Salary	Other	Non-monetary	Super-annuation	Prescribed benefits	Other	Equity settled options	Cash settled		
2011	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
David Reed (i)	125,000	-	-	11,250	-	-	78,623	-	-	214,873
Christopher Reed (i)	250,000	-	-	22,500	-	-	157,247	-	-	429,747
Peter Collins (i)	40,000	-	-	3,600	-	-	19,656	-	-	63,256
Ian Junk (i)	40,000	-	-	3,600	-	-	19,656	-	-	63,256
Steven Cole (i)	50,000	-	-	4,500	-	-	39,312	-	-	93,812
Vanessa Guthrie	2,051	-	-	185	-	-	-	-	-	2,236
Jason Carone (ii)	145,301	30,000	4,011	16,200	-	-	70,495	-	-	266,007
Craig Fawcett (iii)	205,000	-	-	18,450	-	-	137,626	-	-	361,076
Darren Wates (iv)	113,978	-	-	10,258	-	-	61,842	-	-	186,078
Total	971,330	30,000	4,011	90,543	-	-	584,457	-	-	1,680,341

(i) Mr D Reed, Mr C Reed, Mr P Collins, Mr I Junk & Mr S Cole were granted share options on 25/11/10 at the Company's AGM.

(ii) Mr J Carone was granted share options under the employee share option plan (ESOP) on 20/08/10.

(iii) Mr C Fawcett was granted share options under the ESOP on 19/07/10.

(iv) Mr D Wates was granted share options under the ESOP on 08/04/11.

Refer to Note 9 and Note 30 to the financial statements for further details.

8. Key management personnel compensation (cont'd)

	Short-term benefits			Post-employment			Share-based payments		Termination benefits	Total
	Salary	Other	Non-monetary	Super-annuation	Prescribed benefits	Other	Equity settled options	Cash settled		
2010	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
David Reed	125,000	-	-	11,250	-	-	106,766	-	-	243,016
Christopher Reed (i)	250,000	5,498	-	22,500	-	-	213,532	-	-	491,530
Peter Collins (i)	40,000	-	-	3,600	-	-	59,830	-	-	103,430
Ian Junk (i)	40,000	-	-	3,600	-	-	59,830	-	-	103,430
Steven Cole (i)	50,000	-	-	4,125	-	-	83,762	-	-	137,887
Jason Carone (ii)	135,902	-	13,703	12,375	-	-	38,311	-	-	200,291
Craig Fawcett	43,888	-	-	3,950	-	-	-	-	-	47,838
Total	684,790	5,498	13,703	61,400	-	-	562,031	-	-	1,327,422

- (i) Mr D Reed, Mr C Reed, Mr P Collins, Mr I Junk & Mr S Cole were granted share options on 26/11/09 at the Company's AGM. Refer to note 9 and note 30 for further details.
- (ii) Mr J Carone was granted share options under the ESOP on 07/09/09. Refer to note 9 and note 30 for further details.

9. Share based payments

Employee and executive share option plan

Reed Resources Ltd has an ownership based remuneration scheme for executives and employees (excluding directors). In accordance with the provisions of the scheme, as approved by shareholders at the Company's AGM on 26 November 2007, options were issued during the financial year ended 30 June 2011 to executives and employees with an exercise price of \$1.00. Three million one hundred and fifty thousand were exercisable on or before 1 July 2013 and five hundred thousand were exercisable on or before 1 July 2014. The number of options granted was calculated by the board after considering the experience of the grantee, the current market price and current market practice. These options vest in accordance with the terms and conditions of the scheme. The options granted to Directors were determined by the Nomination and Remuneration Committee and approved by shareholders at the Company's AGM on 25 November 2010. Four million were exercisable at any time on or before 1 July 2012. The three million options that were issued to the executive directors vest 50% on grant and 50% on 1 July 2011, whilst the non-executive directors' options totalling one million options vest at the date of their issue.

As at 30 June 2011 the Company had issued 20,950,000 share options (30 June 2010: 13,300,000). Share options carry no rights to dividends and no voting rights.

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

Options series	Number	Grant date	Expiry date	Exercise price \$	Fair Value at grant date \$
Issued 2 August 2006	700,000	02/08/2006	30/06/2011	0.75	0.19
Issued 13 December 2006	2,000,000	13/12/2006	30/06/2011	0.75	0.19
Issued 14 September 2007	300,000	14/09/2007	31/12/2012	0.85	0.22
Issued 28 November 2007	1,500,000	28/11/2007	31/12/2012	0.85	0.22
Issued 15 September 2008	600,000	15/09/2008	30/06/2013	1.20	0.13
Issued 25 November 2008	1,250,000	25/11/2008	30/06/2013	1.20	0.03
Issued 7 September 2009	1,600,000	01/09/2009	31/12/2013	0.80	0.08
Issued 9 December 2009	4,500,000	26/11/2009	30/06/2012	0.80	0.17
Issued 9 December 2009	850,000	26/11/2009	31/12/2013	0.80	0.24
Issued 26 July 2010	750,000	19/07/2010	01/07/2013	1.00	0.18
Issued 27 August 2010	2,400,000	20/08/2010	01/07/2013	1.00	0.12
Issued 6 December 2010	4,000,000	25/11/2010	01/07/2012	1.00	0.08
Issued 8 April 2011	500,000	07/04/2011	01/07/2014	1.00	0.12

The fair value of the share options granted during the financial year ranges between \$0.08 and \$0.18 (2010: \$0.08 & \$0.24).

The values attributed to the equity options were calculated using the Black Scholes model based on the inputs in the table below. The expected volatility is based on the historical share price volatility.

9. Share based payments (cont'd)

Inputs into the model	Option series						
	2 Aug 2006	13 Dec 2006	14 Sep 2007 28 Nov 2007	15 Sep 2008 25 Nov 2008	7 Sep 2009 9 Dec 2009	26 Jul 2010 27 Aug 2010	6 Dec 2010 8 Apr 2011
Grant date share price	\$0.50	\$0.52	\$0.61	\$0.57 \$0.28	\$0.37, \$0.65	\$0.595, \$0.48	\$0.53, \$0.63
Exercise price	\$0.75	\$0.75	\$0.85	\$1.20	\$0.80	\$1.00	\$1.00
Expected volatility	77%	77%	63%	64%, 69%	73%	64%	64%
Option life	5 years	5 years	5 years	5 years	4 & 3 years	3 Years	2 & 3 Years
Dividend yield	-	-	-	-	-	-	-
Risk-free interest rate	5.68%	5.68%	6.27%	6.53%	3.95%	4.70%	4.7% & 5%

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:

	2011		2010	
	Number of Options	Weighted average exercise price \$	Number of Options	Weighted average exercise price \$
Balance at beginning of the financial year	13,300,000	0.85	8,000,000	0.86
Granted during the financial year as compensation	7,650,000	1.00	6,950,000	0.80
Exercised during the financial year (i)	-	-	(1,000,000)	0.50
Lapsed during the financial year (ii)	-	-	(650,000)	0.98
Balance at end of the financial year (iii)	20,950,000	0.90	13,300,000	0.85

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

There were no share options exercised during the year (2010: 1,000,000).

(ii) **Lapsed during the financial year**

There were no share options that lapsed during the financial year (2010: 650,000).

(iii) **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 \$0.90 (2010: \$0.85), and a weighted average remaining contractual life of 578 days (2010: 834 days).

Share based payments

During the year the Company did not make any share based payments to consultants in the form of options for the provision of services other than those that were issued under the Company's employee share option plan captured above.

The Company issued 1,000,000 fully paid ordinary shares at \$0.665 per share to a consultant to the Company for the provision of services relating to the acquisition of the Meekatharra Gold Project.

The total expense recognised for the period arising from share-based payment transactions and accounted for as equity-settled share-based payment transactions is \$1,045,232.

10. Remuneration of auditors

	2011	2010
	\$	\$
Auditor of the parent entity (Deloitte Touche Tohmatsu)		
Audit or review of the financial report	70,495	67,725
Other advice - corporate	30,381	33,425
	100,876	101,150

11. Inventories

	2011	2010
	\$	\$
Consumable stores	51,405	51,406
Work in progress	-	230,775
	51,405	282,181

The cost of inventories recognised as an expense during the period in respect of continuing operations was \$265,597 (2010: \$1,309,742).

12. Trade and other receivables

	2011	2010
	\$	\$
Current trade and other receivables		
Trade receivables (i)	889,370	57,724
Other receivables (ii)	31,538	179,174
Prepayments	56,832	102,175
Goods and services tax (GST) recoverable	140,548	604,387
	1,118,288	943,460

(i) The current trade receivables balance is comprised of monies due from Mineral Resources Ltd of \$889,370 (2010: \$57,724) in relation to the Mt Marion Lithium joint venture project. The average credit period is 30 days. Trade receivables disclosed above includes amounts that are past due at the end of the reporting period, however, the Group has not recognised an allowance for doubtful receivables as all amounts are considered recoverable.

(ii) Other receivables are predominantly comprised of interest receivable on term deposits held by the Group at year-end.

Ageing of past due but not impaired

	2011	2010
	\$	\$
30-60 Days	-	37,748
60-90 Days	256,594	-
Total	256,594	37,748

Average age (90 days)

13. Other non-current intangible assets

	2011	2010
	\$	\$
Option fee (i)	-	200,000
Earn-in rights (ii)	-	100,000
	-	300,000

- (i) During the prior period the Group paid an option fee for the right to acquire 100% of the granted mining leases relating to the Mt Marion Lithium Project. The Option was exercised on 16 July 2010 and the value of this option is recognised as capitalised development expenditure.
- (ii) In a prior period the Group acquired the farm-in rights of Breakaway Resources Ltd for a joint venture interest in tenements adjoining the Mount Finnerty Project. The agreement is with Barranco Resources NL. The Group has recognised the value of these farm-in rights as capitalised exploration expenditure.

14. Other financial assets

	2011	2010
	\$	\$
Barrambie Gas term deposit (i)	8,700,000	8,700,000
Other bond term deposits (ii)	2,860,634	67,394
Meekatharra Gold Project deposit (iii)	28,431,001	-
	39,991,635	8,767,394

- (i) Barrambie Gas Pty Ltd, a wholly owned subsidiary of the Company, previously entered into a gas transmission agreement with DBNGP (WA) Transmission Pty Ltd for the Barrambie Project. As part of the agreement the Company was required to procure a term deposit from its bankers in the amount of \$8.7 million as security for the bonds, which represented the present value of the Company's commitment under the agreement. The gas transmission and the Group's commitment commenced 1 July 2010. Whilst the Group is not utilising this transmission capacity, it entered into agreements to on-sell part of this capacity during the period.
- (ii) Cash restrictions exist on several term deposits with a total value of \$2,860,634 relating to environmental performance bonds issued by the National Australia Bank and Commonwealth Bank of Australia in favour of the Minister for State Development to ensure the term deposit serves as security for the bonds. The performance bonds relate specifically to environmental obligations at both the Comet Vale and Meekatharra Gold project sites.
- (iii) The Group entered into an agreement to purchase the Meekatharra Gold Project assets during the period via its wholly owned subsidiary GMK Exploration Pty Ltd. Prior to settlement on 1 July 2011 purchase price deposits of \$17 million had been paid in cash to the vendor. The final payment due at settlement is included in this balance at a fair value of \$9.3 million. Acquisition costs of the project are also included in this balance. Refer to subsequent events note 31 for further discussion on the purchase settlement.

15. Property, plant and equipment

	Consolidated				
	Building at cost	Office equipment, furniture & fittings at cost	Plant and equipment at cost	Capital work in progress (i)	Total
	\$	\$	\$	\$	\$
Gross carrying amount					
Balance at 1 July 2009	27,900	176,799	370,622	-	575,321
Additions	-	36,153	1,316,903	2,896,452	4,249,508
Disposals	-	-	-	-	-
Reclassified as held for sale	-	-	-	-	-
Balance at 1 July 2010	27,900	212,952	1,687,525	2,896,452	4,824,829
Additions	-	69,635	39,541	695,672	804,848
Disposals	-	-	(70,641)	-	(70,641)
Reclassified as held for sale	-	(4,268)	(9,170)	(3,592,124)	(3,605,562)
Balance at 30 June 2011	27,900	278,319	1,647,255	-	1,953,474
Accumulated depreciation					
Balance at 1 July 2009	7,528	126,796	203,100	-	337,424
Disposals	-	-	-	-	-
Eliminated on reclassification as held for sale	-	-	-	-	-
Depreciation expense	1,222	19,523	60,486	-	81,231
Balance at 1 July 2010	8,750	146,319	263,586	-	418,655
Disposals	-	-	(3,005)	-	(3,005)
Eliminated on reclassification as held for sale	-	(800)	(1,356)	-	(2,156)
Depreciation expense	1,128	29,109	205,585	-	235,822
Balance at 30 June 2011	9,878	174,628	464,810	-	649,316
Net book value					
As at 30 June 2010	19,150	66,633	1,423,939	-	4,406,174
As at 30 June 2011	18,022	103,691	1,182,445	-	1,304,158

(i) Capital work in progress is comprised of the Nimbus processing plant and its refurbishment, in addition to initial works on the electrical infrastructure required to supply power to the plant. The asset is classified as held for sale as at 30 June 2011. Further details on all assets classified as held for sale is contained in note 7.

16. Exploration and development expenditure

	Consolidated		
	Capitalised development	Capitalised exploration	Total
	\$	\$	\$
Gross carrying amount			
Balance at 1 July 2009	6,905,650	26,695,849	33,601,499
Additions	3,605,628	5,203,467	8,809,095
Reclassified as held for sale	-	-	-
Rehabilitation asset adjustment	(22,001)	-	(22,001)
Balance at 1 July 2010	10,489,277	31,899,316	42,388,593
Additions	1,238,337	5,010,031	6,248,368
Transferred to development	1,113,637	(1,113,637)	-
Transferred from intangible assets	200,000	100,000	300,000
Reclassified as held for sale	(280,605)	-	(280,605)
Rehabilitation asset	-	-	-
Balance at 30 June 2011	12,760,646	35,895,710	48,656,356
Accumulated amortisation and impairment			
Balance at 1 July 2009	2,430,646	3,049,474	5,480,120
Amortisation expense			
- included in cost of sales	569,828	-	569,828
- included in inventory	230,775	-	230,775
Impairment losses charged to profit	468,876	64,140	533,016
Depreciation of rehabilitation asset	44,983	-	44,983
Balance at 1 July 2010	3,745,108	3,113,614	6,858,722
Amortisation expense (i)	-	-	-
Impairment losses charged to profit (ii)	-	74,356	74,356
Depreciation of rehabilitation asset (iii)	21,848	-	21,848
Balance at 30 June 2011	3,766,956	3,187,970	6,954,926
Net book value			
As at 30 June 2010	6,744,169	28,785,702	35,529,871
As at 30 June 2011	8,993,690	32,707,740	41,701,430

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

- (i) There was no active mining carried out at the Comet Vale Gold Mine for the year. Consequently no additional amortisation has been charged to the development asset.
- (ii) A detailed review of each tenement within each area of interest has been performed in accordance with the accounting policy detailed in Note 2(f). All costs in relation to tenements that are considered to be impaired, including those abandoned or those where operations are not continuing, have been written off.
- (iii) Depreciation of the rehabilitation asset is included in Note 5 under depreciation of non-current assets.

17. Trade and other payables

	2011	2010
	\$	\$
Trade payables	434,089	634,223
Accrued expenses	299,145	270,841
Other (i)	140,511	208,465
	873,745	1,113,529

The average credit period on purchases is 30 days. 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.

- (i) The other payable's balance for the current period is wholly comprised of payroll related liabilities.

18. Other financial liabilities

	2011	2010
	\$	\$
Financial liabilities held at amortised cost – Meekatharra Project (i)	8,000,000	-
Other (i)	1,300,000	-
Deferred revenue (ii)	100,000	-
	9,400,000	-

- (i) The Group entered into an agreement to purchase the Meekatharra Gold Project during the period via its wholly owned subsidiary GMK Exploration Pty Ltd. The purchase agreement requires the final instalment of the purchase consideration to be paid \$8 million in cash and \$1.3 million of shares in Reed Resources Ltd on 1 July 2011. Refer to subsequent events note 31 for additional information.
- (ii) The Company entered into an agreement for sale of its subsidiary Kalgoorlie Ore Treatment during the period. This agreement required the purchaser pay a non-refundable deposit of \$100,000 subject to the Company achieving various approvals prior to settlement. Settlement occurred after 30 June 2011, refer to subsequent events note 31 for additional information.

19. Provisions

	2011	2010
	\$	\$
Current		
Annual Leave	85,384	29,779
Long service leave	85,328	48,633
Other (refer below)	903,856	907,318
	1,074,568	985,730
Non-current		
Long service leave	8,570	2,742
Other (refer below)	689,941	1,118,941
	698,511	1,121,683
	1,773,079	2,107,413

19. Provisions (cont'd)

	Provision for Rehabilitation	Onerous Contracts (i)	Total
	\$	\$	\$
Balance at 1 July 2010	188,761	1,837,498	2,026,259
Additional provisions recognised	-	-	-
Reductions arising from payments/other sacrifices of future economic benefits	-	(991,024)	(991,024)
Additions/(reductions) resulting from re-measurement or settlement without cost	-	513,133	513,133
Unwinding of discount and effect of changes in the discount rate	17,430	27,999	45,429
Balance at 30 June 2011	206,191	1,387,606	1,593,797
Comprised of:			
Current provision	-	903,856	903,856
Non-current provision	206,191	483,450	689,941
	206,191	1,387,606	1,593,797

- (i) The onerous contract relates to a contract entered into by Barrambie Gas Pty Ltd, a wholly owned subsidiary of the Company, for the Company's Barrambie Project. The contract is with DBNGP (WA) Transmission Pty Ltd for gas transmission that commenced on 1 July 2010. The provision in the accounts represents the present value of 18 months of gas transmission obligations under the contract for gas transmission not expected to be utilised or on sold.

20. Issued capital

	2011	2010
	\$	\$
262,237,201 fully paid ordinary shares (2010: 177,271,768)	109,790,915	63,773,894

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.

20. Issued capital (cont'd)

	2011		2010	
	No.	\$	No.	\$
Fully paid ordinary shares				
Balance at beginning of financial year	177,271,768	63,773,894	137,650,000	50,277,004
Issue of shares for cash	83,965,433	47,499,951	33,110,337	10,926,411
Share issue costs	-	(3,068,471)	-	(690,745)
Income tax on items taken directly to equity	-	920,541	-	207,224
Issue of shares as part payment for acquisition of private Company	-	-	-	-
Issue of shares to consultant	1,000,000	665,000	400,000	100,000
Issue of shares to exit joint venture arrangement	-	-	4,011,431	2,000,000
Issue of shares as donation	-	-	-	-
Issue of shares under employee option plan	-	-	1,000,000	500,000
Issue of shares for earn-in rights	-	-	500,000	100,000
Issue of shares for interest in tenements	-	-	600,000	354,000
Balance at end of financial year	262,237,201	109,790,915	177,271,768	63,773,894

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

Share options

In accordance with the provisions of the employee share option plan, at 30 June 2011, employees and directors held options over 20,950,000 ordinary shares (13,625,000 of which are vested) in aggregate, with 2,700,000 expiring 30/06/2011, 4,000,000 expiring 01/07/2012, 4,500,000 expiring 30/06/2012, 1,800,000 expiring 31/12/2012, 1,850,000 expiring 30/06/2013, 3,150,000 expiring 01/07/2013, 2,450,000 expiring 31/12/2013 and the remaining 500,000 expiring on 01/07/2014. As at 30 June 2011 there were not any options held by anyone that were not issued under the Employee Share Option Plan 2007.

Share options carry no rights to dividends and no voting rights. Further details of the executive share option plan are contained in Note 9 to the financial statements.

21. Reserves

	2011	2010
	\$	\$
Share based payments reserve		
Balance at beginning of financial year	3,672,455	3,070,600
Share-based payments	1,045,232	601,855
Balance at end of financial year	4,717,687	3,672,455

The equity-settled benefits reserve arises on the grant of share options for the provision of services by consultants and to executives and employees under the employee share option plan. Share Options are also granted to suppliers. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share-based payments to employees is made in Note 9 the financial statements.

22. Accumulated losses

	2011	2010
	\$	\$
Balance at beginning of financial year	(13,361,157)	(10,694,342)
Net loss attributable to members of the Company	(3,353,586)	(2,666,815)
Balance at end of financial year	<u>(16,714,743)</u>	<u>(13,361,157)</u>

23. Loss per share

	2011	2010
	Cents per Share	Cents per Share
Basic Loss per share:	(1.50)	(1.61)
Diluted loss per share:	<u>(1.50)</u>	<u>(1.61)</u>

Basic loss per share

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

	2011	2010
	\$	\$
Loss (a)	(3,353,586)	(2,666,815)
	2011	2010
	No.	No.
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>223,344,318</u>	<u>165,577,596</u>

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

Diluted loss per share

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

	2011	2010
	\$	\$
Loss (a)	(3,353,586)	(2,666,815)
	2011	2010
	No.	No.
Weighted average number of ordinary shares for the purpose of diluted loss per share (b)	<u>223,344,318</u>	<u>165,577,596</u>

23. Loss per share (cont'd)

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

	2011	2010
	\$	\$
Net loss	(3,353,586)	(2,666,815)
Loss used in the calculation of diluted EPS	(3,353,586)	(2,666,815)

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

	2011	2010
	\$	\$
Weighted average number of ordinary shares used in the calculation of basic EPS	223,344,318	165,577,596

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

24. Commitments for expenditure**(a) Exploration and evaluation expenditure commitments**

As referred to in Note 14 to the accounts, Barrambie Gas Pty Ltd, a wholly owned subsidiary of the Company, previously entered into a gas transmission agreement with DBNGP (WA) Transmission Pty Ltd for the Barrambie Project. As part of the agreement the Company was required to procure a term deposit in the amount of \$8.7 million from its bankers as security, which represents the present value of the Company's commitment under the agreement. The gas transmission and the Company's commitment commenced on 1 July 2010.

The Group has approved Cliffs Asia Pacific Iron Ore Pty Ltd's exploration programs for Mt Finnerty up to 31 December 2011. Accordingly, via its 100% subsidiary Mt Finnerty Pty Ltd, the Group is committed to exploration expenditure totalling \$42,000 in the ensuing six months.

The Group acquired the Meekatharra Gold Project during the period via its wholly owned subsidiary GMK Exploration Pty Ltd. As at 30 June 2011 GMK Exploration had engaged third parties to undertake studies for the upgrade of the 200-person project camp and associated infrastructure, in addition to the upgrade and refurbishment of the processing plant. Commitments for these two studies totalled \$433,510 at reporting date.

(b) Lease commitments

Non-cancellable operating lease commitments are disclosed in Note 26 to the financial statements. There are no finance lease commitments at reporting date.

25. Contingent liabilities

	2011	2010
	\$	\$
Arising from interests in joint ventures (i)	80,000	80,000
Barrambie Project (ii)	250,000	-
Contingent liabilities at year-end	330,000	80,000

- (i) In consideration of Cliffs agreeing to provide performance bonds totalling \$80,000 for the benefit of the Company to the Department of Mines and Petroleum in relation to four Mount Finnerty Project tenements, the Company agrees to unconditionally indemnify Cliffs in respect of any claims made against Cliffs in respect of the performance bonds where such claims arise out of the Company's activities on those four tenements that are outside the scope of the joint venture and irrespective of whether such activities are undertaken by the Company alone or by a third party with the Company's consent.
- (ii) The Company is party to an MOU with Arcon (WA) Pty Ltd and China Non-Ferrous Industry's Foreign Engineering and Construction Company Ltd for the development of the Barrambie Vanadium Project. Under the MOU both a fixed price quote for an engineering, procurement and construction (EPC) contract and the procurement of debt funding is to be provided. In the event that a bona fide EPC contract is agreed in principle by Arcon and the Company, and subsequently the Company elects not to execute the contract, a fee of US\$250,000 would become payable.

26. Leases**Finance leases****Leasing arrangements**

The Company had no finance leases for the current or prior period.

Operating leases**Leasing arrangements**

Operating leases relate to the lease of several commercial premises with lease terms of between 1 and 2 years. The lease agreement for the Company's registered head office provides the option to extend for a further two years from October 2013. There is additional provision for the annual increase in lease payments at the greater of CPI and a fixed rate. For all other leases the future tenancy is deemed to continue on a periodic (casual) basis and any escalation to be negotiated. The consolidated entity does not have an option to purchase the leased assets at the expiry of the leases.

	2011	2010
	\$	\$
Payments recognised as an expense		
Minimum lease payments	226,575	199,375
Contingent rentals	-	-
Sub-lease payments received	-	-
	226,575	199,375
Non-cancellable operating lease payments		
Not longer than 1 year	334,846	84,565
Longer than 1 year and not longer than 5 years	256,340	-
Longer than 5 years	-	-
	591,186	84,565

27. Jointly controlled operations and assets

Name of operation	Principal activity	Interest	
		2011 %	2010 %
Mt Finnerty Iron Ore Project	Iron Ore Exploration	20	20

The consolidated entity's interesting 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:

	2011 \$	2010 \$
Non-current assets		
Exploration Expenditure	1,960,090	1,766,121
Total non-current assets	1,960,090	1,766,121
Total assets	1,960,090	1,766,121

28. Subsidiaries

Name of entity	Country of incorporation	Ownership interest	
		2011 %	2010 %
Parent entity			
Reed Resources Ltd	Australia	-	-
Subsidiaries			
Mount Finnerty Pty Ltd	Australia	100	100
Barrambie Gas Pty Ltd	Australia	100	100
Australian Vanadium Corporation (Holdings) Pty Ltd	Australia	100	100
Australian Vanadium Exploration Pty Ltd (i)	Australia	100	100
Kalgoorlie Ore Treatment Company Pty Limited	Australia	100	100
Reed Industrial Minerals Pty Ltd	Australia	100	100
Reed Exploration Pty Ltd	Australia	100	100
Reed Advanced Materials Pty Ltd	Australia	100	100
GMK Exploration Pty Ltd	Australia	100	100
GMK Administration Pty Ltd	Australia	100	100
Gold Mines of Kalgoorlie Ltd	Australia	100	100
Sand Queen Gold Mines Pty Ltd	Australia	100	100
Australian Vanadium Corporation (Investments) Pty Ltd (ii)	Australia	100	100

All of these companies are members of a tax consolidated Group. Reed Resources Ltd is the head entity of the tax consolidated Group.

- (i) Formerly Australian Vanadium Corporation Pty Ltd. The Company name changed on 26 November 2009.
- (ii) Formerly SQGM Pty Ltd. The Company name changed on 18 April 2011.
- (iii) Kalgoorlie Ore Treatment Company Pty Ltd was sold after the reporting date. Refer to subsequent events note 31.

29. 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 Group 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 the AASB 8. The 'other segments' category is the aggregation of all remaining operating segments given sufficient reportable operating segments have been identified.

For the year ended 30 June 2011

Reportable operating segments	Gold \$	Vanadium \$	Other \$	Unallocated \$	Total \$
Revenue from external customers	347,821	-	-	-	347,821
Cost of sales before amortisation	(53,633)	-	-	-	(53,633)
Gross profit before amortisation	294,188	-	-	-	294,188
Amortisation expense	(230,775)	-	-	-	(230,775)
Gross profit/(loss)	63,413	-	-	-	63,413
Revenue – other	174,217	113	22,454	918,641	1,115,426
Impairment	-	-	(74,356)	-	(74,356)
Depreciation	(229,270)	-	-	(28,400)	(257,670)
Total revenue	522,039	113	22,454	918,641	1,463,247
Total expense	(1,102,230)	(10,792)	(249,700)	(4,839,119)	(6,201,841)
Profit/(loss) before tax	(580,191)	(10,679)	(227,246)	(3,920,478)	(4,738,594)

As at 30 June 2011

Reportable operating segments	Gold \$	Vanadium \$	Other \$	Unallocated \$	Total \$
Additions to non-current assets	34,877,582	2,786,570	937,916	1,522,352	40,124,420
Eliminated on reclassification as held for sale	(1,200,664)	-	-	-	(1,200,664)
Consolidated additions to non-current assets	33,676,918	2,786,570	937,916	1,522,352	38,923,756
Total segment assets	43,765,306	26,846,586	5,882,651	29,103,880	105,598,423
Assets classified as held for sale	4,269,580	-	-	-	4,269,580
Consolidated total assets	48,034,886	26,846,586	5,882,651	29,103,880	109,868,003

29. Segment information (cont'd)

For the year ended 30 June 2010

Reportable operating segments	Gold \$	Vanadium \$	Other \$	Unallocated \$	Total \$
Revenue from external customers	2,883,931	-	-	-	2,883,931
Cost of sales before amortisation	(853,684)	-	-	-	(853,684)
Gross profit before amortisation	2,030,247	-	-	-	2,030,247
Amortisation expense	(569,829)	-	-	-	(569,829)
Gross profit/(loss)	1,460,418	-	-	-	1,460,418
Revenue – other	4,093	-	25,189	497,743	527,025
Impairment	(468,876)	-	(64,140)	-	(533,016)
Depreciation	(55,962)	-	-	(25,269)	(81,231)
Total revenue	2,888,024	-	25,189	497,743	3,410,956
Total expense	(2,268,528)	(171,446)	(266,606)	(4,188,857)	(6,895,437)
Profit/(loss) before tax	619,496	(171,446)	(241,417)	(3,691,114)	(3,484,481)

As at 30 June 2010

Reportable operating segments	Gold \$	Vanadium \$	Other \$	Unallocated \$	Total \$
Additions to non-current assets	6,708,765	2,841,970	2,265,698	8,777,730	20,594,163
Eliminated on reclassification as held for sale	-	-	-	-	-
Consolidated additions to non-current assets	6,708,765	2,841,970	2,265,698	8,777,730	20,594,163
Total segment assets	13,435,306	24,004,950	4,189,815	15,676,063	57,306,134
Assets classified as held for sale	-	-	-	-	-
Consolidated total assets	13,435,306	24,004,950	4,189,815	15,676,063	57,306,134

Information about major customers

Revenue from external customers includes gold ore sales to a third party of \$0.3 million (2010: \$1.4 million), and gold sales to AGR Matthey Pty Ltd of nil (2010: \$1.4 million).

Geographical information

The Group operates in a single geographical area being Western Australia (country of domicile).

30. 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 28 to the financial statements.

(b) Key management personnel remuneration

Details of Key Management Personnel Remuneration are disclosed in Note 8 to the financial statements.

(c) Key management personnel equity holdings

Fully paid ordinary shares of Reed Resources Ltd

	Balance at 01/07/10	Balance on appointment	Received on exercise of options	Net other change	Balance at 30/06/11	Balance held nominally
2011	No.	No.	No.	No.	No.	No.
David Reed	21,750,251	-	-	25,862	21,776,113	-
Christopher Reed	2,909,202	-	-	-	2,909,202	-
Peter Collins	285,705	-	-	-	285,705	-
Ian Junk	781,102	-	-	-	781,102	-
Steven Cole	17,034	-	-	25,862	42,896	-
Jason Carone	138,768	-	-	8,620	147,388	-
Craig Fawcett	-	-	-	-	-	-
Darren Wates	-	142,500	-	8,621	151,121	-
Total	25,882,062	142,500	-	68,965	26,093,527	-

	Balance at 01/07/09	Balance on appointment	Received on exercise of options	Net other change	Balance at 30/06/10	Balance held nominally
2010	No.	No.	No.	No.	No.	No.
David Reed	21,689,715	-	-	60,536	21,750,251	-
Christopher Reed	1,863,800	-	1,000,000	45,402	2,909,202	-
Peter Collins	285,705	-	-	-	285,705	-
Ian Junk	735,700	-	-	45,402	781,102	-
Steven Cole	1,900	-	-	15,134	17,034	-
Jason Carone	138,500	-	-	268	138,768	-
Craig Fawcett	-	-	-	-	-	-
Total	24,715,320	-	1,000,000	166,742	25,882,062	-

30. Related party disclosures (cont'd)

Executive share options of Reed Resources Ltd

	Balance at 01/07/10	Granted as remuneration	Exercised /(lapsed)	Balance at 30/06/11	Balance vested at 30/06/11	Vested but not exercisable	Vested and exercisable	Options vested during year
2011	No.	No.	No.	No.	No.	No.	No.	No.
David Reed	1,500,000	1,000,000	-	2,500,000	1,250,000	-	1,250,000	1,250,000
Christopher Reed	5,600,000	2,000,000	-	7,600,000	5,100,000	-	5,100,000	2,500,000
Peter Collins	950,000	250,000	-	1,200,000	1,200,000	-	1,200,000	250,000
Ian Junk	950,000	250,000	-	1,200,000	1,200,000	-	1,200,000	250,000
Steven Cole	600,000	500,000	-	1,100,000	1,100,000	-	1,100,000	500,000
Jason Carone	1,200,000	600,000	-	1,800,000	900,000	-	900,000	600,000
Craig Fawcett	-	750,000	-	750,000	375,000	-	375,000	375,000
Darren Wates	-	500,000	-	500,000	-	-	-	-
Non key management	2,500,000	1,800,000	-	4,300,000	2,500,000	-	2,500,000	1,050,000
Total	13,300,000	7,650,000	-	20,950,000	13,625,000	-	13,625,000	6,775,000

	Balance at 01/07/09	Granted as remuneration	Exercised /(lapsed)	Balance at 30/06/10	Balance vested at 30/06/10	Vested but not exercisable	Vested and exercisable	Options vested during year
2010	No.	No.	No.	No.	No.	No.	No.	No.
David Reed	-	1,500,000	-	1,500,000	-	-	-	-
Christopher Reed	3,600,000	3,000,000	(1,000,000)	5,600,000	2,600,000	-	2,600,000	-
Peter Collins	700,000	250,000	-	950,000	950,000	-	950,000	250,000
Ian Junk	700,000	250,000	-	950,000	950,000	-	950,000	250,000
Jason Carone	300,000	900,000	-	1,200,000	300,000	-	300,000	300,000
Steven Cole	250,000	350,000	-	600,000	600,000	-	600,000	350,000
Non key management	2,450,000	700,000	(650,000)	2,500,000	1,450,000	-	1,450,000	750,000
Total	8,000,000	6,950,000	(1,650,000)	13,300,000	6,850,000	-	6,850,000	1,900,000

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

Further details of the executive share option plan and of share options granted during the financial year is contained in note 8 and note 9 to the financial statements.

30. Related party disclosures (cont'd)

(d) Other transactions with key management personnel

	2011	2010
	\$	\$
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	61,709	55,032
Rent	187,421	164,900
Interest expense	-	1,247
Consulting fees	12,538	18,309
Royalties	18,701	101,678
Total recognised as expenses	280,369	341,166

(e) Transactions with other related parties

Other related parties include:

- The parent entity;
- Associates;
- Joint ventures in which the entity is a venturer;
- Subsidiaries;
- Key Management Personnel of Reed Resources Ltd
- Former Key Management Personnel; and
- Other related parties.

Transactions involving the parent entity

The Directors elected for wholly-owned Australian entities within the Group to be taxed as a single entity from 1 July 2003.

The parent entity has loaned funds to subsidiaries. The loans totalled \$36,596,819 at 30 June 2011 (2010: \$7,902,572). These loans are repayable on demand and interest free.

No other transactions 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 \$249,130 (2010: \$219,932), being rent, service fees and minor property outgoings including rates. Trucking Nominees Pty Ltd had provided a short-term loan (at a market rate of interest) to Reed Resources Ltd in the prior period. However, no loans were provided in the current period. Consequently interest charges for the year totalled Nil (2010: \$1,247).

Mr P Collins provides geological consulting services to the Company. The total amount for the year was \$12,538 (2010: \$18,309).

Reed Resources Ltd has a royalty agreement with MTAB Pty Ltd which is a Company controlled by Mr D Reed. The total amount for the year was \$18,701 (2010: \$101,678).

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

30. Related party disclosures (cont'd)

Existing agreements involving other related parties

As disclosed in the Company's prospectus dated 24 June 2002, the Company has contracted to pay royalty payments from Mount Finnerty properties to a company controlled by Mr C Reed. To date mining has not been undertaken on the Mount Finnerty properties, accordingly no royalty payments have been paid to Mr C Reed.

(f) Controlling entities

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

31. Subsequent events

On 1 July 2011, the Group completed the purchase of the Meekatharra Gold Project via its wholly owned subsidiary GMK Exploration Pty Ltd. The final payment on 1 July 2011 comprised \$8 million in cash and \$1.3 million worth of Reed Resources fully paid ordinary shares. The total purchase consideration and other costs directly attributed to the acquisition totalling \$28,431,001 will be transferred from other financial assets and recognised as property, plant and equipment and exploration assets. Approximately \$5.7 million will be recognised as a provision based on the estimate of the present value of future environmental rehabilitation obligations associated with the project site. In addition \$2,789,000 was placed on deposit as security for Unconditional Performance Bonds ("UPB") lodged with the Department of Mines and Petroleum.

On 29 July 2011 GMK Exploration entered into a non-cash backed bond facility with the Macquarie Bank in the amount of \$2.5 million as security for the UPB relating to the Meekatharra project. This facility is secured by way of a fixed and floating charge over the assets of GMK Exploration. Reed Resources has also provided a parent company guarantee. This in turn releases \$2.5 million in cash that was on deposit as security for the UPB.

On 6 July 2011, the Group secured an option to acquire outright ownership of the Nannine Mining Centre via its wholly owned subsidiary GMK Exploration Pty Ltd which, if exercised, would enable an extension of the land holding to a 110km long continuous land package. The cost of this option was \$103,098.

On 20 July 2011, the Company received the EPC budget estimate for the Barrambie vanadium project from the consortium of China Nonferrous Metal Industry's Foreign Engineering and Construction Co. Ltd ("NFC") and Arcccon (WA) Pty Ltd ("Arcccon"). Based on the EPC budget estimate received, the Barrambie vanadium project capex potentially reduced by 18% or \$100 million compared to the 2009 definitive feasibility study on a like-for-like basis.

On 8 September 2011 the Company completed the sale of its wholly owned subsidiary Kalgoorlie Ore Treatment Company Pty Ltd (KOTC) to MacPhersons Reward Gold Ltd (ASX Code: MRP) (MRP). KOTC holds the Nimbus Processing Plant and associated assets and is situated near Kalgoorlie, Western Australia. Reed Resources received cash consideration of \$3.4 million and \$1.6 million worth of MRP fully paid ordinary shares. This was in addition to a \$100,000 deposit received prior to reporting date in order for MRP to secure the purchase option. The Group expects to recognise a gain on the sale of its subsidiary of approximately \$0.6 million.

32. Notes to the cash flow statement

a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the balance sheet as follows:

Cash and cash balances

Cash and cash balances included in a disposal group held for sale

2011 \$	2010 \$
13,824,448	1,285,378
58,500	-
13,882,948	1,285,378

(b) Funds not available for use

Restrictions exist on several term deposits with a total value of \$11,788,634. All term deposits are classified as financial assets except for \$228,000 that is now classified as assets held for sale. One term deposit relates to an unconditional performance bond issued by the National Australia Bank in favour of the Minister for State Development and DBNGP (WA) Transmission Pty Ltd. A separate term deposit of \$8,700,000 is restricted in its use to ensure it serves as security for the bond. The remaining four term deposits serve as security for several environmental performance bonds required for operations at the Nimbus, Comet Vale and Meekatharra Gold project sites. Refer to note 7 for additional information on the financial asset classified as held for sale, and note 14 for discussion of all other financial assets.

(c) Reconciliation of loss for the period to net cash flows from operating activities

Loss for the period

Gain on sale of non-current assets

Depreciation of non-current assets

Amortisation of non-current assets

Equity settled share-based payment

Impairment of non-current assets

(Increase) / decrease in current tax asset

Increase in deferred tax asset

(Increase) / decrease in assets:

Current receivables

(Increase) / decrease in liabilities:

Current payables

Other non-cash expenses

Net Cash used in operating activities

2011 \$	2010 \$
(3,353,586)	(2,666,815)
(164,364)	-
257,670	126,214
230,775	569,829
1,045,232	601,855
74,356	533,016
126,797	(1,372)
(1,098,086)	(403,945)
481,936	(896,281)
(191,539)	871,868
206,387	444,234
(2,384,422)	(821,397)

32. Notes to the cash flow statement (cont'd)**(d) Non cash financing and investing activities**

On 14 January 2011 the Company issued 1,000,000 fully paid ordinary shares at \$0.665 per share to a consultant to the Company for a success fee related to the acquisition of the Meekatharra Gold Project.

On 1 July 2011 the Company issued 2,505,300 fully paid ordinary shares at \$0.52 per share as part consideration for settlement of the Meekatharra Gold Project acquisition. Refer to subsequent events Note 31.

33. 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.

The following tables detail the exposure to interest rate risk:

	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		
2011	%	\$	\$	\$	\$	\$	\$
Financial assets:							
Cash and cash equivalents (i)	3.15	-	13,862,514	-	-	20,434	13,882,948
Barrambie Gas term deposit (ii)	5.50	-	8,700,000	-	-	-	8,700,000
Bond term deposits (ii)	5.46	-	3,088,634	-	-	-	3,088,634
Trade and other receivables	-	-	-	-	-	1,140,912	1,140,912
Meekatharra Gold Project deposits (iii)	-	-	-	-	-	28,431,001	28,431,001
Financial liabilities:							
Trade payables	-	-	-	-	-	896,101	896,101
Other financial liabilities (iv)	-	-	-	-	-	9,400,000	9,400,000

(i) Includes cash and bank balances of \$58,500 in a disposal group held for sale. Refer to note 7 for more information.

(ii) The balances represent five term deposits that are restricted in their use and are classified in the current reporting period other financial assets except for term deposits with a total value of \$228,000 that are classified as held for sale assets. Refer to Note 7 for further details on assets held for sale. Additional information on all other term deposits is provided at note 14 and note 32 (b). These financial assets have contractual maturities of less than one year, however they are classified as non-current in the statement of financial position as they will be rolled-over for greater than twelve months as security for the matters discussed in note 14.

(iii) Comprised of acquisition costs and purchase price consideration paid or accrued for prior to settlement on 1 July 2011 and classified as other financial assets. Refer to subsequent events note 31 for additional discussion on the purchase settlement.

(iv) The balance includes \$9.3 million purchase price consideration due to be paid for the Meekatharra Gold Project at settlement on 1 July 2011 (refer to note 18 for details).

33. Financial instruments (cont'd)

2010	Weighted average effective interest rate %	Variable interest rate \$	Maturity dates			Non interest bearing \$	Total \$
			Less than 1 Year \$	1-5 Years \$	More than 5 Years \$		
Financial assets:							
Cash and cash equivalents	3.05	-	1,284,271	-	-	1,107	1,285,378
Barrambie Gas term deposit (i)	5.75	-	8,700,000	-	-	-	8,700,000
Bond term deposits (i)	5.80	-	67,394	-	-	-	67,394
Trade and other receivables	-	-	-	-	-	943,460	943,460
Financial liabilities:							
Trade payables	-	-	-	-	-	1,113,529	1,113,529

(i) The balances represent two term deposits that are restricted in their use and are classified in the current reporting period as other financial assets. Refer to note 14 for details.

(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 credit-worthy 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 is 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 have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

(e) Fair value

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

33. Financial instruments (cont'd)**(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.