

4 September 2009

Company Announcements Office
ASX Limited
via Electronic Lodgement

Dear Sirs

Notice of Extraordinary General Meeting and Share Purchase Plan Offer Documents

Reed Resources Ltd (**RDR**) announced on 25 August 2009 a \$10.9M capital raising through a placement to institutional and qualified investors (**Placement**) and a share purchase plan (**Plan**).

The Placement was completed on 31 August 2009. The Plan and the underwriting of the Plan is subject to shareholder approval at an Extraordinary General Meeting of shareholders (**EGM**) to be held at 10am (WST) on 6 October 2009. A number of other resolutions are proposed in the Notice of Extraordinary General Meeting.

The Company is posting a Notice of Extraordinary General Meeting and the Plan Offer Booklet to shareholders today setting out the full details of the Plan and the approvals sought at the EGM.

To this end please find attached a copy of the following documents:

- (a) Notice of Extraordinary General Meeting;
- (b) template Proxy form;
- (c) Plan Offer Booklet; and
- (d) template Plan Application Form for eligible shareholders.

Yours faithfully



Jason Carone
Company Secretary
Reed Resources Ltd



Dear Shareholder,

EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting (**EGM**) of Shareholders is to be held as follows:

Venue: Celtic Club
48 Ord Street
West Perth, WA 6005

Time: 10am (WST)

Date: Tuesday, 6 October 2009

Please find enclosed the following documents in relation to the EGM:

1. Notice of EGM together with Explanatory Statement; and
2. Proxy Forms for EGM together with instructions.

If you are not able to attend the EGM in person, you are urged to complete and lodge the enclosed Proxy.

Yours sincerely



Jason Carone
Company Secretary
Reed Resources Ltd
4 September 2009



NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS GIVEN that an Extraordinary General Meeting of the Company will be held on Tuesday, 6 October 2009, at 10am (WST), at the Celtic Club, 48 Ord Street, West Perth WA 6005, to consider, and if thought fit, pass the resolutions below.

The Explanatory Statement and the Proxy Form accompanying this Notice are incorporated in and comprise part of this Notice.

AGENDA

Ordinary Business

1. Ratification of previous issues of securities

Resolution 1 – Ratification of share placement

To consider and if thought fit to pass, with or without amendment, the following as an ordinary resolution:

That for the purposes of ASX Listing Rules 7.4 and all other purposes, this meeting ratifies and approves the issue by the Company of 19,500,000 shares in the Company each at an issue price of \$0.33 per share by way of share placement to sophisticated and institutional investors on 31 August 2009 on the terms described in the explanatory statement.

VOTING EXCLUSION STATEMENT

For the purposes of Listing Rule 7.5.6, and all other purposes, the Company will disregard any votes cast on the Resolution by any person who participated in the placement and any associate of those persons. However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 2 - Ratification of issue of shares to Breakaway Resources Limited

To consider and if thought fit to pass, with or without amendment, the following as an ordinary resolution:

That, for the purpose of ASX Listing Rule 7.4, and for all other purposes, this meeting ratifies and approves the issue by the Company of 500,000 fully paid ordinary shares in the Company to Breakaway Resources Limited pursuant to the terms of the sale agreement for the purchase of Breakaway Resources Limited's interest in a joint venture project at Mount Finnerty dated 15 July 2009, as issued on 15 July 2009 and announced to the ASX on the same date.

VOTING EXCLUSION STATEMENT

For the purposes of Listing Rule 7.5.6, and all other purposes, the Company will disregard any votes cast on the Resolution by any person who participated in the issue and any associate of those persons. However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 3 - Ratification of issue of shares to Consultant

To consider and if thought fit to pass, with or without amendment, the following as an ordinary resolution:

That, for the purpose of ASX Listing Rule 7.4, and for all other purposes, this meeting ratifies and approves the issue by the Company of 400,000 fully paid ordinary shares in the Company to Lennonville Pty Ltd (ACN 075 867 515) as trustee for the Lennonville Trust pursuant to the terms of a consultancy agreement dated 1 July 2009, as issued on 15 July 2009 and announced to the ASX on the same date.

VOTING EXCLUSION STATEMENT

For the purposes of Listing Rule 7.5.6, and all other purposes, the Company will disregard any votes cast on the Resolution by any person who participated in the issue and any associate of those persons. However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 4 - Ratification of issue of shares to the Hall of Fame Foundation

To consider and if thought fit to pass, with or without amendment, the following as an ordinary resolution:

That, for the purpose of ASX Listing Rule 7.4, and for all other purposes, this meeting ratifies and approves the issue by the Company of 200,000 fully paid ordinary shares in the Company to Hall of Fame Limited (ACN 109 377 746) as trustee for the Australian Prospectors & Miners Hall of Fame Foundation for nil consideration as a donation, as issued on 7 November 2008 and announced to the ASX on the same date.

VOTING EXCLUSION STATEMENT

For the purposes of Listing Rule 7.5.6, and all other purposes, the Company will disregard any votes cast on the Resolution by any person who participated in the placement and any associate of those persons. However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

2. Resolution 5 – Approval of Issue of Shares pursuant to the Share Purchase Plan

To consider and if thought fit to pass, with or without amendment, the following as an ordinary resolution:

That, for the purpose of ASX Listing Rule 7.1, and for all other purposes, the Company approves the issue of up to 13,636,363 shares to eligible Shareholders (which may include related parties) who make applications pursuant to the Company's Share Purchase Plan announced on 25 August 2009 on the terms described in the explanatory statement.

3. Resolution 6 – Approval of Issue of Shares pursuant to the Underwriting Agreement

To consider and if thought fit to pass, with or without amendment, the following as an ordinary resolution:

That, subject to and conditional upon the approval of resolution 5 in this Notice of Extraordinary General Meeting and for the purposes of ASX Listing Rule 7.1 and for all other purposes, the Company approves the issue of up to 13,636,363 shares under the share purchase plan to Patersons Securities Limited (**Patersons**) or persons nominated by Patersons pursuant to the Underwriting Agreement dated 25 August 2009 in respect of the Company's Share Purchase Plan announced on 25 August 2009 on the terms described in the explanatory statement.

VOTING EXCLUSION STATEMENT

For the purposes of Listing Rule 7.3.8, and all other purposes, the Company will disregard any votes cast on the Resolution by any person who participated in the underwriting and any associate of those persons. However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

4. Determining shareholder voting entitlements

Regulation 7.11.37 of the Corporations Regulations 2001 permits the Company to specify a time not more than 48 hours before the meeting, at which a "snap-shot" of Shareholders will be taken for the purposes of determining shareholder entitlements to vote at the meeting. The Company has determined that, for the purposes of determining voting entitlements at this Extraordinary General Meeting, all shares of the Company that are quoted on ASX at 10am (WST), Sunday, 4 October 2009 be taken to be held by the persons registered as holding the shares at that time (the *Effective Time*).

5. Proxies

- (a) All holders of Shares in the Company as at the Effective Time are entitled to attend and vote at this Extraordinary General Meeting and may appoint a proxy to attend this Extraordinary General Meeting and vote in that member's stead.
- (b) A proxy need not be a member of the Company.
- (c) The original proxy form sent with this Notice should be used for this Extraordinary General Meeting.
- (d) Each Shareholder who is entitled to cast 2 or more votes at this Extraordinary General Meeting, may appoint 2 persons to act as proxies and may specify the proportion of number of votes that each proxy is entitled to exercise. If a Shareholder **does not** specify the proportion or number of that Shareholder's votes each proxy may exercise, then each proxy will be entitled to exercise half of the votes. An additional proxy form will be supplied by the Company on request.
- (e) In the case of an individual, a proxy must be under the hand of the individual or his or her attorney duly authorised in writing and, in the case of a corporation, a proxy must be executed by the corporation under common seal, pursuant to Section 127 of the Corporations Act or under the hand of its duly authorised officer/s or attorney.
- (f) Any member may by power of attorney appoint an attorney to act on his or her behalf and such power of attorney or certified copy thereof must be received by the Company as specified in paragraph (h).

- (g) Any corporation which is a member of the Company may appoint a representative to attend and vote for that corporation at the Extraordinary General Meeting. Appointments of representatives by corporations must be received by the Company as specified in paragraph (i) at any time before the time for holding this Extraordinary General Meeting or adjourned Extraordinary General Meeting.
- (h) Proxies and powers of attorneys granted by Shareholders must be received by the Company by 10am (WST) on Sunday, 4 October 2009:
 - (i) The registered office of the Company – 97 Outram Street, West Perth, WA 6005.
 - (ii) By facsimile at the office of the Company – facsimile number +61 8 9321 0556.
- (i) Corporate representative appointments under Section 250D of the Corporations Act may be delivered at any time to the Company at its registered office – 97 Outram Street, West Perth, WA 6005 or handed in at the Extraordinary General Meeting itself.

By order of the Board of Directors



**Jason Carone
Company Secretary
Reed Resources Ltd**

4 September 2009

EXPLANATORY STATEMENT

– EXTRAORDINARY GENERAL MEETING –

1. General

This Explanatory Statement has been prepared to provide material information reasonably required to enable you to make an informed decision on how to vote upon the business to be conducted at the EGM.

The purpose of the EGM is to consider and if thought fit, pass the Resolutions. If resolution 5 is approved, the Company can proceed with the completion of the Share Purchase Plan (**Plan**). If resolution 5 is not passed, then:

- the Plan will not be able to proceed and the Company will return to Shareholders application monies already received (without interest); and
- resolution 6 will not become effective (as it relates to the underwriting of the Plan).

If resolution 5 is passed but resolution 6 is not passed, the Company will proceed with the Plan to the extent that it has received applications from eligible Shareholders.

The Directors recommend that Shareholders read this Explanatory Statement before determining whether to support the Resolutions or otherwise.

Following the completion of the Placement and confirmation of its offer of its fully underwritten Plan, the Company plans to step up exploration and development activities at two of its highly prospective Western Australian assets, being the Mount Marion Lithium Project and the Barrambie Vanadium Project. The Company has also exercised its option to acquire the Nimbus plant using funds raised in the Placement.

2. Ratification of previous issues of securities

Background of relevant issues

Resolution 1 – Share placement

On 31 August 2009, the Company issued 19,500,000 shares at \$0.33 per share to raise \$6.4 million (before costs) to Professional Investors, being domestic and international institutional investors and other professional or sophisticated investor clients of the Company's appointed lead manager, Patersons Securities Limited (**Patersons**).

Resolution 2 – Issue of shares to Breakaway Resources Limited

On 15 July 2009, the Company entered into a sale agreement with Breakaway Resources Limited (**Breakaway**) to purchase Breakaway's earn-in rights for the Mt Finnerty Joint Venture for a total consideration of 500,000 fully paid ordinary shares in the Company.

Resolution 3 – Issue of shares to the Lennonville Trust

On 1 July 2009, the Company entered into a consultancy agreement with Long Reef Pty Ltd (**Long Reef**) for the provision of consultancy services to the Company. Pursuant to the terms of the consultancy agreement, the Company issued to Long Reef's nominated party,

Lennonville Pty Ltd as trustee for the Lennonville Trust, 500,000 fully paid ordinary shares in the Company.

Resolution 4 - Issue of shares to the Hall of Fame Foundation

On 7 November 2008, the Company issued 200,000 fully paid ordinary shares to the Hall of Fame Limited as trustee for the Australian Prospectors & Miners Hall of Fame Foundation for nil consideration. The issue constituted a donation, to contribute to the goodwill of the Company in respect of the Company's community and public image and reputation.

Approvals Required for Resolutions 1, 2, 3 and 4

ASX Listing Rule 7.1 provides that without approval of the Shareholders, the Company must not issue or agree to issue more equity securities if such issue, if aggregated with the securities issued by the company during the previous 12 months, would be such amount that would exceed 15% of the issued shares at the commencement of that 12 month period (subject to certain exemptions not relevant to the Company's present circumstances).

Under Resolution 1, 2, 3 and 4 the Company seeks the ratification by the Shareholders of the issue of:

- 19,500,000 ordinary shares to professional and sophisticated investors;
- 500,000 ordinary shares to Breakaway Resources Limited;
- 400,000 ordinary shares to Lennonville Pty Ltd (ACN 075 867 515) as trustee for the Lennonville Trust; and
- 200,000 ordinary shares to Hall of Fame Limited (ACN 109 377 746) as trustee for the Australian Prospectors & Miners Hall of Fame Foundation.

Although the issue of these shares were all within the 15% prescribed limit when issued, the issue of those shares had not previously been approved by Shareholders.

ASX Listing Rule 7.4 however treats these issues made without the approval under Listing Rule 7.1, as having been made with approval for the purposes of Listing Rule 7.1 if that issue did not breach Listing Rule 7.1, and the Shareholders subsequently approve it. The issues referred to in Resolutions 1, 2, 3 and 4 did not breach Listing Rule 7.1 when made.

The effect of the ratification by the Shareholders pursuant to Resolutions 1, 2, 3 and 4 is to restore the Company's capacity for the purposes of Listing Rule 7.1 to issue or agree to issue further equity securities up to the 15% limit.

Details of Resolutions 1, 2, 3 and 4

Details of the placement shares for Resolution 1

Listing Rule 7.5 also requires the following information to be provided to Shareholders:

- (a) **(Number of securities allotted)** – 19,500,000.
- (b) **(Price securities were issued)** – \$0.33.
- (c) **(Terms of the securities)** - The issued shares are fully paid ordinary shares and are on the same terms as existing fully paid ordinary shares in the Company.
- (d) **(Allottees)** - Professional Investors who have subscribed for shares pursuant to the Placement. These Professional Investors are domestic and international

institutional investors and other professional or sophisticated investor clients of the Company's appointed manager, Patersons Securities Limited. None of the allottees are related parties of the Company.

- (e) **(Use or intended use of the funds raised)** - The additional capital made available to the Company in consequence of the Placement will be used to advance two of the Company's flagship projects, the Mount Marion Lithium Project and the Barrambie Vanadium Project in Western Australia. Additionally, the Company exercised its option to acquire the Nimbus plant on 31 August 2009 using funds raised in the Placement.

Details of the share issue for Resolution 2

Listing Rule 7.5 also requires the following information to be provided to Shareholders:

- (a) **(Number of securities allotted)** – 500,000.
- (b) **(Price securities were issued)** – Pursuant to a sale agreement dated 15 July 2009, 500,000 RDR shares were issued, representing consideration of \$100,000 (based on an equivalent issue price of \$0.20).
- (c) **(Terms of the securities)** - The issued shares are fully paid ordinary shares and are on the same terms as existing fully paid ordinary shares in the Company.
- (d) **(Allottee)** – Breakaway Resources Limited (not a related party of the Company).
- (e) **(Use or intended use of the funds raised)** – Shares were issued as consideration for the purchase of Breakaway Resources Limited's interest in a joint venture project at Mount Finnerty.

Details of the share issue for Resolution 3

Listing Rule 7.5 also requires the following information to be provided to Shareholders:

- (a) **(Number of securities allotted)** – 400,000.
- (b) **(Price securities were issued)** – Pursuant to a consultancy agreement dated 1 July 2009, RDR shares were issued representing a value not exceeding \$100,000 (based on an equivalent issue price of \$0.25 per share).
- (c) **(Terms of the securities)** - The issued shares are fully paid ordinary shares and are on the same terms as existing fully paid ordinary shares in the Company.
- (d) **(Allottee)** - Lennonville Pty Ltd (ACN 075 867 515) as trustee for the Lennonville Trust (not a related party of the Company).
- (e) **(Use or intended use of the funds raised)** - No funds raised.

Details of the share issue for Resolution 4

Listing Rule 7.5 also requires the following information to be provided to Shareholders:

- (a) **(Number of securities allotted)** – 200,000.
- (b) **(Price securities were issued)** – Nil consideration.

- (c) **(Terms of the securities)** - The issued shares are fully paid ordinary shares and are on the same terms as existing fully paid ordinary shares in the Company.
- (d) **(Allottee)** - Hall of Fame Limited (ACN 109 377 746) as trustee for the Australian Prospectors & Miners Hall of Fame Foundation.
- (e) **(Use or intended use of the funds raised)** – No funds raised.

3. Resolution 5 – approval of issue of shares pursuant to the Share Purchase Plan

Background

On 25 August 2009, the Company announced a Plan providing an opportunity to its eligible existing Shareholders to participate in the equity raising at the same issue price that applied in the Placement of \$0.33 per share to raise up to a further \$4.5 million (before costs). The Plan will only be open to “eligible Shareholders”, being Shareholders who were registered holders of Reed shares as at 5:00pm (WST) on Tuesday, 25 August 2009 with a registered address in Australia or New Zealand who are not acting for the account or benefit of U.S. persons. Eligible existing Shareholders will each have the opportunity to subscribe for up to \$15,000 of shares. A maximum of 13,636,363 shares (approximately \$4,500,000) is being made available in total to eligible Shareholders under the Plan. In the event that applications for more than that number of shares are received, the number of shares actually applied for, will be proportionately scaled back by the Company, so that a whole number of shares not exceeding the maximum limit will be issued to applicants on the issue date. The terms of the Plan have been provided to Shareholders, together with this Notice.

Approvals required

As noted above, ASX Listing Rule 7.1 provides that without approval of the Shareholders, the Company must not issue or agree to issue more equity securities if such issue, if aggregated with the securities issued by the company during the previous 12 months, would be such amount that would exceed 15% of the issued shares at the commencement of that 12 month period (subject to certain exemptions not relevant to the Company's present circumstances).

ASX Listing Rule 7.1, exception 15 provides to the effect that issues of securities under a Share Purchase Plan are not subject to the cap on the number of equity securities (shares and options) that a company may issue within a 12 month period without Shareholders' approval. However, the Plan does not fall strictly within this exception as it is for an offer exceeding \$5,000 and the issue price is at a discount greater than 20%. The issue price of \$0.33 represents approximately a 25% discount to the weighted average sale price of Shares traded on the Australian Securities Exchange (“ASX”) during the trading days between 14 August 2009 and 20 August 2009 (inclusive).

Given that the Plan does not fall strictly within this exception, the Company now seeks shareholder approval for the purposes of Listing Rule 7.1 for the proposed issue of up to 13,636,363 fully paid ordinary shares at an issue price of \$0.33 per share, raising a total of approximately \$4.5 million.

ASX Listing Rule 7.3 sets out the relevant information requirements that are to be provided to Shareholders in this Explanatory Statement with respect to an approval being sought under ASX Listing Rule 7.1 respectively.

Details of the Plan

For the purposes of Listing Rule 7.3, the following further information is provided in relation to Resolutions 5:

- (a) **(Allottees)** - The allottees will be the eligible Shareholders of the Company who apply for shares under the Plan pursuant to the Offer documents sent to Shareholders at the same time as this Notice. These may include related parties such as directors of the Company.
- (b) **(Maximum number of shares to be issued)** - 13,636,363.
- (c) **(Date by which securities will be issued)** – Within 5 business days of the date of the EGM.
- (d) **(Price securities were issued)** – \$0.33, being the same price as for the Placement.
- (e) **(Terms of the securities)** - The issued shares are fully paid ordinary shares and are on the same terms as existing fully paid ordinary shares in the Company.
- (f) **(Use or intended use of the funds raised)** - To advance two of the Company's flagship projects, the Mount Marion Lithium Project and the Barrambie Vanadium Project in Western Australia.

4. Resolution 6 - approval of issue of shares pursuant to Underwriting Agreement

Background

It was announced on 25 August 2009 that the Company proposed, pursuant to the Underwriting Agreement, that Patersons will underwrite all or part of the Plan subject to sub-underwriting demand. Patersons intend to underwrite a shortfall of up to 13,636,363 shares under the Plan.

Approvals required

As noted above, ASX Listing Rule 7.1 provides that without approval of the Shareholders, the Company must not issue or agree to issue more equity securities if such issue, if aggregated with the securities issued by the company during the previous 12 months, would be such amount that would exceed 15% of the issued shares at the commencement of that 12 month period (subject to certain exemptions not relevant to the Company's present circumstances). Issues to the underwriter of a share purchase plan are not exempt from these requirements.

As a result, the Company now seeks shareholder approval of the proposed issue of up to 13,636,363 fully paid ordinary shares at an issue price of \$0.33 per share to underwriters or sub-underwriters pursuant to the Underwriting Agreement, raising a total of approximately \$4.5 million.

Details of underwriting shares

Listing Rule 7.3 also requires the following information to be provided to Shareholders:

- (a) **(Maximum number of securities to be issued)** – 13,636,363.
- (b) **(Date by which securities will be issued)** – Within 5 business days of the date of the EGM.
- (c) **(Price securities were issued)** – \$0.33, being the same price as for the Plan.
- (d) **(Allottees)** – The allottees will be Patersons or persons nominated by Patersons in accordance with the Underwriting Agreement.
- (e) **(Terms of the securities)** - The issued shares are fully paid ordinary shares and are on the same terms as existing fully paid ordinary shares in the Company.
- (f) **(Use or intended use of the funds raised)** - To advance two of the Company's flagship projects, the Mount Marion Lithium Project and the Barrambie Vanadium Project in Western Australia.

5. Definitions

For the purposes of this Explanatory Statement and the Notice of Extraordinary General Meeting the following definitions apply unless the context requires otherwise.

ASX means ASX Limited (ABN 98 008 624 691).

Company means Reed Resources Ltd (ACN 099 116 631).

Corporations Act means the Corporations Act 2001 (Cth).

EGM means the extraordinary general meeting notified to the Company Shareholders by the Notice.

Notice means the notice incorporating this Explanatory Statement.

Patersons means Patersons Securities Limited (ABN 69 008 896 311).

Placement means the placement of 19,500,000 shares in the Company to Professional Investors completed on 31 August 2009.

Plan means the Company's Share Purchase Plan as announced on 25 August 2009.

Professional Investors means a person who participated in the Placement who is not a 'retail client' within the meaning of section 761G of the Corporations Act and is also one of the following:

- (a) a sophisticated investor within the meaning of section 708(8) of the Corporations Act; or
- (b) a professional investor within the meaning of section 708(11) of the Corporations Act.

Resolutions means the resolutions proposed in the Notice.

Shareholder means shareholder of the Company and **Shareholders** has a corresponding meaning.

Underwriting Agreement means the underwriting agreement entered into between the Company and Patersons on 25 August 2009.

4 September 2009

Dear Shareholder

Reed Resources Ltd ABN 89 099 116 631
Share Purchase Plan 2009

1 Introduction

I am pleased to advise you that the directors of Reed Resources Ltd ("**RDR**") have established a share purchase plan ("**Plan**") to give its existing shareholders the opportunity to acquire up to 45,454 additional ordinary shares in RDR ("**Shares**").

Under the Plan, RDR is offering each eligible shareholder the opportunity to acquire up to a maximum of \$15,000 worth of Shares at the issue price of 33 cents per share ("**Issue Price**"). Shares acquired under the Plan will not attract brokerage, stamp duty or any other transaction costs.

A maximum of 13,636,363 shares (approximately \$4,500,000) is being made available in total to eligible shareholders under the Plan. In the event that applications for more than that number of shares are received, the number of shares actually applied for will be proportionately scaled back by RDR, so that a whole number of shares not exceeding the maximum limit will be issued to applicants on the issue date. Excess subscription monies, calculated by multiplying the Issue Price by the difference between the number of Shares allocated and the number of Shares applied for, will be refunded to each applicant by cheque as soon as practicable.

RDR recently conducted a placement of Shares to institutional investors, raising \$6.4 million ("**Placement**"). The Plan provides RDR's loyal eligible shareholders with the opportunity to increase their shareholding in RDR at the same price paid by the institutional investors under the Placement, without incurring any charges.

The Plan will be fully underwritten by Patersons Securities Limited ("**Patersons**"). The Plan and the underwriting of the Plan are subject to shareholder approval for the purposes of the ASX Listing Rules.

Funds raised from the Plan and the Placement will be used to advance two of the company's flagship projects, the Mount Marion Lithium Project and its Barrambie Vanadium Project in Western Australia.

Further details about RDR's resources, including the Mount Marion Lithium Project and the Barrambie Vanadium Project can be accessed by visiting RDR's website www.reedresources.com and from the announcements lodged by RDR with ASX.

The terms and conditions of the Plan are enclosed with this letter and all eligible shareholders should read these before deciding whether to participate in the Plan.



2 Conditional approval

The Company is seeking shareholder approval of the terms and conditions of the Plan at an Extraordinary General Meeting of the Company to be held on Tuesday, 6 October 2009, at 10am (WST), at the Celtic Club, 48 Ord Street, West Perth WA 6005 (“**EGM**”). If the Plan is not approved by shareholders at the EGM, the Plan will not be able to proceed and the Company will return to shareholders application monies already received (but no interest on those monies will be payable to shareholders).

The Company is also seeking shareholder approval to approve the underwriting of the Plan by Patersons. If the Plan is approved but the underwriting by Patersons is not approved, the Company will proceed with the Plan to the extent that applications are received from eligible shareholders.

3 Eligible shareholders

An offer is being made under the Plan to all shareholders who at 5.00pm (WST) on Tuesday, 25 August 2009 were registered holders of Shares with an address in Australia or New Zealand and who are not acting for the account or benefit of, a “US Person” as defined in Regulation S under the US Securities Act of 1993 (USA).

Due to the risk and expense of offshore regulatory compliance issues and given the small number of holders involved, offers are not being made to shareholders whose registered address is not in Australia or New Zealand. To the extent that you hold shares on behalf of another person resident outside Australia or New Zealand, it is your responsibility to ensure that any acceptance complies with all applicable foreign laws.

The offer is non-renounceable, which means that eligible shareholders cannot transfer their rights to subscribe for shares under the Plan to anyone else. Details of the offer and the terms and conditions of the offer are set out in the attached Application Form.

Subject to providing a Custodian Certificate, certain custodians, trustees or nominees may be able to participate on behalf of each eligible persons interest for whom they hold RDR shares at the Record Date without a requirement for the person's interest to be expressly noted on the RDR register.

As noted in section 4 of the terms and conditions of the Plan, eligible shareholders may only acquire a maximum of A\$15,000 worth of RDR shares in any 12 month period.

4 Application and issue price

Eligible Shareholders may apply for shares to a value of any one of the following amounts of shares in the Company:

Option A Total subscription amount of \$2,500 (being 7,575 shares @ 33 cents
(**Minimum Amount**))

Option B Total subscription amount of \$5,000 (being 15,151 shares @ 33 cents)

Option C Total subscription amount of \$10,000 (being 30,303 shares @ 33 cents)

Option D Total subscription amount of \$15,000 (being 45,454 shares @ 33 cents
(Maximum Amount)

The shares will be issued at 33 cents per share, which is the same issue price that applied under the Placement. This represents approximately a 25% discount to the weighted average sale price of Shares traded on the Australian Stock Exchange (“**ASX**”) during the trading days between 14 August 2009 and 20 August 2009 (inclusive).

Like all shares traded on the ASX, there is an inherent risk that the price of Shares traded on the ASX may change between the date of the offer and the date when the shares under this Plan are issued to an applicant under the Plan. This means that the price you pay per Share pursuant to this Offer may be either higher or lower than the RDR share price at the time of the Offer or at the time the Shares are issued to you under the Plan. Regardless of any fluctuations in the price of Shares traded on the ASX, the price of shares applied for under the Plan is fixed at 33 cents per share.

Consequently, irrespective of the actual price of Shares at the date of issue, the applicant will receive such number of shares issued under the Plan corresponding to their relevant application, at the price of 33 cents per Share.

For compliance with certain Australian Securities and Investment Commission and ASX Listing Rule requirements, in any consecutive 12 month period, the maximum aggregate application price of Shares for which each shareholder may subscribe for under the Plan and any other similar arrangement for the purchase of Shares is \$15,000. This limit applies to each eligible shareholder even if that person holds shares in RDR in more than one capacity – for example, as a single holder and as a first (or subsequent) named holder of two or more joint holders. However, a custodian, trustee or nominee may be able to participate on behalf of each eligible person’s interest for whom they hold RDR shares at the Record Date without a requirement for the person’s interest to be expressly noted on the RDR register, subject to providing to RDR the Custodian Certificate.

5 Closing date of offer

The offer closes at 5pm (WST) on 25 September 2009 (“**Closing Date**”). To participate in the offer, you will need to either:

- 1 return your completed Application Form together with your cheque in Australian dollars for the full amount to which your acceptance relates, so that we receive it by no later than 5pm (WST) on the Closing Date; or
- 2 make payment using BPay in accordance with the instructions on the Application Form by no later than 4pm (WST) on the Closing Date.

Applications received after the Closing Date will not be accepted.

6 Quotation on stock exchange

Subject to approval of the Plan at the EGM, it is expected that shares issued under the Plan will be quoted on ASX in early October 2009 and you should receive your holding statement shortly after this time.

In deciding whether to take up the enclosed offer of shares, you should seek your own independent financial, legal and taxation advice in respect of the offer. It is also advised that shareholders who apply for shares under the Plan should not trade in the shares applied for until they have received confirmation of the issue and allotment of the shares

applied and noted in their shareholding statement which is to be distributed subsequent to the issue and allotment.

7 Key dates

For your reference, the table below summarises the key dates of the offer made under this plan. The dates shown below are indicative only, and RDR may vary the dates and times of the offer at its discretion.

Record Date (5:00pm WST)	25 August 2009
Opening Date	4 September 2009
Closing Date (5:00pm WST)	25 September 2009
Extraordinary General Meeting	6 October 2009
Issue Date	On or about 9 October 2009, but no later than 5 business days of the EGM

REED RESOURCES LTD ABN 89 099 116 631
SHARE PURCHASE PLAN

Pursuant to the Reed Resources Ltd Share Purchase Plan 2009 ("**Plan**"), Reed Resources Ltd ACN 099 116 631 ("**RDR**") offers Eligible Shareholders the ability to apply for a parcel of fully paid ordinary shares in RDR ("**Shares**") valued at \$2,500, \$5,000, \$10,000 or \$15,000 ("**Offer**").

IMPORTANT NOTICES

This is an important document offering Eligible Shareholders the opportunity to buy up to 45,454 Shares in RDR. You are encouraged to contact your professional adviser if you are unsure about what to do in relation to this document.

You should carefully read the terms and conditions relating to the Offer set out below as you will be bound by them. By lodging this form with your cheque or by making your payment via BPay, you confirm that you have read, understood and agreed to the terms and conditions of the Plan.

If you apply for Shares under the Plan, there is a risk that the market price of Shares may change between the date that you complete and return the Application Form and the Issue Date. This means that you may be able to buy Shares at a lower price than the Issue Price of 33 cents.

TERMS AND CONDITIONS

1 Eligibility to participate

You are an **Eligible Shareholder** and may participate in the Plan if, as at 5.00pm (WST) on 25 August 2009, (being the "**Record Date**" stated in the Application Form, as determined by the directors of RDR ("**Board**")), you are registered as a holder of Shares with an address in Australia or New Zealand and are not acting for the account or benefit of, a "US Person" as defined in Regulation S under the US Securities Act of 1993 (USA).

Due to the risk and expense of offshore regulatory compliance issues and given the small number of holders involved, offers are not being made to shareholders whose registered address is not in Australia or New Zealand.

To the extent that you hold shares on behalf of another person resident outside Australia or New Zealand, it is your responsibility to ensure that any acceptance complies with all applicable foreign laws.

For the purposes of determining who are Eligible Shareholders:

- (a) **Single holders:** If you are the only registered holder of a holding of RDR Shares, but you receive more than one offer under the Plan (for example, due to multiple registered holdings), you may only apply for one maximum parcel of RDR Shares.
- (b) **Joint holders:** If you are recorded with one or more other persons as the joint holder of a holding of RDR Shares, that joint holding is considered to be a single registered holding for the purpose of the Plan, and the joint holders are

entitled to participate in the Plan in respect of that single holding only. If the same joint holders receive more than one offer under the Plan due to multiple identical holdings, the joint holders may only apply for one maximum parcel of RDR Shares.

- (c) **Custodians, trustees and nominees:** If you are a custodian, trustee or nominee within the definition of “custodian” in ASIC Class Order [CO 09/425] or in any more specific ASIC relief granted to RDR in relation to the Plan (“**Custodian**”) and hold RDR Shares on behalf of one or more persons (each a Participating Beneficiary), you may apply for up to a maximum of A\$15,000 worth of RDR Shares for each Participating Beneficiary, subject to providing a notice in writing to RDR (the “**Custodian Certificate**”) certifying the following:
- (1) that you hold Shares on behalf of Participating Beneficiaries who have instructed you to apply for RDR Shares on their behalf under the Plan;
 - (2) the number of Participating Beneficiaries;
 - (3) the name and address of each Participating Beneficiary;
 - (4) the number of RDR shares that you hold on behalf of each Participating Beneficiary;
 - (5) the number or dollar amount of Shares which each Participating Beneficiary has instructed you to apply for on their behalf;
 - (6) that there are no Participating Beneficiaries in respect of which the total of the application price exceeds A\$15,000 worth of Shares, calculated by reference to RDR Shares applied for by you as Custodian on their behalf under:
 - the Plan; and
 - any other RDR shares issued to you as Custodian in the 12 months before your application under an arrangement similar to the Plan, in each case, as a result of an instruction given by them to you as Custodian to apply for RDR shares on their behalf; and
 - (7) any such additional or varied information as might be required under any more specific ASIC relief that might be granted to RDR in relation to the Plan.

For the purposes of ASIC Class Order [CO 09/425] you are a “custodian” if you are a registered holder that:

- (8) holds an Australian financial services licence that:
 - covers the provision of a “custodial or depository service” (as defined in section 766E of the Corporations Act); or
 - includes a condition requiring the holder to comply with ASIC Class Order [CO 02/294]; or
- (9) is exempt under:
 - paragraph 7.6.01(1)(k) of the Corporations Regulations 2001; or
 - under ASIC Class Order [CO 05/1270] to the extent that it relates to ASIC Class Order [CO 03/184], from the requirement to hold an Australian financial services licence for the provision of a custodial or depository service.

If you hold RDR Shares as a trustee or nominee for another person, but are not a Custodian as defined above, you cannot participate for beneficiaries in the manner described above. In this case, the rules for multiple single holdings (above) apply.

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Custodians should provide a Custodian Certificate in conjunction with an Application Form.

Participation in the Plan is optional and is subject to these Terms and Conditions.

For the purposes of these Terms and Conditions, an Eligible Shareholder who accepts the Offer and applies for Shares is referred to as an "**Applicant**".

2 Offers

The Offer under the Plan is non-renounceable and you may not transfer your rights under the Offer to another person. All Offers made under the Plan will be made to each Eligible Shareholder on the same terms and conditions irrespective of the number of Shares which they may hold on the Record Date.

Offers are open to all Eligible Shareholders from Friday, 4 September 2009, being the "**Opening Date**" as stated on the Application Form until 5.00pm (WST) on Wednesday, 25 September 2009, being the "**Closing Date**" as stated on the Application Form.

3 Conditional on Shareholder approval

The Company is seeking shareholder approval of the terms and conditions of the Plan at the EGM. If the Plan is not approved by shareholders at the EGM, the Plan will not be able to proceed and the Company will return to shareholders application monies already received (but no interest on those monies will be payable to shareholders).

The Company is also seeking shareholder approval to approve the underwriting of the Plan by Patersons. If the Plan is approved but the underwriting by Patersons is not approved, the Company will proceed with the Plan to the extent that applications are received from eligible shareholders.

4 Investment amount

Eligible Shareholders may apply for a parcel of fully paid ordinary Shares valued at \$2,500, \$5,000, \$10,000 or \$15,000. This limit applies to you even if you hold Shares in more than one capacity – for example, as a single holder and as a first (or subsequent) named holder of two or more joint holders. If you receive more than one Offer under the Plan, you may apply on different Application Forms for more than one parcel of Shares, but you may not apply under the Plan for Shares with an aggregate application price of more than \$15,000. However, a custodian, trustee or nominee may apply for up to a maximum of \$15,000 worth of Shares for each Participating Beneficiary, subject to providing the Custodian Certificate to RDR.

5 Issue Price

The Issue Price is 33 cents per share, which represents approximately a 25% discount to the weighted average sale price of RDR's shares traded on ASX during the period 14 August 2009 and 20 August 2009 (inclusive).

You agree to pay the Issue Price per Share for the number of Shares you have selected on the Application Form.

There is a risk that the price of RDR's shares traded on the ASX may change between the Opening Date and the date when the shares under this Plan are issued to an Applicant. This means that the price you pay per Share pursuant to this Offer may be either higher or lower than the RDR share price at the time of the Offer or at the time the Shares are issued to you under the Plan. Irrespective of the actual price of RDR's shares traded on the ASX as at the Issue Date (defined below), the Applicant shall be issued under the Plan, such number of shares corresponding to their application and at the price of 33 cents per share.

6 Costs of Participation

No brokerage, commissions, stamp duty or other transaction costs will be payable by shareholders in respect of the application for, and issue of, shares under the Plan.

7 Acceptance of Offers and application for Shares

If you are an Eligible Shareholder, you may accept the Offer to participate in the Plan by:

- 1 completing and returning the enclosed Application Form, in accordance with the instructions on the Application Form together with the appropriate payment for the amount corresponding to the relevant parcel of Shares applied for, by no later than 5pm (WST) on the Closing Date; or
- 2 making payment by BPay in accordance with the instructions on the Application Form by no later than 4pm (WST) on the Closing Date. If you make payment by BPay, you do not need to return the Application Form to RDR.

Payments may only be made by BPay, cheque or bank draft in Australian dollars and drawn on an Australian branch of a financial institution.

Valid Application Forms will be accepted by RDR until 5pm (WST) on the Closing Date. Any Application Form received after that time will be rejected and deemed invalid, and the cheques attached to those Application Forms in respect of subscription monies returned to the relevant Applicant. An Offer will be taken to have been accepted by an Eligible Shareholder only if the cheque which accompanies the Applicant's Application Form is paid in full on first presentation. Cheques will be deposited on or following their day of receipt. Sufficient cleared funds should be held in your account as your acceptance may be rejected if your cheque is dishonoured. Receipts for payment will not be issued.

Subject to this section 7, eligible shareholders may only apply for a parcel of fully paid ordinary Shares valued at \$2,500, \$5,000, \$10,000 or \$15,000. These parcels may be subject to scaleback in accordance with section 10 below.

RDR shall not issue Shares to an Applicant to the extent that the aggregate issue price of Shares acquired and applied for by that Applicant under the Plan and any other issue exceeds (or will exceed) \$15,000.

For the avoidance of doubt, that Applicant shall be entitled to be issued under the Plan, such whole number of Shares which value, when aggregated with the value of all Shares purchased under the Plan and any other similar arrangement for the purchase of Shares within the 12 months preceding the Application Date is nearest to but not exceeding \$15,000. RDR shall then procure that any excess subscription monies in respect of Shares not issued to that Applicant be refunded (but no interest on those monies will be payable to shareholders) as soon as practicable after the Issue Date (defined below).

RDR may reject an acceptance of this Offer in its absolute discretion if this Application Form is not completed in accordance with these terms and conditions and the instructions on the Application Form, or the Application Form is incomplete or if the exact amount payable is not tendered with the Application Form.

8 Significance of submitting an Application Form or making payment by BPay

By completing and returning the Application Form to RDR or by making payment via BPay you:

- (a) certify that you have not applied for Shares with an aggregate application price in excess of \$15,000 under the Plan and any similar arrangement in the 12 months prior to your application, even though you may have received more than one Offer under the Plan or received Offers in more than one capacity under the Plan;
- (b) agree that your application is made on the terms and conditions set out in this document and the Application Form;
- (c) authorise RDR and its officers and agents to correct any error in, or omission from, your Application Form and to complete your Application Form by insertion of any missing details;
- (d) agree that you will not be able to withdraw or revoke your application; and
- (e) accept the risk associated with any refund that may be sent to you by cheque to your address shown on RDR's register.

9 Issue and quotation of Shares

Subject to section 10 below and shareholder approval being obtained (as detailed in section 3), RDR will issue and allot Shares under the Plan on or about 9 October 2009, or in any case within 5 business days following the EGM (the "**Issue Date**").

Shares issued under the Plan will rank equally with existing Shares quoted on ASX, with the same voting rights, dividend rights and other entitlements.

On or before the Issue Date, RDR will apply for Shares issued under the Plan to be quoted on ASX.

RDR will, within the period required by the ASX Listing Rules, send participants a holding statement in respect of any shares issued to them under the Plan.

10 Limit of Shares available for purchase

The maximum number of Shares that may be issued under the Plan is 13,636,363 (the "**Offer Limit**"). In the event that the aggregate number of Shares validly applied for by all Applicants exceeds the Offer Limit, then the number of Shares you will be issued with shall instead be such whole number of shares (rounded down) as calculated in accordance with the following formula:

$$P \times \frac{L}{S}$$

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Where:

P = the relevant parcel applied for by that Applicant as elected in its Application Form;

L = the Offer Limit (being 13,636,363); and

S = the actual aggregate number of Shares validly applied for by all Applicants.

In the event that the amount of Shares applied for are so required to be reduced pursuant to this section 10, the excess subscription monies, calculated by multiplying the Issue Price by the difference between the number of Shares you are allocated and the number of Shares you applied for, will be refunded to you by cheque as soon as practicable. No interest will be paid on any application money returned to you.

If a scale back produces a fractional number of Shares when applied to your parcel, the number of Shares will be rounded down to the nearest whole number of Shares.

11 Calculation of the number of Shares to be issued to you

In the absence of a scale back, the number of Shares to be issued to you will be calculated by dividing the aggregate application money that you pay in applying for Shares by the offer price (\$0.33), then rounding down to the nearest whole number of Shares.

Any fractions of Shares will be rounded down to the nearest whole number of Shares.

12 Amendment, Suspension and Termination of the Plan

The Board may, in its discretion, amend, suspend or terminate the Plan at any time and adopt any administrative procedures it thinks appropriate in relation to the Plan. RDR may issue to any person fewer shares than subscribed for under the Plan (or none at all) if RDR believes that the issue and allotment of those shares would contravene any law or the rules of any stock exchange on which RDR shares are quoted.

13 Dispute Resolution

RDR may settle, in any manner it thinks fit, any difficulties, anomalies or disputes which may arise under or in connection with the operation of the Plan, whether generally or in relation to any participant or class of participants, offer, application or shares, and the decision of RDR shall be conclusive and binding on all participants and other persons to whom the determination relates.

RDR reserves the right to waive compliance with any provision of these terms and conditions.

14 Notices

Notices and statements to participating shareholders may be given in any manner determined by the Board from time to time.

15 Governing law

These terms and conditions are governed by the laws of Western Australia and the Commonwealth of Australia.

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