ASX Announcement 12th January, 2011

REED RESOURCES ACQUIRES MEEKATHARRA GOLD PROJECT FOR A$28 MILLION

HIGHLIGHTS:

- Reed Resources to acquire 100% tenements and assets held by Mercator Gold Australia Pty Ltd for $A26.7 million and 2 million Reed Resources shares;
- Key asset, Meekatharra Gold Project, totals >800 km² of granted tenements, with JORC Code compliant gold Resources of 2.5 Moz and 0.42 Moz in Reserves, with significant expansion potential;
- Key infrastructure includes 3Mtpa processing plant, a 200-man camp, offices and a 7MW diesel power plant with a replacement value >A$100 million;
- Acquisition strategically positions the Company to create a mid-tier gold producer and is part of a broader strategy to consolidate, incubate and potentially “spin-out” its gold assets into a new company.

Australian diversified resources company Reed Resources Ltd (ASX: RDR) (“the Company” or “Reed Resources”) is pleased to announce 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 is currently in Administration.

The Meekatharra Gold Project, centred around the Bluebird processing plant, is located 640 km northeast of Perth and 10 km south of Meekatharra, in the Murchison Region of Western Australia (Figures 1 and 2). 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 3.5 million ounces of gold. The Murchison Greenstone belt is a proven fertile greenstone, hosting multi-million ounce deposits at Mt Magnet, Tuckabiaanna, Reedys, Bluebird and Paddys Flat.

Mercator had delineated 2.5M ounces of gold in JORC Code compliant Resources, and Reserves in excess of 0.42M ounces at the commencement of operations in early 2007 and produced 44,000 ounces in the 18 months prior to the suspension of operations in October 2008 (Refer Appendix A: Technical Notes for further information).

Reed Resources believe that re-estimating and re-optimising the current resources and mine plan at current gold prices, as opposed to an average of less than US$800 for previous reserve calculation purposes, will lead to a significant increase in reserves.

In addition, the Company will also be acquiring significant infrastructure, including a refurbished processing plant capable of up to 3Mtpa, a 200-man camp, offices, workshops and a 7MW diesel power plant (Figures 9-11). The replacement cost has been independently assessed at A$104 million.
Terms and Financing

Under the terms of the acquisition agreement Reed Resources has agreed to make the following payments to Mercator:

- A$2 million within 48 hours of execution of the agreement (completed);
- A$15 million on 31 March 2011; and
- A$8 million at Settlement on 30 June 2011, together with the replacement of statutory environmental bonds (A$2.8 million).

On the Settlement date, Reed Resources will also issue Mercator with the greater of 2 million or A$1.3 million worth of Reed Resources shares based on the 5 day volume weighted average price (VWAP) prior to the Settlement date. The Company will also be responsible for the holding costs associated with the tenements for the period up until the Settlement date (estimated at A$1.7 million).

The Company is currently evaluating a number of financing options to fund the acquisition and has commenced discussions with various parties in regards to the provision of equity and/or debt. The Board is confident of securing suitable funding arrangements shortly and will update the market accordingly as discussions progress.

Meekatharra and Gold Business Strategy

It is the intention of the Company to conduct a full geological and mining review of the entire tenement holding aimed at:

- Increasing the reserves through re-optimisation of the existing resources, reducing the risk of being dependent on a single ore source, particularly at the Paddys Flat and Reedy’s mining centres. The five principal pits at Reedy’s all have significant intersections beneath the existing workings (Figures 13-17) and cutbacks at both the Jack Ryan and Triton pits were aborted during the last mining attempt in 1997 when the gold price was approximately US$300/oz.

- Increasing the project’s JORC Code compliant resources through a focussed resource expansion and targeted exploration drilling program. The density of drilling is sparse in relation to the size of the land holding, particularly beneath 100m around historical mining centres. An initial review of some of the existing workings has already identified potential for immediate expansion, in addition to known resources.

The Company is currently restructuring its existing gold assets into a specialist gold vehicle, Gold Mines of Kalgoorlie Limited, and building up a dedicated management team for this discrete business unit.

Reed Resources’ Chief Geologist, Mr Craig Fawcett, will assume the role of General Manager – Gold. Craig is a qualified geologist and engineer who has previously held the positions of Chief Mine Geologist at Tanami Gold and Avoca Resources during both of their respective start-up phase of operations. Craig has also held the position of Geology & Mining Manager at Apex’s Wiluna Gold Mine during their re-start of operations.

Further details on strategy and forward work programs can be found in Appendix A.
Management Comment

Reed Resources Managing Director, Mr Christopher Reed, said this acquisition places Reed Resources in a strong position to become a mid-tier gold producer, with the gold price forecast to remain at these elevated levels for some time to come.

The strategic acquisition of this near production ready asset and highly prospective tenement package provides a great opportunity to realise significant value for our shareholders through the development of a gold business capable of delivering a strong sustainable growth profile from multiple production centres in a world class gold province.

A webcast presentation will commence at 8am WST on 12 January 2011, visit reedresources.com.

ENDS

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About Reed Resources

Reed Resources Ltd (ASX: RDR, OTC: RDRUY) is a diversified mining and exploration Company based in Western Australia. Reed’s American Depositary Receipts (ADR’s) trade under the code RDRUY (CUSIP Number: 758254106). Each Reed Resources ADR is equivalent to 10 ordinary shares of Reed Resources as traded on the ASX. The Bank of New York Mellon is the depository bank.

Reed Resources has five main projects (all in Western Australia) including:

• **Mount Marion** – High-grade Lithium project located about 40km south of Kalgoorlie in JV with Mineral Resources Limited. First production planned in June Q 2011.
• **Barrambie** – Definitive Feasibility Study completed on a Ferrovanadium operation to produce 6300t of vanadium per annum. Currently in approvals process. MOU with China Nonferrous Metals for EPC & Financing assistance.
• **Comet Vale** – Evaluating recommencement of high-grade underground gold production and refurbishment of processing plant, both currently on care & maintenance.
• **Mount Finnerty** – Iron ore JV with Cliffs Natural Resources & Nickel Farm-in with Barranco Resources NL.
• **Bell Rock Range** – Grassroots Nickel-Copper-PGM Exploration.

Website: [www.reedresources.com](http://www.reedresources.com)

COMPETENT PERSONS STATEMENT

Geological aspects of this report have been compiled by Mr Craig Fawcett (MAIMM), a full time employee of Reed Resources Ltd. Mr Fawcett has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which is being reported on to qualify as a Competent Person as defined in the Code for Reporting of Mineral Resources and Ore Reserves (2004). Mr Fawcett consents to the inclusion in this report of the matters in the form and context in which it appears.
APPENDIX A: TECHNICAL NOTES

Project History – Mercator Gold Australia Pty Ltd ("Mercator")
Mercator purchased the Meekatharra interests from St Barbara Mines in 2004 for $A38M and subsequently spent a further $A28M on exploration activities to establish a resource base of 2.5 Moz of gold by 2007. Following completion of a mining review and feasibility study, Mercator spent $A6M on refurbishing the Bluebird treatment facility to produce a projected 120,000 oz pa. Mill feed was planned to be derived from local sources; the main source of ore being the Surprise Pit at Paddys Flat, on the southern outskirts of Meekatharra.

On commencement of mining at the Surprise Pit, cracks became visible in the ground adjacent to the Great Northern Highway causing immediate cessation of mining. Delays in receiving approvals to move the Highway forced Mercator to re-assess their production strategy. A combination of cash flow drain whilst a cutback was being undertaken at Bluebird Pit for little immediate ore return, inability to secure funds in the 2008 global credit crisis, and delays in the Highway realignment forced suspension of operations in October 2008. The Highway has since been realigned approximately 200m to the east of its original position (Figure 11).

Operations were suspended after only 18 months of mining and production of about 44,500 oz of gold. Reserves remaining in the Surprise Pit (approximately 13,000 oz) are immediately available for mining on recommencement of operations.

Resources & Reserves
An inventory of the reported Indicated and Inferred Mineral Resources and Probable Ore Reserve within the tenement package is summarised in Table 1 and Table 2. The Reserves represent 3-4 years of mining at initial projected milling rates.

Table 1  Summary of Indicated and Inferred Mineral Resources*, as reported by Mercator Gold Ltd, 2007. Project locations are indicated on Figures 1 and 2.

<table>
<thead>
<tr>
<th>Project</th>
<th>Resource Classification</th>
<th>Tonnes</th>
<th>Gold Grade (g/t)</th>
<th>Total Ounces</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meekatharra North</td>
<td>Indicated</td>
<td>706,000</td>
<td>1.3</td>
<td>29,000</td>
</tr>
<tr>
<td></td>
<td>Inferred</td>
<td>174,000</td>
<td>1.2</td>
<td>6,000</td>
</tr>
<tr>
<td></td>
<td>Sub-Total</td>
<td>880,000</td>
<td>1.3</td>
<td>35,000</td>
</tr>
<tr>
<td>Meekatharra</td>
<td>Indicated</td>
<td>17,879,000</td>
<td>1.7</td>
<td>986,000</td>
</tr>
<tr>
<td></td>
<td>Inferred</td>
<td>7,925,000</td>
<td>1.4</td>
<td>349,000</td>
</tr>
<tr>
<td></td>
<td>Sub-Total</td>
<td>25,804,000</td>
<td>1.6</td>
<td>1,335,000</td>
</tr>
<tr>
<td>Yaloginda</td>
<td>Indicated</td>
<td>9,693,000</td>
<td>1.7</td>
<td>528,000</td>
</tr>
<tr>
<td></td>
<td>Inferred</td>
<td>3,856,000</td>
<td>1.8</td>
<td>227,000</td>
</tr>
<tr>
<td></td>
<td>Sub-Total</td>
<td>13,549,000</td>
<td>1.7</td>
<td>755,000</td>
</tr>
<tr>
<td>Reedy</td>
<td>Indicated</td>
<td>2,043,000</td>
<td>2.4</td>
<td>159,000</td>
</tr>
<tr>
<td></td>
<td>Inferred</td>
<td>2,404,000</td>
<td>2.4</td>
<td>182,000</td>
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<td></td>
<td>Sub-Total</td>
<td>4,447,000</td>
<td>2.4</td>
<td>341,000</td>
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<tr>
<td>TOTAL</td>
<td>Indicated</td>
<td>30,321,000</td>
<td>1.7</td>
<td>1,702,000</td>
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<tr>
<td></td>
<td>Inferred</td>
<td>14,359,000</td>
<td>1.7</td>
<td>764,000</td>
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<tr>
<td></td>
<td>TOTAL</td>
<td>44,680,000</td>
<td>1.7</td>
<td>2,466,000</td>
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</table>

* Mineral Resources calculated by Golder & Associates, CSA, Cube Consulting Pty Ltd, Resource Evaluations Pty Ltd, Runge Pty Ltd and Snowden Consulting Pty Ltd are compliant with the JORC Code (2004) using a lower cut-off grade of between 0.2 g/t and 0.5 g/t Au.
The Resources have been estimated by a number of recognised industry professional houses including Snowden Consulting Pty Ltd, Runge Consulting Pty Ltd and Cube Consulting Pty Ltd. These are global resources and as such include low-grade material. It is the view of Reed Resources’ geological team that a detailed review of these Resources will identify higher-grade material that can be mined from several of the prospects.

Table 2  Summary of available Mining Reserves*, as reported by Mercator Gold Ltd, 2007. The open pit Reserves are at Bluebird and underground Reserves at Paddys Flat proximal to Meekatharra (Figure 1).

<table>
<thead>
<tr>
<th>Type</th>
<th>Project</th>
<th>Reserve Classification</th>
<th>Tonnes</th>
<th>Gold Grade (g/t)</th>
<th>Total Ounces</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open Pit</td>
<td>Bluebird</td>
<td>Probable</td>
<td>1,500,000</td>
<td>1.9</td>
<td>87,000</td>
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<tr>
<td></td>
<td>Surprise</td>
<td>Probable</td>
<td>136,000</td>
<td>3.0</td>
<td>13,000</td>
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<tr>
<td></td>
<td>Batavia</td>
<td>Probable</td>
<td>200,000</td>
<td>2.4</td>
<td>14,000</td>
</tr>
<tr>
<td></td>
<td>Sub-Total</td>
<td>Probable</td>
<td>1,836,000</td>
<td>1.8</td>
<td>114,000</td>
</tr>
<tr>
<td>Underground</td>
<td>Prohibition</td>
<td>Probable</td>
<td>1,372,000</td>
<td>4.1</td>
<td>179,000</td>
</tr>
<tr>
<td></td>
<td>Vivian/Consols</td>
<td>Probable</td>
<td>256,000</td>
<td>10.4</td>
<td>83,000</td>
</tr>
<tr>
<td></td>
<td>Fattas/Mudlode</td>
<td>Probable</td>
<td>362,000</td>
<td>4.0</td>
<td>46,000</td>
</tr>
<tr>
<td></td>
<td>Sub-Total</td>
<td>Probable</td>
<td>1,990,000</td>
<td>4.8</td>
<td>308,000</td>
</tr>
<tr>
<td>Meekatharra Package - TOTAL</td>
<td></td>
<td></td>
<td>3,826,000</td>
<td>3.43</td>
<td>422,000</td>
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</table>

* Reserve estimates undertaken internally by Mercator at an indicative gold price of $750-$800/oz and reviewed by Snowden Consulting Pty Ltd in 2010, and are compliant with the JORC Code (2004).

Expansion & Production Strategy
It is the intention of the Company to review all the newly acquired data. From this review a focussed resource expansion and targeted exploration drilling program will be generated. It is expected that from the combined resource and reserve base already defined at the Meekatharra, Bluebird and Reedys projects, a Mining Plan and Bankable Feasibility Study will be completed within 12 months illustrating a sustainable production profile. The Company’s strategy is illustrated in the timeline below:
Although the tenement holding hosts mature operations, the density of drilling is sparse in relation to the size of the land holding. The depth of drilling, particularly around historical mining centres is sparse beneath 100m (see Figures 13-17). An initial review of some of the existing workings has already identified potential for immediate expansion, in addition to known resources, and all of the project’s key production areas are within 70km of the Bluebird treatment plant.

At Paddys Flat, approximately 10 km north of the Bluebird plant, the Prohibition Pit, Vivian-Consols, Mudlode-Fatts (Figures 3-6) are also situated along similar regional mineralised structural trends as the open pits at Bluebird. A total of 16 pits have been mined historically in this area with some minor underground production. Exploration success in deep holes is high within this area, with most of the deep targeted drill holes returning excellent mineralised intersections.

The Bluebird open pit (Figure 7) is adjacent to the existing plant. The area around the Bluebird Pit and processing facility contains 15 historical pits, most of which are along regional fertile structures trending NNE. All ore bodies possess excellent extension potential at both depth and along strike, locally and regionally to provide reliable production longevity. Parallel structures are also apparent that host gold mineralisation and historical open pit production. Surprise Pit remains to be completed.

The tenements at Reedys best illustrate some of the unrealised potential in the landholding around historic open pits. A total of 12 pits have been mined on the Reedys tenement package. The five principal pits all have significant intersections beneath the existing workings (Figures 13-17). At each of these locations there is a limited number of drilling intersections at depths in excess of 100m from surface.

Abandoned cutbacks at both the Jack Ryan and Triton pits are present from the last mining attempt in 1997 when the gold price was approximately US$300/oz. Initial studies indicate that continued cutbacks on these ore bodies would be a solid proposition.

All these areas will be evaluated for cutback and underground potential as part of a project wide strategy to increase Reserves, re-optimise the mining centres, reduce the risk as being dependent on a single ore source and optimise the recovery rate so that the more complex ore sources (e.g. Mickey Doolan at Paddys Flat) can be economically exploited.

Reed Resources’ focus will be to ensure that, prior to recommencement of production of the Reserves have been de-risked and staged to blend open pit and underground ore, and that the material being milled is of optimal value to the Company.
Figure 1: Location of tenement holdings overlain on bedrock geology and historical gold production from key mining camps in the district.
Figure 2. Distribution of tenement holdings and summary of gold endowment in each of the project areas.
Figure 3  Location plan of Paddys Flat orebodies near Meekatharra. Orebodies for immediate review are highlighted in yellow.
Figure 4  Longitudinal section through the principal orebodies at Paddys Flat illustrating extents of exploited depth.
Figure 5  Longitudinal section of the Vivian-Consols-Fatts-Mudlode system, Paddys Flat

Figure 6  Longitudinal section of the Prohibition ore body, Paddys Flat
Figure 7 Location plan of the orebodies and infrastructure in the vicinity of the Bluebird processing facility, Yaloginda project, about 12km south of Meekatharra
Figure 8  Cross section through the Bluebird pit and underground potential below the pit

Figure 9  Part of the processing facility at Bluebird, and the power generation plant in the foreground.
Figure 10  Camp facility at Bluebird alongside the South Junction pit.

Figure 11  Realignment of the Great Northern Highway to the west of the Surprise Pit, about 10 km south of Meekatharra (Looking South)
Figure 12  Location plan of the principal Mining Centres at the Reedys project
**Figure 13** Longitudinal section through the Reedys line of lode mineralisation illustrating depth of existing drilling – Vertically exaggerated 200%
**Figure 14** Longitudinal section of the Jack Ryan pit showing north plunging shoots and down plunge extensions of mineralised lodes to the north.

**Figure 15** Longitudinal section of Rand pit and intersections underneath existing workings.
Figure 16  Longitudinal section of the South Emu and Triton Pits, with significant intersections beneath each of the pits.

Figure 17  Longitudinal section of the Callisto Pit and mineralised intersections at depth.