

ASX Announcement

16 July 2010

Mt Marion Lithium Project - Decision to Mine

HIGHLIGHTS

- **Reed has received “Commencement of Operations” notice from Mineral Resources Limited.**
- **Mt Marion Lithium Project to commence production by March 2011 – subject to receipt of approvals.**
- **Initial production rate of 200,000tpa of spodumene concentrate will make Mt Marion the world’s second largest hard rock lithium operation.**
- **Scope of Joint Venture expanded to cover potential by-products of mica, tantalum and potash feldspars.**
- **Reed has exercised its option to acquire 100% of the granted mining leases which cover the project.**
- **Clearing permit approved. Mining proposal and works approvals submitted.**
- **Discussions are continuing with domestic and international parties on toll-conversion and joint venture arrangements for downstreaming to battery grade lithium carbonate.**

Australian diversified resources company Reed Resources Ltd (**ASX: RDR**) (the “Company” or “Reed”), is pleased to announce the receipt from joint venture partner Mineral Resources Limited (**ASX: MIN**) (“Mineral Resources”) of notice that they intend to commence operations (“Operations Commencement Notice”) at the Mt Marion Lithium Deposits, near Kalgoorlie, Western Australia.

Production is expected to commence in March 2011 quarter at an initial rate of 200,000tpa of spodumene concentrate grading nominal 6.5% Li₂O, containing some 13,000 tonnes lithium oxide (Li₂O). Total contained lithium oxide resources at present are 128,000 tonnes (Li₂O). The Joint Venture has been expanded to include mica, tantalum and potash feldspars; testwork has highlighted the potential to recover significant volumes of these by-products.

“This project will ensure both Reed and Mineral Resources can become major participants in the world lithium market. The ability to produce high quality lithium concentrates with access to existing infrastructure, rapid definition of the resource potential, low strip ratio, and the Project’s close proximity to Kalgoorlie enabled the JV partners to reach this milestone very efficiently,” said Reed Resources Ltd Managing Director, Mr Chris Reed.



“We secured the option over the project in August 2009 and signed the joint venture agreement in October. We drilled the first hole in November 2009 and announced our maiden JORC resource in April 2010 with the plan to commence mining in the December Quarter 2010. To move from mining lease applications to a decision to mine within twelve months is a testament to the capabilities of our team running exploration and resource development. Additionally to partner with the experienced Mineral Resources team running the metallurgical testwork, process development and approval processes has been critical to achieve this result.”

The Company also confirms that it will now promptly exercise its rights under the Option Agreement announced to the ASX on 13 August 2009 and will now acquire 100% of granted mining leases over the project. Under the Joint Venture Agreement, Mineral Resources Limited will fund both the exercise price and the decision to mine payment to the prospector at settlement.

In addition, the Company has received notice that the clearing permit has been granted. Assessment of the Mining Proposal and Works Approval from the Departments of Mines and Petroleum, and Environment and Conservation has commenced.

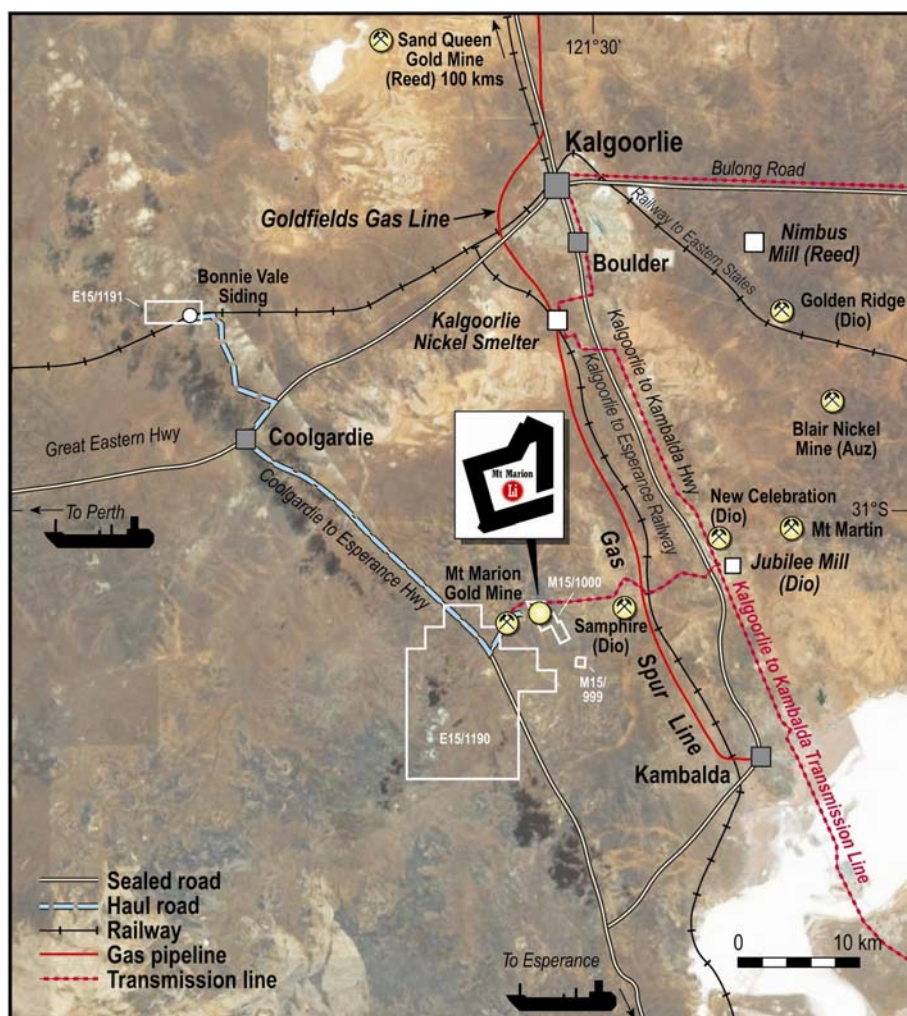


Figure 1 Project Location

DOWNSTREAM PROCESSING OPPORTUNITIES

The Company is currently in discussions with local and international companies to downstream from spodumene concentrate to battery grade lithium carbonate via toll treatment or joint venture.

Although Reed believes that this opportunity can progress in a constructive and commercial manner, no party is under any obligation to proceed with any downstream processing proposal and regulatory requirements still need to be considered and addressed with no certainty that a transaction will eventuate. A decision on how the company intends to proceed is expected by October 2010.

The Company recently completed a Pre-feasibility Study to determine the economics of downstream processing spodumene concentrates to lithium carbonate in a number of locations (ASX Announcement 15 June 2010).

Reed will keep the market informed as matters develop further.

C J Reed

MANAGING DIRECTOR

Competent Persons Statement

Geological aspects of this report that relate to Exploration Results have been compiled by Dr Bryan Smith (MAIG),(MAIMM), a consultant to Reed Resources Ltd. Dr Smith 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. Dr Smith consents to the inclusion in the report of the matters in the form and context in which it appears.

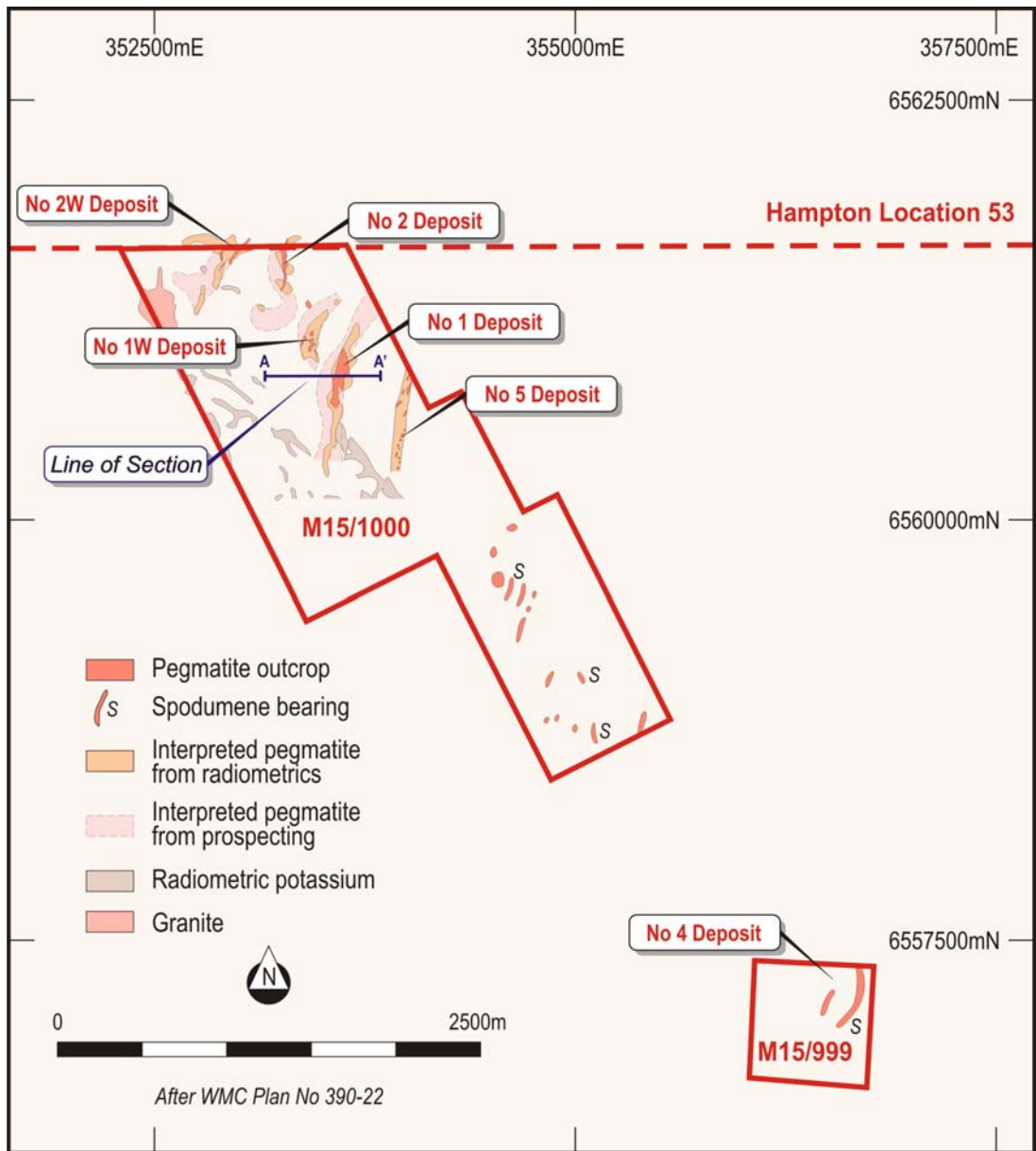


Figure 2 Mineral Resources within the Mount Marion pegmatite group within mining leases M15/999 and M15/1000.

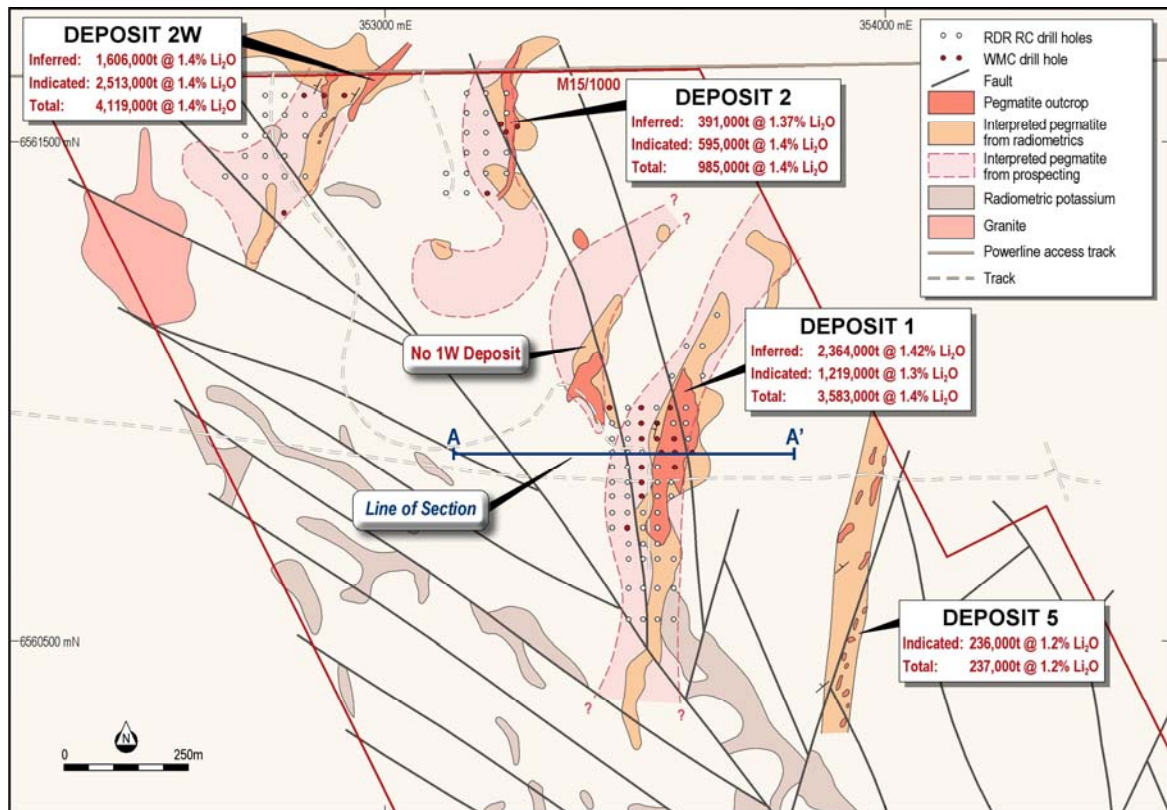


Figure 3 Mount Marion pegmatite group within the northern half of mining lease M15/1000.

ENDS

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About Reed Resources

Reed Resources Ltd is a diversified mining and exploration Company based in Western Australia. It has modest gold production and is diversifying and expanding its production base. 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 by March 2011.
- **Barrambie** – Definitive Feasibility Study completed on a Ferrovandium operation to produce 6300t of vanadium per annum. Currently in approvals process. Exclusivity Agreement with China Nonferrous Metals for EPCM & Financing.
- **Comet Vale** – High-grade underground gold mine.
- **Mount Finnerty** – Iron ore JV with Cliffs Natural Resources & Nickel Farm-in with Barranco Resources NL.
- **Bell Rock Range** – Nickel-Copper-PGM Farm-out to Anglo American Exploration.

Website: www.reedresources.com

ASX code: RDR