

ASX RELEASE

16 February 2011

Mount Marion Lithium Project Partners agree to amend ownership structure to align interests

- **Reed Resources and Mineral Resources have agreed the principles to which the ownership structure of Mt Marion Lithium Project will be amended to achieve greater alignment of interests for the down stream processing of Spodumene to battery grade Lithium Carbonate;**
- **MRL will convert a right to 40% of Mt Marion Project profits to 30% equity interest in Reed Industrial Minerals Pty Ltd ("RIM") which holds 100% of the Mt Marion Project;**
- **Mt Marion Project on time for commissioning in Dec Q 2011 with initial capacity of 200,000 tpa of chemical grade spodumene concentrate, 60,000 tpa of mica and 30 tpa tantalum concentrate;**
- **Exploration targeting additional resources of 10-15Mt of 1.1-1.4% Li₂O recommences;**
- **Gresham Partners progressing strategic discussions with potential partners for processing options to battery grade Lithium Carbonate.**

Australian diversified resources company Reed Resources Ltd (ASX:RDR) ("the Company" or "Reed") is pleased to announce the signing of a binding Memorandum of Understanding ("MoU") with Mineral Resources Limited (ASX:MIN)("MRL") to amend the contractual arrangements regarding the Mt Marion Lithium Project.

Current arrangements commit MRL to build, own and operate processing facilities, fund all development costs and operate the project, to earn 40% of the profits from the operation. Under the revised agreement MRL will continue to fund and operate the project with the profit right converted into an equity interest equivalent to 30% of the issued and allotted share capital in RIM. MRL will use reasonable endeavours to complete construction by 30 September 2011 and the commissioning of the plant on or before 15 December 2011.(see Figure 1).

Reed Managing Director Chris Reed said: "This binding MoU directly aligns the interests of Reed and MRL and provides a clear path to production for the world's 2nd largest source of spodumene concentrate. We expect, with by-products the Mt Marion Lithium Project to be globally cost competitive and operate at the lower end of the cost curve. As joint equity owners of the underlying resources both parties are now incentivised to expand resources and evaluate increasing production rates."



Following the recent final mining approval from the Department of Mines and Petroleum, the Mt Marion Partners (Reed Resources and Mineral Resources) have agreed to construct a plant with an initial capacity to recover 200,000 tonnes per annum (“tpa”) of chemical grade spodumene concentrate, containing some 12,000 tonnes lithium oxide (Li₂O). Total contained lithium oxide resources at present are 146,000 tonnes (Li₂O). The plant will also recover some 60,000 tpa of mica and 30tpa of tantalum concentrate as accessory products. (See Figures 2-4 for construction progress).



Figure 1 Project Development Timetable

The plant under construction includes a modular beneficiation circuit which enables the Project output to be increased to meet prospective customer’s needs in the future.

EXPLORATION UPDATE

The Mt Marion Partners are pleased to announce the completion of the first phase of a staged exploration program targeting additional resources of 10-15Mt at 1.1-1.4% Li₂O (ASX Announcement 15 June 2010), with a second phase incorporating a RC drill program permitted and planned to commence in March (see Figure 5).

DOWNSTREAM STRATEGY

Reed and its advisors, leading independent Australian corporate advisor, Gresham Advisory Partners Limited, are continuing strategic discussions with third parties in relation to various proposed transaction structures ranging from downstream toll treatment and/or joint ventures through to partial and outright acquisition of the upstream (spodumene concentrate) operations. It should be stressed that discussions remain preliminary and there can be no assurance that a binding proposal will emerge. Reed will keep the market informed as matters develop further.



Figure 2 Plant Site



Figure 3 Administration Office Pad (foreground) Site Office/Cribs (rear)

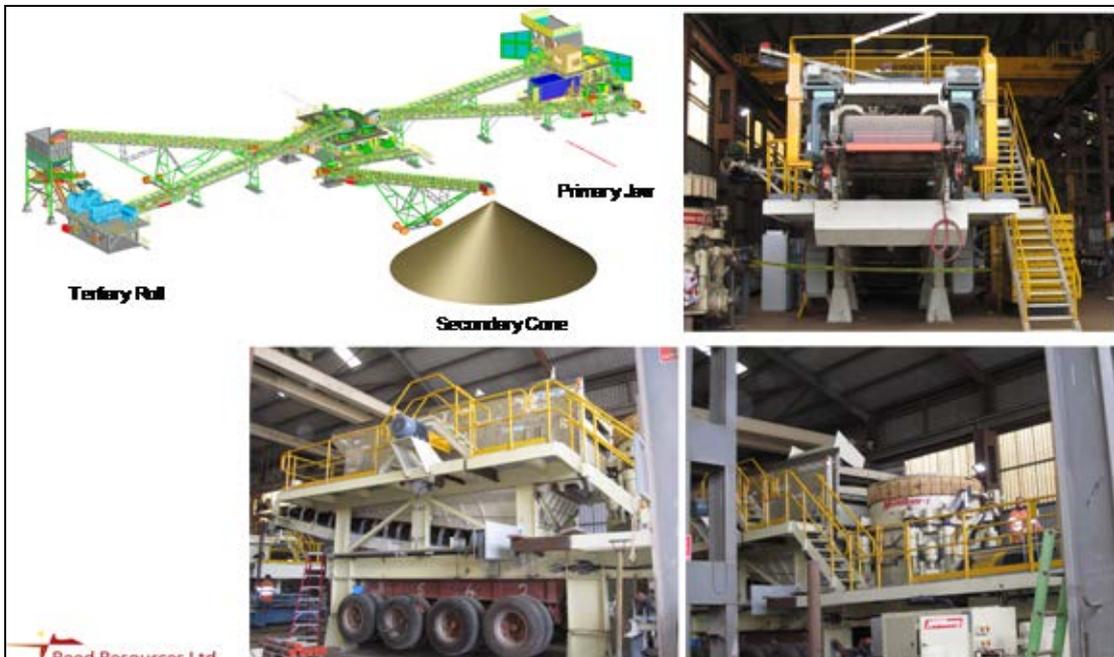


Figure 4 Crushing Circuit Layout and Construction images.

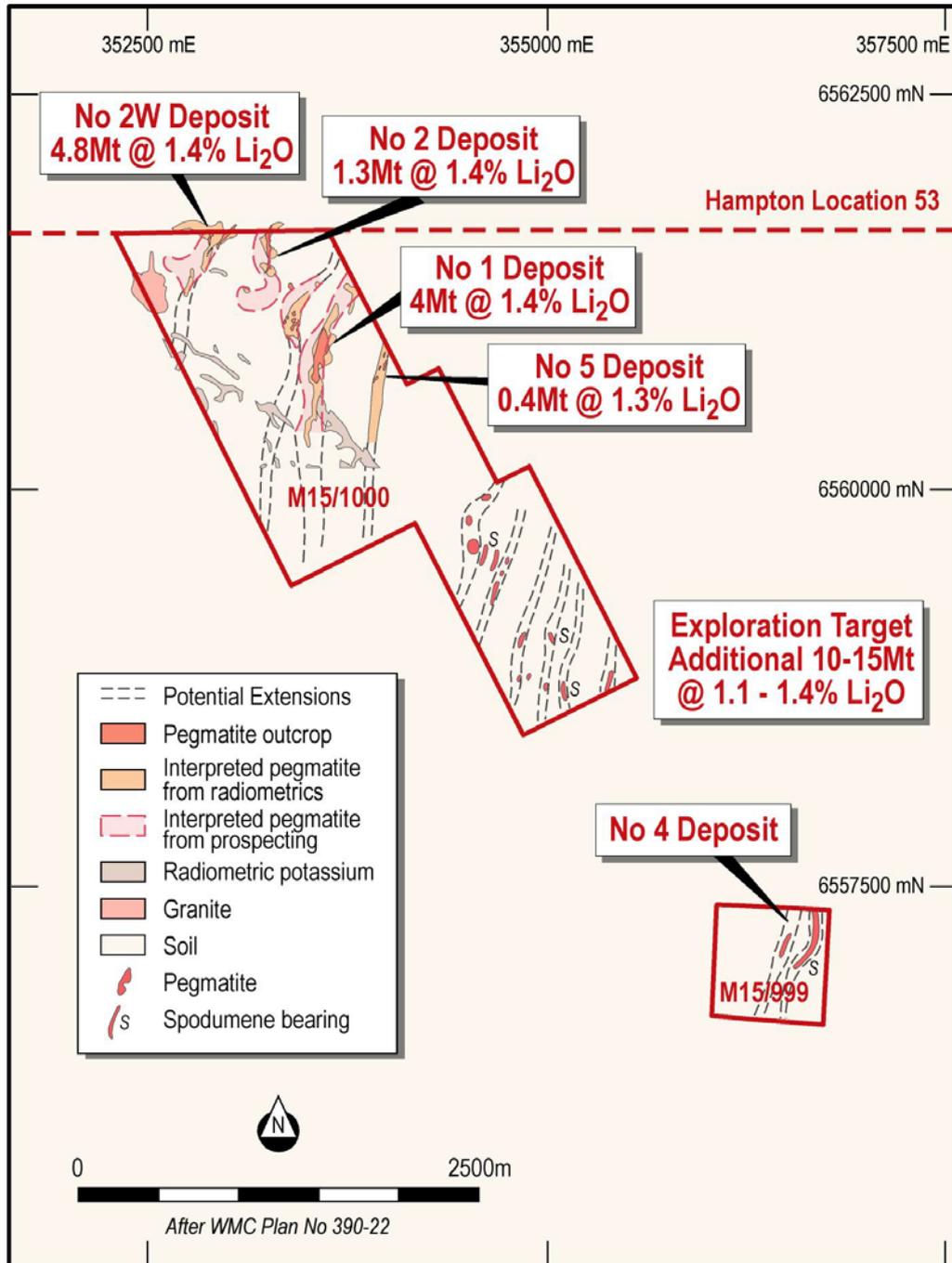


Figure 5 Mount Marion pegmatite group within mining leases M15/999 and M15/1000.

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.

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 ADR is equivalent to 10 ordinary shares of Reed 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 40km south of Kalgoorlie in JV with Mineral Resources Limited.
- **Meekatharra** – Recently acquired 2.5M oz Gold project with 3Mtpa processing plant and associated infrastructure, conducting resource re-optimisation and feasibility study to recommence gold production in 2012.
- **Barrambie** – Definitive Feasibility Study completed on a Ferrovandium 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.

Website: www.reedresources.com