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ASX Announcement **18 January 2010**

Resource drilling at Mt Marion Lithium Project yields positive results – production plans on track

HIGHLIGHTS

- **Phase 1 resource definition drilling (139 holes) confirms multiple, stacked, high-grade pegmatites at the Nos 1, 2 and 2W Deposits.**
- **Average intercepts of high-grade mineralisation is 9.2 m at 1.52 % Li_2O and 1.4 % Fe_2O_3, using 0.6 % Li_2O lower cut-off grade.**
- **Three additional pegmatite prospects delineated, including the 1W and 5 prospects.**
- **Phase 2 resource extension drilling underway (45 holes); planned for completion by end of January 2010, and**
- **Resource estimate planned for completion by April 2010**

Australian diversified resources company Reed Resources Ltd (**ASX: RDR**) (the "Company" or "Reed"), together with joint venture partner Mineral Resources Limited (**ASX: MIN**) ("Mineral Resources"), continue to advance the Mount Marion Lithium Projec t, located in the goldfields region of Western Australia (refer Fig 1), towards a 2010 production start-up, with completion of the Phase 1 resource definition drilling program to extend the current resource at the No.1, No.2 and No.2W Deposits.

The first phase of resource definition Reverse Circulation (RC) drilling was completed at Mt. Marion during November-December 2009. A total of 139 vertical holes were drilled for an aggregate of 7,002 metres at three of the six known deposits on the Mt. Marion tenement (Figure 1). Spacing of the drill holes ranged from 30m x 30m to 80m x 40m. At the No.1 and No.2 Deposits the average depth of the holes was 40 metres (Figure 2). The depths of the holes drilled at the No.2W Deposit (Figure 3) averaged 75 metres with the deepest hole being 152 metres.

At a cut-off grade ("COG") of 0.6 % Li_2O the average thickness of the intercepts is 9.2 metres at a grade of 1.52 % Li_2O and 1.4 % Fe_2O_3. If the cut-off grade is lowered to 0.4 % Li_2O the average width of mineralised intercepts is 10 metres at a grade of 1.44 % Li_2O and 1.5 % Fe_2O_3, demonstrating the sharp, natural cut-off of the high-grade mineralisation. Intercepts of 10 metres or greater, at a COG of 0.6 % Li_2O, are listed in Table 1. All intercepts at a COG of 0.4 % Li_2O are included in Appendix A for the three deposits that have been drill tested.

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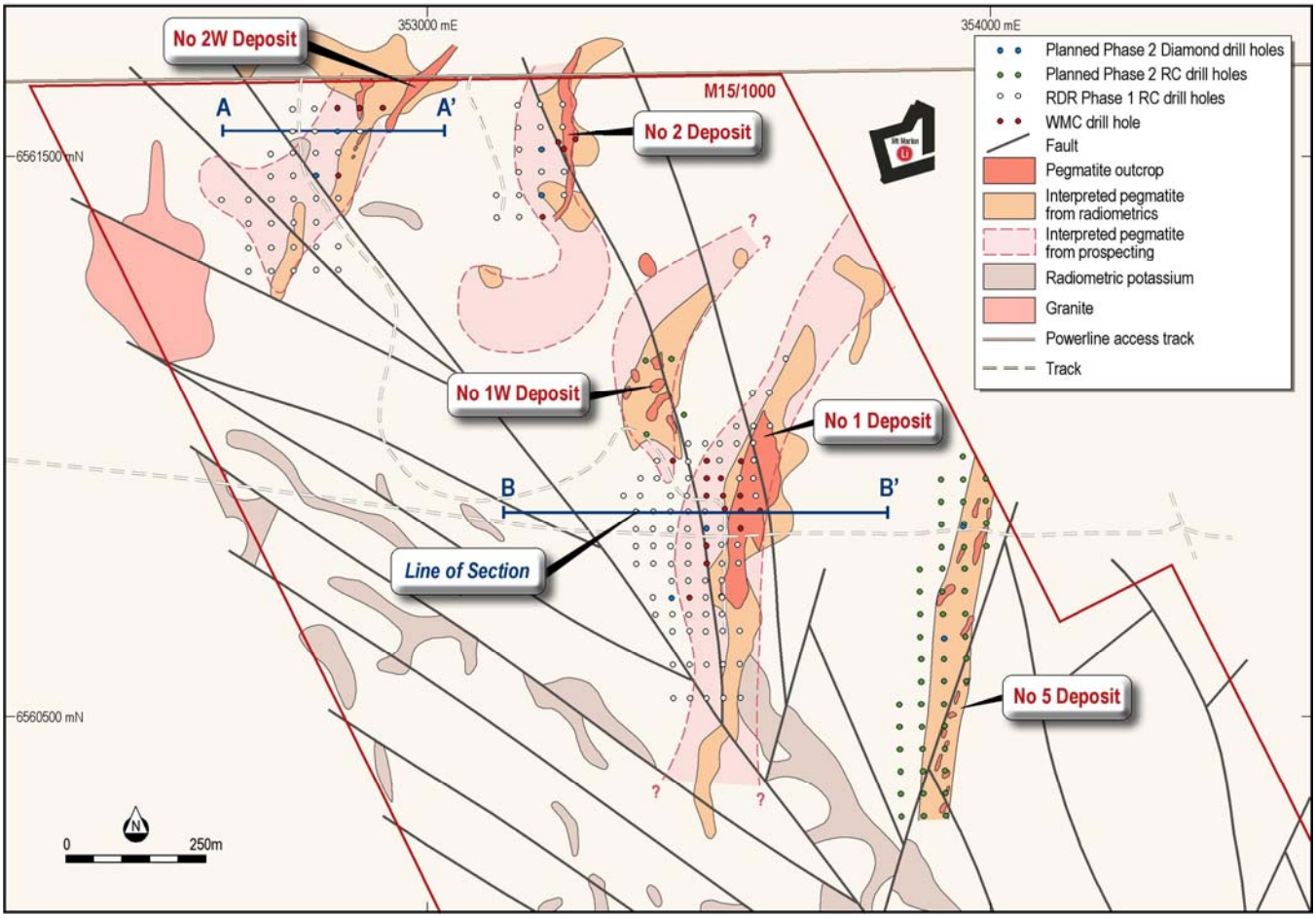

Figure 1 Mount Marion pegmatite group within the northern half of mining lease M15/1000.

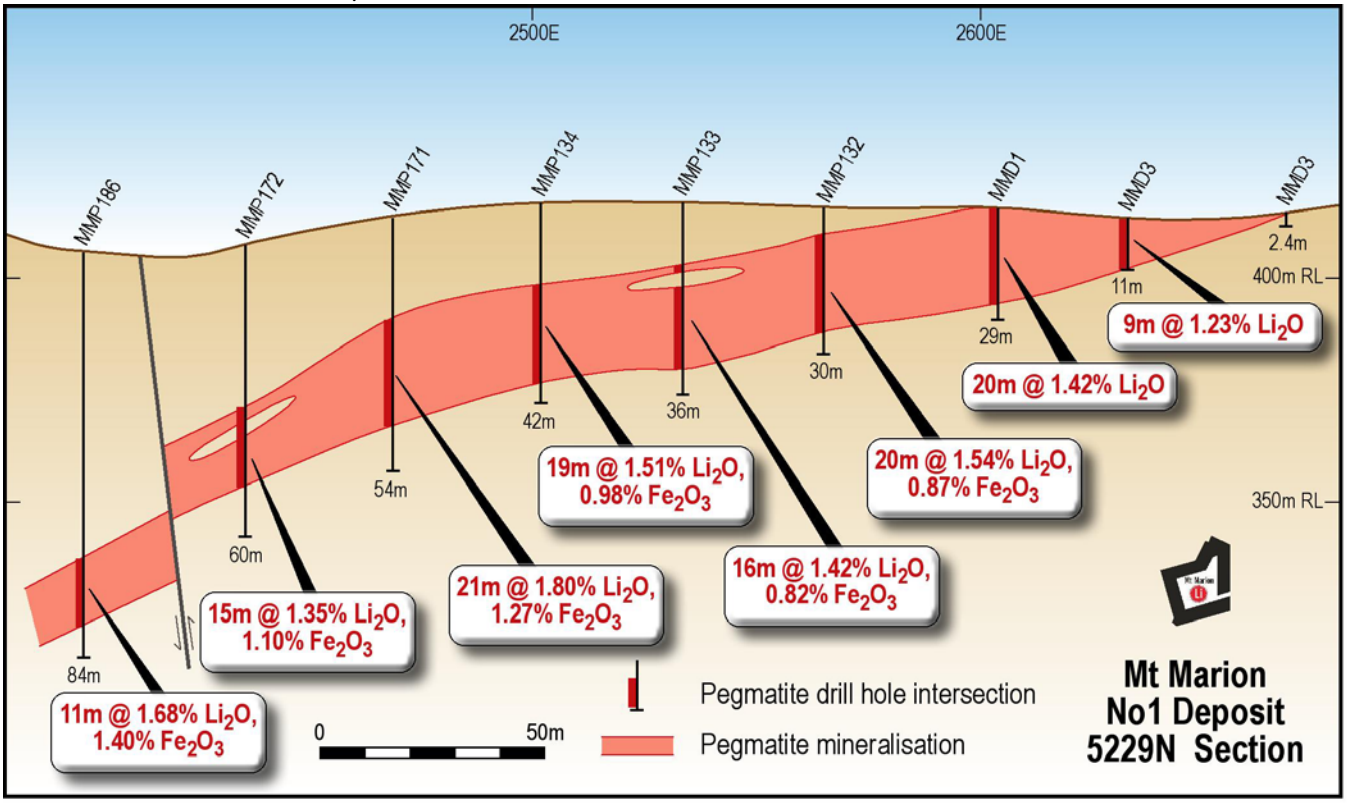

Figure 2 Cross section (B-B' in Figure 1) in the central part of the No.1 Deposit (interpretation by Bryan Smith Geosciences).

The structure of the pegmatite deposits is relatively simple, forming a series of sub-parallel stacked sills that dip at 10-20 degrees to the west. Lithium is entirely contained in spodumene crystals and the lithium grade is relatively constant through the pegmatite bodies (cf Figures 2, 3). The pegmatites are comprised generally of spodumene (20-40 % by volume), quartz (25-30 %), feldspar (20-25 %) and muscovite (about 10 %). Some of the spodumene crystals are more than 30 cm long.

Table 1 High-grade intercepts (>0.6 % Li_2O) with a **down-hole length in excess of 10 metres** (full details in Appendix A).

DEPOSIT	HOLE_NO	FROM	TO	Interval	Li2O	Fe2O3
		m	m	m	%	%
No.1	MMP 124	9	22	13	1.60	1.40
No.1	MMP 132	6	26	20	1.55	1.03
No.1	MMP 133	18	34	16	1.38	1.09
No.1	MMP 134	18	37	19	1.53	0.99
No.1	MMP 135	0	20	20	1.62	0.81
No.1	MMP 136	15	32	17	1.39	0.88
No.1	MMP 137	18	38	20	1.28	0.92
No.1	MMP 139	0	19	19	1.23	1.25
No.1	MMP 140	11	24	13	1.48	1.14
No.1	MMP 141	18	40	22	1.78	1.31
No.1	MMP 145	17	40	23	1.50	1.31
No.1	MMP 146	0	10	10	1.00	0.97
No.1	MMP 147	0	14	14	1.71	0.99
No.1	MMP 148	4	25	21	1.71	1.15
No.1	MMP 149	38	48	10	1.98	1.19
No.1	MMP 151	0	15	15	1.81	1.20
No.1	MMP 152	38	49	11	1.37	1.02
No.1	MMP 154	0	14	14	1.53	1.32
No.1	MMP 155	16	30	14	1.40	1.08
No.1	MMP 158	1	14	13	1.40	0.99
No.1	MMP 159	20	30	10	1.41	1.34
No.1	MMP 169	47	57	10	1.84	1.88
No.1	MMP 170	30	52	22	1.50	1.15
No.1	MMP 171	22	43	21	1.80	1.27
No.1	MMP 181	51	65	14	1.63	1.19
No.1	MMP 182	55	68	13	1.77	1.61
No.1	MMP 184	68	79	11	1.94	1.19
No.1	MMP 188	15	29	14	1.56	0.93
No.1	MMP 189	33	43	10	1.55	1.52
No.1	MMP 190	3	16	13	1.45	0.92
No.2	MMP 202	55	65	10	1.72	1.22
No.2	MMP 203	0	10	10	1.45	1.26
No.2	MMP 207	15	25	10	1.63	1.78
No.2	MMP 215	42	53	11	1.62	1.25
No.2	MMP 217	30	41	11	1.54	0.98

DEPOSIT	HOLE_NO	FROM	TO	Interval	Li2O	Fe2O3
		m	m	m	%	%
No.2W	MMP 101A	67	92	25	1.64	1.25
No.2W	MMP 102A	46	62	16	1.61	1.53
No.2W	MMP 301	9	20	11	1.42	1.71
		85	113	28	1.61	1.14
No.2W	MMP 302	24	37	13	1.99	1.08
		107	132	25	1.82	1.39
No.2W	MMP 303A	24	44	20	1.67	1.10
No.2W	MMP 304A	11	21	10	1.64	1.14
		53	77	24	1.55	0.94
No.2W	MMP 305	27	39	12	1.86	1.28
		73	103	30	1.54	0.95
No.2W	MMP 306	98	125	27	1.72	1.13
No.2W	MMP 307	39	59	20	1.62	1.02
No.2W	MMP 308	66	94	28	1.77	1.12
No.2W	MMP 309	96	124	28	1.87	1.10
No.2W	MMP 310	32	44	12	0.97	1.12
		115	132	17	1.21	1.30
No.2W	MMP 311	62	79	17	1.73	0.89
		82	96	14	1.69	1.20
No.2W	MMP 312	89	114	25	1.57	1.11
No.2W	MMP 315	17	27	10	1.74	1.48
		30	56	26	1.59	1.15
No.2W	MMP 316	85	105	20	1.66	1.09
No.2W	MMP 319	1	14	13	1.59	1.20
No.2W	MMP 323	8	42	34	1.41	0.81
No.2W	MMP 331	10	23	13	1.30	0.78
		52	64	12	1.39	0.75

FORWARD WORK

Drill results are currently being compiled and validated for inclusion in a comprehensive database from which a geological model of the Mt Marion deposits will be constructed in preparation for resource estimation by April 2010. Further drilling in a Phase 2 programme (45 holes) is currently in progress on the No.5 Deposit, from which it is anticipated that additional resources will be outlined. Drill testing will also be carried out on two additional pegmatite prospect: No.1W and an un-named pegmatite.

The Joint Venturers expect to mobilise a processing plant and related equipment with a production rate of 17,000 tonnes per month of +6.5% Li_2O concentrate in 2010 subject to a decision to mine and obtaining all necessary approvals.

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), 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.

Although Reed remains optimistic about the potential of the Mount Marion project, any reference to the terms "ore" and "high-grade" in this report is conceptual in nature. Use of the term "grade(s)" is not intended to represent the grade of a resource.

About Reed Resources

Reed Resources Ltd is a diversified mining and exploration Company based in Western Australia. It has modest gold production and is expanding and diversifying 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 Ltd.
- **Comet Vale** – High-grade underground gold mine in JV with Kingsrose Mining Limited (resuming 100% equity on 1 June 2010).
- **Barrambie** – Definitive Feasibility Study completed on a Ferrovanadium operation to produce 6300t of vanadium per annum. Currently in approvals process.
- **Mount Finnerty** – Iron ore JV with Cliffs Natural Resources & Nickel Farm-out Western Areas NL. A Nickel Farm-in with Barranco Resources NL
- **Bell Rock Range** – Nickel-Copper-PGM JV with Anglo American Exploration.

Website: www.reedresources.com

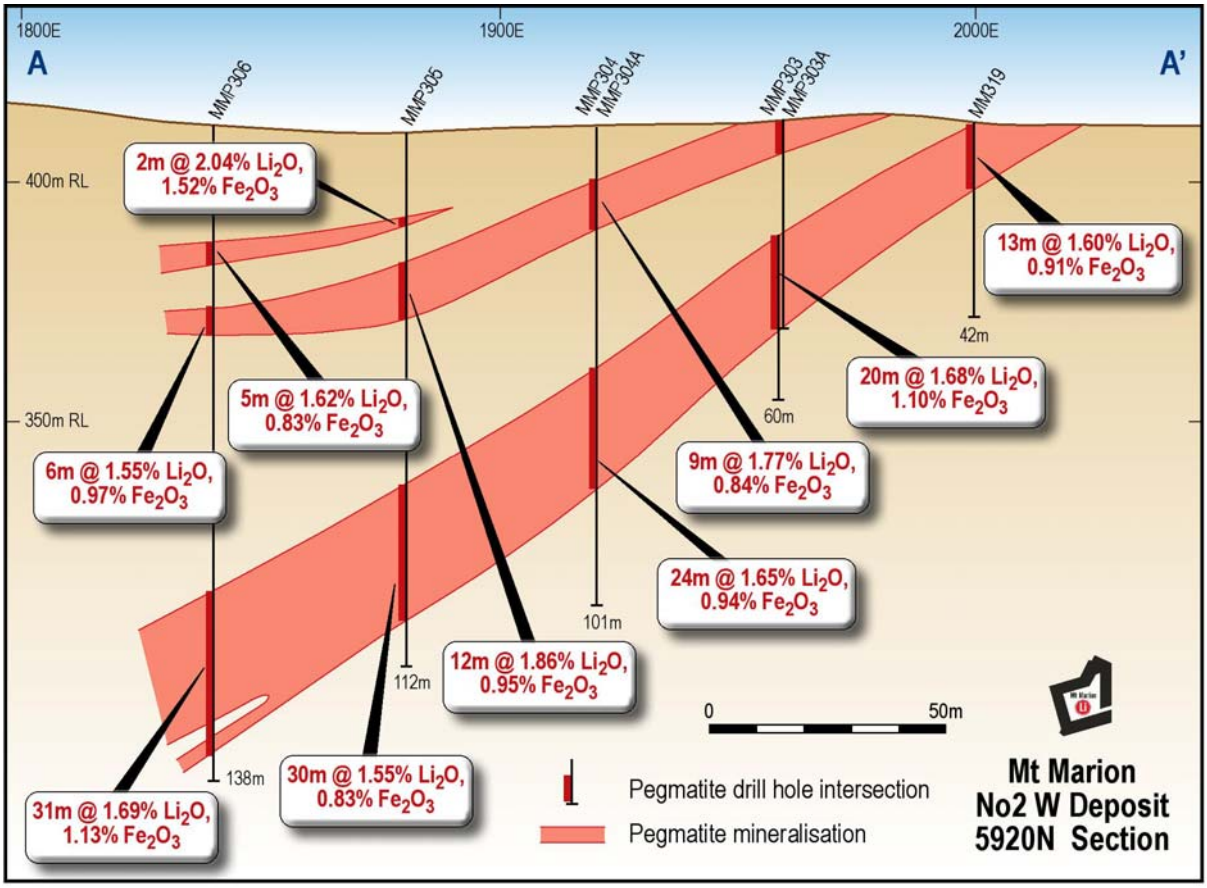

Figure 3 Cross section (A-A' in Figure 1) in the central part of the No.2W deposit (interpretation by Bryan Smith Geosciences).

Appendix A

Summary of all intercepts of mineralisation for all assays with greater than 0.4 % Li_2O, continuous throughout each intercept.

DEPOSIT	HOLE_NO	Local Northing	Local Easting	FROM m	TO m	Interval m	Li2O %	Fe2O3 %
No.1	MMP 119	5381	2620	13	17	4	1.30	1.24
No.1	MMP 121	5352	2619	7	13	6	1.31	1.34
No.1	MMP 122	5356	2588	17	24	7	1.46	0.85
No.1	MMP 123	5324	2656	0	4	4	1.27	1.69
No.1	MMP 124	5323	2589	9	22	13	1.60	1.40
No.1	MMP 125A	5324	2527	11	13	2	1.47	0.93
No.1				26	30	4	1.80	1.13
No.1	MMP 126	5291	2650	0	2	2	1.39	0.96
No.1	MMP 127	5287	2620	0	9	9	2.00	0.99
No.1	MMP 128	5291	2530	5	10	5	1.09	2.08
No.1	MMP 128A	5292	2530	6	10	4	1.22	1.17
No.1	MMP 129	5257	2650	0	4	4	1.40	1.17
No.1	MMP 130	5256	2530	4	9	5	1.22	1.29
No.1	MMP 131	5258	2500	14	25	11	1.29	0.95
No.1	MMP 132	5229	2560	6	26	20	1.55	1.03
No.1	MMP 133	5229	2531	18	34	16	1.38	1.09
No.1	MMP 134	5234	2500	18	37	19	1.53	0.99
No.1	MMP 135	5198	2589	0	20	20	1.62	0.81
No.1	MMP 136	5197	2529	15	32	17	1.39	0.88
No.1	MMP 137	5196	2502	18	38	20	1.28	0.92
No.1	MMP 138	5171	2620	9	13	4	1.40	1.09
No.1	MMP 139	5170	2589	0	19	19	1.23	1.25
No.1	MMP 140	5170	2529	11	31	20	1.44	1.98
No.1				34	37	3	0.93	4.31
No.1	MMP 141	5169	2500	18	40	22	1.78	1.31
No.1	MMP 144	5135	2530	6	28	22	1.68	0.89
No.1	MMP 145	5136	2502	17	40	23	1.50	1.31
No.1	MMP 146	5106	2589	0	10	10	1.00	0.97
No.1	MMP 147	5104	2560	0	14	14	1.71	0.99
No.1	MMP 148	5105	2530	4	25	21	1.71	1.15
No.1	MMP 149	5104	2499	38	51	13	1.66	1.12
No.1	MMP 150	5073	2590	1	7	6	0.93	0.92
No.1	MMP 151	5076	2560	0	16	16	1.73	1.39
No.1	MMP 152	5073	2500	38	49	11	1.37	1.02
No.1	MMP 154	5045	2560	0	15	15	1.45	1.63
No.1	MMP 155	5045	2530	15	30	15	1.34	1.20
No.1	MMP 158	5015	2560	0	14	14	1.33	1.03
No.1	MMP 159	5016	2530	20	30	10	1.41	1.34
No.1	MMP 161	4955	2590	14	20	6	1.07	1.33

DEPOSIT	HOLE_NO	Local Northing	Local Easting	FROM m	TO m	Interval m	Li2O %	Fe2O3 %
No.1	MMP 167	4894	2530	8	13	5	1.44	1.67
No.1	MMP 168	5045	2502	35	41	6	1.76	1.63
No.1				43	46	3	0.69	0.79
No.1	MMP 169	5170	2466	47	61	14	1.46	1.59
No.1	MMP 170	5196	2471	19	22	3	1.30	2.88
No.1				30	52	22	1.50	1.15
No.1	MMP 171	5237	2471	22	43	21	1.80	1.27
No.1	MMP 178	4955	2500	28	31	3	1.48	5.28
No.1				48	61	13	1.63	0.95
No.1				63	65	2	0.99	0.66
No.1	MMP 179	5015	2500	32	39	7	1.43	1.32
No.1				56	58	2	0.88	0.82
No.1				62	63	1	0.55	0.66
No.1	MMP 180	5045	2470	43	48	5	1.53	2.23
No.1				58	61	3	1.29	2.11
No.1				63	70	7	1.01	0.75
No.1	MMP 181	5075	2470	51	65	14	1.63	1.19
No.1	MMP 182	5136	2470	55	69	14	1.68	1.57
No.1	MMP 183	5136	2440	63	78	15	0.98	1.06
No.1	MMP 184	5167	2440	68	83	15	1.55	1.07
No.1	MMP 185	5198	2440	58	65	7	1.77	1.10
No.1				67	68	1	0.51	0.65
No.1	MMP 186	5229	2410	64	77	13	1.45	1.38
No.1	MMP 187	5258	2380	51	60	9	1.54	1.49
No.1	MMP 188	5289	2470	15	30	15	1.49	1.17
No.1				40	45	5	1.15	2.27
No.1	MMP 189	5289	2440	33	43	10	1.55	1.52
No.1	MMP 190	5320	2470	3	17	14	1.38	0.93
No.1				35	38	3	1.74	1.66
No.1	MMP 191	5350	2530	17	22	5	1.57	1.84
No.1	MMP 192	5350	2500	28	31	3	1.28	2.85
No.2	MMP 201	6000	2240	42	50	8	1.47	1.55
No.2	MMP 202	6000	2200	55	65	10	1.72	1.22
No.2	MMP 203	5960	2320	0	10	10	1.45	1.26
No.2	MMP 204	5960	2280	17	26	9	1.37	1.81
No.2	MMP 205	5960	2240	35	45	10	1.58	1.88
No.2	MMP 206	5920	2320	0	8	8	1.40	1.27
No.2	MMP 207	5920	2280	15	25	10	1.63	1.78
No.2	MMP 208	5920	2240	33	38	5	1.61	1.14
No.2				42	46	4	1.60	0.90
No.2	MMP 209	5880	2280	22	32	10	1.40	1.90
No.2	MMP 210	5880	2240	32	36	4	1.48	2.11
No.2				39	46	7	1.45	1.58

DEPOSIT	HOLE_NO	Local Northing	Local Easting	FROM m	TO m	Interval m	Li2O %	Fe2O3 %
No.2	MMP 211	5840	2280	21	30	9	1.75	0.93
No.2	MMP 212	5840	2240	30	34	4	1.60	1.40
No.2				38	44	6	1.17	3.52
No.2	MMP 215	5800	2200	17	18	1	0.47	4.64
No.2				42	53	11	1.62	1.25
No.2	MMP 217	5760	2200	29	41	12	1.46	1.54
No.2W	MMP 101A	5960	1920	9	18	9	1.48	1.24
No.2W				67	93	26	1.60	1.38
No.2W	MMP 102A	5960	1960	0	6	6	1.65	0.94
No.2W				38	40	2	1.35	1.06
No.2W				46	62	16	1.61	1.53
No.2W	MMP 301	5960	1880	9	20	11	1.42	1.71
No.2W				85	113	28	1.61	1.14
No.2W	MMP 302	5960	1840	24	38	14	1.88	1.53
No.2W				107	132	25	1.82	1.39
No.2W	MMP 303A	5920	1960	24	45	21	1.61	1.22
No.2W				47	48	1	0.85	3.60
No.2W	MMP 304	5920	1920	12	21	9	1.77	0.84
No.2W	MMP 304A	5920	1920	11	21	10	1.64	1.14
No.2W				53	77	24	1.55	0.94
No.2W	MMP 305	5920	1880	18	20	2	2.04	1.52
No.2W				27	39	12	1.86	1.28
No.2W				73	103	30	1.54	0.95
No.2W	MMP 306	5920	1840	25	30	5	1.62	0.83
No.2W				39	45	6	1.55	0.97
No.2W				98	125	27	1.72	1.13
No.2W				128	132	4	1.33	1.10
No.2W	MMP 307	5880	1920	18	27	9	1.74	0.97
No.2W				39	59	20	1.62	1.02
No.2W				62	66	4	1.39	2.07
No.2W				77	82	5	1.17	1.33
No.2W	MMP 308	5880	1880	15	17	2	1.27	5.29
No.2W				33	44	11	1.36	1.30
No.2W				66	94	28	1.77	1.12
No.2W				129	132	3	1.62	1.71
No.2W	MMP 309	5880	1840	19	25	6	1.83	1.36
No.2W				41	46	5	1.79	0.94
No.2W				75	77	2	1.48	3.94
No.2W				96	124	28	1.87	1.10
No.2W	MMP 310	5880	1800	32	45	13	0.93	1.42
No.2W				115	132	17	1.21	1.30

DEPOSIT	HOLE_NO	Local Northing	Local Easting	FROM m	TO m	Interval m	Li2O %	Fe2O3 %
No.2W	MMP 311	5840	1880	23	32	9	1.49	1.38
No.2W				61	79	18	1.65	1.24
No.2W				82	96	14	1.69	1.20
No.2W	MMP 312	5840	1840	30	38	8	1.78	1.04
No.2W				73	74	1	1.44	3.68
No.2W				88	114	26	1.53	1.14
No.2W	MMP 313	5840	1800	42	47	5	1.13	1.13
No.2W				61	64	3	1.79	1.71
No.2W				104	116	12	1.26	1.29
No.2W	MMP 314	5800	1920	13	14	1	0.78	1.07
No.2W				17	25	8	1.38	1.26
No.2W				33	37	4	1.33	1.99
No.2W	MMP 315	5800	1880	11	12	1	1.67	3.02
No.2W				17	56	39	1.53	1.58
No.2W				97	99	2	1.39	3.58
No.2W	MMP 316	5800	1840	18	26	8	1.55	1.02
No.2W				85	105	20	1.66	1.09
No.2W	MMP 319	5920	2000	1	14	13	1.59	1.20
No.2W	MMP 320	5880	2000	2	3	1	0.41	0.68
No.2W	MMP 321	5880	1960	3	11	8	1.06	0.73
No.2W				15	20	5	1.12	2.58
No.2W				67	71	4	1.36	2.03
No.2W	MMP 322	5840	1960	12	18	6	1.36	1.55
No.2W	MMP 323	5842	1920	8	43	35	1.38	0.83
No.2W	MMP 324	5800	1960	6	13	7	1.66	1.48
No.2W				30	31	1	0.51	5.86
No.2W	MMP 325	5760	1920	27	29	2	2.58	1.52
No.2W				33	39	6	1.50	1.84
No.2W				46	48	2	0.78	4.16
No.2W	MMP 329	5720	1920	34	43	9	1.61	1.29
No.2W	MMP 331	5720	1840	10	25	15	1.19	0.76
No.2W				52	64	12	1.39	0.75

NOTES:

1. Collar coordinates are for a local grid as illustrated in Figures 2 and 3
2. All holes were drilled vertically and drilled to depths of between 6 and 152 metres.
3. All depths and intercept lengths are down-hole distances and not intended to represent the true width of high-grade bands.
4. All samples analysed by Genalysis Laboratories , Maddington, WA. Samples were sorted, dried, split and pulverised then prepared as fused discs for analysis by X-Ray fluorescence spectrometry (method XRF01) for Fe, Si, Al, Mg, Ca, Mn, P, K, Na,Ta and NB. Li was assayed by Atomic Absorption Spectrometry (AAS) following multi acid digest and LOI by gravimetric method. QA/QC was monitored using duplicate samples and a sample of Certified Reference Material (CRM) included at random among batches of samples and submitted blind to the laboratory; and analysis of pulverised CRMs and Reed standards have also been included sample batches.
5. Grades are reported as Li_2O and Fe_2O_3, in accordance with convention for reporting this style of mineralisation.
6. Holes that that did not intersect significant mineralisation (i.e., intercepts >0.4 % Li_2O) are not listed.

ENDS