

12 June 2014

Company Announcements Office
ASX Limited
Via Electronic Lodgement

Dear Sirs

UPDATE ON ADMINISTRATION OF GMK EXPLORATION PTY LTD

Reed Resources Ltd (ASX:RDR) (**Reed** or the **Company**) announces that it has been advised by the Deed Administrators of GMK Exploration Pty Ltd (Subject to Deed of Company Arrangement) (**GMKE**) that they have entered into a revised binding agreement with Metals X Limited (ASX:MLX) for the sale and purchase of the assets comprising the Meekatharra Gold Project (**Sale Agreement**).

The key terms of the Revised Sale Agreement are:

- an estimated purchase price of around \$9.9 million comprising:
 - \$9.4M cash; and
 - the transfer of 24 million shares held by MLX in Reed (with a market value of approximately \$500,000);
- otherwise the same terms of the original sale agreement as previously announced.

This represents an increase of \$2.3M in cash consideration on the original sale agreement.

The Revised Sale Agreement has been approved at today's Meeting of Creditors, along with a revised deed of company arrangement (**Revised DOCA Proposal**).

Based on the information available at this time:

- The Company expects that under the Revised DOCA Proposal Reed would receive gross value of around \$5.1M (an increase of \$1.1M), comprising:
 - subject to Reed shareholder approval, Reed would receive the transfer and buy back of 24M shares in Reed. If the transfer and buy back was not approved by Reed shareholders, the relevant shares would be sold and the proceeds of sale remitted to Reed; and
 - a balance of around \$4.6M in cash; and
- The Company understands that under the Revised DOCA Proposal a pool of funds is expected to be available for the remaining unsecured creditors of around \$4.6M (an increase of \$1.1M), which under the statutory adjudication process is currently expected to be distributed by the Deed Administrators of GMKE in the second half of 2014.



Ultimately the quantum of GMKE creditors' claims that will participate in that dividend process and the resultant dividend rate remains subject to the formal adjudication process to be undertaken by the Deed Administrators.

Following the final distribution to creditors under the DOCA Proposal and the retirement of the Deed Administrators, the claims of all creditors of GMKE (including Reed) would be extinguished in full.

Yours faithfully

Jason Carone
COMPANY SECRETARY