

## NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of shareholders of Reed Resources Ltd ABN 89 099 116 631 (**Company**) will be held at the **Celtic Club, 48 Ord Street, West Perth**, on **Thursday, 12 July 2012 at 10.00am (WST)** for the purpose of transacting the following business.

*An Explanatory Statement and proxy form accompany, and form part of, this Notice. Information relevant to the proposed resolutions set out below, including information required by the ASX Listing Rules and the Corporations Act 2001 (Cth), can be found in the Explanatory Statement.*

### AGENDA

#### 1. Resolution 1 – Approval of issue of Shares to Luke Tonkin

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To consider and, if thought fit, to pass, with or without amendment, the following as an ordinary resolution:

*"That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval be given for the Company to issue to Mr Luke Tonkin or his nominee 833,000 fully paid ordinary shares in the Company for no cash consideration on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Extraordinary General Meeting."*

#### VOTING EXCLUSION STATEMENT

The Company will disregard any votes cast on Resolution 1:

- (a) by Mr Tonkin and any of his associates; and
- (b) as proxy by a member of the Key Management Personnel or their Closely Related Parties.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the Chairman of the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

#### 2. Resolution 2 – Approval of issue of Sign-On Performance Rights to Luke Tonkin

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To consider and, if thought fit, to pass, with or without amendment, the following as an ordinary resolution:

*"That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval be given for the Company to grant performance rights to Mr Luke Tonkin in respect of the financial years ending 30 June 2013 and 30 June 2014 on the terms set out in his employment agreement with the Company and the Company's Performance Rights Plan, as more fully described in the Explanatory Statement accompanying this Notice of Extraordinary General Meeting."*

**VOTING EXCLUSION STATEMENT**

The Company will disregard any votes cast on Resolution 2:

- (a) by a Director and any of their associates; and
- (b) as proxy by a member of the Key Management Personnel or their Closely Related Parties.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the Chairman of the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**3. Resolution 3 – Approval of issue of Long Term Incentive Performance Rights to Luke Tonkin**

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To consider and, if thought fit, to pass, with or without amendment, the following as an ordinary resolution:

*"That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval be given for the Company to grant performance rights to Mr Luke Tonkin in respect of the financial years ending 30 June 2013, 30 June 2014 and 30 June 2015 on the terms set out in his employment agreement with the Company and the Company's Performance Rights Plan, as more fully described in the Explanatory Statement accompanying this Notice of Extraordinary General Meeting."*

**VOTING EXCLUSION STATEMENT**

The Company will disregard any votes cast on Resolution 3:

- (a) by a Director and any of their associates; and
- (b) as proxy by a member of the Key Management Personnel or their Closely Related Parties.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the Chairman of the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**4. Resolution 4 – Approval of issue of Shares to Christopher Reed**

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To consider and, if thought fit, to pass, with or without amendment, the following as an ordinary resolution:

*"That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval be given for the Company to issue to Mr Christopher Reed or his nominee 500,000 fully paid ordinary shares in the Company for no cash consideration on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Extraordinary General Meeting."*

**VOTING EXCLUSION STATEMENT**

The Company will disregard any votes cast on Resolution 4:

- (a) by Mr Reed and any of his associates; and
- (b) as proxy by a member of the Key Management Personnel or their Closely Related Parties.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the Chairman of the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**5. Resolution 5 – Approval of issue of Sign-On Performance Rights to Christopher Reed**

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To consider and, if thought fit, to pass, with or without amendment, the following as an ordinary resolution:

*“That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval be given for the Company to grant performance rights to Mr Christopher Reed in respect of the financial year ending 30 June 2013 on the terms set out in his employment agreement with the Company and the Company’s Performance Rights Plan, as more fully described in the Explanatory Statement accompanying this Notice of Extraordinary General Meeting.”*

**VOTING EXCLUSION STATEMENT**

The Company will disregard any votes cast on Resolution 5:

- (a) by a Director and any of their associates; and
- (b) as proxy by a member of the Key Management Personnel or their Closely Related Parties.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the Chairman of the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**6. Resolution 6 – Approval of issue of Long Term Incentive Performance Rights to Christopher Reed**

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To consider and, if thought fit, to pass, with or without amendment, the following as an ordinary resolution:

*“That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval be given for the Company to grant performance rights to Mr Christopher Reed in respect of the financial years ending 30 June 2013, 30 June 2014 and 30 June 2015 on the terms set out in his employment agreement with the Company and the Company’s Performance Rights Plan, as more fully described in the*

*Explanatory Statement accompanying this Notice of Extraordinary General Meeting.”*

**VOTING EXCLUSION STATEMENT**

The Company will disregard any votes cast on Resolution 6:

- (a) by a Director and any of their associates; and
- (b) as proxy by a member of the Key Management Personnel or their Closely Related Parties.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the Chairman of the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**7. Explanatory Statement**

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Shareholders are referred to the Explanatory Statement accompanying and forming part of this Notice of Extraordinary General Meeting.

**8. Determining Shareholder voting entitlements**

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The Company has determined that, for the purposes of the *Corporations Regulations 2001* (Cth), the persons eligible to attend and vote at the Extraordinary General Meeting are those persons who are registered shareholders of the Company at 5.00pm (WST) on Tuesday, 10 July 2012.

**9. Proxies**

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- (a) Votes at this Extraordinary General Meeting may be given personally or by proxy.
- (b) A proxy need not be a Shareholder.
- (c) The original proxy form sent with this Notice should be used for this Extraordinary General Meeting.
- (d) Each Shareholder who is entitled to cast 2 or more votes at this Extraordinary General Meeting may appoint 2 persons to act as proxies and may specify the proportion of number of votes that each proxy is entitled to exercise. If a Shareholder **does not** specify the proportion or number of that Shareholder's votes each proxy may exercise, then each proxy will be entitled to exercise half of the votes. An additional proxy form will be supplied by the Company on request. No Shareholder may appoint more than 2 proxies.
- (e) In the case of a Shareholder who is an individual, a proxy must be under the hand of the individual or his or her attorney duly authorised in writing and, in the case of a Shareholder that is a corporation, a proxy must be executed by the corporation under common seal, pursuant to section 127 of the Corporations Act or under the hand of its duly authorised officer or attorney.

- (f) Any Shareholder may by power of attorney appoint an attorney to act on his or her behalf and such power of attorney or certified copy thereof must be received by the Company as specified in paragraph (i).
- (g) Any corporation which is a Shareholder of the Company may appoint a representative to attend and vote for that corporation at the Extraordinary General Meeting. Appointments of representatives by corporations must be received by the Company as specified in paragraph (j) at any time before the time for holding this Extraordinary General Meeting or adjourned Extraordinary General Meeting.
- (h) If a Shareholder intends to appoint the Chairman of the Extraordinary General Meeting as their proxy, Shareholders can direct the Chairman how to vote by either marking the boxes for the relevant Resolution (for example, if the Shareholder wishes to vote 'for', 'against' or to 'abstain' from voting), or by marking the Chairman's box on the proxy form (in which case the Chairman will vote in favour of all Resolutions).
- (i) In accordance with Article 10.34 of the Company's Constitution, proxies and powers of attorney granted by Shareholders must be received by the Company by 10.00am (WST) on Tuesday, 10 July 2012 as follows:

**At the Company's registered office:**

- (i) by delivery to the registered office – Level 1, 672 Murray Street, West Perth, Western Australia;
- (ii) by post to the registered office – Locked Bag 8, West Perth WA 6872; or
- (iii) by facsimile to the registered office – facsimile number +61 8 9321 0556; or

**At the Company's share registry:**

- (iv) by post to GPO Box 242, Melbourne, Victoria 3001;
- (v) by facsimile to 1800 783 447 (from within Australia), or to +61 3 9473 2555 (from outside Australia).
- (j) Corporate representative appointments under Section 250D of the Corporations Act may be delivered at any time to the Company at its registered office – Level 1, 672 Murray Street, West Perth, Western Australia 6005 or handed in at the Extraordinary General Meeting itself.

**BY ORDER OF THE BOARD**

**Darren Wates**  
**Company Secretary**  
**5 June 2012**

## EXPLANATORY STATEMENT FOR EXTRAORDINARY GENERAL MEETING

### 1. General

This Explanatory Statement has been prepared to provide material information reasonably required to enable you to make an informed decision on how to vote upon the business to be conducted at the EGM.

The purpose of the EGM is to consider and, if thought fit, pass the Resolutions.

The Directors recommend that Shareholders read this Explanatory Statement before determining whether to support the Resolutions or otherwise.

### 2. Background to Meeting

As announced on 24 April 2012, the Company has appointed Mr Luke Tonkin as its Managing Director and Chief Executive Officer. Mr Tonkin commenced his role on 14 May 2012.

Mr Christopher Reed remains on the Board as an Executive Director with a specific focus on business development, as well as the incubation and optimisation of the Company's non-gold assets to deliver shareholder value.

The Company has entered into employment agreements with Mr Tonkin and Mr Reed in relation to their new roles.

Under his agreement, Mr Tonkin is entitled to a base salary of \$599,500 per annum (inclusive of statutory superannuation) and a discretionary bonus of up to one half of his salary, to be determined by the Board in its absolute discretion having regard to annual performance conditions to be set each year.

Under his agreement, Mr Reed is entitled to a base salary of \$446,900 per annum (inclusive of statutory superannuation) and a discretionary bonus of up to one third of his salary, to be determined by the Board in its absolute discretion having regard to annual performance conditions to be set each year.

In addition, the Company has agreed, subject to Shareholder approval, to issue the following securities in the Company as a sign-on award:

| Type of security    | Number    | Vesting date |
|---------------------|-----------|--------------|
| Mr Luke Tonkin      |           |              |
| Ordinary shares     | 833,000   | On issue     |
| Performance rights  | 833,000   | 30 June 2013 |
| Performance rights  | 834,000   | 30 June 2014 |
| Mr Christopher Reed |           |              |
| Ordinary shares     | 500,000   | On issue     |
| Performance rights  | 1,000,000 | 30 June 2013 |

In addition, the Company has agreed, subject to Shareholder approval, to issue the following securities in the Company as a long-term incentive award:

| Type of security    | Number                                                       | Vesting condition                                                         | Vesting dates                            |
|---------------------|--------------------------------------------------------------|---------------------------------------------------------------------------|------------------------------------------|
| Mr Luke Tonkin      |                                                              |                                                                           |                                          |
| Performance rights  | Determined in accordance with the formula in section 5 below | Conditions based on total shareholder return – set out in section 5 below | 30 June 2013, 30 June 2014, 30 June 2015 |
| Mr Christopher Reed |                                                              |                                                                           |                                          |
| Performance rights  | Determined in accordance with the formula in section 5 below | Conditions based on total shareholder return – set out in section 5 below | 30 June 2013, 30 June 2014, 30 June 2015 |

The Company believes that these securities provide a means by which the Company can reward Mr Tonkin and Mr Reed for signing on to their new positions, and also provide a cost effective performance-based incentive to the Directors in their new roles.

The purpose of this Extraordinary General Meeting is to seek Shareholder approval for the issue of Shares and grant of performance rights.

If Shareholder approval is not obtained at the Meeting for the securities comprising the sign-on award, Mr Tonkin and Mr Reed's employment agreements entitle them to cash compensation in lieu of the securities – for Mr Tonkin, the amount \$500,000, and for Mr Reed, the amount is \$300,000. These amounts were calculated on the basis of 20 cents per Share and performance right making up the relevant sign-on award, being the market price of the Company's Shares at the time of signing the employment agreements.

As announced on 21 April 2012, the Company's Nomination and Remuneration Committee obtained advice from an independent remuneration consultant in determining the remuneration provided under these agreements, in consideration of all of the circumstances.

### **3. Issue of Shares to Directors**

#### **3.1 Background**

As part of his sign-on award, Mr Tonkin is entitled to receive, subject to Shareholder approval, 833,000 Shares.

As part of his sign-on award, Mr Reed is entitled to receive, subject to Shareholder approval, 500,000 Shares.

#### **3.2 Approvals required**

Shareholder approval for issue of Shares to the Directors is sought for the purposes of the ASX Listing Rules.

(a) **ASX Listing Rule 10.11**

ASX Listing Rule 10.11 provides that a listed company cannot issue or agree to issue equity securities (including Shares) to a director of the company without the approval of ordinary security holders. Accordingly, Resolutions 1 and 4 seek Shareholder approval under ASX Listing Rule 10.11 for the issue of Shares to Mr Tonkin and Mr Reed respectively.

(b) **ASX Listing Rule 7.1**

ASX Listing Rule 7.1 provides that, without the approval of its ordinary security holders, a listed company must not issue or agree to issue equity securities if those securities, when aggregated with the securities issued by the company without approval and which were not subject to an exemption during the previous 12 months, exceed 15% of the number of ordinary securities on issue at the commencement of that 12-month period (subject to certain rules and exemptions).

However, Exception 14 in ASX Listing Rule 7.2 provides that if an issue is made with the approval of ordinary security holders under Listing Rule 10.11, then approval is not required under ASX Listing Rule 7.1. Accordingly, if Shareholders approve the issue of Shares to Mr Tonkin and Mr Reed for the purposes of ASX Listing Rule 10.11, Shareholder approval is not also required under ASX Listing Rule 7.1.

(c) **ASX Listing Rule 10.13**

ASX Listing Rule 10.13 requires the following information regarding the Shares to be issued to Mr Tonkin and Mr Reed to be included in this Explanatory Statement:

- The persons to whom the Shares will be issued are Mr Luke Tonkin and Mr Christopher Reed.
- Mr Tonkin will be issued 833,000 Shares and Mr Reed will be issued 500,000 Shares.
- Subject to Shareholder approval at the Meeting, the Company will issue the Shares to Mr Tonkin and Mr Reed as soon as practicable after the Meeting and in any event no later than 1 month after the Meeting.
- Mr Tonkin and Mr Reed are both Directors of the Company.
- The Shares will be issued for no cash consideration. As explained above, they will be issued as part of a sign-on award for the Directors. They will be issued as fully paid ordinary shares in the Company, ranking equally in all respects with the other ordinary shares on issue.
- The Company will not raise any funds from the issue of the Shares as they are to be issued for no cash consideration.

### **3.3 Directors' recommendation**

The Directors (other than Mr Tonkin in respect of Resolution 1 and Mr Reed in respect of Resolution 4) recommend that Shareholders vote **in favour** of Resolutions 1 and 4. Mr Tonkin and Mr Reed have an interest in the outcome of Resolutions 1 and 4 respectively and therefore decline to make a recommendation in respect of those Resolutions.



#### **4. Grant of Sign-On Performance Rights to Directors**

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##### **4.1 Background**

In 2011, the Company established a Performance Rights Plan for its staff (**PRP**) to reward contributions to the Company's performance and strengthen the link between the creation of value for shareholders and rewards for its employees. The PRP was approved by Shareholders at the Company's 2011 Annual General Meeting.

In summary, the rules of the PRP enable the Company to issue performance rights to eligible personnel subject to performance hurdles and vesting conditions determined by the Company. Each performance right entitles the holder, for nil cash consideration, to one fully paid ordinary share in the Company if the applicable performance hurdles and vesting conditions set for that holder are satisfied.

As part of his sign-on award, Mr Tonkin is also entitled to receive, subject to Shareholder approval, 1,500,000 performance rights, with 833,000 vesting on 30 June 2013 and 834,000 vesting on 30 June 2014.

As part of his sign-on award, Mr Reed is also entitled to receive, subject to Shareholder approval, 1,000,000 performance rights, vesting on 30 June 2013.

These performance rights are collectively referred to in this Explanatory Statement as **Sign-On Performance Rights**.

##### **4.2 Terms of Sign-On Performance Rights**

The Sign-On Performance Rights will be granted subject to the rules of the PRP. A copy is available on the Company's website at [www.reedresources.com](http://www.reedresources.com).

There will not be any specific performance-related conditions attached to the Sign-On Performance Rights.

However, under the rules of the PRP, the Sign-On Performance Rights will vest only if the Director remains an employee of the Company up to and including the relevant vesting date.

Rule 4 of the PRP allows for earlier vesting where a Director ceases to be an employee of the Company by reason of death, disability, bona fide redundancy or other reason with the approval of the Board.

When rule 4 applies, the Board may determine the extent (if any) to which Sign-On Performance Rights granted will vest, having regard to level of satisfaction of the performance conditions over the period from the date of grant to the date of cessation of employment.

No consideration is payable by the Directors at the time that the performance rights are granted or upon the allocation of Shares to which they may become entitled on the vesting dates.

##### **4.3 Approval required**

Shareholder approval for grant of performance rights to the Directors is sought for the purposes of the ASX Listing Rules.

(a) **ASX Listing Rule 10.14**

ASX Listing Rule 10.14 provides that a listed company must not permit a director of the company to acquire securities under an employee incentive scheme (such as the PRP) without the prior approval of ordinary security holders.

Accordingly, Resolutions 2 and 5 seek approval under ASX Listing Rule 10.14 for the grant of the Sign-On Performance Rights to Mr Tonkin and Mr Reed on the terms set out above.

(b) **ASX Listing Rule 10.15**

ASX Listing Rule 10.15 requires the following information regarding the PRP and the Long Term Incentive Performance Rights to be included in this Explanatory Statement:

- Mr Tonkin is the Managing Director and Chief Executive Officer of the Company, and Mr Reed is an Executive Director of the Company.
- Subject to Shareholder approval, the number of Sign-On Performance Rights that the Company will issue to Mr Tonkin is 1,500,000, and to Mr Reed, 1,000,000 (a combined total of 2,500,000).
- No consideration is payable by Mr Tonkin or Mr Reed at the time of grant of the Sign-On Performance Rights or upon the allocation of Shares to which they may become entitled on vesting of the Sign-On Performance Rights.
- No other persons who would require Shareholder approval under ASX Listing Rule 10.14 have participated in the PRP since it was approved by Shareholders in November 2011.
- The following persons who would require Shareholder approval under ASX Listing Rule 10.14 will be entitled to participate in the PRP: Mr Tonkin, Mr Reed and any other executive who the Board may from time to time in its absolute discretion declare eligible.
- No loans will be made by the Company in connection with the acquisition of the Sign-On Performance Rights by Mr Tonkin and Mr Reed.
- Provided that Shareholders approve the grant, the Company will grant the Sign-On Performance Rights to Mr Tonkin and Mr Reed as soon as practicable after the Meeting and no later than 12 months after the Meeting.

#### **4.4 Directors' recommendation**

The Directors (other than Mr Tonkin in respect of Resolution 2 and Mr Reed in respect of Resolution 5) recommend that Shareholders vote **in favour** of Resolutions 2 and 5. Mr Tonkin and Mr Reed have an interest in the outcome of Resolutions 3 and 6 respectively and therefore decline to make a recommendation in respect of those Resolutions.

## 5. Grant of Long Term Incentive Performance Rights to Directors

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### 5.1 Background

As part of his long-term incentive remuneration structure, the Company has agreed to grant Mr Tonkin tranches of performance rights over the next 3 financial years in accordance with agreed principles and subject to agreed performance conditions set out below.

As part of his long-term incentive remuneration structure, the Company has also agreed to grant Mr Reed tranches of performance rights over the next 3 financial years in accordance with agreed principles and subject to agreed performance conditions set out below.

These performance rights are collectively referred to in this Explanatory Statement as **Long Term Incentive Performance Rights**.

#### (a) Luke Tonkin's Long Term Incentive Performance Rights

On or about 30 June of each financial year until 30 June 2014, in accordance with the terms of his employment contract, Mr Tonkin will be invited to apply for a number of Long Term Incentive Performance Rights under the PRP. The number of rights that Mr Tonkin will be entitled to apply for will be determined by reference to the following formula (Mr Tonkin's **Issue Formula**):

$$P = \frac{83.33}{100} \times \frac{S}{VWAP}$$

Where:

- P is the whole number of Long Term Incentive Performance Rights;
- S is the Director's Annual Salary Package payable for the applicable period; and
- VWAP is the 60-day volume weighted average price of Shares on ASX calculated as at 30 June for the relevant financial year.

#### (b) Christopher Reed's Long Term Incentive Performance Rights

On or about 30 June of each financial year until 30 June 2014, in accordance with the terms of his employment contract, Mr Reed will be invited to apply for a number of Long Term Incentive Performance Rights under the PRP. The number of rights that Mr Reed will be entitled to apply for will be determined by reference to the following formula (Mr Reed's **Issue Formula**):

$$P = \frac{50}{100} \times \frac{S}{VWAP}$$

Where:

- P is the whole number of Long Term Incentive Performance Rights;
- S is the Director's Annual Salary Package payable for the applicable period; and
- VWAP is the 60-day volume weighted average price of Shares on ASX calculated as at 30 June for the relevant financial year.

(c) **Terms of Long Term Incentive Performance Rights**

The Long Term Incentive Performance Rights will be granted subject to the rules of the PRP.

They will be issued on the same terms as the Sign-On Performance Rights (see section 4.2 of this Explanatory Statement), but will also be subject to the incentive-based performance condition set out below.

(d) **Performance condition**

The Long Term Incentive Performance Rights will not vest unless the performance condition set out below has been satisfied.

The performance condition will be measured by comparing the Company's total shareholder return (**TSR**) over the period from 1 July in the financial year to which the grant of Long Term Incentive Performance Rights relates until 30 June in the same financial year (**Vesting Date**).

The vesting of the Long Term Incentive Performance Rights on the relevant Vesting Date will depend on the Company's percentile ranking within the comparator group as follows:

- If the Company ranks at or below the 45th percentile, none of the performance rights will vest.
- If the Company ranks at the 46th percentile, 10% of the performance rights will vest. For each percentile above the 46th percentile up to the 50th percentile, a further 10% of the performance rights will vest.
- For each percentile ranking at or above the 51st percentile, an additional 2% of the performance rights will vest, with 100% vesting where the Company ranks at or above the 75th percentile.

If none or only some of the Long Term Incentive Performance Rights vest at 30 June of that year, the performance condition will be re-measured six months later for the period to 31 December of that year. If a further performance hurdle has been reached, additional Long Term Incentive Performance Rights will vest in the Directors.

(e) **Example**

By way of example, if Resolutions 3 and 6 are approved by Shareholders:

On or about 30 June 2012, the Directors will be entitled to apply for performance rights in accordance with the Issue Formula.

On 30 June 2013, the performance of the Company will be assessed by reference to the TSR of the comparator companies over the financial year ending on 30 June 2013. The Long Term Incentive Performance Rights will vest according to the criteria set out above.

To the extent that Long Term Incentive Performance Rights do not vest on this date in accordance with those criteria, the Directors will have the opportunity to re-test the remaining Long Term Incentive Performance Rights on 31 December 2013. Any Long Term Incentive Performance Rights that do not vest following re-testing will lapse.

On vesting, the Directors may then convert the vested Long Term Incentives Performance Rights into Shares, at no cost to the Directors.

## **5.2 Approval required**

Shareholder approval for issue of shares to the directors is sought for the purposes of the ASX Listing Rules.

### **(a) ASX Listing Rule 10.14**

ASX Listing Rule 10.14 provides that a company must not permit a Director to acquire securities under an employee incentive scheme (such as the PRP) without the prior approval of holders of ordinary securities.

Accordingly, Resolutions 3 and 6 seek approval under ASX Listing Rule 10.14 for the grant of the Long Term Incentive Performance Rights to Mr Tonkin and Mr Reed in respect of the financial years ended 30 June 2013, 30 June 2014 and 30 June 2015 on the terms set out above.

### **(b) ASX Listing Rule 10.15A**

ASX Listing Rule 10.15A requires the following information regarding the PRP and the Long Term Incentive Performance Rights to be included in this Explanatory Statement:

- Mr Tonkin is the Managing Director and Chief Executive Officer of the Company, and Mr Reed is an Executive Director of the Company.
- Subject to Shareholder approval being obtained, the maximum number of performance rights (and hence Shares) that the Company may issue to Mr Tonkin and Mr Reed in respect of the financial years ending 30 June 2012, 30 June 2013 and 30 June 2014 will be determined in accordance with the terms of their employment agreement as described above.
- No consideration is payable by Mr Tonkin or Mr Reed at the time of grant of the performance rights or upon the allocation of Shares to which they may become entitled on the Vesting Dates.
- No other persons who would require Shareholder approval under ASX Listing Rule 10.14 have participated in the PRP since it was approved by Shareholders in 2011.
- The following persons who would require Shareholder approval under ASX Listing Rule 10.14 will be entitled to participate in the PRP: Mr Tonkin, Mr Reed and any other executive who the Board may from time to time in its absolute discretion declare eligible.
- No loans will be made by the Company in connection with the acquisition of performance rights by Mr Tonkin and Mr Reed.
- Details of any performance rights and/or Shares issued under the PRP will be published in each Annual Report of the Company relating to the period in which performance rights or Shares have been issued.
- Any additional persons who become entitled to participate in the PRP after the resolutions are approved who are not named in the Notice will not participate until approval is obtained under Listing Rule 10.14 (if approval is required under that Listing Rule).

- Performance rights to be granted to the Directors in respect of the financial years will be issued on or around 30 June 2012, 30 June 2013 and 30 June 2014 and in any event not later than three years after the Meeting.

### 5.3 Directors' recommendation

The Directors (other than Mr Tonkin in respect of Resolution 3 and Mr Reed in respect of Resolution 6) recommend that Shareholders vote **in favour** of Resolutions 3 and 6. Mr Tonkin and Mr Reed have an interest in the outcome of Resolutions 3 and 6 respectively and therefore decline to make a recommendation in respect of those Resolutions.

## 6. Glossary

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In this Notice and Explanatory Statement:

**AASB** means the Australian Accounting Standards Board.

**ASX** means ASX Limited, or the Australian Securities Exchange, as the context requires.

**Board** means the board of Directors of the Company.

**Closely Related Party** has the meaning given in section 9 of the Corporations Act.

**Company** means Reed Resources Ltd ABN 89 099 116 631.

**Corporations Act** means *Corporations Act 2001* (Cth).

**Director** means a director of the Company.

**Explanatory Statement** means this explanatory statement incorporated in the Notice.

**Extraordinary General Meeting, EGM or Meeting** means the general meeting notified to the Shareholders by the Notice.

**Key Management Personnel or KMP** means key management personnel as defined in AASB Standard 124.

**Listing Rules** means the Listing Rules from time to time of the ASX.

**Notice** means the notice of extraordinary general meeting incorporating this Explanatory Statement.

**PRP** means the Company's performance rights plan.

**Resolution** means a resolution set out in the Notice.

**Share** means a fully paid ordinary share in the Company, and **Shareholder** means a registered holder of Shares.

## Lodge your vote:



### By Mail:

Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

Alternatively you can fax your form to  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only  
(custodians) [www.intermediaryonline.com](http://www.intermediaryonline.com)

### For all enquiries call:

(within Australia) 1300 850 505  
(outside Australia) +61 3 9415 4000

000001 000 RDR  
MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

## Proxy Form

 **For your vote to be effective it must be received by 10.00am (WST) Tuesday 10 July 2012**

### How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

#### Appointment of Proxy

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

### Signing Instructions

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

### Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the information tab, "Downloadable Forms".

**Comments & Questions:** If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**Turn over to complete the form** ➔



View your securityholder information, 24 hours a day, 7 days a week:

**[www.investorcentre.com](http://www.investorcentre.com)**

- ☒ Review your securityholding
- ☒ Update your securityholding

**Your secure access information is:**

**SRN/HIN: I9999999999**



**PLEASE NOTE:** For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030



**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

IND

## Proxy Form

Please mark ☒ to indicate your directions

### STEP 1

#### Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Reed Resources Ltd hereby appoint

☐

the Chairman  
of the Meeting **OR**



**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Reed Resources Ltd to be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia on Thursday, 12 July 2012 at 10.00am (WST) and at any adjournment of that meeting.

#### Important for Resolutions 1 to 6 - If the Chairman of the Meeting is your proxy or is appointed as your proxy by default

By marking this box, you are expressly authorising the Chairman of the Meeting to exercise your proxy on Resolutions 1 to 6. If you do not mark this box, and you have not directed your proxy how to vote on Resolutions 1 to 6, the Chairman will not cast your votes on Resolutions 1 to 6 and your votes will not be counted in calculating the required majority if a poll is called on those Resolutions. If you appoint the Chairman of the Meeting as your proxy you can direct the Chairman how to vote by either marking the boxes in Step 2 below (for example if you wish to vote against or abstain from voting) or by marking this box (in which case the Chairman of the Meeting will vote in favour of Resolutions 1 to 6).

#### The Chairman of the Meeting intends to vote all available proxies in favour of Resolutions 1 to 6

☐

I/We acknowledge that the Chairman of the Meeting may exercise my/our proxy even though Resolutions 1 to 6 are connected directly or indirectly with the remuneration of a member of Reed Resources Ltd's key management personnel and/or even if the Chairman of the Meeting has an interest in the outcome of those Resolutions and that votes cast by the Chairman, other than as proxy holder, would be disregarded because of that interest.

### STEP 2

#### Items of Business



**PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

|                                                                                              | For                      | Against                  | Abstain                  |
|----------------------------------------------------------------------------------------------|--------------------------|--------------------------|--------------------------|
| Resolution 1 Approval of Issue of Shares to Luke Tonkin                                      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 2 Approval of Issue of Sign-On Performance Rights to Luke Tonkin                  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 3 Approval of Issue of Long Term Incentive Performance Rights to Luke Tonkin      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 4 Approval of Issue of Shares to Christopher Reed                                 | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 5 Approval of Issue of Sign-On Performance Rights to Christopher Reed             | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 6 Approval of Issue of Long Term Incentive Performance Rights to Christopher Reed | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

### SIGN

#### Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact  
Name

\_\_\_\_\_

Contact  
Daytime  
Telephone

\_\_\_\_\_

Date / /

RDR

999999A

Computershare +