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Dear Shareholder,

EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting (**EGM**) of shareholders is to be held as follows:

Venue: The Western Australian Club
101 St Georges Terrace,
Perth WA 6000

Time: 11:00am

Date: Wednesday, 16 June 2004

Please find enclosed the following documents in relation to the EGM:

1. Notice of EGM together with Explanatory Statement.
2. Proxy Forms for EGM together with instructions.
3. Appointment of Corporate Representative for EGM.

If you are not able to attend the EGM in person, you are urged to complete and lodge the enclosed Proxy or Appointment of Corporate Representative (if a company).

Yours sincerely

Chris Reed
Company Secretary
14 May 2004



NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS GIVEN that an Extraordinary General Meeting of the Company will be held on Wednesday, 16 June 2004, at 11:00am, at The Western Australian Club, 101 St Georges Terrace, Perth WA 6000, to consider, and if thought fit, pass the resolutions below.

The Explanatory Statement and the Proxy Form accompanying this Notice are incorporated in and comprise part of this Notice.

AGENDA

Ordinary Business

1. Resolution 1A to 1C inclusive – Issue of options to Directors

To consider and if thought fit to pass the following as separate **ordinary resolutions** respectively and sequentially in relation to each of the individuals referred to below:

That for the purposes of ASX Listing Rules 7.1 and 10.14, section 208 of the Corporations Act and all other purposes, the Company approves and authorises the Directors to grant the following options to the following persons, each a director of the Company, to be exercised at any time on or before 31 December 2008 at an exercise price of \$0.35 each, and to be issued on the terms and conditions as particularised in the Explanatory Statement accompanying this notice of meeting:

- 1A Christopher John Reed – 1,000,000 options
- 1B Peter Lionel Fleury Collins – 500,000 options
- 1C Ian Courtney Junk – 500,000 options

VOTING EXCLUSION STATEMENT

For the purposes of Listing Rules 7.3.8, 10.15.5, and all other purposes, the Company will disregard any votes cast on Resolutions 1A – 1C respectively by any person referred to in relation to the particular resolution being considered and any of their associates. 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) is cast by a person chairing 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 2A and 2B – Ratification of share placement to Consolidated Minerals Limited

To consider and if thought fit to pass the following as separate **ordinary resolutions** respectively and sequentially in relation to the placement of ordinary shares pursuant to the MOU:

2A

That for the purposes of ASX Listing Rules 7.4 and all other purposes, this meeting ratifies the issue and allotment by the Company of 2,000,000 fully paid ordinary shares in the Company at \$0.25 each pursuant to the terms of the Memorandum of Understanding between the Company and Consolidated Minerals Limited dated 19 December 2003, issued and allotted on 22 December 2003, and announced to the ASX on the same date.

2B

That for the purposes of ASX Listing Rules 7.4 and all other purposes, this meeting ratifies the issue and allotment by the Company of 5,450,000 fully paid ordinary shares in the Company at \$0.25 each pursuant to the terms of the Memorandum of Understanding between the Company and Consolidated Minerals Limited dated 19 December 2003, issued and allotted on 19 March 2004 and announced to the ASX on the same date.

VOTING EXCLUSION STATEMENT

For the purposes of Listing Rule 7.5.6, and all other purposes, the Company will disregard any votes cast on the Resolution by any person who participated in the placement and any associate of those persons. 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) is cast by a person chairing 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. Determining shareholder voting entitlements

Regulation 7.11.37 of the Corporations Regulations 2001 permits the Company to specify a time not more than 48 hours before the meeting, at which a "snap-shot" of shareholders will be taken for the purposes of determining shareholder entitlements to vote at the meeting. The Company has determined that, for the purposes of determining voting entitlements at this Extraordinary General Meeting, all shares of the Company that are quoted on ASX at 5pm, Monday, 14 June 2004 be taken to be held by the persons registered as holding the shares at that time (the **Effective Time**).

4. Proxies

- (a) All holders of Shares in the Company as at the Effective Time are entitled to attend and vote at this Extraordinary General Meeting and may appoint a proxy to attend this Extraordinary General Meeting and vote in that member's stead.
- (b) A proxy need not be a member of the Company.
- (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.
- (e) In the case of 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 corporation, a proxy must be executed by the corporation under common seal, pursuant to Section 127 of the Act or under the hand of its duly authorised officer/s or attorney.
- (f) Any member 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 (h).
- (g) Any corporation which is a member 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 (i) at any time before the time for holding this Extraordinary General Meeting or adjourned Extraordinary General Meeting.
- (h) Proxies and powers of attorneys granted by Shareholders must be received by the Company by 5:00pm on Monday, 14 June 2004:
 - (i) The registered office of the Company – 706 Murray Street, West Perth, WA 6005.
 - (ii) By facsimile at the office of the Company – facsimile number +61 8 9321 0556.
- (i) Corporate representative appointments under Section 250D of the Act may be delivered at any time to the Company at its registered office – 706 Murray Street, West Perth, WA 6005 or handed in at the Extraordinary General Meeting itself.

BY order of the Board of Directors



**Chris Reed
Company Secretary
Reed Resources Limited**

14 May 2004

EXPLANATORY STATEMENT

– EXTRAORDINARY GENERAL MEETING –

1. General

This Explanatory Statement has been prepared to provide you with material information reasonably required to enable you to make an informed decision on how to vote upon the business to be conducted at the Extraordinary General Meeting (*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. Item 1 – Resolution 1 – Issue of options to Directors

Resolutions 1A – 1C inclusive – Issue of Options to Directors

Background

The effect and purpose of Resolutions 1A – 1C inclusive are to authorise the grant of options under the Employee Share Option Plan (*ESOP*) to the following Directors in the numbers set opposite each of their names:

- 1A Christopher John Reed – 1,000,000 options
- 1B Peter Lionel Fleury Collins – 500,000 options
- 1C Ian Courtney Junk – 500,000 options

Each resolution is a separate resolution moved and to be voted separately and sequentially.

An extract of the terms and conditions of the ESOP as is relevant to the proposed issue is set out in **Appendix 1** of this Explanatory Statement. The full terms of the Rules of the ESOP are to be tabled at the EGM. A copy of the Rules of the ESOP is also available for inspection at the registered office of the Company at 706 Murray Street, West Perth or can be posted to shareholders on specific request.

Approvals required

Chapter 2E of the Corporations Act regulates the provision of financial benefits to related parties by a public company. In particular, section 208 of the Corporations Act prohibits a public company giving a financial benefit to a related party of the company without shareholder approval, unless sanctioned by an exception to that section (which exceptions either do not apply or are not sought to be relied upon by the Company in the present circumstances). A director of a company is related party for the purposes of the Corporations Act.

As each of the proposed grantees of options under Resolutions 1A – 1C (inclusive) is a director of the Company, the grants may be prohibited by Section 208 of the Corporations Act as providing a financial benefit to a related party.

Pursuant to section 208 of the Corporations Act, a public company is permitted to give a financial benefit to a related party of that company if:

- (a) it obtains the approval of its members in the way set out in sections 217 to 227 of the Corporations Act; and
- (b) it gives the benefit within 15 months after the approval.

Further, ASX Listing Rule 10.14 requires that a listed company obtain the shareholder approval by ordinary resolution prior to the issue of securities (including an option) pursuant to an employee share option plan to a related party of the company. ASX Listing Rule 7.1 also requires the approval by shareholders of the issue of the securities, in light of the quantum of shares already issued pursuant to the Placement Shares in December 2003 and March 2004. ASX Listing Rule 7.3 sets out the relevant information requirements that are to be provided to Shareholders in this Explanatory Statement.

If each of the Resolutions 1A to 1C are passed, then the options may be issued to Mr Reed, Mr Collins and Mr Junk respectively.

Accordingly, approval for the issue of the options to each of the directors is required pursuant to Listing Rules 7.1, 10.14 and Chapter 2E of the Corporations Act.

Further information

Corporations Act

Section 219 of the Corporations Act specifies matters which must be addressed in an explanatory statement for the purposes of a notice convening a meeting to obtain the approval of the Shareholders for the issuing of the options to the Directors. For the purposes of section 219 of the Corporations Act, the following information is therefore set out:

- (a) *Related parties to whom the proposed resolution would permit financial benefits to be given:*

1A Christopher John Reed

1B Peter Lionel Fleury Collins

1C Ian Courtney Junk

- (b) *Nature of the financial benefits:*

The financial benefits provided to each of the Directors under Resolutions 1A to 1C are options issued by the Company which will entitle the relevant grantee to acquire fully paid ordinary shares in the Company exercisable on or before 31 December 2008 for an exercise price of 35 cents per ordinary share, irrespective of the then current market value or share price of the Company's ordinary shares. The grantees need not exercise the option to so acquire further ordinary shares at their absolute discretion.

The options are subject to the terms of the ESOP, and an extract of the Rules of the ESOP is set out in **Appendix 1** of this Explanatory Statement.

The exercise price of the options was determined by the Board, in accordance with clause 15 of the Rules of the ESOP. The Board determined the exercise price to be such amount that is 140% of the value of the placement shares issued to CML the subject of Resolutions 2A and 2B (being 25c).

The proposed grantees of the options will not be required to make any payment for the issuing and allotment of the new options pursuant to the proposed Resolutions. However, it is a requirement of ASIC that shareholders be informed of the current dollar value of the options to be issued.

ASIC has indicated in its recent guidelines, having regard to AASB's exposure draft ED 108/International Accounting Standards Board exposure draft ED 2, that a valuation calculated using the Black-Scholes option pricing model is acceptable. In determining the value of the options under that model, the following assumptions, consistent with the relevant factors as specified in ASIC's guidelines, have been made:

- (i) the options to be exercisable at \$0.35;
- (ii) the Options will mature, should they not previously be exercised, no later than 31 December 2008;
- (iii) the Share price at the issue date will be \$0.23, based on the last sale of shares on ASX as at 4 May 2004;
- (iv) price volatility of the shares of the Company is approximately 60%; and
- (v) there are no dividends expected to be paid in respect of the underlying shares;
- (vi) the average current risk free interest rate is 5.63%.

On this basis, an exercise price of \$0.35 each results in an implied value of \$0.073 per option. The aggregate implied value of Mr Reed's options is therefore \$72,587 and the implied value of each of Mr Collins' and Mr Junk's options is therefore \$72,587.

By way of information the highest and lowest market price of listed ordinary shares of the Company during the 12 months immediately preceding 4 May 2004 is set out below:

	12 month high	12 month low	market sale price as at 4 May 2004
Ordinary Share Price	\$0.345	\$0.165	\$0.23

(c) *Directors' recommendations to members and reasons*

The following directors' recommendations to members and their reasons for that recommendation with respect to Resolutions 1A – 1C inclusive are:

- (i) Recommendation

1A Christopher John Reed – recommend vote in favour

Mr CJ Reed abstained from voting on this Resolution due to his conflict of interest, and all other Directors voted in favour.

1B Peter Lionel Fleury Collins – recommend vote in favour

Mr PLF Collins abstained from voting on this Resolution due to his conflict of interest, and all other Directors voted in favour.

1C Ian Courtney Junk – recommend vote in favour

Mr IC Junk abstained from voting on this Resolution due to his conflict of interest, and all other Directors voted in favour.

(ii) Reasons for directors' Recommendations:

The directors consider that Resolutions 1A – 1C (inclusive) are in the best interests of the Company as recognition of the directors respective contributions to the Company's progress to date and to further incentivise their ongoing performance and commitment to the Company. However, having regard to the respective interests of each director in the outcome of the relevant Resolution under which options may be issued to him, and the prospect of a conflict of interest arising thereby, no recommendations are made by a director on voting on the particular Resolution which may give rise to the grant and issue of options to himself. Shareholders should be aware, however, that the passing of the Resolutions will result in:

- (A) the relevant directors becoming entitled to new options in the Company as detailed alongside their respective names in the Resolution; and
- (B) on any exercise of the options in due course, a dilution in the percentage shareholding of the Company's shareholders, but the benefit of an enhancement of the Company's capital base by reason of the consideration or exercise price payable. The number of shares on issue as at 28 April 2004 was approximately 57,200,000. Subject to the issue of shares pursuant to the exercise of all the new options and assuming no other securities have been issued in the meantime (other than those the subject of a Resolution in this EGM, assuming that such Resolution is passed) the aggregate number of shares in the Company would be approximately 59,200,000. The Options on exercise, represent only 2,000,000 shares (3.38%) of that capital base.

Ultimately, approval of the Resolution by shareholders is entirely a decision for each shareholder to be made by exercising his or her own judgment. Shareholders are encouraged to seek such expert advice on the matter as they consider appropriate.

(d) *Directors' interests in the outcome of Resolutions 1A – 1C inclusive:*

If a particular resolution for the issue of options to a Director is passed, that Director will become entitled to the relevant options the subject of that resolution together with the option rights and entitlements associated with being a proprietor of such option, according to the terms as set out in the terms of the ESOP set out **Appendix 1** of this Explanatory Statement.

(e) *Other remuneration currently given to the relevant Directors*

The following sets out the other remuneration given to the relevant Directors:

- **Christopher John Reed**, as salary, executive director - \$80,000;
- **Peter Lionel Fleury Collins** as director fees, non executive director - \$30,000;
- **Ian Courtney Junk**, as director fees, non-executive director - \$30,000.

(f) *Other information known to the Company:*

Other than as provided for in this Explanatory Statement, there is no other information known to the Company or any of its directors that is reasonably required by shareholders in order to decide whether or not it is in the Company's best interest respectively to pass Resolutions 1A – 1C.

ASX Listing Rules

Listing Rules 7.3 and 10.15 also set out a number of matters which must be included in a notice of meeting proposing an approval under Listing Rule 7.1 and 10.14.

For the purposes of Listing Rule 7.3 and 10.15, the following further information is provided in relation to each of Resolutions 1A to 1C inclusive:

- (a) **(maximum number of securities to be issued)** the maximum number of securities that may be acquired by a person for whom approval is required is as set out alongside each relevant director's name in the Resolution.
- (b) **(issue and allotment date)** it is proposed that the options will be issued and allotted by no later than 31 July 2004. The options are exercisable at the discretion of the relevant director, and shall expire, if not previously exercised, no later than 31 December 2008.
- (c) **(terms of the securities)** the options are issued subject to the terms of the ESOP. An extract of the relevant terms are attached to Schedule 1 of this Notice.
- The shares which will be issued upon exercise of the options will be fully paid ordinary shares and will be on the same terms as the currently issued fully paid ordinary shares in the Company.
- (d) **(use or intended use of the funds raised)** there are no funds raised in connection with the issue of the options to the relevant directors under Resolutions 1A to 1C, as the options are to be issued without payment of cash consideration. The proceeds from a future exercise of the options however, is likely to be used toward meeting working capital requirements of the Company relevant at, or about the time of the exercise of the options at the discretion of the Board.

- (e) **(determination of the exercise price)** the exercise price of the options of \$0.35 was determined by the Board, in accordance with clause 15 of the Rules of the ESOP. The Board determined the exercise price to be such amount that is 140% of the value of the placement shares issued to CML the subject of Resolutions 2A and 2B (being 25c).
- (f) **(consideration for the issue of the options)** the proposed grantees of the options will not be required to make any payment for the issuing and allotment of the new options pursuant to the proposed Resolutions although they will be required to pay the \$0.35 exercise price per option if exercised in due course. A dollar value of the financial benefit to each grantee of the options, as valued under the Black-Scholes option pricing model is set out above.
- (g) **(details of previous issue of securities under ESOP)** to date, no director of the Company nor any of their associates, nor any other person referred to in Listing Rule 10.14 has received any securities under the ESOP.
- (h) **(directors entitled to participate under ESOP)** all the directors of the Company are entitled to participate in the ESOP. Specifically, the directors are:
- (i) Christopher John Reed
 - (ii) Peter Lionel Fleury Collins
 - (iii) Ian Courtney Junk
 - (iv) David John Reed
- The associates of each of the above directors are not specifically entitled to participate in the ESOP.
- (i) **(loans)** it is confirmed that no loans are to be advanced or made available in relation to the acquisition of the securities proposed in Resolutions 1A to 1C.

Comparative information

By way of further information for the benefit of the Shareholders, the following comparative information is presented. Set out below is a table of the existing shares and options of the Company held by each of the proposed grantees and for comparison, the new options to be issued and allotted pursuant to the proposed Resolutions.

	Director	Shares		Options currently held	New Options
		Direct	Related Entity		
1A	Christopher John Reed	2,322,180	nil	nil	1,000,000
1B	Peter Lionel Fleury Collins	285,705	nil	nil	500,000
1C	Ian Courtney Junk	nil	nil	nil	500,000

If the options proposed to be granted in Resolutions 1A to 1C inclusive are granted, and if all the options are exercised, the grantees' change in percentage ownership of the issued securities of the Company is outlined in the table below.

	% ordinary shares held pre-Resolution 1A, 1B or 1C (as applicable)	% ordinary shares held post-Resolution 1A, 1B or 1C (as applicable) assuming options fully exercised
Christopher Reed	4.93	6.45
Peter Collins	0.50	1.33
Ian Junk	nil	0.84

The pro forma capital structure of the Company, assuming the issue of the 2,000,000 options is passed, but unexercised.

No of Shares	Contributed Equity	
32,750,004	Listed Ordinary Fully Paid Shares (prior to Issue of shares ratified by Resolutions 2A and 2B)	
2,000,000	Listed Ordinary Fully Paid Shares (issue ratified pursuant to Resolution 2A)	
5,450,000	Listed Ordinary Fully Paid Shares (issue ratified pursuant to Resolution 2B)	
16,999,996	Unlisted Ordinary Fully Paid Shares	
<u>57,200,000</u>	Total contributed equity	
No of New Options		
2,000,000	Exercisable on or before 31 December 2008	\$0.35

3. Item 2 – Resolutions 2A and 2B – Share placement

Background

The Company entered into the MOU to establish a strategic alliance with Consolidated Minerals Limited (*CML*).

CML has been granted an option (exercisable within 6 months of the MOU) by the Company to form a joint venture with the Company upon terms to be negotiated and agreed for the exploration, development and mining of Iron Ore on the Company's Mt Finnerty leases situated 80km north east of Southern Cross and for Titanium at Barrambie situated some 85km north west of Sandstone and including any tenements acquired by the Company which are contiguous to these current tenements.

As part of the arrangement in the MOU, CML agreed to subscribe for:

- (a) 2 million fully paid Company Shares at 25 cents each (which already been issued and allotted); and

- (b) 5.45 million fully paid Company Shares at 25 cents each by 19 March 2004 (which have already been issued and allotted),

to raise in all \$1,862,000 for the Company

Approvals Required

ASX Listing Rule 7.1 provides that without approval of the Shareholders, the Company must not issue or agree to issue more equity securities if such issue, if aggregated with the securities issued by the company during the previous 12 months, would be such amount that would exceed 15% of the issued shares at the commencement of that 12 month period (subject to certain exemptions not relevant to the Company's present circumstances).

Although the agreement to issue 7.45 million ordinary shares to CML pursuant to the MOU was within the 15% prescribed limit when issued, the agreement to issue those shares had not previously obtained Shareholder approval.

ASX Listing Rule 7.4 however treats the issue of those placement shares made without the approval under Listing Rule 7.1, as having been made with approval for the purposes of Listing Rule 7.1 if that issue did not breach Listing Rule 7.1, and the Shareholders subsequently approve it. That issue did not breach Listing Rule 7.1.

Under Resolution 2A, the Company seeks the ratification by the Shareholders of the issue and allotment of the 2,000,000 ordinary shares issued and allotted to CML, pursuant to the terms of the MOU, so as to 'refresh' the effect of Listing Rule 7.1 on any further issues of securities in the next 12 months.

Under Resolution 2B, for the purposes of Listing Rule 7.1, the Company seeks the ratification of the Shareholders for the issue of the remaining 5,450,000 ordinary shares to CML pursuant to the terms of the MOU, so as to 'refresh' the effect of Listing Rule 7.1 on any further issues of securities in the next 12 months.

Details of the placement shares

For the purposes of Listing Rule 7.5.1, 7.5.2 and 7.5.4, the following information is given to Shareholders:

Issue Date	Allottee (basis)	Issue Price	Number of fully paid ordinary shares
22 Dec 2003	Consolidated Minerals Limited (pursuant to MOU)	\$0.25	2,000,000
19 March 2004	Consolidated Minerals Limited (pursuant to MOU)	\$0.25	5,450,000

Listing Rule 7.5 also requires the further information to be provided to Shareholders:

- (a) **(Terms of the securities)** - the issued shares are fully paid ordinary shares and are on the same terms as existing fully paid ordinary shares in the Company.
- (b) **(Use or Intended use of the funds raised)** - the additional capital made available to the Company in consequence of the issue will be used for initiating an exploration programme at Mt Finnerty to follow up the potential of the extensive ultramafic zone of ultramafic rocks at Mt Finnerty including gold and other mineral structural targets identified from the air borne geophysical survey which was completed in 2003.

4. Voting and required majority

- (a) In accordance with the Act for the resolutions to be effective:
 - (i) the resolutions must be passed at an Extraordinary General Meeting of which not less than 28 days written notice specifying the intention to propose the resolutions has been given (satisfied by this Notice); and
 - (ii) in the case of ordinary resolutions must be passed by more than 50% of all the votes cast by Shareholders present and entitled to vote on the resolutions (whether in person or by proxy, attorney or representative); and
 - (iii) in the case of special resolutions must be passed by not less than 75% of all the votes cast by Shareholders present and entitled to vote on the resolutions (whether in person or by proxy, attorney or representative).
- (b) On a show of hands every Shareholder has one vote, and on a poll, every Shareholder has one vote for each **fully paid** Share.

5. Definitions

For the purposes of this Explanatory Statement and the Notice of Extraordinary General Meeting the following definitions apply unless the context requires otherwise.

AASB means the Australian Accounting Standards Board.

Act means the Corporations Act 2001.

EGM means the extraordinary general meeting notified to the Company Shareholders by the Notice.

GML means Consolidated Minerals Limited (ACN 000 727 926).

Company means Reed Resources Limited (ACN 099 116 631).

Convertible Note means the convertible note originally contemplated to be issued by the Company pursuant to the MOU.

MOU means the Memorandum of Understanding between Company and Consolidated Minerals Limited executed 19 December 2003.

Notice means the notice incorporating this Explanatory Statement.

Resolutions means the resolutions proposed in the Notice.

Rules of the ESOP means the Reed Resources Limited Rules of Employee Share Option Plan as is applicable as at the date of the EGM.

Shareholder means shareholder of the Company and **Shareholders** has a corresponding meaning.

Appendix 1 – Terms of options to Directors

Extract of Employee Share Option Plan –

11. Exercise of Options

- 11.1 Subject to these Rules, the following restrictions apply to the exercise of the Options:
- (a) no Options are exercisable within 12 months of the Issue Date;
 - (b) a maximum of 50% of the Options issued to an Eligible Person or Eligible Nominee of that Eligible Person are exercisable after 12 months and prior to 18 months from the Issue Date; and
 - (c) after 18 months from the Issue Date there are no restrictions on the Exercise of Options in the terms of this Clause 11.1.
- 11.2 Notwithstanding paragraph 11.1, all Options may be exercised:
- (a) during a Bid Period; or
 - (b) at any time after a Change of Control Event has occurred; or
 - (c) on an application under section 411 of the Corporations Act 2001, if a court orders a meeting to be held concerning a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company.
- 11.3 Options not exercised on or before the Expiry Date will automatically lapse.
- 11.4 Options may only be exercised by notice in writing to the Board delivered to the registered office of the Company. The notice must specify the number of Options being exercised and must be accompanied by:
- (a) the Exercise Price for the number of Options specified in the notice; and
 - (b) the Certificate for those Options, for cancellation by the Company.
- The notice is only effective (and only becomes effective) when the Company has received value for the full amount of the Exercise Price (for example, if the Exercise Price is paid by cheque, by clearance of that cheque).
- 11.5 Subject to paragraph 11.3, within 10 Business Days after the notice referred to in clause 11.4 becoming effective, the Board must:
- (a) allot and issue the number of Shares specified in the notice to the Holder;
 - (b) cancel the Certificate for the Options being exercised; and
 - (c) if applicable, issue a new Certificate for any remaining Options covered by the Certificate accompanying the notice.

12. Shares Allotted on Exercise of Options

- 12.1 All Shares allotted upon exercise of Options rank pari passu in all respects with Shares previously issued and, in particular, entitle the holder of the Shares to participate fully in:
- (a) dividends declared by the Company after the date of allotment; and
 - (b) all issues of securities made or offered pro rata to holders of Shares.

14. Entitlement to Participate in Future Issues

14.1 New Issues

Holders may only participate in new issues of securities to holders of Shares if an Option has been exercised and Shares allotted in respect of the Option before the record date for determining entitlements to the issue. The Company must give notice as required under the Listing Rules to Holders of any new issue before the record date for determining entitlements to the issue in accordance with the Listing Rules.

14.2 Bonus Issues

If there is a bonus share issue (Bonus Issue) to the holders of Shares, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the Holder would have received if the Option had been exercised before the record date for the Bonus Issue (Bonus Shares). The Bonus Shares must be paid up by the Company out of the profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue and upon issue rank pari passu in all respects with the other shares of that class on issue at the date of the Bonus Shares.

14.3 Pro Rata Issues

If there is a pro rata issue (other than a Bonus Issue) to the holders of Shares during the currency of, and prior to the exercise of any Options, the Exercise Price of an Option will be adjusted in the manner provided for in the Listing Rules.

14.4 Reorganisation of Capital

If, prior to the expiry of any Options, there is a reorganisation of the issued capital of the Company, Options will be reorganised in accordance with the Listing Rules.

14.5 Advice

In accordance with the Listing Rules, the Company must give notice to each Holder of any adjustment to the number of Shares for which the Holder is entitled to subscribe or to the Exercise Price pursuant to the provisions of clause 14.2, 14.3 or 14.4.

15. Exercise Price of Options

- 15.1 The method of calculation of the Exercise Price of each Option will be determined by the Board (but not less than the minimum exercise price permitted by the ASX Listing Rules).
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1. Definitions and Interpretation

1.1 In these Rules, unless the context otherwise requires, the following words and expressions shall have the following meanings:

Associated Company means at any time any body corporate that at that time is a related body corporate of the Company within the meaning of section 50 of the *Corporations Act 2001*;

ASX means Australian Stock Exchange Limited;

Bid Period, in relation to a takeover bid in respect of shares in the Company, means the period referred to in the definition of that expression in section 9 of the *Corporations Act 2001* provided that where a takeover bid is publicly announced prior to the service of a bidder's statement on the Company in relation to that takeover bid, the Bid Period shall be deemed to have commenced at the time of that announcement;

Board means the directors acting as the board of directors of the Company or a committee appointed by such board of directors;

Business Day means a day on which the stock market of ASX is open for trading in securities;

Certificate means the certificate issued by the Company to a Holder in respect of an Option;

Change of Control Event means a shareholder, or a group of associated shareholders, becoming entitled to sufficient shares in the Company to give it or them the ability, and that ability is successfully exercised, in general meeting, to replace all or a majority of the Board;

Company means Reed Resources Ltd ACN 099 116 631;

Director means a director of the Company from time to time but does not include a person who is only a director by virtue of being an alternate director;

Eligible Person means at any time a person who then is an employee (whether full-time or part-time) of or consultant to the Company or an Associated Company;

Eligible Nominee means:

- (a) a spouse or child of the Eligible Person;
- (b) a superannuation fund for the benefit of the Eligible Person;
- (c) a trust of which the Eligible Person (and/or the spouse of the Eligible Person or a company controlled by the Eligible Person or the spouse of the Eligible Person) is the trustee or appointor;
- (d) a company controlled by the Eligible Person and/or the spouse of the Eligible Person; or
- (e) any other person or corporation approved by the Directors (in their absolute discretion);

Exercise Price means, in respect of an Option, the subscription price per Share, determined in accordance with clause 15, payable by a Holder on exercise of the Option;

Expiry Date means, in relation to an Option, the date determined by the Board prior to the offer of the relevant Options, subject to any restriction in the *Corporations Act 2001* from time to time but in any event no longer than 5 years from the date of grant of the Option;

Holder means, in relation to an Option, the person (whether an Eligible Person or an Eligible Nominee) entered in the Company's register of options as the holder of that Option;

Issue Date means, in relation to an Option, the date on which the Company grants that Option;

Listing Rules means the Official Listing Rules of ASX as they apply to the Company;

Market Value means:

- (a) the weighted average closing sale price of the Shares recorded on the stock market of ASX over the five trading days immediately preceding the day on which the Board resolves to offer an Option; or
- (b) in circumstances where there has been no trading in the Shares during the five trading days immediately preceding the day on which the Board resolves to offer an Option, the last sale price recorded on the stock market of ASX;

Months means calendar month;

Official Quotation has the meaning ascribed to it in the Listing Rules;

Option means an Option issued under the Plan to subscribe (subject to clauses 3.2 and 3.4) for a Share);

Permanent Disablement means, in relation to an Eligible Person, that the Eligible Person has, in the opinion of the Board, after considering such medical and other evidence as it sees fit, become incapacitated to such an extent as to render the Eligible Person unlikely ever to engage in any occupation for which he or she is reasonably qualified by education, training or experience;

Plan means the Reed Resources Ltd Employee Share Option Plan established in accordance with these Rules;

Redundancy means, in relation to an Eligible Person, a determination by the Board that the Company's need to employ a person for the particular kind of work carried out by that Eligible Person has ceased (but, for the avoidance of any doubt, does not include the dismissal of an Eligible Person for personal or disciplinary reasons or where the Eligible Person leaves the employ of the Company of his or her own accord);

Retirement means, in relation to an Eligible Person, bona fide occupational retirement by that Eligible Person from the Company at such age as considered appropriate by the Board in its discretion;

Rules means these rules, as amended from time to time;

Series means, in relation to Options, Options with a common Issue Date; and

Shares means fully paid ordinary shares in the capital of the Company.

APPOINTMENT OF PROXY – EXTRAORDINARY GENERAL MEETING

To assist you in exercising your right to vote your shares at the forthcoming Extraordinary General Meeting of the Company, you may wish to appoint a person who is attending as your proxy.

**TO APPOINT A PROXY,
FOLLOW THE STEPS
BELOW**

Name of Shareholder
.....
Address
.....
.....



Insert here the name and address of Shareholder.

APPOINTS
Name
Address
.....
OR THE CHAIRPERSON OF THE MEETING
or failing the person named above, or if no person is named, the Chairperson of the meeting, to vote in accordance with the directions on the reverse side of this form, or if no direction has been given, as he or she sees fit, at the Extraordinary General Meeting of the Company to be held at 11 a.m. on Wednesday, 16 June 2004 and at any adjournment thereof.



Insert here the name and address of the person you wish to appoint as proxy. Shareholders cannot appoint themselves
OR
Tick box if you wish to appoint the Chairperson of the Meeting to act as your proxy
If you plan to attend the Meeting your proxy's right to speak and vote for you will be suspended while you are present.

SIGNATURE OF SHAREHOLDER(S)
*
(* Individual Shareholder
(* Director
(* Sole Director and Sole Secretary
*
(* Director/Secretary
IF A CORPORATION AFFIX COMMON SEAL
(OPTIONAL)
Dates this day of 2004
(* Delete if not applicable



**SHAREHOLDER MUST
SIGN HERE AND DATE
HERE**

This proxy must be signed by the Shareholder or by the Shareholder's attorney, or if a corporation, either under its common seal or by its authorised officers, or attorney who has not received any notice of revocation.
If this proxy is signed by a person who is not the registered Shareholder, then the relevant authority must either have been exhibited previously with the Company or be enclosed with this proxy.

**FOR YOUR VOTE TO
BE COUNTED, THIS
FORM MUST BE
RECEIVED NO LATER
THAN THE TIME
SHOWN ON THE
REVERSE SIDE**

**YOUR VOTE IS
IMPORTANT**



**COMPLETE THE REVERSE
SIDE IF YOU WISH TO
DIRECT YOUR PROXY HOW
TO VOTE**

**Directing your Proxy
how to vote**

Resolutions

For Against Abstain

1A	Issue of 1,000,000 options to Christopher John Reed
1B	Issue of 500,000 options to Peter Lionel Fleury Collins
1C	Issue of 500,000 options to Ian Courtney Junk
2A	Ratify issue of 2,000,000 ordinary shares to Consolidated Minerals Ltd
2B	Ratify Issue of 5,400,000 ordinary shares to Consolidated Minerals Ltd

(OPTIONAL)
IF YOU WISH TO DIRECT YOUR PROXY HOW TO VOTE ON ANY ITEM, PLACE A MARK IN THE APPROPRIATE BOX

A Shareholder who is entitled to cast 2 or more votes may appoint 2 persons (whether Shareholders or not) to attend the Meeting and vote. If you appoint a second proxy, state here the proportion or number of votes given to the proxy appointed on this form:

An additional proxy form will be supplied on request

(OPTIONAL)
APPOINTMENT OF A SECOND PROXY

Proxy Notes:

1. A member entitled to attend and cast 2 or more votes at the Extraordinary General Meeting is entitled to appoint 2 proxies. If a member does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes.
2. A proxy need not be a member of the Company.
3. Unless a member specifically directs the proxy how to vote, the proxy may vote as he or she thinks fit or abstain from voting.
4. In the case of 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 corporation, a proxy must be under the common seal of that corporation, pursuant to Section 127 of the Corporations Act 2001 or under the hand of its duly authorised officer/s or attorney.
5. To be valid, the form appointing the proxy and the power of attorney granted by members or other authority (if any) must be lodged at the registered office or share registry office of the Company as set out below.

Your completed proxy must be received by 5:00pm on Monday, 14 June 2004:

- (a) The registered office of the Company – 706 Murray Street, West Perth WA 6005
- (b) By facsimile at the office of the Company – facsimile number +61 8 9321 0556

**Deadline
for receipt
of Proxy
forms**

**APPOINTMENT OF CORPORATE REPRESENTATIVE
Pursuant to Section 250D of the Corporations Act 2001**

_____ (ACN/ARBN _____)

(Insert name of Shareholder/Body Corporate & ACN/ARBN)

Hereby Authorises

(Insert name of appointee)

- (*). 1. To act as the Company's representative at all Extraordinary General Meetings of:
REED RESOURCES LIMITED (ACN 099 116 631)
- (*). 2. To act as the Company's Representative at the Extraordinary General Meeting to be held at 11:00am on Wednesday, 16 June 2004 and any adjournment thereof.

Dated this _____ day of _____ 2004

Executed by the corporation in accordance with its Constitution/Section 127 of the Corporations Act 2001 in the presence of:

(*). Director

(*). Sole Director & Sole Secretary

Director/Secretary

Affix Common Seal here (optional)

(). Delete if not applicable*

This authority may be sent to the registered office or share registry office of the Company in advance of the meeting as set out in the Notice of Extraordinary General Meeting which this appointment accompanies or handed in at the Extraordinary General Meeting when registering as a company representative. In either case, the authority will be retained by the Company.

12/05 '04 15:48 FAX 61 8 9261 4156

AUST SEC & INV COM WA

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**ASIC**

Australian Securities & Investments Commission

66 St George's Terrace, Perth
GPO Box 9827 Perth WA 6001
DX 156 PerthTelephone: (08) 9261 4000
Facsimile: (08) 9261 4010Our Reference: FMR 2004/12440
Your Reference: SXC:BCT:605288904**By post and facsimile: 9488 3701**

12 May 2004

The Directors
Reed Resources Ltd
706 Murray Street
WEST PERTH WA 6005**Attention:** Ben Fong
Allens Arthur Robinson
L8, Wesfarmers House
40 The Esplanade
PERTH WA 6000

Dear Sirs

**REED RESOURCES LIMITED ACN 099 116 631 ("Company")
Section 218 Corporations Act 2001 ("Act")**

I refer to the proposed notice of meeting and explanatory statement lodged with ASIC under subsection 218(1) of the Act on 6 May 2004 ("Documents").

Under subsection 220(1) of the Act ASIC may give the Company written comments on the Documents. ASIC does not currently intend to comment on the Documents, and this letter is not ASIC's written comments under subsection 220(1).

While paragraph 43 of ASIC Policy Statement 76 notes that ASIC "will usually comment if, in its view, the documents do not comply with the requirements of sections 243U and 243V" (the predecessor sections to sections 218 and 219 of the Act), the fact that ASIC has declined to comment under subsection 220(1) at this time:

2

- (a) should not be taken as an indication that the Documents comply with sections 218 and 219; and
- (b) does not in any way affect the performance or exercise of any of ASIC's functions and powers (see subsection 220(5)).

I also advise that your application to shorten the period of 14 days by which the Documents are required by subsection 218(1) to be lodged prior to the notice of meeting being given, has been approved under subsection 218(2) of the Act. Pursuant to subsection 218(2) of the Act, ASIC has approved a period of 6 days for the purpose of subsection 218(1) of the Act.

While Paragraph 42 of Policy Statement 76 notes that ASIC will grant approval under the predecessor to subsection 218(2) where it has reviewed the relevant documents within 14 days, these are not the only circumstances in which ASIC will grant approval. The fact that ASIC has approved your application under subsection 218(2) of the Act should not be taken that the Documents comply with the requirements of the Act.

If you have any questions about this matter please telephone me on 9261 4178

Yours faithfully



Jane Gouvernet
Corporate Finance
Policy & Markets Regulation