

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: 3.00 pm

Date: Wednesday, 6 July 2005

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

2 June 2005



## NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS GIVEN that an Extraordinary General Meeting of the Company will be held on Wednesday, 6 July 2005, at 3.00 pm, 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

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#### 1. Resolution 1 – Ratification of prior share placement managed by Intersuisse Corporate Pty Ltd

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To consider and if thought fit to pass the following ordinary resolution in relation to the placement of ordinary shares to sophisticated and professional investors:

That for the purposes of ASX Listing Rule 7.4 and all other purposes, this meeting ratifies the issue and allotment by the Company of 8,000,000 fully paid ordinary shares in the Company at \$0.26 each to sophisticated and professional investors for the purposes of raising working capital, and arranged by Intersuisse Corporate Pty Ltd, as issued and allotted on 18 March 2005, 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.

## **2. Resolution 2 – Issue of shares by placement to sophisticated or professional investors**

To consider and if thought fit to pass the following as an ordinary resolution:

That for the purposes of ASX Listing Rule 7.1 and all other purposes, this meeting approves the issue and allotment by the Company (if thought required by the Board) within 3 months of the date of this EGM, of up to 10,000,000 fully paid ordinary shares in the Company to sophisticated or professional investors, for a price per share to be determined by the Directors at the time of issue, but which in any case, shall not be less than 80% of the average market price of fully paid ordinary shares of the Company as quoted on the ASX, and as calculated over the 5 days on which sales of such shares were recorded, before the day on which the issue is made.

### **VOTING EXCLUSION STATEMENT**

For the purposes of Listing Rule 7.3.8, and all other purposes, the Company will disregard any votes cast on the Resolution by any party to whom the issue and allotment is to be made 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. Resolution 3 – Issue of options to Christopher Reed**

To consider and if thought fit to pass the following ordinary resolution in relation to the issue of 1,000,000 options to Christopher John Reed:

That for the purposes of ASX Listing Rules 7.1 and 10.11, and section 208 of the Corporations Act, and all other purposes, the Company approves and authorises the Directors to grant 1,000,000 options to acquire fully paid ordinary shares of the Company, to Christopher John Reed (or his nominee), a director of the Company, to be exercised at any time on or before 1 July 2010 at an exercise price of \$0.50 each, and to be issued on the terms and conditions as particularised in the Explanatory Statement accompanying this notice of meeting.

### **VOTING EXCLUSION STATEMENT**

For the purposes of Listing Rules 7.3.8, 10.13.6 and Section 224 of the *Corporations Act 2001*, and all other purposes, the Company will disregard any votes cast on the Resolution by Christopher John Reed and any of his associates. However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy appointed in writing 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 (other than Christopher John Reed or any of his associates) 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. Determining shareholder voting entitlements

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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, 4 July 2005 be taken to be held by the persons registered as holding the shares at that time (the **Effective Time**).

#### 5. Proxies

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- (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, 4 July 2005:

- (i) The registered office of the Company – 97 Outram 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 – 97 Outram 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**  
**18 May 2005**

# EXPLANATORY STATEMENT

## – EXTRAORDINARY GENERAL MEETING –

### 1. General

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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 – Previous Share placement

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#### Background

On or about 11 March, the Company accepted and confirmed the appointment of Intersuisse Corporate Pty Ltd to manage a placement via Intersuisse Limited, of new fully paid ordinary shares in the Company to institutional, sophisticated and professional investors pursuant to s708 of the Corporations Act 2001, on a best endeavours basis.

Under the terms of the engagement, Intersuisse Corporate Pty Ltd was entitled for its services rendered, a capital raising fee of 5% of the total value of all funds raised pursuant to the placement, out of which, it may pay fees to participating brokers.

The capital raising was sought by the Company for the purposes of raising working capital.

The Company intends to rely on the relief provided in section 708A of the Corporations Act, permitting the Company and Intersuisse to offer the shares without a prospectus (provided the requirements under those provisions are complied).

A notice pursuant to section 708A(5)(e) of the Corporations Act was issued to the ASX on 18 March 2005, in compliance with part of the requirements for the relief provided under section 708A.

#### 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 issue of 8,000,000 ordinary shares under the placement was within the 15% prescribed limit when issued, the issue of 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 1, the Company seeks the ratification by the Shareholders of the issue and allotment of the 8,000,000 ordinary shares issued and allotted to the subscribers under the placement, 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 |
|---------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|--------------------------------------|
| 18 March 2005 | Various sophisticated and professional investors introduced to the Company by Intersuisse Corporate Pty Ltd (pursuant to secondary offer managed by Intersuisse Corporate Pty Ltd) | \$0.26      | 8,000,000                            |

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 has been and will be used to meet the working capital requirements of the Company for 6 month period commencing 1 April 2005.

### 3. Item 2 – Resolution 2 – Approve placement to sophisticated and professional investors

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#### Background

Resolution 2 seeks Shareholder approval, by way of ordinary resolution, for the issue and allotment of shares of the Company (if thought required by the Board) to sophisticated and professional investors who may accept a future offer for shares in the Company by way of placement within the period of 3 months after the date of this EGM (the **Proposed Issue**).

The directors propose to issue up to 10,000,000 ordinary shares of the Company to sophisticated and professional investors at a price per share to be determined by the Directors at the time of issue, but which in any case, shall not be less than 80% of average market price of fully paid ordinary shares of the Company as quoted on the ASX, and as calculated over the 5 days on which sales of such shares were recorded, before the day on which the relevant issue is made.

The Directors emphasise that the issue of any shares under the Proposed Issue is at the absolute discretion of the Board, and that the Board is under no obligation to cause the Company to issue all or any shares under the Proposed Issue.

The calculation of the minimum price for such issue is required by, and in accordance with, the terms of ASX Listing Rule 7.3.3.

## Approvals Required

### ASX Listing Rule 7

ASX Listing Rule 7.1 provides that without the approval of the Shareholders, the Company must not issue or agree to issue more equity securities if such issue, when 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 exceptions that are not relevant to the Company's present circumstances).

Under the proposed issue (in respect of which ratification is sought under Resolution 2), the Company intends to provide itself with the flexibility to issue in aggregate, up to 10,000,000 ordinary shares within 3 months after the date of this EGM. This represents an aggregated issue of shares of approximately 14.28% of the issued shares of the Company as compared to the number of shares currently on issue (being 70,000,000).

Accordingly, the Company seeks Shareholder approval, by way of ordinary resolution, for the issue of shares under the Proposed Issue so as to facilitate greater flexibility for its capital raising during the following 3 month period and to satisfy the requirements of ASX Listing Rule 7.1

### Information

In compliance with the Corporations Act, and ASX Listing Rule 7.3, the following information is provided.

#### (a) Summary of security proposed to be issued

| Proposed date of issue of shares | Allottee                                                                                   | Subscription Price (per share)                                            | Maximum number of shares to be issued |
|----------------------------------|--------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|---------------------------------------|
| no later than 6 October 2005     | Sophisticated and professional investors (and others) who have accepted the Proposed Issue | to be determined, subject to minimum price in accordance with ASXLR 7.3.3 | 10,000,000                            |

#### (b) Terms of the shares

The shares of the Proposed Issue are to be fully paid ordinary shares which will rank *pari passu* with the ordinary shares of the Company currently on issue, and carry the same rights and entitlements as the ordinary shares of the Company currently on issue.

#### (c) Use of funds raised

The proceeds of the Proposed Issue will be applied toward and in augmentation of the budgeted working capital requirements of the Company during fiscal year 2005/2006.

#### (d) Allotment of shares

The allotment of the shares issued under the Proposed Issue will occur progressively.

#### **4. Item 3 – Resolution 3 – Issue of options to Director**

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##### **Resolution 3 – Issue of Options to Christopher John Reed**

###### **Background**

The effect and purpose of Resolution 3 is to authorise the grant of options to Christopher John Reed, a Director, with 1,000,000 options to acquire fully paid ordinary shares of the Company, on or prior to 1 July 2010 at an exercise price of \$0.50.

On 15 April 2005 the Board resolved to issue options to Christopher Reed as part of a new three year employment contract, subject to receiving Shareholder approval.

###### **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 Christopher John Reed is a director of the Company, the grant of the options 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 10.11 requires that a listed company obtain the shareholder approval by ordinary resolution prior to the issue of securities (including an option) to a related party. 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 March 2005 (see further regarding Resolution 2). ASX Listing Rule 7.3 sets out the relevant information requirements that are to be provided to Shareholders in this Explanatory Statement.

If Resolution 3 is passed, then the options may be issued to Christopher John Reed.

Accordingly, approval for the issue of the options to Christopher John Reed is required pursuant to Listing Rules 7.1, 10.11 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 Christopher John Reed. 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:*

- Christopher John Reed

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

The financial benefits provided to Christopher John Reed as a Director under Resolution 3 are options issued by the Company which will entitle Christopher John Reed to acquire fully paid ordinary shares in the Company exercisable on or before 1 July 2010 for an exercise price of 50 cents per ordinary share, irrespective of the then current market value or share price of the Company's ordinary shares. Christopher John Reed need not exercise the option to so acquire further ordinary shares at his absolute discretion.

Christopher John Reed will not be required to make any payment for the issuing and allotment of the new options pursuant to the proposed Resolution. 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 \$0.50;
- (ii) the Options will expire, should they not previously be exercised, no later than 1 July 2010;
- (iii) the share price at the valuation date (15 April 2005) is \$0.27, based on the last sale of shares on ASX as at 15 April 2005;
- (iv) price volatility of the shares of the Company is approximately 74%; 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 5.344%.

On this basis, an exercise price of \$0.50 each results in an implied value of \$0.08 per option. The aggregate implied value of Christopher John Reed's options is therefore \$80,000.

By way of information the highest and lowest market price of listed ordinary shares of the Company during the 12 months immediately preceding 15 April 2005 is set out below:

|                      | 12 month high | 12 month low | market sale price as at<br>15 April 2005 |
|----------------------|---------------|--------------|------------------------------------------|
| Ordinary Share Price | \$0.33        | \$0.22       | \$0.27                                   |

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

The Directors' recommendation to members and their reasons for that recommendation with respect to Resolution 3 are as follows:

(i) Recommendation

Recommend vote in favour.

Christopher John Reed 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 Resolution 3 is in the best interests of the Company as recognition of Christopher John Reed's continued contribution to the Company's progress to date and to further incentivise his ongoing performance and commitment to the Company. Shareholders should be aware, however, that the passing of this Resolution will result in:

- (A) Christopher John Reed becoming entitled to 1,000,000 new options in the Company; 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 2005 was approximately 70,000,000. 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 Resolution 1 in this EGM, assuming that such Resolution is passed) the aggregate number of shares in the Company would be approximately 71,000,000. The Options on exercise, represent only 1,000,000 shares (1.4%) of that capital base. Assuming that the maximum of 10,000,000 shares proposed to be issued, the subject of Resolution 2 are in fact issued, then the 1,000,000

options proposed to be issued under this Resolution 3, will represent 1.23% of the 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 Resolution 3:*

If Resolution 3 for the issue of options to Christopher John Reed is passed, he 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.

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

The only other remuneration given to **Christopher John Reed** by the Company, is by way of salary, as an executive director of the Company, of \$130,000, and a prior issue of 1,000,000 options (exercisable at \$0.35 per option on or before 31 December 2008, which issue was approved by the shareholders at the extraordinary general meeting of the Company held on 16 June 2004).

*(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 Resolution 3.

## **ASX Listing Rules**

Listing Rules 7.3 and 10.13 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 10.11.

For the purposes of Listing Rule 7.3 and 10.13, the following further information is provided in relation to Resolution 3:

- (a) **(maximum number of securities to be issued)** the maximum number of securities that may be acquired by Christopher John Reed for whom approval is required is, 1,000,000.
- (b) **(issue and allotment date)** it is proposed that the options will be issued and allotted by no later than 20 July 2005. The options are exercisable at the absolute discretion of Christopher John Reed, and shall expire, if not previously exercised, no later than 1 July 2010.
- (c) **(terms of the securities)** the options are issued subject to the terms of the employment agreement between the Company and Christopher Reed. As disclosed above, Christopher Reed is entitled to exercise the options at his own discretion for an exercise price of \$0.50 at anytime on or prior to 1 July 2010.

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 Resolution 3 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 \$0.50 each, was determined by the Board (other than Christopher Reed) after considering Christopher Reed's experience, qualifications and the current market price.
- (f) **(consideration for the issue of the options)** Christopher John Reed will not be required to make any payment for the issuing and allotment of the new options pursuant to the proposed Resolution 3, although he will be required to pay the \$0.50 exercise price per option if exercised in due course. A dollar value of the financial benefit to Christopher John Reed of the options, as valued under the Black-Scholes option pricing model is set out above.

#### 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 Christopher John Reed 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 |                        |             |
| Christopher John Reed | 1,988,630 | nil            | 1,000,000              | 1,000,000   |

If the options proposed to be granted in Resolution 3 are granted, and if all options held by Christopher Reed (including previously issued options) are exercised, the Christopher John Reed's change in percentage ownership of the issued securities of the Company (assuming that Resolutions 1 and 2 sought in this EGM are approved, and the relevant shares issued and allotted) is outlined in the table below.

|                  | % ordinary shares held pre-Resolution 3 | % ordinary shares held post-Resolution 3 assuming all options held (including previously issued options) fully exercised |
|------------------|-----------------------------------------|--------------------------------------------------------------------------------------------------------------------------|
| Christopher Reed | 2.48                                    | 4.86                                                                                                                     |

The pro forma capital structure of the Company is summarised in the table below. The table assumes the issue of the 1,000,000 options is passed under Resolution 3 (but unexercised), and the approval for the issue of up to 10,000,000 shares under Resolution 2 is passed, and the issue and allotment of the placement shares under Resolution 1 is ratified.

| No of Shares                      | Contributed Equity                                                                            |        |
|-----------------------------------|-----------------------------------------------------------------------------------------------|--------|
| 62,000,000                        | Listed Ordinary Fully Paid Shares<br>(prior to issue of shares ratified by<br>Resolution 1)   |        |
| 8,000,000                         | Listed Ordinary Fully Paid Shares (issue<br>ratified pursuant to Resolution 1)                |        |
| <hr/> 70,000,000 <hr/>            | Total actual contributed equity                                                               |        |
| 10,000,000                        | Listed Ordinary Fully Paid Shares<br>(prospective issue approved pursuant to<br>Resolution 2) |        |
| <hr/> 80,000,000 <hr/>            | Total prospective contributed equity                                                          |        |
| <br><b>No of Existing Options</b> |                                                                                               |        |
| 2,650,000                         | Exercisable on or<br>before 31 December 2008                                                  | \$0.35 |
| <br><b>No of New Options</b>      |                                                                                               |        |
| 1,000,000                         | Exercisable on or<br>before 1 July 2010<br>(if approved under Resolution 3)                   | \$0.50 |

## 5. Voting and required majority

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- (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.
- (c)

## 6. Definitions

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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.

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

**Notice** means the notice incorporating this Explanatory Statement.

**Resolutions** means the resolutions proposed in the Notice.

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

## 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, 6 July 2005 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)

x .....

- (\*) Individual Shareholder
- (\*) Director
- (\*) Sole Director and Sole Secretary

x .....

- (\*) Director/Secretary

IF A CORPORATION AFFIX COMMON SEAL  
(OPTIONAL)

Dates this      day of      2005

(\*) 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

|   |                                                                                                                                 |                          |                          |                          |
|---|---------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|--------------------------|
| 1 | Ratify the issue of 8,000,000 ordinary shares to sophisticated and professional investors on 18 March 2005.                     | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2 | Approve the proposed issue of up to 10,000,000 ordinary shares to sophisticated and professional investors by way of placement. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3 | Issue of 1,000,000 options to Christopher John Reed                                                                             | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

(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, 4 July 2005:

- (a) The registered office of the Company – 97 Outram 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, 6 July 2005 and any adjournment thereof.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2005

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.