

Reed Resources Ltd Performance Rights Plan Rules

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1 Definitions and interpretation

1.1 Definitions

The meanings of the terms used in this agreement are set out below.

Term	Meaning
ASX	ASX Limited or the Australian Securities Exchange, as the context requires.
Board	the board of directors of the Company or a duly authorised committee of the Board.
Company	Reed Resources Ltd ACN 099 116 631.
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
Eligible Executive	a person who is declared by the Board to be eligible to receive grants of Performance Rights under the Plan.
Group Company	the Company, its Subsidiaries and any other entity declared by the Board to be a member of the group for the purposes of the Plan.
Listing Rules	the official Listing Rules of the ASX as they apply to the Company from time to time.
Participant	a person who holds a Performance Right or Performance Share from time to time.
Performance Condition	one or more conditions which must be satisfied or circumstances which must exist before a Performance Right vests, as determined by the Board.
Performance Right	an entitlement to a Performance Share subject to satisfaction of Performance Conditions and the corresponding obligation of the Company to provide the Performance Share, pursuant to a binding contract made by the Company and an Eligible Executive in the manner set out in these rules.

Term	Meaning
Performance Share	a fully paid ordinary share in the capital of the Company.
Plan	the Reed Resources Ltd Performance Rights Plan as set out in these rules, subject to any amendments or additions made under rule 9.
Subsidiary	has the meaning given in section 9 of the <i>Corporations Act 2001</i> (Cth).
Takeover Bid	has the meaning given in section 9 of the <i>Corporations Act 2001</i> (Cth).
Trade	any dealing with a Performance Right or a Performance Share (as the case may be), including but not limited to, a sale, transfer, assignment, trust, encumbrance, option, swap, any alienation of all or any part of the rights attaching to the Performance Right or Performance Share, and includes any attempt to so deal.

1.2 Interpretation

In the Plan, the following rules apply unless a contrary intention appears:

- (a) headings are for convenience only and do not affect the interpretation of the Plan unless the context requires otherwise;
- (b) any reference in the Plan to any enactment or the Listing Rules includes a reference to that enactment or those Listing Rules as from time to time amended, consolidated, re-enacted or replaced;
- (c) any words denoting the singular include the plural and words denoting the plural include the singular;
- (d) any words denoting one gender include the other gender;
- (e) where any word or phrase is given a definite meaning in this Plan, any part of speech or other grammatical form of that word or phrase has a corresponding meaning; and
- (f) any reference to the Board includes the Board, any committee of the Board, or any person or body to which the Board has delegated its powers under this Plan.

1.3 Prior Agreements

For the avoidance of doubt, the rules of this Plan are varied or amended by the terms of any prior agreement made by the Board with an executive who participates in this Plan.

2 Grant of Performance Rights

2.1 Grant

- (a) The Board may, from time to time, in its absolute discretion grant Performance Rights to an Eligible Executive upon the terms set out in the Plan and upon such additional terms and Performance Conditions as the Board determines (which may include granting Performance Rights in tranches).
- (b) The Board may only grant Performance Rights where an Eligible Executive continues to satisfy any relevant conditions imposed by the Board (which may include, without limitation, that the Eligible Executive continues to be an employee of a Group Company at the relevant time).
- (c) Unless the Board determines otherwise, no payment is required for the grant of a Performance Right.

2.2 Information to be provided to Eligible Executives

The Board will advise each Eligible Executive of the following minimum information regarding Performance Shares:

- (a) the number of Performance Rights being offered (each entitling its holder to one Performance Share upon vesting of that Performance Right);
- (b) the period or periods during which Performance Rights may vest;
- (c) the dates and times when Performance Rights lapse;
- (d) any amount that will be payable upon vesting of a Performance Right;
- (e) any applicable Performance Conditions; and
- (f) any other relevant conditions to be attached to the Performance Rights or the Performance Shares (including for example, any restrictions on transfer of the Performance Shares).

3 Transfer of Performance Rights

- (a) A Performance Right granted under the Plan is only transferable:
 - (1) with the consent of the Board; or
 - (2) by force of law upon death to the Participant's legal personal representative or upon bankruptcy to the Participant's trustee in bankruptcy.
- (b) Where the Participant purports to transfer a Performance Right other than in accordance with rule 3(a) the Performance Right immediately lapses.

4 Vesting of Performance Rights

4.1 Vesting pre-conditions

- (a) Subject to rules 4.4, 7 and 12.3, a Performance Right granted under the Plan will not vest unless the Performance Conditions advised to the Participant by the Board pursuant to rule 2.2 have been satisfied.

- (b) The vesting of a Performance Right will constitute satisfaction of the condition precedent to performance of the Company's obligation to provide a Performance Share to the Participant under that Performance Right pursuant to rule 5.1.
- (c) The vesting of any Performance Right granted under the Plan will be effected in the form and manner determined by the Board, and, if an amount is payable on vesting of the Performance Right, will be accompanied by payment of the relevant amount advised to the Participant by the Board pursuant to rule 2.2.

4.2 Rights attaching to Performance Rights

- (a) A Performance Right confers no right to vote, attend meetings, participate in a distribution of profit or a return of capital or any other participating rights or entitlements on the Participant unless and until the Performance Right vests.
- (b) The Company will not apply for official quotation of the Performance Rights on the ASX.

4.3 Lapse of a Performance Right

An unvested Performance Right will lapse upon the earliest to occur of:

- (a) the date specified by the Board for the purposes of rule 2.2(c);
- (b) the Performance Right lapsing in accordance with a provision of this rule 4;
- (c) the Performance Right lapsing in accordance with rule 3(b);
- (d) the Performance Right lapsing in accordance with rule 7.1(c);
- (e) failure to meet the Performance Right's Performance Condition in the prescribed period; or
- (f) the day before the 7 year anniversary of the date of grant of the Performance Right.

4.4 Cessation of Employment of a Participant

Unless subject to a specific agreement with the Board, where a Participant ceases to be an employee of a Group Company before a Performance Right has vested by reason of his death, disability, bona fide redundancy or other reason with the approval of the Board and at that time the Participant continues to satisfy any other relevant conditions imposed by the Board at the time of grant, the Board may determine the extent to which Performance Rights granted to the Participant vest. If no determination is made by the Board all Performance Rights held by the Participant will lapse.

4.5 Ceasing to satisfy relevant conditions

If the Participant ceases to be an employee of a Group Company for any reason other than one set out in rule 4.4 or ceases to satisfy any other relevant conditions imposed by the Board at the time of grant, all Performance Rights held by the Participant will lapse.

4.6 When employment ceases

For the purposes of this Plan, a Participant will not be treated as ceasing to be an employee of a Group Company until such time as the Participant is no longer an employee of any Group Company. Subject to applicable laws, at the discretion of the Board, a Participant who is granted an approved leave of absence and who exercises their right to return to work under any applicable award, enterprise agreement, other

agreement, statute or regulation before the exercise of a Performance Right under the Plan will be treated for those purposes as not having ceased to be such an employee.

4.7 Fraudulent or dishonest actions

- (a) Unless varied by prior agreement with the Board, where, in the opinion of the Board, a Participant:
- (1) acts fraudulently or dishonestly; or
 - (2) is in breach of his or her obligations to any Group Company,
- then the Board may:
- (3) deem any unvested Performance Rights of the Participant to have lapsed; and/or
 - (4) deem all or any Performance Shares held by the Participant to be forfeited – in which event the Participant is deemed to have agreed to sell his shares to the Company pursuant to an Employee Share Scheme Buy-Back (as defined in the Corporations Act) for no consideration or be deemed to have appointed any officer of the Company as his or her agent to sell the Performance Shares on market; and/or
 - (5) where any Performance Shares have been sold by the Participant, require the Participant to pay all or part of the net proceeds of that sale to the Company.
- (b) Unless varied by prior agreement with the Board, where, in the opinion of the Board, a Participant's Performance Rights vest as a result of the fraud, dishonesty or breach of obligations of another person and, in the opinion of the Board, the Performance Rights would not otherwise have vested, the Board may determine that the Performance Rights have not vested and may, subject to applicable laws, determine:
- (1) where Performance Shares have not been issued upon the vesting of a Performance Right, that the Performance Rights have not vested and reset the Performance Conditions applicable to the Performance Rights;
 - (2) where Performance Shares have vested, that the Performance Shares are forfeited by the Participant (as described in rule 4.7(a)(4)) and may, at the discretion of the Board, reissue any number of Performance Rights to the Participant subject to new Performance Conditions in place of the forfeited Performance Shares; or
 - (3) any other treatment in relation to Performance Rights or Performance Shares to ensure no unfair benefit is obtained by a Participant as a result of such actions of another person.

4.8 Refund of monies paid on lapse of a Performance Right

Unless rule 4.7 applies, where a Performance Right lapses, the Company will repay the Participant the price paid for the grant (if any) of the Performance Right.

5 Issue of Performance Shares

5.1 Vesting of Performance Right

The Company must issue to or procure the transfer to the Participant or his or her personal representative (as the case may be) of the number of Performance Shares in respect of which Performance Rights have vested.

5.2 Performance Share ranking

Any shares issued under the Plan upon vesting of a Performance Right will rank equally in all respects with other ordinary shares for the time being on issue except as regards any rights attaching to such shares by reference to a record date prior to the date of their allotment.

5.3 Listing of Shares on ASX

The Company will apply for quotation of shares issued under the Plan within the period required by ASX.

5.4 Trading restrictions

- (a) A Participant is not entitled to Trade in the Performance Shares without the prior consent of the Board until the earlier to occur of:
 - (1) the period specified in the invitation to participate (if any) not being more than 7 years after the date of grant of the Performance Right; or
 - (2) the Participant ceasing employment with a Group Company.
- (b) The Board must provide the Participant with details of any additional or different restrictions in accordance with rule 2.2(f).
- (c) The Company may implement any procedure it considers appropriate to restrict a Participant from Trading in Performance Shares in accordance with rule 5.4(a).

6 Forfeiture

6.1 Forfeiture condition

- (a) When granting Performance Rights under rule 2, the Board may at its absolute discretion determine that the Performance Rights granted and Performance Shares to be delivered in respect of the Performance Rights are subject to the provisions of this rule 6 for a period of up to 7 years from the date the Performance Rights are granted or the Performance Shares delivered in respect of the Performance Rights.
- (b) The Board may determine at any time, or upon request of a Participant under rule 6.2, at its absolute discretion, that any such Performance Rights or Performance Shares are no longer subject to the provisions of this rule 6 and will notify the Participant of such a determination in writing.

6.2 Participant may request removal of forfeiture conditions

Upon the application of a Participant in writing who wishes to transfer Performance Rights or Performance Shares in respect of which the Board has determined that the provisions of this rule 6 apply, the Board may, in its absolute discretion, make a determination that the provisions of this rule 6 no longer apply to the Performance Rights or Performance Shares proposed to be transferred.

6.3 Board determination

While Performance Rights or Performance Shares held by a Participant are subject to this rule 6, if the Board determines that the Participant has committed any act of fraud or defalcation or gross misconduct in relation to the affairs of the Company or a Group Company, the Participant shall, subject to this rule 6, forfeit any right or interest in the Performance Rights or Performance Shares or other entitlements of the Participant under the Plan.

6.4 Dealing in forfeited Performance Rights or Performance Shares

The Board, in its absolute discretion, may determine that forfeited Performance Shares are to be sold, transferred or otherwise disposed of and how any proceeds from them are to be applied. Performance Rights which are forfeited will cease to exist upon the Board making a determination under rule 6.3.

6.5 Dealing in rights of forfeited Performance Shares

Pending a determination under rule 6.4 in respect of Performance Shares, the Board shall have the absolute discretion as to how any rights or entitlements of such Performance Shares are to be dealt with.

6.6 Participant to have no rights to proceeds

Except as the Board may, in its absolute discretion, otherwise determine a Participant will have no rights to the proceeds from any forfeited Performance Shares dealt with under rule 6 and releases and must hold harmless the Company, each Group Company and the Board from and indemnify the Company, each Group Company, and the Board against any claim in respect of any forfeited Performance Share and from any claim that might otherwise arise from the forfeiture of a Performance Right or other entitlement of a Participant under the Plan.

6.7 No transfer

Other than as provided by these rules, the Company must not register or permit the Share Registry to register or transfer a Performance Right or a Performance Share to which this rule applies until the Board determines that this rule 6 no longer applies to that Performance Right or Performance Share and for that purpose the Company may do such things and enter into such arrangements with the Share Registry or otherwise as it considers necessary to enforce such restrictions on the transfer of such Performance Rights or Performance Shares and Participants will upon request by the Company do all things necessary to give effect to and will be bound by such arrangements.

7 Takeover, Scheme of Arrangement and Winding-up

7.1 Takeovers

- (a) In the event of a Takeover Bid, any Performance Rights granted (or that the Company is contractually obligated to grant to an Eligible Executive) will vest, where, in the Board's absolute discretion, pro rata performance is in line with the Performance Condition applicable to those Performance Rights over the period from the date of grant to the date of the Takeover Bid.
- (b) The Board must promptly give written notice to each Participant of the number of Performance Rights that vest pursuant to rule 7.1(b).
- (c) Any Performance Right referred to in rule 7.1(a) which the Board determines does not vest will automatically lapse, unless the Board determines otherwise.

7.2 Compromise or arrangement

The Board may, in its absolute discretion, determine that all or a specified number of a Participant's Performance Rights (as referred to in rule 7.1) vest where the Board is satisfied that the Performance Condition applicable to those Performance Rights has been satisfied on a pro rata basis over the period from the date of grant to the relevant date where:

- (a) a Court orders a meeting to be held in relation to 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 or companies;
- (b) any person becomes bound or entitled to acquire shares in the Company under:
 - (1) section 414 of the Corporations Act (upon a scheme of arrangement being approved); or
 - (2) Chapter 6A of the Corporations Act (compulsory acquisition following a takeover bid);
- (c) the Company passes a resolution for voluntary winding up; or
- (d) an order is made for the compulsory winding up of the Company.

If no determination is made or if the Board determines that some or all of a Participant's Performance Rights do not vest, those Performance Rights will automatically lapse.

7.3 Acquisition of shares in Acquiring Company

If a company (**Acquiring Company**) obtains control of the Company as a result of:

- (a) a Takeover Bid; or
- (b) a proposed scheme of arrangement between the Company and its shareholders,

and the Company, the Acquiring Company and the Participant agree, a Participant may, upon vesting of Performance Rights, be provided with shares of the Acquiring Company or its parent in lieu of Performance Shares, on substantially the same terms and subject to substantially the same conditions as the Performance Shares, but with appropriate adjustments to the number and kind of shares subject to the Performance Rights.

8 Bonus Issues, Rights Issues and Reconstruction

8.1 Board's discretion

If:

- (a) shares are issued pro rata to the Company's shareholders generally by way of bonus issue (other than an issue in lieu of dividends or by way of dividend reinvestment) involving capitalisation of reserves or distributable profits; or
- (b) any reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company is effected,

the number of Performance Rights to which each Participant is entitled, or any amount payable on vesting of the Performance Rights, or both as appropriate, will be adjusted in the manner determined by the Board to ensure that no advantage or disadvantage accrues to the Participant as a result of such corporate actions.

8.2 Limited right to participate

Subject to rule 8.1, during the currency of the Performance Rights and prior to their vesting, Participants are not entitled to participate in any new issue of securities of the Company as a result of their holding Performance Rights.

9 Amendments

9.1 Power to amend Plan

Subject to rule 9.2 and the Listing Rules, the Board may at any time by resolution amend or add to (**amend**) all or any of the provisions of the Plan, or the terms or conditions of any Performance Right granted under the Plan.

9.2 Restrictions on amendments

Without the consent of the Participant, no amendment may be made to the terms of any granted Performance Right which reduces the rights of the Participant in respect of that Performance Right, other than an amendment introduced primarily:

- (a) for the purpose of complying with or conforming to present or future State or Commonwealth legislation governing or regulating the maintenance or operation of the Plan or like plans;
- (b) to correct any manifest error or mistake; or
- (c) to take into consideration possible adverse tax implications in respect of the Plan arising from, amongst others, adverse rulings from the Commissioner of Taxation, changes to tax legislation (including an official announcement by the Commonwealth of Australia) and/or changes in the interpretation of tax legislation by a court of competent jurisdiction.

9.3 Notice of amendment

As soon as reasonably practicable after making any amendment under rule 9.1, the Board will give notice in writing of that amendment to any Participant affected by the amendment.

9.4 Retrospectivity

Subject to the provisions of this rule 9, any amendment made pursuant to rule 9 may be given such retrospective effect as is specified in the written instrument or resolution by which the amendment is made.

10 Trust

- (a) The Board may at any time:
 - (1) establish a trust for the sole purpose of acquiring and holding Performance Shares in respect of which a Participant may or has exercised vested Performance Rights, including for the purpose of enforcing the trading provisions under rule 5.4 and the forfeiture provisions under rule 6; and
 - (2) appoint a trustee to act as trustee of the trust.
- (b) The trustee will hold the Performance Shares as trustee for and on behalf of a Participant as beneficial owner upon the terms of the trust.
- (c) Without limiting rule 9, the Board may at any time by written instrument or by resolution of the Board, amend all or any of the provisions of these rules to effect the establishment of a trust and the appointment of a trustee as detailed in this rule.

11 Attorney

- (a) Each Participant, in consideration of a grant of Performance Rights, will be deemed to irrevocably appoint the Company and any person nominated from time to time by the Board (each "**an Attorney**"), severally, as the Participant's attorney to complete and execute any documents including without limitation:
 - (1) applications for Performance Shares and Performance Share transfers;
 - (2) an agreement as referred to in rule 7.3; or
 - (3) any other document or agreement to give effect to rule 7; and
 - (4) to do all acts or things on behalf of and in the name of the Participant which may be convenient or necessary for the purpose of giving effect to the provisions of these rules.
- (b) The Participant will be deemed to covenant that the Participant will ratify and confirm any act or thing done pursuant to the power granted in rule 11(a) and will release the Company, the Board, each Group Company and each attorney from any liability arising from the exercise of the powers conferred by rule 11(a) and will indemnify and hold harmless the Company, the Board, each Group Company and the attorney from any liability arising from the exercise of the powers conferred by rule 11(a) .

12 Miscellaneous

12.1 Rights and obligations of Participant

- (a) Unless the subject of an express provision in an employment contract, the rights and obligations of any Eligible Executive under the terms of their office, employment or contract with a Group Company are not affected by their participating in the Plan.
- (b) These rules will not form part of and are not incorporated into any contract of any Eligible Executive (whether or not they are an employee of a Group Company).
- (c) No Participant will have any rights to compensation or damages in consequence of the termination of their office, employment or other contract with a Group Company for any reason whatsoever in so far as those rights arise or may arise from their ceasing to have rights under the Plan as a result of such termination.

12.2 Power of the Board

- (a) The Plan is administered by the Board which has power to:
 - (1) determine appropriate procedures for administration of the Plan consistent with these rules; and
 - (2) delegate to any one or more persons for such period and on such conditions as it may determine the exercise of any of its powers or discretions arising under the Plan.
- (b) Except as otherwise expressly provided in the Plan, the Board has absolute and unfettered discretion to act or refrain from acting under or in connection with the Plan or any Performance Rights under the Plan and in the exercise of any power or discretion under the Plan.

12.3 Waiver of terms and conditions

Notwithstanding any other provisions of the Plan, the Board may at any time waive in whole or in part any terms or conditions (including any Performance Condition) in relation to any Performance Rights granted to any Participant.

12.4 Dispute or disagreement

In the event of any dispute or disagreement as to the interpretation of the Plan, or as to any question or right arising from or related to the Plan or to any Performance Rights granted under it, the decision of the Board is final and binding.

12.5 Termination

The operation of the Plan may be suspended or terminated at any time at the absolute discretion of the Board.

12.6 Non-Australian residents

When a Performance Right is granted under the Plan to a person who is not a resident of Australia the provisions of the Plan apply subject to such alterations or additions as the Board determines having regard to any applicable or relevant laws, matters of convenience and desirability and similar factors which may have application to the Participant or to any Group Company in relation to the Performance Right.

12.7 Communication

- (a) Any notice or other communication under or in connection with the Plan may be given by personal delivery or by sending the same by post or facsimile, in the case of a company to its registered office, and in the case of an individual to the individual's last notified address, or, where a Participant is a director or employee of a Group Company, either to the Participant's last known address or to the address of the place of business at which the Participant performs the whole or substantially the whole of the duties of the Participant's office or employment.
- (b) Where a notice or other communication is given by post, it is deemed to have been received 48 hours after it was put into the post properly addressed and stamped. Where a notice or other communication is given by facsimile, it is deemed to have been received on completion of transmission.

12.8 Compliance with applicable law

Notwithstanding anything in this Plan, the terms of Performance Rights granted under the Plan and all things done under the Plan must comply with all applicable requirements of the Corporations Act and the ASX Listing Rules and any other applicable laws.

12.9 Laws governing Plan

The Plan and any Performance Rights issued under it are governed by the laws of Western Australia and the Commonwealth of Australia.