

Red 5 Limited ACN 068 647 610

Notice of General Meeting and Explanatory Memorandum

Date of Meeting: 21 October 2013

Time of Meeting: 2.00 p.m. (WST)

Place of Meeting: Celtic Club, 48 Ord Street, West Perth, Western Australia

Notice of General Meeting

Notice is given that a General Meeting of Shareholders of Red 5 Limited ACN 068 647 610 (**Company** or **Red 5**) will be held at the Celtic Club, 48 Ord Street, West Perth, Western Australia, on 21 October 2013 at 2.00 p.m. (WST).

Special Business

The business to be transacted at the General Meeting is Resolutions 1 to 4 (inclusive) as set out below.

1. Resolution 1: Ratification of issue of Tranche 1 Shares

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

"That, in accordance with Listing Rule 7.4 and for all other purposes, ratification is hereby given for the prior issue and allotment on 13 September 2013 of 20,300,000 Shares at an issue price of 10 cents each per Share to the Recipients as detailed in the accompanying Explanatory Memorandum."

Voting exclusion statement

The Company will disregard any votes cast on this Resolution by any of the Recipients (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) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

2. Resolution 2: Approval for issue of Tranche 2 Shares

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

"That, in accordance with Listing Rule 7.1 and for all other purposes, approval be and is hereby given for the issue and allotment of 479,700,000 Shares at an issue price of 10 cents each per Share to the Recipients as detailed in the accompanying Explanatory Memorandum."

Voting exclusion statement

The Company will disregard any votes cast on this Resolution by any of the Recipients (and any of their associates) and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if this Resolution is passed 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) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

3. Resolution 3: Approval for issue of SPP Shares

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

*"That, subject to Resolution 2 being passed, in accordance with Listing Rule 7.1 and for all other purposes, approval be and is hereby given for the issue and allotment of up to 150,000,000 Shares at an issue price of 10 cents each per share to Eligible Shareholders and/ or any recipients of any Shortfall (**SPP Offer**) as detailed in the accompanying Explanatory Memorandum."*

Voting exclusion statement

The Company will, in accordance with ASX requirements, disregard any votes cast on this Resolution by any persons who have subscribed for Shares under the SPP shortfall or who have lodged applications for Shares under the SPP shortfall.

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However, the Company need not disregard a vote if:

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

4. **Resolution 4: Approval for Director participation in the SPP Offer**

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

"That, subject to Resolutions 2 and 3 being passed, in accordance with Listing Rule 10.11 and for all other purposes, approval be and is hereby given to allow the Company to issue and allot up to 150,000 Shares to Mr Colin Jackson (or his nominee) and up to 150,000 Shares to Mr Mark Milazzo (or his nominee) at an issue price of 10 cents each per Share on the same terms and conditions as those offered under the SPP as detailed in the accompanying Explanatory Memorandum."

Voting exclusion statement

The Company will disregard any votes cast on this Resolution by Mr Jackson or his nominee and Mr Milazzo or his nominee (and any of their associates) and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if this Resolution is passed 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) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

General business

To consider any other business as may be lawfully put forward in accordance with the Constitution of the Company.

Shareholders are referred to the Explanatory Memorandum accompanying and forming part of this Notice of Meeting.

By order of the Board

Frank Campagna

Company Secretary

17 September 2013

Explanatory Memorandum

1. Introduction

This Explanatory Memorandum is provided to Shareholders of Red 5 Limited (**Company** or **Red 5**) to explain the Resolutions to be considered by Shareholders at the General Meeting of the Company to be held on 21 October 2013 commencing at 2.00 p.m. (WST).

Shareholders should read this Explanatory Memorandum in full and if they have any questions, they should obtain professional advice before making any decisions in relation to the Resolutions.

This Explanatory Memorandum includes information and statements that are both historical and forward-looking. To the extent that any statements relate to future matters, Shareholders should consider that they are subject to risks and uncertainties. None of the Company, the Directors or their advisors can assure Shareholders that forecasts or implied results will be achieved.

Terms used in this Explanatory Memorandum are defined in Section 6.

2. General

2.1 Background

Red 5 halted milling activities at the Siana mine on 25 April 2013 immediately following detection by site management of minor subsidence appearing in the surface foundation of the tailings storage facility. There was no tailings dam spill and no environmental damage. The suspension of milling operations was a precautionary measure to enable an investigation of the extent and causes of the ground movement.

Red 5 requested a trading halt of its Shares on ASX prior to the commencement of trading on the next business day, to enable a geotechnical investigation and assessment of the ground movement on the tailings dam wall.

Red 5 requested a voluntary suspension of its Shares on 30 April 2013 to allow further geotechnical studies to be completed and to enable Red 5 to assess its financial position, consult with its lenders and to develop a technical and financial plan to restore tailing storage capacity at the Siana mine which would allow the re-commencement of mining and milling operations.

The Company is of the view that reinstatement of the trading in its securities is likely to be materially prejudicial to the Company's ability to successfully complete the Capital Raising which is crucial to the Company's continued financial viability. As such, the Board has resolved to maintain the voluntary suspension from trading in the Company's securities currently in place, while it seeks to successfully complete the Capital Raising and balance sheet re-structuring. Whilst it is expected that trading in Red 5 securities will recommence shortly after the completion of the Capital Raising (refer Section 2.11 for details), ASX, in consultation with the Company, will determine when (and if) the securities are reinstated.

2.2 New tailings dam, HDPE lined pond and thickener and filter plant

The geotechnical advice received by Red 5 has concluded that the tailings dam wall has been compromised and rectification to re-instate the facility to operational status is not recommended.

The focus has therefore turned to the establishment of a new larger and more permanent facility. Technical studies are underway for the design and construction of a new tailings storage facility with initial capital cost estimates in excess of \$14.4 million (which includes land acquisition and relocation costs). Initial design, permitting and implementation work on the new tailings storage facility has commenced and subject to the raising of sufficient funds, construction may be expected to commence in or around February 2014.

In the interim and to enable production to recommence as soon as possible, it was determined that a High Density Poly Ethylene (**HDPE**) lined pond of modest capacity could be established on the 10 hectare area within the recently established bunded area to the south.

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The HDPE lined pond facility option would realistically be able to be implemented within 2 to 3 months and allow for a maximum 4 month operating life, allowing the necessary time to complete the final design and construction of a thickener and filter plant and commissioning. In some respects, this would be bringing forward a plant modification and capital expenditure that would be required anyway as part of the transition from open pit to underground.

The inclusion of a thickener and filter plant would have an immediate benefit, enabling the recovery of residual reagents, particularly cyanide, which can then be recycled into the process. Under the current operating environment, residual reagents are destroyed in the tailings detoxification plant.

2.3 Credit facility

As announced by Red 5 on 31 December 2012 its Philippine subsidiary, Greenstone Resources Corporation and its Senior Lender entered into a 3 year prepaid swap facility arrangement whereby the Senior Lender advanced US\$25 million to Greenstone against the sale of future gold production (**Facility Agreement**).

After mining activities and production at Siana ceased on 25 April 2013, the Senior Lender issued Greenstone with a breach notice under the Facility Agreement. Further, on 3 July 2013, the Senior Lender gave notice to Greenstone that an event of default had occurred in relation to a failure to comply with a minimum financial ratio under the Facility Agreement. Following discussions with the Senior Lender, Red 5, Greenstone, the Senior Lender and other Red 5 subsidiaries entered into an unconditional, binding deed dated 17 July 2013 pursuant to which the Senior Lender agreed that, until and including 15 September 2013, it would not call on the amount outstanding under the Facility Agreement, enforce payment of the amount outstanding under the Facility Agreement or seek any of the remedies available to it for non-payment of any amounts owing under the Facility Agreement (**Initial Standstill Agreement**).

After the Entitlements Offer failed to complete (refer Section 2.4 below), Red 5, the Senior Lender, Greenstone and other Red 5 subsidiaries entered into a further conditional, binding deed dated 17 September 2013 pursuant to which the Senior Lender agreed that until and including 23 October 2013 (or earlier if shareholders do not approve Resolution 2), it would not enforce repayment of the amount outstanding under the Facility Agreement or seek any of the remedies available to it for non-payment of any amounts owing under the Facility Agreement (**Extended Standstill Agreement**).

In agreeing to the Extended Standstill Arrangement, the Senior Lender required Greenstone to:

- (a) close out the existing gold hedge; and
- (b) release US\$5 million from a retention account held by the Senior Lender,

in part-satisfaction of the amounts outstanding under the Facility Agreement (**Close-out**).

As a result of the above, the amount outstanding under the Facility Agreement to the Senior Lender as at 17 September 2013 is approximately US\$19.2 million.

2.4 Capital Raising and proposed use of funds

In order to fund, amongst other things, the construction of the HDPE lined pond and thickener and filter plant and to commence works associated with the new tailings dam, Red 5 undertook a non-renounceable pro rata entitlements offer to eligible shareholders on the basis of 1 new Share for every 1 Share held as at 30 July 2013 at an issue price of 35 cents per new Share to raise up to \$47,420,802 (**Entitlements Offer**). The Entitlements Offer closed on 30 August 2013 without reaching the minimum subscription of \$35,000,000. As such, no Shares were issued under the Entitlements Offer (and funds have or will be returned in accordance with the Corporations Act).

Following the failure to reach the minimum subscription under the Entitlements Offer, Red 5 announced on 5 and 9 September 2013 that it had resolved to raise \$50,000,000 via a Placement and \$10,000,000 (with a discretion to accept a further \$5,000,000 in over subscriptions) under a Share Purchase Plan to existing shareholders.

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The Shares issued and to be issued pursuant to the Capital Raising have an issue price of 10 cents each per Share and net proceeds raised will be used, amongst other things, to provide working capital to implement the planned interim tailings storage solutions (the HDPE lined pond and thickener and filter plant), to commence works associated with a new tailing dam and to repay the amounts outstanding under the Facility Agreement in full.

The funds raised pursuant to Tranche 1 have been applied towards working capital, particularly the continuing dewatering of the open pit. It is proposed that the funds raised pursuant to Tranche 2 and the SPP (subject to the requisite Shareholder approvals) will be applied as follows:

Proposed use of funds	On raising \$10m under SPP A\$million	On raising \$15m under SPP A\$million
Repayment of amounts outstanding under the Facility Agreement in full *	21	21
Paste plant (thickener/filtration) procurement and installation	6.4	6.4
Tailings solutions and land acquisitions	7.0	7.0
Dewatering and other sustaining costs	2.4	2.4
Current liabilities	6.0	6.0
Working capital	14.5	19.2
Placement and associated costs	2.6	2.6
SPP and associated costs	0.1	0.4
Total	60.0	65.0

** This excludes any amounts paid to the Senior Lender pursuant to the Close-out. Note also, that following the repayment of the amounts outstanding under the Facility Agreement, Red 5 will be the recipient of any insurance payout covering repairs and business interruption (capped at \$10 million) as described in Section 2.10.*

Dependent on the outcome of technical evaluations of the short term HDPE lined pond and thickener and filter plant, design and permitting issues related to the construction of the new tailings dam, prevailing market conditions, development of new opportunities or any number of other factors outside the control of Red 5, actual expenditure levels may differ from the above estimates. Red 5 will provide details of its actual expenditure in its periodic reports and as otherwise required by the Listing Rules.

2.5 Indicative timetable

Set out in the table below is the expected timetable for completion of the items the subject of the Notice of Meeting, subject to compliance with all regulatory requirements. These dates are indicative only and may be varied without prior notice.

Record Date for participation in the SPP Offer	4 September 2013
Red 5 announces intention to conduct the Capital Raising	5 September 2013
Red 5 announces commitments received for full \$50,000,000 under the Placement	9 September 2013
Settlement of Tranche 1	13 September 2013
Allotment of Tranche 1 Shares	13 September 2013
Lodgement of Notice of Meeting with ASX	17 September 2013
Lodgement of Prospectus with ASIC and ASX	17 September 2013
Despatch Notice of Meeting and Prospectus to Shareholders	20 September 2013
SPP Offer opening date	20 September 2013

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General Meeting of Shareholders to approve Tranche 2 and SPP	21 October 2013
Settlement of Tranche 2	22 October 2013
Issue and allotment date of Tranche 2 Shares	23 October 2013
ASX quotation of all Placement Shares	24 October 2013
SPP Offer closing date	25 October 2013
Issue and allotment date of Shares under the SPP	28 October 2013
ASX quotation of all SPP Shares	28 October 2013

2.6 Placement

The Placement has been managed by the Lead Manager and made to the Recipients.

Red 5 announced on 9 September 2013 that it had received firm commitments for the full \$50,000,000 the subject of the Placement.

Tranche 1 raised \$2,030,000 (before costs), comprised of 20,300,000 Shares at an issue price of 10 cents each per Share. Settlement of Tranche 1 occurred on 13 September 2013. The Tranche 1 Shares were issued to the Recipients under Red 5's existing 15% placement capacity and as such, were not subject to Shareholder approval under Listing Rule 7.1. Resolution 1 seeks shareholder approval under Listing Rule 7.4 to ratify the issue of the Tranche 1 Shares. Shareholder ratification of Tranche 1 will enable the Company to issue Shares in the future under its 15% placement capacity without the need to seek prior Shareholder approval.

Tranche 2 will raise a further \$47,970,000 (before costs) and will be comprised of 479,700,000 Shares at an issue price of 10 cents each per Share. The issue of the Tranche 2 Shares to the Recipients requires Shareholder approval pursuant to Listing Rule 7.1 and is the subject of Resolution 2. If the issue of the Tranche 2 Shares is approved by Shareholders, it is anticipated that the Tranche 2 Shares will be issued to the Recipients on 23 October 2013.

2.7 Share Purchase Plan (SPP)

On or about the date of the Notice of Meeting, Red 5 issued a Prospectus for the offer of 100,000,000 Shares under the SSP at an issue price of 10 cents each per Share to raise \$10,000,000 with the ability of Directors to accept oversubscriptions up to an additional 50,000,000 Shares at an issue price of 10 cents each per Share to raise up to an additional \$5,000,000.

The SPP permits Eligible Shareholders holding Shares in the Company on the record date of 4 September 2013 to subscribe for up to 150,000 Shares each at an issue price of 10 cents per Share (for a total subscription of \$15,000 each) on the terms and conditions set out in the Prospectus. Eligible Shareholders may apply for a parcel of 50,000 Shares for \$5,000, 100,000 Shares for \$10,000 or for the full amount of 150,000 Shares for \$15,000 under the SPP Offer.

Additionally, if the SPP raising amount remains at \$10,000,000 and less than 100,000,000 Shares are applied for pursuant to the SPP Offer, the Shortfall may be placed at the discretion of the Directors. In the event that the Directors determine to increase the raising amount to \$15,000,000 by accepting oversubscriptions and less than 150,000,000 Shares are applied for, the Shortfall may be placed at the discretion of the Directors.

The offer of any Shortfall is a separate offer made pursuant to the Prospectus and, pursuant to the Listing Rules, may remain open for up to 3 months after the closing date of the SPP Offer (or such shorter period as determined by the Directors). In the first instance, the Directors currently intend that Shortfall Shares will reasonably be allocated to any Eligible Shareholder who applies for the Shortfall. Additional Shortfall Shares will then be allocated to other investors at the discretion of the Directors.

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Red 5 has been voluntarily suspended from trading on ASX for more than five days in the past 12 months and accordingly, the Company is not able to rely on ASIC Class Order 09/425 or Exception 15 in Listing Rule 7.2. As such, the issue of Shares pursuant to the SPP requires Shareholder approval for the purposes of Listing Rule 7.1.

The issue of Shares pursuant to the SPP is subject to and contingent upon:

- (a) the Company receiving Shareholder approval for the issue of the Shares under the SPP pursuant to Resolution 3; and
- (b) Shareholders approving the issue of the Tranche 2 Shares pursuant to Resolution 2.

If the issue of Shares pursuant to the SPP is approved by Shareholders, it is anticipated that the Shares will be issued on 28 October 2013 in accordance with the timetable set out in the Prospectus (and in any event within 3 months after the date of the Meeting).

Two directors of the Company, Mr Colin Jackson and Mr Mark Milazzo, are also Shareholders of the Company and both have indicated that it is their present intention to participate to their fullest extent possible under the SPP Offer (subject to Shareholder approval). No Shortfall will be issued to any Director or other related party of the Company.

2.8 Capital structure following the issue of Shares under the Capital Raising

Following the completion of the Capital Raising, provided that none of the existing options are exercised and assuming that:

- (a) the maximum funds of \$15,000,000 are raised under the SPP; and
- (b) the issue of Shares under the SPP and Tranche 2 of the Placement are approved by Shareholders,

Red 5 will have the following capital structure:

	Shares issued	Cumulative number of Shares following Capital Raising
Shares on issue prior to the Capital Raising		135,488,008
Tranche 1 of the Placement	20,300,000	155,788,008
Tranche 2 of the Placement	479,700,000	635,488,008
SPP	150,000,000	785,488,008
Total	650,000,000	785,488,008

Red 5 also has the following Existing Options on issue:

Number of options	Exercise price	Expiry date
70,000	\$2.50	30 April 2014
40,000	\$2.70	31 December 2014
70,000	\$4.00	30 April 2016
40,000	\$4.30	31 December 2016

These Existing Options are not affected by the Capital Raising and may be exercised by the option holders in accordance with their terms.

2.9 Prospectus

A Prospectus, containing the SPP Offer will be released by Red 5 on or about the date of the Notice of Meeting. The primary purpose of the Prospectus is to offer Eligible Shareholders the opportunity to participate in the SPP Offer. An additional purpose of the Prospectus is to remove any secondary trading restrictions that may have attached to Shares issued by the Company prior to the close of the SPP (including Shares issued or to be issued under the Placement).

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Relevantly, section 708A(11) of the Corporations Act provides that a sale offer does not need disclosure to investors if:

- (a) the relevant securities are in a class of securities that are quoted securities of the body;
- (b) either:
 - (1) a prospectus is lodged with ASIC on or after the day on which the relevant securities were issued but before the day on which the sale offer is made; or
 - (2) a prospectus is lodged with ASIC before the day on which the relevant securities are issued and offers of securities that have been made under the prospectus are still open for acceptance on the day on which the relevant securities were issued; and
- (c) the prospectus is for an offer of securities issued by the body that are in the same class of securities as the relevant securities.

The Prospectus contains, amongst other things, details of the SPP Offer and information relating to the risks facing the Company and the proposed use of funds. The Board encourages all Shareholders to consider the information set out in the Prospectus together with the information contained in the Notice of Meeting and this Explanatory Memorandum.

2.10 Insurance claim

Red 5 has insurance coverage with respect to the Siana mine and is of the view that it has reasonable grounds for a claim under its property damage and business interruption policy. This policy has a combined liability limit of US\$10 million.

Red 5 brought loss adjusters to site within a week of the tailings dam incident and has now had the claim with its insurers for some months. A determination of liability by the insurer is pending.

There is no guarantee that Red 5 will receive a favourable judgement on the insurance claim for the full amount of the claim, if at all. In the event a favourable judgement is received before completion of the Placement, the Senior Lender is likely to receive some or all of the pay out to be set off against the amounts outstanding under the Facility Agreement. If Red 5 receives an insurance pay-out after the satisfaction of the amounts outstanding under the Facility Agreement, any amount received will be applied towards working capital.

2.11 Recommendation by Directors

The Directors recommend that in the context of the Company's current circumstances, Shareholders should approve the Resolutions to be put to the Meeting. However, Shareholders should decide how to vote based on the matters set out in this Explanatory Memorandum.

2.12 Recommencement of trading on ASX

At the request of the Company, ASX placed the Company's securities in a trading halt on 26 April 2013 and subsequently a voluntary suspension on 30 April 2013. The Company's securities have remained in voluntary suspension since this date.

The Company is of the view that reinstatement of the trading in its securities is likely to be materially prejudicial to the Company's ability to successfully complete the Capital Raising which is crucial to the Company's continued financial viability. As such, the Board has resolved to seek to maintain the current voluntary suspension from trading in the Company's securities in place, while it undertakes the Capital Raising and balance sheet re-structuring. Whilst it is expected that trading in Red 5 securities will recommence shortly after the completion of the Capital Raising, ASX, in consultation with the Company, will determine when the securities are reinstated.

2.13 ASIC and ASX's role

The fact that the accompanying Notice of Meeting, this Explanatory Memorandum and other relevant documentation (including but not limited to the Prospectus) has been received by ASX and ASIC is not to be taken as an indication of the merits of the Company's proposed course of action. ASIC, ASX and its respective officers take no responsibility for any decision a Shareholder may make in reliance on any of that documentation.

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3. Resolution 1: Ratification of issue of Tranche 1 Shares

3.1 General

Resolution 1 is an ordinary resolution and it proposes to ratify the issue of the Tranche 1 Shares, comprising 20,300,000 Shares at an issue price of 10 cents each per Share, to the Recipients pursuant to Listing Rule 7.4. Further information regarding the Placement is set out in Sections 2.4 and 2.5 of this Explanatory Memorandum.

The Directors recommend that Shareholders vote in favour of Resolution 1.

3.2 Listing Rule 7.4

Listing Rule 7.1 provides that the prior approval of Shareholders is required for an issue of securities if the securities will, when aggregated with the securities issued by the Company during the previous 12 months, exceed 15% of the number of Shares on issue at the commencement of that 12 month period.

Listing Rule 7.4 sets out an exception to Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities pursuant to Listing Rule 7.4 (and provided that the previous issue did not breach Listing Rule 7.1) those securities will be deemed to have been issued with shareholder approval for the purposes of Listing Rule 7.1.

The effect of Resolution 1 will be to ratify the issue of the Tranche 1 Shares to the Recipients and to reinstate the Company's capacity to issue up to 15% of its issued capital, if required, in the next 12 months without Shareholder approval under Listing Rule 7.1.

3.3 Specific information required by Listing Rule 7.5

Listing Rule 7.5 requires that the following information be provided to Shareholders for the purposes of obtaining Shareholder approval pursuant to Listing Rule 7.4:

- (a) The number of Shares issued and allotted on 13 September 2013 was 20,300,000;
- (b) The Tranche 1 Shares were issued at an issue price of 10 cents each per Share;
- (c) The Tranche 1 Shares were issued to the Recipients;
- (d) No Recipients were related parties of the Company;
- (e) The Tranche 1 Shares issued to the Recipients were fully paid ordinary shares in the capital of the Company and rank pari-passu with the Company's current Shares;
- (f) The funds raised from the issue of the Tranche 1 Shares were applied towards working capital; and
- (g) A voting exclusion statement is included in the Notice of General Meeting.

4. Resolution 2: Approval for Issue of Tranche 2 Shares

4.1 General

Resolution 2 is an ordinary resolution and it seeks Shareholder approval to issue the Tranche 2 Shares, comprising 479,700,000 Shares at an issue price of 10 cents each per Share, to the Recipients pursuant to Listing Rule 7.1. Further information regarding the Placement is set out in Sections 2.4 and 2.5 of this Explanatory Memorandum. The Directors recommend that Shareholders vote in favour of Resolution 2.

4.2 Listing Rule 7.1

Listing Rule 7.1 provides that (subject to certain exceptions, none of which are relevant here) the prior approval of Shareholders is required for an issue of securities if the securities will, when aggregated with the securities issued by the Company during the previous 12 months, exceed 15% of the number of Shares on issue at the commencement of that 12 month period.

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The effect of Resolution 2 will be to allow the Directors to issue the Tranche 2 Shares to the Recipients, notwithstanding that the Company has already utilised the Company's 15% annual placement capacity under Listing Rule 7.1 (through the issue of the Tranche 1 Shares).

4.3 Specific information required by Listing Rule 7.3

Listing Rule 7.3 requires that the following information be provided to Shareholders for the purposes of obtaining Shareholder approval pursuant to Listing Rule 7.1:

- (a) The maximum number of Shares to be issued is 479,700,000;
- (b) The Shares are anticipated to be allotted and issued on 23 October 2013 and, in any event, no later than 3 months after the date of the Meeting;
- (c) The Tranche 2 Shares will be issued at an issue price of 10 cents each per Share;
- (d) The Tranche 2 Shares will be issued to the Recipients;
- (e) The Tranche 2 Shares to be issued will be fully paid ordinary shares in the capital of the Company and shall rank pari-passu with the Company's current Shares;
- (f) The funds raised from the issue of the Tranche 2 Shares will be used in the manner set out in Section 2.4 of this Explanatory Memorandum;
- (g) The allotment of the Tranche 2 Shares will occur on one date and not progressively; and
- (h) A voting exclusion statement is included in the Notice of Meeting.

5. Resolution 3: Approval for issue of SPP Shares

5.1 General

Resolution 3 is an ordinary resolution and it seeks Shareholder approval to issue the SPP Shares, comprising up to 150,000,000 Shares at an issue price of 10 cents each per Share, to Eligible Shareholders, and/or any recipients of any Shortfall at the Directors discretion, pursuant to Listing Rule 7.1. Further information regarding the SPP is set out in Sections 2.4 and 2.7 of this Explanatory Memorandum.

The Directors recommend that Shareholders vote in favour of Resolution 3.

5.2 Listing Rule 7.1

Listing Rule 7.1 provides that (subject to certain exceptions) the prior approval of Shareholders is required for an issue of securities if the securities will, when aggregated with the securities issued by the Company during the previous 12 months, exceed 15% of the number of Shares on issue at the commencement of that 12 month period.

Listing Rule 7.2 sets out certain exceptions to Listing Rule 7.1, including Exception 15 which provides that the issue of Shares under a share purchase plan will not require Shareholder approval if the proposed share purchase plan satisfies the requirements set out in Exception 15 and ASIC Class Order 09/425 (allowing the SPP to be made without the issue of a disclosure document). Red 5 has been voluntarily suspended from trading on ASX for more than five days in the past 12 months and accordingly, it is unable to rely on this exception and must seek Shareholder approval to issue the SPP Shares.

The effect of Resolution 3 will be to allow the Directors to issue Shares pursuant to the SPP, notwithstanding that the Company has already utilised the Company's 15% annual placement capacity under Listing Rule 7.1 (through the issue of the Tranche 1 Shares), and given it cannot rely on Exception 15 set out in Listing Rule 7.2.

5.3 Specific information required by Listing Rule 7.3

Listing Rule 7.3 requires that the following information be provided to Shareholders for the purposes of obtaining Shareholder approval pursuant to Listing Rule 7.1:

- (a) The maximum number of Shares to be issued is 150,000,000;

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- (b) The Shares are anticipated to be allotted and issued:
 - (1) to Eligible Shareholders in respect of their entitlement under the SPP Offer on or about 28 October 2013 (being the date set out in the Prospectus) and, in any event, no later than 3 months after the date of the Meeting; and
 - (2) to recipients of any Shortfall, no later than 3 months after the date of the Meeting;
- (c) The Shares will be issued at an issue price of 10 cents each per Share;
- (d) The Shares will be issued to Eligible Shareholders and/ or to any recipients of the Shortfall (the identity of which are presently unknown but will not include related parties of the Company) as determined by the Directors at their discretion;
- (e) The Shares to be issued will be fully paid ordinary shares in the capital of the Company and shall rank pari-passu with the Company's current Shares;
- (f) The funds raised from the issue of the Shares will be used in the manner set out in Section 2.4 of this Explanatory Memorandum;
- (g) The allotment of the Shares to Eligible Shareholders will occur on one date, however the allotment of any Shortfall may occur progressively at the Directors discretion (subject to such Shares being issued 3 months after the date of the Meeting); and
- (h) A voting exclusion statement is included in the Notice of Meeting.

6. Resolution 4: Approval for Director participation in the SPP Offer

6.1 General

Resolution 4 is an ordinary resolution and provides for the issue of Shares to those Directors or their nominees who are otherwise eligible to and who elect to apply for Shares under the SPP.

The issue of Shares pursuant to this Resolution is to be approved by Shareholders under the requirements of Listing Rule 10.11.

The Chairman will vote all available proxies in favour of Resolution 4.

6.2 Listing Rule 10.11

Mr Colin Jackson currently holds 22,500 Shares in the Company and Mr Mark Milazzo currently holds 25,000 Shares in the Company. Prior to the Capital Raising, the percentage shareholding of Mr Jackson and Mr Milazzo in the capital of the Company was 0.017% and 0.018% respectively.

Shareholder approval is required under Listing Rule 10.11 for Mr Colin Jackson and Mr Mark Milazzo to participate in the SPP because Mr Colin Jackson and Mr Mark Milazzo, as Directors of the Company, are Related Parties of the Company.

Listing Rule 10.11 restricts the Company's ability to issue securities to directors (or an entity controlled by a director), unless approval is obtained from Shareholders. The effect of passing Resolution 4 will be to allow the Company to issue a total maximum amount of 300,000 Shares to Mr Colin Jackson and Mr Mark Milazzo (or their nominees) if they elect to participate in the SPP, without breaching Listing Rule 10.11 or using the Company's 15% placement capacity under Listing Rule 7.1.

As Shareholder approval is being sought under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

6.3 Specific Information Required by Listing Rule 10.13

For the purposes of Listing Rule 10.13, information regarding the issue of Shares to Mr Colin Jackson and Mr Mark Milazzo (or their nominees) if they elect to participate in the SPP, is provided as follows:

- (a) The Shares will be issued to Mr Colin Jackson and Mr Mark Milazzo or their nominees;

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- (b) A maximum of up to 300,000 Shares will be issued as follows:

Director	Number of Shares	Total issue price
Mr Colin Jackson	150,000	\$15,000
Mr Mark Milazzo	150,000	\$15,000
TOTAL	300,000	\$30,000

- (c) The Shares are anticipated to be allotted and issued on 28 October 2013 (being the date set out in the Prospectus) and, in any event, no later than 1 month after the date of the Meeting;
- (d) The Shares will be issued to Mr Colin Jackson and Mr Mark Milazzo (or their nominees) at an issue price of 10 cents each per Share and otherwise on the same terms and conditions as the Shares offered pursuant to the SPP;
- (e) A voting exclusion statement is included in the Notice of General Meeting; and
- (f) The funds raised from the issue of the Shares will be used in the manner set out in section 2.4 of this Explanatory Statement.

7. Interpretation

In this Explanatory Memorandum, the following terms have the following meanings unless the context otherwise requires:

ASIC means the Australian Securities & Investments Commission.

ASX means the Australian Securities Exchange operated by ASX Limited ABN 98 008 624 691.

Board means the board of Directors.

Capital Raising means the Placement and the SPP.

Close-out has the meaning in Section 2.3.

Company or **Red 5** means Red 5 Limited ACN 068 647 610.

Constitution means the Constitution of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

Director means a director of the Company.

Eligible Shareholders means a Shareholder that holds Shares in the Company on the Record Date and whose registered address is in Australia or New Zealand.

Entitlements Offer has the meaning in Section 2.4.

Existing Options means all existing unlisted options to subscribe for Shares currently on issue as at the date of the Notice of Meeting.

Explanatory Memorandum means the Explanatory Memorandum accompanying the Notice of Meeting.

Extended Standstill Agreement means the Standstill Agreement dated on or around 17 September 2013 described in Section 2.3.

Facility Agreement means the Facility Agreement described in Section 2.3.

Greenstone means Greenstone Resources Corporation (Philippine company number CS200309053).

Initial Standstill Agreement means the Standstill Agreement dated 17 July 2013 described in Section 2.3.

Lead Manager means Petra Capital Pty Ltd ACN 110 952 782.

Listing Rule means the Listing Rules of the ASX.

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Meeting or **General Meeting** means the general meeting of Shareholders convened by the Notice of Meeting for the purposes of approving the Resolutions.

Notice of Meeting means the notice convening the General Meeting accompanied by this Explanatory Memorandum.

Placement means the private placement conducted by the Company to raise \$50,000,000 (before costs) pursuant to Tranche 1 and Tranche 2.

Prospectus means the Prospectus issued by the Company dated 17 September 2013.

Recipients means professional and sophisticated clients of the Lead Manager.

Record Date means 4 September 2013 at 5:00pm (WST)

Related Party has the meaning set out in section 228 of the Corporations Act.

Resolution means a resolution to be considered at the General Meeting as contained in the Notice of Meeting.

Section means a section of this Explanatory Memorandum.

Senior Lender means Red 5's senior financial lender.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Shortfall means any shortfall under the SPP Offer which the Directors may place, in whole or in part, to one or more allottees at their absolute discretion.

SPP, SPP Offer or **Share Purchase Plan** means the share purchase plan offered by the Company pursuant to which Eligible Shareholders may subscribe for up to 150,000 Shares each at an issue price of 10 cents each per Share under and on the terms and conditions set out in the Prospectus.

Tranche 1 means the issue and allotment of the Tranche 1 Shares on 13 September 2013 at an issue price of 10 cents per Share as part of the Placement.

Tranche 1 Shares means 20,300,000 Shares issued under Tranche 1.

Tranche 2 means the proposed issue and allotment of the Tranche 2 Shares at an issue price of 10 cents per Share as part of the Placement, subject to Shareholder approval.

Tranche 2 Shares means 479,700,000 Shares proposed to be issued under Tranche 2, subject to Shareholder approval.

WST means Australian Western Standard Time.

8. Enquiries

Any enquiries in relation to the Resolutions or the Explanatory Memorandum should be directed to Mr Frank Campagna (Company Secretary):

Red 5 Limited
Level 2
35 Ventor Avenue
West Perth WA 6005

Telephone: (+61-8) 9322 4455

Explanatory Memorandum

Proxies and representatives

Shareholders are entitled to appoint a proxy to attend and vote on their behalf. Where a Shareholder is entitled to cast two or more votes at the meeting, they may appoint two proxies. Where more than one proxy is appointed, each proxy may be appointed to represent a specific proportion or number of votes the Shareholder may exercise. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes. The proxy may, but need not, be a Shareholder of the Company.

Shareholders who are a body corporate are able to appoint representatives to attend and vote at the meeting under section 250D of the Corporations Act.

The proxy form must be signed by the Shareholder or his/her attorney duly authorised in writing or, if the Shareholder is a corporation, in a manner permitted by the Corporations Act.

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be **deposited at, posted to, or sent by facsimile transmission to the Company at the address listed below, or to the Share Registry, Security Transfer Registrars Pty Ltd** not less than 48 hours before the time for holding the meeting, or adjourned meeting as the case may be, at which the individual named in the proxy form proposes to vote.

Red 5 Limited
Level 2
35 Ventnor Avenue
West Perth WA 6005

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153

Telephone No: (+61 8) 9322 4455
Facsimile No: (+61 8) 9481 5950

Telephone: (+61 8) 9315 2333
Facsimile: (+61 8) 9315 2233

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's share registry.

A proxy form is attached to this Notice of Meeting.

Voting entitlement

For the purposes of determining voting entitlements at the Meeting, Shares will be taken to be held by the persons who are registered as holding the Shares at 7.00 pm (WST) on 19 October 2013. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

Signing instructions

You must sign the proxy form as follows in the spaces provided:

- | | |
|--------------------|---|
| Individual: | Where the holding is in one name, the holder must sign. |
| Joint Holding: | Where the holding is in more than one name, all of the security holders should sign. |
| Power of Attorney: | To sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to the proxy form when you return it. |
| Companies: | <p>Where the company has a Sole Director who is also the Sole Company Secretary, the proxy form must be signed by that person. If the company does not have a Company Secretary, a Sole Director can also sign alone.</p> <p>Otherwise the proxy form must be signed by a Director jointly with either another Director or a Company Secretary.</p> <p>Please indicate the office held by signing in the appropriate place.</p> |

PROXY FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCK BROKER OR LICENSED PROFESSIONAL ADVISOR.

RED 5 LIMITED

ABN: 73 068 647 610

REGISTERED OFFICE:
LEVEL 2
35 VENTNOR AVENUE
WEST PERTH WA 6005

SHARE REGISTRY:
Security Transfer Registrars Pty Ltd
All Correspondence to:
PO BOX 535,
APPLECROSS WA 6953 AUSTRALIA
770 Canning Highway,
APPLECROSS WA 6153 AUSTRALIA
T: +61 8 9315 2333 F: +61 8 9315 2233
E: registrar@securitytransfer.com.au
W: www.securitytransfer.com.au

Code: Holder Number: **SECTION A: Appointment of Proxy**

I/We, the above named, being registered holders of the Company and entitled to attend and vote hereby appoint:

☐

OR

The meeting Chairperson
(mark with an "X")

The name of the person you are appointing
(if this person is someone other than the Chairperson of the meeting).

or failing the person named, or if no person is named, the Chairperson of the Meeting, as my/our Proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the Proxy sees fit) at the General Meeting of the Company to be held at 2.00pm (WST) on Monday, 21 October 2013 at the Celtic Club, 48 Ord Street, West Perth, Western Australia and at any adjournment of that meeting.

SECTION B: Voting Directions to your Proxy

Please mark "X" in the box to indicate your voting directions to your Proxy.

Resolution**For Against Abstain***

1. Ratification of issue of Tranche 1 Shares

☐☐☐

2. Approval for issue of Tranche 2 Shares

☐☐☐

3. Approval for issue of SPP Shares

☐☐☐

4. Approval for Director participation in SPP Offer

☐☐☐**If no directions are given my proxy may vote as the proxy thinks fit or may abstain.**

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

☐**If you wish to appoint the Chairperson as your proxy and you do not wish to direct the Chairperson how to vote on Resolution 4, please mark "X" in the box.**

By marking this box, you acknowledge that the Chairperson may exercise your proxy even if he has an interest in the outcome of Resolution 4 and votes cast by him/her other than as a proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on Resolution 4 and your votes will not be counted in calculating the required majority if a poll is called on Resolution 4. The Chairperson of the Meeting intends to vote undirected proxies in favour all Resolutions.

SECTION C: Please Sign Below**This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.**

Individual or Security Holder

Sole Director and Sole Company Secretary

Security Holder 2

Director

Security Holder 3

Director / Company Secretary

5641283492

Reference Number:

1

RED

1

NAME

[illegible]

()

1. Name and Address

2. Appointment of a Proxy

If the person you wish to appoint as your Proxy is someone other than the Chairperson of the Meeting please write the name of that person in Section A. If you leave this section blank, or your named Proxy does not attend the meeting, the Chairperson of the Meeting will be your Proxy. A Proxy need not be a Shareholder of RED 5 LIMITED.

3. Directing your Proxy how to vote

To direct the Proxy how to vote place an "X" in the appropriate box against each item in Section B. Where more than one Proxy is to be appointed and the proxies are to vote differently, then two separate forms must be used to indicate voting intentions.

4. Appointment of a Second Proxy

You are entitled to appoint up to two (2) persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second Proxy, an additional Proxy form may be obtained by telephoning the Company's share registry +61 8 9315 2333 or you may photocopy this form.

To appoint a second Proxy you must:

- (a) On each of the Proxy forms, state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each Proxy may exercise, each Proxy may exercise half of your votes; and
- (b) Return both forms in the same envelope.

5. Signing Instructions

Joint Holding: where the holding is in more than one name, all of the Shareholders must sign.

Power of Attorney: to sign under Power of Attorney you must have already lodged this document with the Company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

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

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be lodged with the Company before the meeting or at the registration desk on the day of the meeting. A form of the certificate may be obtained from the Company's share registry.

6. Lodgement of Proxy

Proxy forms (and any Power of Attorney under which it is signed) must be received by Security Transfer Registrars Pty Ltd no later than 2.00pm (WST) on 19 October 2013, being 48 hours before the time for holding the meeting. Any Proxy form received after that time will not be valid for the scheduled meeting.

Security Transfer Registrars Pty Ltd
PO BOX 535
Applecross, Western Australia 6953

Street Address:
Alexandrea House, Suite 1
770 Canning Highway
Applecross, Western Australia 6153

Telephone +61 8 9315 2333

Facsimile +61 8 9315 2233

Email registrar@securitytransfer.com.au

PRIVACY STATEMENT

Personal information is collected on this form by Security Transfer Registrars Pty Ltd as the registrar for securities issuers for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal details may be disclosed to related bodies corporate, to external service providers such as mail and print providers, or as otherwise required or permitted by law. If you would like details of your personal information held by Security Transfer Registrars Pty Ltd or you would like to correct information that is inaccurate please contact them on the address on this form.