

# **RED 5 LIMITED**

ABN 73 068 647 610



## **NOTICE OF ANNUAL GENERAL MEETING**

### **EXPLANATORY MEMORANDUM**

### **PROXY FORM**

**Date and time of meeting**

25 October 2022 at 10.00 a.m.

**Place of meeting**

Celtic Club  
48 Ord Street  
West Perth, Western Australia

## RED 5 LIMITED

### NOTICE OF ANNUAL GENERAL MEETING

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Notice is hereby given that the annual general meeting of Shareholders of Red 5 Limited (**Company**) will be held at the Celtic Club, 48 Ord Street, West Perth, Western Australia on Tuesday, 25 October 2022 at 10.00 a.m. (WST)

#### AGENDA

#### ORDINARY BUSINESS

##### **Financial statements and reports**

To receive and consider the annual financial report of the Company and the reports of the Directors and auditors for the financial year ended 30 June 2022.

To consider and if thought fit to pass, with or without amendment, the following Resolutions as ordinary resolutions.

##### **1. Election of Fiona Harris as a Director**

“That Ms Fiona Harris, having been appointed as a Director of the Company on 8 June 2022 and being eligible for election in accordance with Clause 7.1(i) of the Constitution and ASX Listing Rule 14.4, is hereby elected as a Director of the Company.”

##### **2. Re-election of Kevin Dundo as a Director**

“That Mr Kevin Dundo, being a Director of the Company, who retires by rotation in accordance with Clause 7.1(d) of the Constitution and ASX Listing Rule 14.4 and being eligible for re-election, is hereby re-elected as a Director of the Company.”

To consider and if thought fit to pass, with or without amendment, the following Resolution as an ordinary, non-binding resolution.

##### **3. Remuneration report**

“That for the purposes of section 250R(2) of the Corporations Act, the Company adopts the Remuneration Report as contained in the annual financial report of the Company for the year ended 30 June 2022.”

**Voting prohibition statement:** *In accordance with the Corporations Act, the Company will disregard any votes cast on Resolution 3 by or on behalf of either a member of Key Management Personnel (details of whose remuneration are included in the Remuneration Report) or a Closely Related Party of a member of Key Management Personnel, unless the vote is cast as proxy for a person entitled to vote on Resolution 3, and the voter is:*

- (a) *appointed as proxy in writing that specifies the way the proxy is to vote on the Resolution; or*
- (b) *the Chairman appointed pursuant to a proxy that does not specify the way the proxy is to vote on the Resolution and expressly authorises the Chairman to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of Key Management Personnel.*

## SPECIAL BUSINESS

The special business of the meeting is to consider and if thought fit to pass, with or without amendment, the following Resolutions as ordinary resolutions.

### 4. Approval of Red 5 Rights Plan

“That for the purposes of ASX Listing Rule 7.2, Exception 13 and for all other purposes, Shareholders approve the renewal of the Red 5 Rights Plan (**Rights Plan**) and that the Company be authorised to issue securities under the Rights Plan within three years from the date of passing of this Resolution and the grant of Rights from time to time under the Rights Plan as an exception to ASX Listing Rule 7.1, in accordance with the terms and conditions set out in the explanatory memorandum accompanying the notice of meeting”.

**Voting exclusion statement:** *The Company will disregard any votes cast in favour of Resolution 4 by or on behalf of a person who is eligible to participate in the Rights Plan and any associates of those persons. However, the Company need not disregard a vote if it is cast in favour of Resolution 4 by:*

- (a) *a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or*
- (b) *the chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the chair to vote on the Resolution as the chair decides; or*
- (c) *a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:*
  - *the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting on the Resolution; and*
  - *the holder votes on the Resolution in accordance with the directions given by the beneficiary to the holder to vote in that way.*

**Voting prohibition statement:** *A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:*

- (a) *the proxy is either a member of Key Management Personnel or a Closely Related Party of such a member; and*
- (b) *the appointment does not specify the way the proxy is to vote on this Resolution.*

*However, the above prohibition does not apply if the proxy is chair and the appointment expressly authorises the chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.*

### 5. Approval for issue of Short Term Incentive Plan Service Rights to Mark Williams

“That in accordance with ASX Listing Rule 10.14 and for all other purposes, Shareholders approve the issue of 671,013 Service Rights to Mark Williams (or his nominee) in accordance with the terms of the Red 5 short term incentive plan (**STIP**), his executive compensation arrangements and subject to the terms of the Rights Plan, further details of which are set out in the explanatory memorandum accompanying the notice of meeting.”

**Voting exclusion statement:** *The Company will disregard any votes cast in favour of Resolution 5 by or on behalf of a person referred to in rule 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the employee incentive scheme in question, and any associates of those persons. However, this does not apply to a vote cast in favour of Resolution 5 by:*

- (a) *a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or*
- (b) *the chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the chair to vote on the Resolution as the chair decides; or*
- (c) *a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:*

- the beneficiary provides written confirmation to the holder that they are not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
- the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

**Voting prohibition statement:** A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either a member of Key Management Personnel or a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if the proxy is chair and the appointment expressly authorises the chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

## 6. Approval to issue Long Term Incentive Plan Performance Rights to Mark Williams

“That in accordance with ASX Listing Rule 10.14 and for all other purposes, approval is given for the issue of 2,358,712 Performance Rights to Mark Williams (or his nominee) in accordance with the terms of the Red 5 long term incentive plan (LTIP) and subject to the terms of the Rights Plan and upon the terms and conditions outlined in the explanatory memorandum accompanying the notice of meeting.”

**Voting exclusion statement:** The Company will disregard any votes cast in favour of Resolution 6 by or on behalf of a person referred to in rule 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the employee incentive scheme in question, and any associates of those persons. However, this does not apply to a vote cast in favour of Resolution 6 by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the chair to vote on the Resolution as the chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - the beneficiary provides written confirmation to the holder that they are not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
  - the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

**Voting prohibition statement:** A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either a member of Key Management Personnel or a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if the proxy is chair and the appointment expressly authorises the chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

## 7. Approval of termination benefits

“To approve for a period three years for all purposes, including sections 200B and 200E of the Corporations Act, the giving of benefits to any current or future holder of a managerial or executive office of the Company or a related body corporate in connection with that person ceasing to hold that office, as set out in the explanatory memorandum accompanying the notice of meeting.”

**Voting prohibition statement:** A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either a member of Key Management Personnel or a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

*However, the above prohibition does not apply if the proxy is chair and the appointment expressly authorises the chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.*

By order of the Board

**Frank Campagna**  
Company Secretary

Perth, Western Australia  
19 September 2022

***Voting exclusion note***

Where a voting exclusion applies, the Company will not disregard a vote if 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 it is cast by the 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.

***Proxy appointments***

A member of the Company who is entitled to attend and vote at the meeting may appoint not more than two proxies to attend and vote for the member at the meeting. If a member appoints two proxies and the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes. A proxy need not be a member of the Company.

A proxy form is enclosed. If required it should be completed, signed and returned to the Company's share registry in accordance with the proxy instructions on that form.

***Voting prohibition statement for Key Management Personnel***

Members of Key Management Personnel (which includes the Directors) will not be able to vote as proxy on Resolutions 3 to 7 unless you instruct them how to vote or, in the case of the Chairman of the meeting, unless you expressly authorise him to do so.

If you intend to appoint a member of Key Management Personnel (other than the Chairman) as your proxy, you should ensure that you direct the member of Key Management Personnel how to vote on Resolutions 3 to 7.

If you intend to appoint the Chairman of the meeting as your proxy for Resolutions 3 to 7, you can direct the Chairman how to vote by marking one of the voting boxes on the proxy form for Resolutions 3 to 7. If you do not direct the Chairman how to vote, then by submitting the proxy form, you will be expressly authorising the Chairman to exercise the proxy in respect of Resolutions 3 to 7 even though it is connected with the remuneration of members of Key Management Personnel.

***COVID-19 health restrictions***

In the event that restrictions on public gatherings in Western Australia due to the COVID-19 global pandemic are reintroduced and prevent a physical meeting from being held, the annual general meeting may be held as a virtual meeting. Details of any virtual meeting will be notified to Shareholders, including information and guidance on how to participate and vote at the meeting.

***Voting entitlements***

In accordance with Regulation 7.11.37 of the Corporations Regulations, the Directors have determined that the identity of those persons entitled to attend and vote at the meeting is to be taken as those persons who held Shares in the Company as at 7.00 p.m. WST on 23 October 2022.

## RED 5 LIMITED

### EXPLANATORY MEMORANDUM

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This explanatory memorandum has been prepared for the information of Shareholders of Red 5 Limited in connection with the business to be considered at the forthcoming annual general meeting of the Company and should be read in conjunction with the accompanying notice of meeting.

#### **ANNUAL FINANCIAL REPORT**

The financial report of the Company for the year ended 30 June 2022 (including the financial statements, directors' report and auditors' report) was included in the 2022 annual report of the Company, a copy of which is available on the Company's web-site at [www.red5limited.com](http://www.red5limited.com).

There is no requirement for Shareholders to approve these reports. However, time will be allowed during the annual general meeting for consideration by Shareholders of the financial statements and the associated Directors' and auditors' reports.

#### **RESOLUTION 1 – ELECTION OF FIONA HARRIS AS A DIRECTOR**

Ms Fiona Harris was appointed by the Board as an independent non-executive director of the Company on 8 June 2022. In accordance with Clause 7.1(c) of the Constitution and ASX Listing Rule 14.4, any director appointed to fill a casual vacancy or as an additional director holds office until the next annual general meeting of Shareholders. Pursuant to Clause 7.1(i) of the Constitution, the Company may by resolution at an annual general meeting fill a position vacated by a director under Clause 7.1(c) by electing that person to office.

Ms Harris therefore retires at the forthcoming annual general meeting in accordance with the Constitution and the ASX Listing Rules and being eligible, seeks election at the meeting.

Ms Harris is a qualified Chartered Accountant with over twenty-five years' experience as a non-executive director, including on a number of internationally focused listed energy and natural resources companies. She is a former WA State President and National Board Member of the Australian Institute of Company Directors and is a member of Chief Executive Women. Ms Harris was previously a partner of chartered accountants, KPMG, retiring from the NSW partnership of that firm in 1994.

#### **Directors' recommendation**

The Directors (other than Fiona Harris) recommend that Shareholders vote in favour of the election of Ms Harris as a Director of the Company. The Chairman of the meeting intends to vote all available proxies in favour of Resolution 1.

#### **RESOLUTION 2 – RE-ELECTION OF KEVIN DUNDO AS A DIRECTOR**

In accordance with Clause 7.1(d) of the Constitution, at every annual general meeting, one third of the directors in office (other than any managing director) must retire by rotation and are eligible for re-election. In addition, pursuant to ASX Listing Rule 14.4 and Clause 7.1(e) of the Constitution, no director who is not the managing director may hold office without re-election beyond the third annual general meeting following the meeting at which the director was last re-elected.

Mr Kevin Dundo, being the Director longest in office since his last election, therefore retires at the annual general meeting in accordance with the Constitution and being eligible, has offered himself for re-election at the meeting.

Mr Dundo has been a non-executive Director of the Company since March 2010 and Chairman since November 2013. Mr Dundo practices as a lawyer and specialises in commercial and corporate areas with experience in the mining sector, the service industry and the financial services industry. Mr Dundo is a member of the Audit Committee, Remuneration Committee and the Health, Safety Community Committee.

The Directors (other than Kevin Dundo) recommend that Shareholders vote in favour of the re-election of Mr Dundo as a Director of the Company. The Chairman of the meeting intends to vote all available proxies in favour of Resolution 2.

### **RESOLUTION 3 – REMUNERATION REPORT**

The Remuneration Report is contained in the Directors' Report section of the Company's 2022 annual report. The Remuneration Report describes the underlying principles and structure of the remuneration policies of the Company and sets out the remuneration arrangements in place for Directors and senior executives.

The Corporations Act requires that a resolution to adopt the Remuneration Report be put to the vote of Shareholders of the Company. Shareholders should note that the vote on Resolution 3 is advisory only and is not binding on the Company or the Directors. However, the Directors take the discussion at the meeting and the outcome of the vote into account when considering the Company's remuneration practices.

Under the Corporations Act, if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive AGMs, Shareholders will be required to vote at the second of those AGMs on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of the directors must stand for re-election.

#### **Directors' recommendation**

The Directors unanimously recommend that Shareholders vote in favour of adopting the Remuneration Report. The Chairman of the meeting intends to vote all available proxies in favour of Resolution 3.

### **RESOLUTION 4 – APPROVAL OF RED 5 RIGHTS PLAN**

#### **Background**

The Red 5 Limited Rights Plan (**Rights Plan**) was last approved by Shareholders at the annual general meeting of the Company held in November 2020. Since the last approval of the Rights Plan, the Company has issued a total of 40,645,442 Rights, which has to date resulted in the vesting and exercise into 1,066,800 Shares, pursuant to the Rights Plan. A total of 39,578,642 Rights are on issue as at the date of this notice of meeting. Details of Rights issued during the 2022 financial year are contained in the Company's 2022 annual report.

On 1 October 2022, amendments to the Corporations Act impacting the regulatory regime affecting employee share schemes, such as the Rights Plan, will come into effect, effectively replacing the existing regime governed by ASIC's class order relief (**New Regulatory Regime**). Minor amendments have been made to the Rights Plan to ensure it complies with the New Regulatory Regime and remains up-to-date, as described below.

A copy of the full terms and conditions of the Rights Plan is available to Shareholders upon request, and a summary is set out in Schedule 1 to this notice of meeting.

Broadly speaking and subject to a number of exceptions, ASX Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

ASX Listing Rule 7.2 provides certain exceptions to ASX Listing Rule 7.1, allowing certain issues of securities to be excluded from the calculation of the number of securities issued during the 12 month period. Relevantly, ASX Listing Rule 7.2 (Exception 13) sets out an exception to ASX Listing Rule 7.1 which provides that issues under an employee incentive scheme are exempt for a period of 3 years from the date on which shareholders approve the issue of securities under the scheme as an exception to ASX Listing Rule 7.1.

ASX Listing Rule 7.2 (Exception 13) is only available to the extent that the number of equity securities issued under the scheme does not exceed the maximum number set out in the Company's notice of meeting despatched to Shareholders in respect of the meeting at which Shareholder approval was obtained pursuant to ASX Listing Rule 7.2 (Exception 13). ASX Listing Rule 7.2 (Exception 13) also ceases to be available if there is a material change to the terms of the scheme from those set out in the notice of meeting.

Shareholder approval is sought under Resolution 4 to renew approval of the Rights Plan in accordance with ASX Listing Rule 7.2 (Exception 13), which would enable securities issued under the Rights Plan over the next 3 years to be excluded from the calculation of the number of securities under the Company's 15% placement capacity for the purposes of ASX Listing Rule 7.1.

If Resolution 4 is passed, the Company will be able to proceed with the issue of equity incentives under the Rights Plan as an exception to ASX Listing Rule 7.1. If Resolution 4 is not passed, equity incentives under the Rights Plan may still be issued but not as an exception to ASX Listing Rule 7.1.

#### **Material terms of Rights Plan**

Broadly consistent with the terms set out in the Company's 2020 notice of annual general meeting (subject to the amendments described below), the material terms of the Rights Plan are set out in Schedule 1 to this notice of meeting.

The Rights Plan has been amended to ensure that Eligible Persons under the Rights Plan covers all of the categories of persons who will be eligible under the New Regulatory Regime. Direct references to ASIC's class order regime have also been replaced by updated terms in the Rights Plan which ensure that Rights and Shares will not be allocated, issued, acquired, transferred or otherwise dealt with under the Rights Plan, and no other benefit will be deliverable under the Rights Plan if to do so would contravene any applicable law (such as the New Regulatory Regime), or would give rise to unreasonable cost or regulatory requirements for the Company. The amendments also provide that the Rights Plan must be operated in accordance with applicable law (such as the New Regulatory Regime).

The amendments to the Rights Plan additionally clarify that the Company does not have any obligation to deliver a benefit under the Rights Plan that would require separate Shareholder approval.

#### **Maximum number of securities**

Pursuant to Resolution 4, Shareholder approval is sought to issue up to the maximum number of securities stipulated below pursuant to ASX Listing Rule 7.2 (Exception 13) under the Rights Plan for a further three years from the date of the annual general meeting.

The maximum number of securities proposed to be issued by the Company in respect of the Rights Plan over the next three years is up to 70 million securities, representing 2.97% of the issued share capital of the Company as at the date of this notice of meeting. Any further securities issued under the Rights Plan beyond that stated maximum will only be issued to the extent that the Company has placement capacity or otherwise seeks further Shareholder approval. If Shareholder approval for Resolution 4 is not obtained, any securities granted under the Rights Plan will not be excluded from the Company's placement capacity.



### **Voting Exclusion Statement**

A voting exclusion statement is provided in the notice of meeting. Although there is no intention for non-executive directors to participate in the Rights Plan (except with prior specific Shareholder approval), all Directors are excluded under the ASX Listing Rules from voting on Resolution 4. Accordingly, the Directors make no recommendation to Shareholders in respect of voting on Resolution 4. The Chairman of the meeting intends to vote all available proxies in favour of Resolution 4.

### **RESOLUTION 5 – APPROVAL FOR ISSUE OF SERVICE RIGHTS TO MARK WILLIAMS**

The Company proposes to issue a total of 671,013 Service Rights to the Managing Director of the Company, Mark Williams, in satisfaction of the deferred component of the short term incentive (**STI**) earned during the 2022 financial year.

Under the terms of his executive employment agreement, Mr Williams is entitled to a STI performance incentive of up to 60% of total fixed remuneration based on the achievement of pre-determined milestones and targets. These milestones are selected from group, functional and individual level objectives, each weighted to reflect their relative importance and each with targets linked to the Board's expectations.

The structure of the STI awards generally provides for 50% to be paid in cash and 50% in equity following the conclusion of the performance period. The 50% equity component can be satisfied in Service Rights (subject to 12 month continued service) or Deferred Rights (which vest immediately into restricted Shares which are subject to a 2 year disposal restriction).

An executive's actual award is based on meeting Key Performance Indicators (**KPIs**) set in advance of the financial year. The KPIs comprise financial and non-financial objectives which directly align the individual's reward to the Company's annual business plans. The KPIs set for the FY-22 STIP were:

- Company financial: budgeted EBITDA (30%);
- Gold production: across both the Darlot and King of the Hills (**KOTH**) mines (20%);
- Safety: assessed by Total Recordable Injury Frequency Rate (**TRIFR**) and no fatalities (20%);
- Cost management: based on All-in-Sustaining-Cost (**AISC**) per ounce (20%); and
- Individual effectiveness: measured by Board or Managing Director (where applicable) (10%).

KPIs are set at threshold, target and stretch levels resulting in payout at 50%, 100% and 200% of target opportunity.

Following the end of FY-22, the STI gateway of 90% of budgeted gold production was not achieved due to several external factors that were not known when setting the STI targets. These factors included ongoing disruptions to the Company's operations and staffing levels caused by the COVID-19 pandemic, increased labour market pressures across the Western Australian gold mining industry and the breakdown in the global supply chain for key parts and spares (which directly impacted production and costs).

Within the above context the Board carefully assessed the FY-22 operating performance against set targets and exercised its discretion to proceed with a 50% STI outcome for Mr Williams and other eligible executives. The award is to be fully satisfied by the issue of equity Service Rights which are subject to an 18 month deferral period based on continued employment with the Company.

The Board considered the STI outcome appropriate for the following reasons:

- despite the unforeseen challenges, the Company had a successful FY-22 year overall, where Mr Williams and the executive team achieved significant success in meeting key targets including the successful construction of the KOTH mine on time and within budget, the commencement of mining operations at KOTH and the achievement of production guidance at the Darlot mine;

- notwithstanding the factors which have impacted the Western Australian gold mining sector, the Company's share price has performed exceptionally well in FY-22 compared to peers and the S&P/ASX All Ordinaries Gold Index (i.e. Red 5 total shareholder return of 18.21% versus Index of -23.44%); and
- as competition for executive talent within the mining industry remains extremely high, the retention of key staff is considered a major priority for the Company over the coming years. The FY-22 awards in Service Rights recognise executive achievement over the year whilst providing a retention mechanism to ensure the progression of key projects in the following 18 months.

The Board considers that this is a reasonable STI outcome as it provides appropriate alignment between executive performance, shareholder returns and recognition of executive retention criticality over the next business phase. This position recognises the magnitude of external unforeseen factors outside of management's control which have influenced the production gateway and other STI metrics such as All-in-Sustaining-Costs.

The STI outcome for Mr Williams for the FY-22 STIP amounted to \$206,250. The deemed issue price of the Shares is calculated on the volume weighted average price of the Company's Shares in the 14 days preceding the end of the measurement period, being 30 June 2022, which for the relevant period was 30.737 cents per Share. Accordingly, the entitlement due to Mr Williams amounted to 671,013 Service Rights which will only vest if Mr Williams is employed by the Company as at 31 December 2023.

Since the STI is a contracted component of remuneration that has been earned, where Shareholder approval is not obtained, the equity component of the bonus is payable in cash or via on-market purchases.

The Service Rights available under the Rights Plan confer an entitlement to receive the value of an ordinary fully paid Share in the capital of the Company for nil cash consideration, which may be satisfied in the form of Shares or cash.

#### **Corporations Act– Chapter 2E**

Mr Williams is a Director of the Company and thereby a related party. Section 208 of the Corporations Act provides that a public company must not give a financial benefit to a related party of the company unless: (a) the company first obtains the approval of shareholders in the way set out in the Corporations Act; or (b) the giving of the benefit falls within an exception in the Corporations Act.

The proposed issue of Service Rights to Mr Williams constitutes the giving of a financial benefit to a related party. The Directors (other than Mr Williams) have determined that the proposed issue of Service Rights constitutes reasonable remuneration given the circumstances of the Company and the position held by Mr Williams. Accordingly, the proposed issue of Service Rights to Mr Williams falls within the "reasonable remuneration" exception set out in section 211 of the Corporations Act so that member approval is not required for the purposes of Chapter 2E of the Corporations Act.

#### **ASX Listing Rule 10.14**

Shareholder approval is sought under ASX Listing Rule 10.14 as Resolution 5 proposes the issue of Service Rights to Mr Williams who is a related party of the Company.

ASX Listing Rule 10.14 provides that a listed company must not permit a director of the company or any of their associates from acquiring equity securities under an employee incentive scheme without the prior approval of Shareholders.

Resolution 5 therefore seeks the required shareholder approval for the issue of Service Rights for the purposes of ASX Listing Rule 10.14. If approval is given by Shareholders under ASX Listing Rule 10.14, separate Shareholder approval is not required under ASX Listing Rule 10.11.

Pursuant to the exception in ASX Listing Rule 7.2 (Exception 14), approval under ASX Listing Rule 7.1 is not required in order to issue equity securities to Mr Williams as approval is being obtained under ASX Listing Rule 10.14. Accordingly, the issue of Service Rights to Mr Williams pursuant to Resolution 5 will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

If Resolution 5 is passed, the Company will be able to proceed with the grant of Service Rights to Mark Williams or his nominee as noted above as the STI component of his remuneration package, which is designed to promote sustainable value creation and to build further alignment with Shareholders' interests. If Resolution 5 is not passed, the Company will not be able to proceed with the issue to Mark Williams as a STI and the Company may need to consider other forms of performance-based remuneration, including by the payment of cash.

***Information required by ASX Listing Rule 10.14***

In accordance with the requirements of ASX Listing Rule 10.15, the following information is provided in relation to the proposed issue of Service Rights to Mr Williams.

- (a) the Service Rights will be issued to Mark Williams (or his nominee), who falls within the category set out in ASX Listing Rule 10.14.1.
- (b) the maximum number of Service Rights to be issued is 671,013 and the maximum number of Shares to be issued upon vesting of the Service Rights is 671,013.
- (c) the Service Rights will be granted for nil consideration and the Shares to be issued upon vesting of the Service Rights will be issued for nil consideration. No loan has been or will be given to Mr Williams in relation to the grant of Service Rights under the Rights Plan and no funds will be raised from the issue or vesting of the Service Rights.
- (d) total remuneration for Mark Williams for the 2022 financial year inclusive of short term and long term incentive entitlements was \$1,264,567. The remuneration package for Mr Williams in his role as Managing Director of the Company comprises total fixed remuneration (TFR) inclusive of statutory superannuation of \$725,000 per annum plus a short term incentive percentage stretch entitlement of up to 60% of TFR and a long term incentive percentage stretch entitlement of up to 100% of TFR.
- (e) Rights that have been issued under the Rights Plan approved in November 2020 comprise a total 2,411,744 Service Rights and 327,356 Deferred Rights issued under the Company's STIP, 26,355,729 Performance Rights issued under the Company's LTIP and 11,550,613 Performance Rights issued under the Project Incentive Opportunity (PIO) Plan. Of these Rights, 5,303,575 securities (comprising nil Service Rights, 3,792,586 LTIP performance rights and 1,510,989 PIO performance rights) were issued to Mark Williams (or his nominee) under the Rights Plan. All Rights were issued for nil cash consideration. Shares resulting from the vesting of any Rights (and which the Board elects to satisfy in Shares rather than cash) will be issued pursuant to the Rights Plan.
- (f) senior executives and management are eligible to participate in the STI. Mark Williams is the only Director that is eligible to participate (and has received securities) in the STI at the date of this notice of meeting.
- (g) the Company anticipates that the Service Rights will be issued within one month of the date of the meeting. It is noted that these securities can be issued up to 3 years after the meeting pursuant to ASX Listing Rule 10.15.7.
- (h) in addition to the material terms of the Service Rights set out in the preceding paragraphs of the explanatory memorandum in respect of Resolution 5 above:
  - (i) the Service Rights will only vest and become exercisable into Shares if Mr Williams is employed by the Company or a group company on 31 December 2023 (being 18 months from the end of the STI award period). Shares issued upon the exercise of Service Rights will rank equally with all existing Shares on issue;
  - (ii) each Service Right entitles Mr Williams, upon vesting, to the value of a Share in the Company, which may be satisfied in the form of cash or Shares;

- (iii) if Mark Williams' Service Rights vest, they are exercised automatically for a nil exercise price;
- (iv) the Service Rights granted to Mark Williams are not transferable, subject to the terms of the Rights Plan.
- (i) a summary of the material terms of the Rights Plan are set out in Schedule 1 to this notice of meeting.
- (j) the value the Company attributes to the 671,013 Service Rights to be granted to Mr Williams under Resolution 5 is \$206,250 per Service Right, adopting a deemed issue price of the Service Rights at 30.737 cents per underlying Share.
- (k) details of any Service Rights issued under the Rights Plan will be published in the annual report of the Company relating to a period in which Service Rights have been issued, and that approval for the issue of Service Rights was obtained, if required, under ASX Listing Rule 10.14.
- (l) any additional persons covered by ASX Listing Rule 10.14 who become entitled to participate in the scheme after the Resolution is approved and who were not named in the notice of meeting will not participate until approval is obtained under that rule.
- (m) a voting exclusion statement for Resolution 5 is included in the notice of meeting.

### **Terms of the Rights Plan rules**

The key terms of the Red 5 STIP and Rights Plan rules (see also the summary of the Rights Plan in Schedule 1 of this notice of meeting), under which the Service Rights are to be granted, is summarised as follows:

- Persons eligible to become Participants are those whom the Board determines are eligible to receive Rights under the Rights Plan, and generally must be employees of Red 5 (or a group or associated company). It is intended that senior executives are eligible to participate in the STIP;
- A Right is the entitlement, upon vesting, to the value of a Share in the Company, which may be satisfied in the form of cash or Shares;
- Three types of Rights may be offered being:
  - Deferred Rights which are immediately vested but which are subject to disposal restrictions, and which attach disposal restrictions to the Shares that result from exercise of the Rights, for specified periods;
  - Service Rights, which vest if the Participant remains employed by the Company on a specified date, subject to the clauses related to termination; and
  - Performance Rights, which are tested for vesting at a specified date and which are subject to performance conditions;
- Exercise of Rights is automatic following vesting;
- The exercise price is nil and the acquisition price is nil, unless otherwise determined by the Board,
- Termination in the case of:
  - Special Circumstances will result in pro-rata forfeiture of unvested Rights, related to the portion of the year in which the Rights are granted that will not be served, and remaining unvested Rights will remain on-foot following the termination, and any disposal restrictions will be removed,
  - Special Circumstances relate to death, disablement, redundancy or retrenchment etc;
  - Other circumstances will result in unvested Rights being forfeited at the date of termination, and any disposal restrictions applied to Shares held by the incumbent will be removed;
- Vested Rights that are to be satisfied in the form of Shares may be acquired via:
  - on-market purchases of Shares; or
  - subscription to a new issue of Shares; and
- The Board has discretion to make adjustments to the terms of offers and to vesting outcomes, including in the case of terminations, where it is deemed appropriate, in its sole discretion, unless such adjustments reduce the rights of Participants (except for certain circumstances).

The Service Rights issued pursuant to the Company’s STIP are governed by, and issued under, the Rights Plan.

**Directors’ recommendation**

The Directors (other than Mark Williams) recommend that Shareholders vote in favour of Resolution 5. The Chairman of the meeting intends to vote all available proxies in favour of Resolution 5.

**RESOLUTION 6 – APPROVAL TO ISSUE LONG TERM INCENTIVE PLAN PERFORMANCE RIGHTS TO MARK WILLIAMS**

**Background**

In accordance with the terms of the employment agreement for Mark Williams as Managing Director of the Company, Mr Williams is entitled to participate in the Red 5 Limited Rights Plan (**Rights Plan**). The Board proposes to issue a total of 2,358,712 Performance Rights to Mr Williams (or his nominee) under the long term incentive plan in accordance with the Rights Plan and subject to the approval of Shareholders. The issue of the Performance Rights represents the long term incentive (**LTIP**) component of Mr Williams’ remuneration for the 2023 financial year in accordance with the Rights Plan.

If Resolution 6 is passed, the Company will be able to proceed with the issue of Performance Rights to Mark Williams (or his nominee) as the long term incentive component of his remuneration package, which is designed to promote sustainable value creation and to build further alignment with Shareholders’ interests. If Resolution 6 is not passed, the Company will not be able to proceed with the issue of Performance Rights to Mark Williams as a long term incentive and the Company may need to consider other forms of performance-based remuneration, including by the payment of cash.

**Key terms of Performance Rights**

Each Performance Right will entitle the holder to one ordinary fully paid Share (provided the Directors have not otherwise determined to satisfy the Performance Right in cash) upon satisfaction of certain vesting conditions.

The measurement period applicable to each tranche in each offer of Performance Rights is three years from 1 July 2022 to 30 June 2025 unless otherwise determined by the Board (**Measurement Period**).

The Performance Rights will vest on the following basis, noting that the grant represents the maximum/stretch opportunity and that the expectations for Target performance are that only 50% of the Performance Rights will vest in relation to those metrics that are scaled (binary/milestone conditions only have Target outcomes and no Threshold or Stretch levels):

- (a) 70% of the Target level of Performance Rights (1,651,098 Performance Rights) will be tested for vesting based on assessment of the achievement of the Company’s Total Shareholder Return (**TSR**) relative to the TSR of S&P/ASX All Ordinaries Gold Index percentile ranking over the Measurement Period as set out in the following table:

<b>Company’s TSR performance relative to TSR performance of S&amp;P/ASX All Ordinaries Gold Index during the relevant Measurement Period</b>	<b>Portion of Performance Rights that vest</b>
Threshold: Company’s TSR is less than or equal to the TSR of S&P/ASX All Ordinaries Gold Index	Nil
Company’s TSR is greater than the TSR of S&P/ASX All Ordinaries Gold Index but less than the TSR of S&P/ASX All Ordinaries Gold Index plus 10% TSR CAGR of TSR of S&P/ASX All Ordinaries Gold Index	Pro-rata
Target: Company’s TSR is the TSR of S&P/ASX All Ordinaries Gold Index plus 10% TSR CAGR of the S&P/ASX All Ordinaries Gold Index	50%

Company's TSR is greater than the TSR of S&P/ASX All Ordinaries Gold Index plus 10% TSR CAGR of S&P/ASX All Ordinaries Gold Index but less than the TSR of S&P/ASX All Ordinaries Gold Index plus 20% TSR CAGR of S&P/ASX All Ordinaries Gold Index	Pro-rata
Stretch: Company's TSR is greater than the TSR of S&P/ASX All Ordinaries Gold Index plus 20% TSR CAGR of the S&P/ASX All Ordinaries Gold Index	100%

For example, in the event that the Company's TSR is equal to the TSR of the S&P/ASX All Ordinaries Gold Index plus 5% TSR CAGR of the S&P/ASX All Ordinaries Gold Index, the number of Performance Rights that will vest is 412,774 (being 25% of this tranche of the Performance Rights; the mid-point between the "Threshold" and "Target" levels of vesting).

- (b) 30% of the Target level of award of Performance Rights (707,614 Performance Rights) will be tested for vesting based on growth in the Company's Ore Reserves (Proved and Probable) during the Measurement Period, in accordance with the following vesting scale:

Total Growth in the Company's Ore Reserves over the Measurement Period (3 years)	Portion of Performance Rights that vest
<15%	Nil
Threshold: 15%	25%
Target: 20%	50%
Stretch: 35%	100%
Outcomes between specified performance and award levels	Pro-rata

For example, in the event that the total growth in the Company's Ore Reserves over the Measurement Period is 20%, a total of 141,522 Performance Rights will vest (being 50% of this tranche of the Performance Rights; the "Target" level of vesting).

*Note: The binary conditions do not have a stretch outcome and will either vest or not vest without being subject to scaling.*

- (c) As a requirement additional to those outlined at (a) and (b) above, vesting of Performance Rights is also conditional on a gate of a positive TSR for the Measurement Period being exceeded.

An unvested Performance Right will automatically lapse upon the earlier of:

- the elapsing of any opportunities for the Performance Rights to vest, noting that Performance Rights lapse automatically if they fail to vest and no retesting opportunities apply;
- a determination by the Board, acting reasonably, that Mr Williams has committed an act of fraud, defalcation or gross misconduct in relation to the Company;
- Mr Williams ceasing to be an employee for any reason other than retirement, permanent disability or death; or
- the occurrence of any other event as set out in the Rights Plan.

The Performance Rights are otherwise to be granted on the terms of the Rights Plan. A summary of the material terms of the Rights Plan is attached to this notice of meeting at Schedule 1.

The Performance Rights will not be transferable until after they are exercised, except to a legal personal representative of Mr Williams in the event of death or permanent disability.

The Company will issue Shares to Mr Williams (or his nominee) as soon as practicable after the vesting of any Performance Rights. The Shares allotted will be of the same class and will rank equally with all other issued Shares in the Company at the date of issue but may remain subject to disposal restrictions in accordance with the Company's trading policy and the terms of the offer. The Company will apply for quotation of the new Shares on ASX within the period required by the ASX Listing Rules. Alternatively, the Board may elect to acquire Shares on-market to deliver to Mr Williams upon the vesting of any Performance Rights.

If the Company reorganises its capital, Performance Rights on issue will also be reorganised in accordance with the ASX Listing Rules, such that Mr Williams does not receive a benefit that holders of ordinary Shares do not receive.

There are no participating rights or entitlements (including to participate in new issues) inherent in the Performance Rights (before their exercise into Shares if applicable) and Mr Williams will not be entitled as a result of holding Performance Rights to vote at meetings of Shareholders, receive dividends or participate in surplus profits or assets of the Company upon a winding up.

#### **ASX Listing Rule 10.14**

ASX Listing Rule 10.14 states that a listed company must not permit a director to acquire securities under an employee incentive scheme without the approval of shareholders by ordinary resolution. Mr Williams is a director of the Company. Accordingly, Shareholder approval is being sought under ASX Listing Rule 10.14 for the issue of Performance Rights to Mr Williams who is a related party of the Company.

ASX Listing Rule 10.14 provides that a listed company must not permit a director of the company or any of their associates from acquiring equity securities under an employee incentive scheme without the prior approval of Shareholders.

Resolution 6 therefore seeks the required shareholder approval for the issue of Performance Rights under and for the purposes of ASX Listing Rule 10.14. If approval is given by Shareholders under ASX Listing Rule 10.14, separate Shareholder approval is not required under ASX Listing Rule 10.11.

#### **Information required by ASX Listing Rule 10.14**

In accordance with the requirements of ASX Listing Rule 10.15, the following information is provided in relation to the proposed issue of Performance Rights to Mr Williams:

- (a) the Performance Rights will be issued to Mark Williams (or his nominee), who falls within the category set out in ASX Listing Rule 10.14.1;
- (b) the maximum number of Performance Rights to be issued is 2,358,712 and the maximum number of Shares to be issued upon vesting of the Performance Rights is 2,358,712;
- (c) the Performance Rights will be granted for nil consideration and the Shares to be issued upon vesting of the Performance Rights will be issued for nil consideration. No loan has been or will be given to Mr Williams in relation to the grant of Performance Rights under the Rights Plan and no funds will be raised from the issue or vesting of the Performance Rights;
- (d) total remuneration for Mr Williams for the 2022 financial year inclusive of short term and long term incentive entitlements was \$1,264,567. The remuneration package for Mr Williams in his role as Managing Director of the Company comprises total fixed remuneration (TFR) inclusive of statutory superannuation of \$725,000 per annum plus a short term incentive percentage stretch entitlement of up to 60% of TFR and a long term incentive percentage stretch entitlement of up to 100% of TFR. The Performance Rights the subject of Resolution 6 will comprise the LTIP entitlement for Mr Williams for FY-23, being remuneration payable in the ordinary course by the Company;
- (e) the material terms of the Performance Rights are set out above. The Company has elected to grant the Performance Rights to Mr Williams inclusive of the following reasons:

- the Performance Rights are unlisted and are subject to vesting conditions which align with the Company's long term objectives and the grant of Performance Rights has no immediate dilutionary impact on Shareholders;
  - the issue of the Performance Rights to Mr Williams will further align the interests of Mr Williams with those of Shareholders and are intended to incentivise and motivate Mr Williams to exceed expectations and to focus on the Company's longer term objectives;
  - the issue of the Performance Rights is a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations rather than if alternative cash forms of remuneration were provided to Mr Williams; and
  - it is not considered that there are any significant opportunity costs to the Company or benefits foregone by the Company in granting the Performance Rights on the terms proposed.
- (f) Rights that have been issued under the Rights Plan approved in November 2020 comprise a total of 2,411,744 Service Rights and 327,356 Deferred Rights issued under the Company's STIP, 26,355,729 Performance Rights issued under the Company's LTIP and 11,550,613 Performance Rights issued under the PIO Plan. Of these Rights, 5,303,575 securities (comprising nil Service Rights, 3,792,586 LTIP performance rights and 1,510,989 PIO performance rights) were issued to Mark Williams (or his nominee) under the Rights Plan. All Rights were issued for nil cash consideration. Shares resulting from the vesting of any Rights (and which the Board elects to satisfy in Shares rather than cash) will be issued pursuant to the Rights Plan;
- (g) Mr Williams is the only executive Director of the Company and as at the date of this notice of meeting is the only Director eligible to participate in the Rights Plan, however, in accordance with the definition of Eligible Person in the Rights Plan, it is possible that in the future the Board may determine that any other executive Director may become eligible to participate in the Rights Plan;
- (h) details of any Performance Rights issued under the Rights Plan will be published in each annual report of the Company relating to a period in which Performance Rights have been issued and that approval for the issue of Performance Rights was obtained, if required, under ASX Listing Rule 10.14;
- (i) any additional persons covered by ASX Listing Rule 10.14 who become entitled to participate in the scheme after the Resolution is approved and who were not named in the notice of meeting will not participate until approval is obtained under that rule;
- (j) the value the Company attributes to the 2,358,712 Performance Rights to be granted to Mr Williams (or his nominee) under Resolution 6 is \$0.142 per Performance Right (Tranche 1) and \$0.159 per Performance Right (Tranche 2). The values were calculated by independent consultants using a hybrid option pricing model (which incorporates a Monte Carlo simulation) for Tranche 1 and a hybrid single barrier option pricing model to reflect the positive TSR gate condition (which incorporates a Monte Carlo simulation) for Tranche 2, using the following assumptions:

<b>Assumption</b>	<b>Tranche 1 LTIP Rights</b>	<b>Tranche 2 LTIP Rights</b>
Underlying security spot price	\$0.230	\$0.230
Exercise price	Nil	Nil
Valuation date	5 September 2022	5 September 2022
Commencement date	1 July 2022	1 July 2022
Vesting date	30 June 2025	30 June 2025
Measurement period (years)	3.00	3.00
Remaining measurement period (years)	2.82	2.82
Volatility	70%	70%
Index Volatility	40%	n/a
Dividend yield	Nil	Nil
Risk Free Rate	3.290%	3.290%
Number of Rights	1,651,098	707,614
Valuation per Right	\$0.142	\$0.159
Valuation per Tranche	\$234,456	\$112,511



- (k) a summary of the material terms of the Rights Plan are set out in Schedule 1 to this notice of meeting;
- (l) the Performance Rights are anticipated to be issued within one month of the meeting but will be issued no later than 3 years after the meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules); and
- (m) a voting exclusion statement is included in the notice of meeting.

#### **ASX Listing Rule 7.1**

If Shareholders approve Resolution 6 pursuant to ASX Listing Rule 10.14, then approval is not required for the purposes of ASX Listing Rule 7.1. Accordingly, if Resolution 6 is approved and the 2,358,712 Performance Rights are issued, these will not be included in the calculation of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

#### **Corporations Act – Chapter 2E**

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company (which includes a director) unless either:

- (a) the giving of the financial benefit falls within one of the exceptions to the provisions; or
- (b) shareholder approval is obtained to the giving of the financial benefit.

The proposed issue of Shares by the Company to Mr Williams in settlement of any vested Performance Rights constitutes the giving of a financial benefit to a related party of the Company.

However, the Directors (other than Mr Williams) have determined that the proposed issue of Performance Rights constitutes reasonable remuneration given the circumstances of the Company and the position held by Mr Williams. Accordingly, the proposed issue of Performance Rights to Mr Williams falls within the "reasonable remuneration" exception set out in Section 211 of the Corporations Act so that shareholder approval is not required for the purposes of Chapter 2E of the Corporations Act.

#### **Directors recommendation**

The Directors (other than Mark Williams) recommend that Shareholders vote in favour of Resolution 6. The Chairman of the meeting intends to vote all available proxies in favour of Resolution 6.

#### **RESOLUTION 7 – APPROVAL OF TERMINATION BENEFITS**

##### **Why is shareholder approval being sought?**

The law in Australia restricts the benefits that can be given without Shareholder approval to personnel who hold (or have held within the previous three years) a managerial or executive office (as defined in the Corporations Act) on cessation of their employment with the Company or its related bodies corporate (**Relevant Persons**). Under section 200B of the Corporations Act, a company may only give a Relevant Person a benefit in connection with their ceasing to hold a managerial or executive office if approved by Shareholders or if an exemption applies.

The Company's position in relation to grants of equity securities under current or future Company share plans (including the Rights Plan) is to treat departing personnel appropriately having considered the relevant circumstances in which the Relevant Person is ceasing employment, and in accordance with applicable laws, market practice and Company policy.

To allow this policy to be achieved, the Board has determined that it is appropriate to seek Shareholder approval of the approach that it proposes to take to these benefits, now, in advance of any such potential benefits being provided. The Company has previously sought approval under sections 200B and 200E of the Corporations Act by incorporating such approval in Resolutions seeking the approval of the issue of equity securities to Relevant Persons. Resolution 7 seeks this approval from its Shareholders on a stand-alone basis.

**No additional benefits**

Shareholders are not being asked to approve any change or increase in the remuneration or benefits or entitlements for Relevant Persons, or any variations to the existing discretions of the Board.

**Board discretion**

The Board has an overriding discretion in relation to the treatment of grants under the Rights Plan on cessation of employment. The Board may determine that awards are forfeited and lapse, partially forfeited or retained, cash settled, that vesting remain unchanged, or that payment or vesting be accelerated on cessation of employment.

In exercising its discretion, the Board will consider all relevant circumstances in which the Relevant Person is ceasing employment. However, in order to provide transparency, the Board proposes to adopt the following positions as its likely default treatment:

<b>Nature of termination</b>	<b>Treatment of Rights (other than Deferred Rights) for the measurement period in which the termination occurs</b>	<b>Deferred Rights with vesting conditions</b>	<b>Deferred Rights without vesting conditions</b>
Dismissal	Forfeit all Rights in relation to the measurement period.	Any unvested Rights related to prior STIP awards are forfeited	Any specified disposal restrictions will cease to apply as at the date of termination.
Resignation	Forfeit all Rights in relation to the measurement period unless otherwise determined by the Board. If the Board determines Rights will not be fully forfeited, the award opportunity will generally be pro-rata reduced to reflect the period of the measurement period not served, and will generally be paid at the same time as other Participants receive payments (i.e. not a termination payment).	Any unvested Rights related to prior STIP awards are forfeited	Any specified disposal restrictions will cease to apply as at the date of termination.
Special Circumstances	Termination does not affect a Participant's entitlement in respect of the measurement period other than that the award opportunity will be reduced proportionately to reflect the portion of the measurement period worked. The Rights earned will be determined and paid following the end of the measurement period along with the determination of Rights for other Participants (i.e. not a termination payment).	Unvested Rights related to prior STIP awards are unaffected by the termination and any service test will be deemed to have been met, unless otherwise determined by the Board.	Any specified disposal restrictions will cease to apply as at the date of termination.

Shareholder approval is sought for the purposes of sections 200B and 200E of the Corporations Act for any deemed 'termination benefits' resulting from the future exercise of the Board's discretion under the Rights Plan. If Shareholder approval is obtained, the value of the above benefits will be disregarded when calculating the Relevant Person's termination benefits cap for the purpose of subsection 200F(2)(b) or subsection 200G(1)(c) of the Corporations Act.

If the Board exercises discretion to allow a member of the KMP to retain any equity securities under the Company's Rights Plan that would otherwise be forfeited, this will be fully described in the Remuneration Report.

This approval does not guarantee the Board will exercise the discretions set out above. Depending on the circumstances of cessation, any specific individual may not ultimately receive the benefits covered by this approval or may receive benefits that are different from the default position noted above.

#### **The value of the benefits or entitlements**

The amount and value of the benefits being approved is the maximum potential benefit that could be provided under the Company's Rights Plan as a result of the exercise of the Board's discretion. The amount and value of the benefits that may be provided cannot be ascertained in advance. This is because various matters, events and circumstances will or are likely to affect the calculation of the amount and value. These include:

- (a) the Relevant Person's base salary at the time of cessation of employment;
- (b) the length of the Relevant Person's service with the Company and its related bodies corporate and the portion of any relevant measurement periods that have expired at the time they cease employment;
- (c) the number of Rights Plan equity securities held by the Relevant Person prior to cessation of employment and the number that the Board determines to forfeit or leave on-foot in accordance with the Rights Plan;
- (d) Red 5's share price at the relevant time;
- (e) any other factors that the Board determines to be relevant when exercising a discretion (such as its assessment of the Relevant Person's performance up to the termination date);
- (f) the jurisdiction in which the Relevant Person is based at the time they cease employment, and the applicable laws in that jurisdiction; and
- (g) any changes in law prior to the date they cease to hold office.

#### **Approval is sought for a three-year period**

If approval is obtained, it will be effective for a three-year period. That is, Shareholder approval will be effective:

- (a) if the Board exercises discretions under the Rights Plan;
- (b) in relation to any grant of equity securities by the Company; or
- (c) if the Relevant Person ceases to hold office,

during the period beginning at the conclusion of this annual general meeting and expiring at the conclusion of the annual general meeting in 2025. If considered appropriate, the Company may seek fresh Shareholder approval at the annual general meeting in 2025.

It can be reasonably anticipated that Relevant Person remuneration and aspects of the Rights Plan, and the rules that underpin them, will be amended from time to time in line with market practice and changing governance standards. Where relevant, changes in relation to KMP remuneration will be reported in the Remuneration Report.

However, as set out above, the Board has an overriding discretion in relation to the treatment of grants of equity securities on cessation of employment. Subject to the three-year approval period, it is intended that this approval will remain valid for as long as the Rights Plan provides for these Board discretions.

#### **Directors' recommendation**

The Directors (other than Mark Williams) recommend that Shareholders vote in favour of Resolution 7. The Chairman of the meeting intends to vote all available proxies in favour of Resolution 7.

## GLOSSARY OF TERMS

**"ASIC"** means the Australian Securities and Investments Commission.

**"ASX"** means ASX Limited (ACN 008 624 691) or the Australian Securities Exchange operated by ASX Limited, as the context requires.

**"ASX Listing Rules"** means the official listing rules of ASX.

**"Board"** means the board of directors of the Company.

**"CAGR"** means compound annual growth rate.

**"Closely Related Party"** is defined in the Corporations Act and includes a spouse, dependant and certain other close family members, as well as any companies controlled by a member of Key Management Personnel.

**"Company" or "Red 5"** means Red 5 Limited (ABN 73 068 647 610).

**"Constitution"** means the constitution of the Company.

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

**"Corporations Regulations"** means the *Corporations Regulations 2001* (Cth).

**"Deferred Right"** means a Right which immediately vests but is subject to disposal restrictions, and which attach disposal restrictions to the Shares that result from the exercise of the Rights for specified periods, pursuant and subject to the Rights Plan.

**"Directors"** means the board of directors of the Company as at the date of the notice of meeting.

**"Eligible Person"** has the meaning given to that term in the Rights Plan.

**"Key Management Personnel" or "KMP"** means those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any Director (whether executive or otherwise) of the Company.

**"Participant"** has the meaning given to that term in the Rights Plan.

**"Performance Right"** means a Right which is tested for vesting at a specified date and which are subject to performance conditions, pursuant and subject to the Rights Plan.

**"Resolution"** means a resolution pursuant to this notice of meeting.

**"Right"** is an entitlement, upon vesting, to the value of a Share in the Company, which may be satisfied in the form of cash or Shares, pursuant and subject to the Rights Plan, and includes Performance Rights, Service Rights, and Deferred Rights.

**"Rights Plan"** means the rights plan to be approved by Shareholders pursuant to Resolution 4 of the notice of meeting, the terms of which are summarised in the notice of annual general meeting and in Schedule 1 of the accompanying explanatory memorandum.

**"Remuneration Report"** means the report contained in the annual financial report of the Company for the year ended 30 June 2022.

**"Service Right"** means a Right which vests if the Participant remains employed by the Company on a specified date, pursuant and subject to the Rights Plan.

**"Share"** means an ordinary fully paid share in the capital of the Company.

**"Shareholder"** means a holder of a Share.

**"Special Circumstances"** means death, total and permanent disablement as determined by the Board, retirement with the prior consent of the Board, redundancy, retrenchment, other Company-initiated terminations for other than cause (for example due to sale of a business unit), and other circumstances approved by the Board from time to time under the Rights Plan.

**"TSR"** means total shareholder return.

**"WST"** means Western Standard Time being the time of Perth, Western Australia.

## SCHEDULE 1 – SUMMARY OF MATERIAL TERMS OF RIGHTS PLAN

Broadly consistent with the terms set out in the Company's 2020 notice of annual general meeting, below are the material terms of the Rights Plan. Capitalised terms not otherwise defined in this explanatory memorandum (including this Schedule 1) have the meaning given to them in the Rights Plan.

- (a) **Offer of Rights:** The Board is responsible for administering and managing the Rights Plan. When an Eligible Person satisfies specified criteria imposed by the Board (including performance criteria and specified periods of tenure) the Board may make a written offer (**Offer**) of Rights to an Eligible Person. The Offer will specify the number of Rights offered (as determined by the Board) and the conditions that must be met by the Participant during the measurement period (**Measurement Period**) before the Rights will vest.
- (b) **Vesting conditions:** The Rights will vest upon:
  - (1) the vesting conditions imposed by the Board having been satisfied. These will typically be linked to service of the Participant (i.e. continued employment), performance of the Company or the Participant, or any combination;
  - (2) the Board determining that some or all the Rights vest earlier than the Measurement Period;
  - (3) if the Rights do not vest within the Measurement Period, then retesting (being the re-application of the vesting conditions) may occur a year after the initial Measurement Period, provided the Offer contemplates retesting;
  - (4) in the event of a change of control or major return of capital to Shareholders, Rights will vest in the proportion that the Company's Share price has grown relative to the Share price at the start of the Measurement Period or otherwise in the proportion determined at the discretion of the Board.
- (c) **Vesting percentage:** The Board has the discretion to increase or decrease, including to nil, the vesting percentage of the Rights, taking into account factors such as the Company's performance from the perspective of Shareholders.
- (d) **No consideration:** An Eligible Person will not be required to make any payment in return for a grant of Rights nor for the issue of Shares upon the vesting of Rights (unless otherwise determined by the Board).
- (e) **Lapse of Rights:** Rights will lapse on the earlier of:
  - (1) the performance conditions attaching to the Right not being satisfied within the nominated prescribed period;
  - (2) a purported transfer of the Rights (other than a permitted transfer);
  - (3) a determination by the Board, acting reasonably, that the Participant has committed an act of fraud, defalcation or gross misconduct in relation to the Company;
  - (4) the Participant ceasing to be an Eligible Person, other than by reason of retirement, permanent disability, redundancy or death (**Special Circumstances**);
  - (5) a determination by the Board; or
  - (6) any other circumstances specified by the Board in the Offer.
- (f) **Exercise of Rights:** When Rights vest they shall automatically be exercised. Upon vesting and exercise of a Right, the Board will determine in its absolute discretion whether to deliver the value of the Rights in Shares, cash payment or a combination.
- (g) **Issue of Shares:** For any Rights determined to be satisfied in Shares, the Board will determine in its discretion to either issue as new Shares (subject to any necessary shareholder or regulatory approvals) or arrange for Shares to be acquired on-market for the Eligible Person.
- (h) **Transfer of Rights:** Rights are not transferable except by operation of law on the death or legal incapacity of the Participant to the legal personal representative of the holder.

- (i) **Reorganisation of capital:** If the Company reorganises its capital, Rights on issue will be reorganised in accordance with the ASX Listing Rules, such that the holder of a Right does not receive a benefit that holders of ordinary Shares do not receive.
- (j) **Early vesting:** In the event of a takeover bid, a compromise or arrangement, the reconstruction of the Company, its amalgamation with any other company or cessation of employment by Special Circumstances, the Board may in its absolute discretion determine that the performance conditions attaching to the Rights have been satisfied on a pro-rata basis over the Measurement Period from the grant date and therefore a proportion (as determined by the Board) of the Rights may vest. Upon the cessation of employment of the Participant pursuant to Special Circumstances, the Board may determine that the Rights do not lapse upon termination of employment and will vest upon satisfaction of the relevant conditions at the end of the Measurement Period, as if the Participant had remained employed. Further, subject to (e) above and Division 2 of Part 2D.2 of the Corporations Act, the Board retains the discretion to trigger or accelerate payment or vesting of the Performance Rights upon termination of employment of the Participant.
- (k) **No other rights:** A Right gives the holder no rights other than as expressly provided in the Rights Plan and those provided at law where such rights cannot be excluded. Holders of Rights will not be entitled as a result of holding Rights to continued employment of the Company.
- (l) **Board determinations and amendment:** The Board may at any time by written instrument, or by resolution of the Board, amend or repeal all or any of the provisions of the Rights Plan rules. No amendment to or repeal of the Rights Plan rules is to reduce the existing rights of any Participant in respect of any Offers that had commenced prior to the date of the amendment or repeal, other than with the consent of the Participant, or for the purpose of complying or conforming to legal requirements governing, regulating, maintaining or the operation of the Rights Plan, to correct any manifest error or mistake, or to address certain potential adverse tax implications.

In addition to the material terms above and the issue of Rights under the Company's LTIP pursuant to the Rights Plan, the issue of Shares arising from any vested rights issued pursuant to the Company's STIP (such as Service Rights or Deferred Rights which the Board elect to settle in Shares rather than cash) and the Project Incentive Opportunity (such as PIO Performance Rights) are to be governed by, and issued under, the Rights Plan.