

RED 5 LIMITED

ABN 73 068 647 610



NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY MEMORANDUM

PROXY FORM

Date and time of meeting

20 November 2019 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

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 Wednesday, 20 November 2019 at 10.00 a.m.

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 2019.

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

1. 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.

2. 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 2019.”

In accordance with the Corporations Act, the Company will disregard any votes cast on this resolution 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 the resolution, 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.

3. Approval for issue of Service and Deferred Rights to Mark Williams

“That for the purposes of ASX Listing Rule 10.14, Sections 200B and 200E of the Corporations Act and for all other purposes, shareholders approve the issue of 786,516 Rights (comprising 393,258 Service Rights and 393,258 Deferred Rights) to Mark Williams (or his nominee) in accordance with the terms of the Red 5 Short Term Incentive Plan, his executive compensation arrangements and subject to the terms of the Red 5 Rights Plan Rules, further details of which are set out in the explanatory memorandum accompanying the notice of meeting.”

The Company will disregard any votes cast in favour of this resolution by Mark Williams or an associate of Mark Williams. However, the Company will not disregard any votes cast on this resolution by such person if:

- (a) the person is acting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or*
- (b) the person is the Chairman of the meeting acting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.*

4. Approval to issue Performance Rights to Mark Williams

“That in accordance with ASX Listing Rule 10.14, Sections 200B and 200E of the Corporations Act and for all other purposes, approval is given for the issue of 2,030,056 Performance Rights to Mark Williams (or his nominee), in accordance with the Red 5 Rights Plan Rules and upon the terms and conditions described in the explanatory memorandum accompanying the notice of meeting.”

The Company will disregard any votes cast in favour of this resolution by Mark Williams or an associate of Mark Williams. However, the Company will not disregard any votes cast on this resolution by such person if:

- (a) the person is acting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or*
- (b) the person is the Chairman of the meeting acting 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.*

5. Approval for participation of Kevin Dundo in Non-Executive Directors Share Plan

“That for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the issue of up to 370,000 Shares to Kevin Dundo in lieu of director’s fees, pursuant to the Red 5 Non-Executive Directors’ Share Plan.”

The Company will disregard any votes cast in favour of this resolution by non-executive directors of the Company or an associate of a non-executive director of the Company. However, the Company need 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 Chairman of 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.

6. Approval for participation of Colin Loosemore in Non-Executive Directors Share Plan

“That for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the issue of up to 290,000 Shares to John Colin Loosemore in lieu of director’s fees, pursuant to the Red 5 Non-Executive Directors’ Share Plan.”

The Company will disregard any votes cast in favour of this resolution by non-executive directors of the Company or an associate of a non-executive director of the Company. However, the Company need 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 Chairman of 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.

7. Approval for participation of Ian Macpherson in Non-Executive Directors Share Plan

“That for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the issue of up to 320,000 Shares to Ian Macpherson in lieu of director’s fees, pursuant to the Red 5 Non-Executive Directors’ Share Plan.”

The Company will disregard any votes cast in favour of this resolution by non-executive directors of the Company or an associate of a non-executive director of the Company. However, the Company need 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 Chairman of 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.

8. Approval for participation of Steven Tombs in Non-Executive Directors Share Plan

“That for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the issue of up to 280,000 Shares to Steven Tombs in lieu of director’s fees, pursuant to the Red 5 Non-Executive Directors’ Share Plan.”

The Company will disregard any votes cast in favour of this resolution by non-executive directors of the Company or an associate of a non-executive director of the Company. However, the Company need 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 Chairman of 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.

By order of the Board

Frank Campagna

Company Secretary

Perth, Western Australia

10 October 2019

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 Resolution 2 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 Resolution 2.

If you intend to appoint the Chairman of the meeting as your proxy for Resolution 2, you can direct the Chairman how to vote by marking one of the boxes on the proxy form for Resolution 2 (for example, if you wish to vote For, Against or Abstain from voting). 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 Resolution 2 even though it is connected with the remuneration of members of Key Management Personnel.

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 18 November 2019.

RED 5 LIMITED

EXPLANATORY MEMORANDUM

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 2019 (including the financial statements, directors' report and auditors' report) was included in the 2019 annual report of the Company, a copy of which is available on the Company's web-site at 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 – 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 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 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 member of the Audit Committee, Remuneration Committee and the Health, Safety, Environment and Community Committee.

The Board (other than Mr Dundo) recommends 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 1.

RESOLUTION 2 – REMUNERATION REPORT

The Remuneration Report is contained in the Directors' Report section of the Company's 2019 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 2 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.

The Chairman of the meeting intends to vote all available proxies in favour of Resolution 2.

RESOLUTION 3 – APPROVAL FOR ISSUE OF SERVICE AND DEFERRED RIGHTS TO MARK WILLIAMS

The Company proposes to issue a total of 786,516 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 2019 financial year.

Under the terms of his executive employment agreement, Mr Williams is entitled to a short term incentive performance bonus 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 plan also has a financial gate to ensure that no performance bonus is payable when it would be inappropriate or unaffordable to do so.

Under the terms of the 2019 STI offer, any award is to be paid 50% in cash and 50% is deferred into Rights which may not be sold for specified periods. 25% of the award (i.e. half of the Rights portion) is to be deferred for 12 months which vest only if the participant remains employed at the end of the Measurement Period (**Service Rights**). 25% of the award (i.e. half of the Rights portion) is to be deferred for 24 months which are immediately vested but subject to disposal restrictions (which also apply to the Shares that result from exercise of the Rights) until the end of the second year following the year of the STI (**Deferred Rights**).

Following an executive performance review for the year, Mr Williams became entitled to a STI performance bonus of a target 60% of total fixed remuneration, based on the achievement of group and specific role related operational targets for the year ended 30 June 2019 including achievement of core EBITDA targets, completion of permitting and other strategies relating to the Siana gold project in the Philippines, the achievement of gold production and cost targets for the financial year and individual effectiveness. The financial gate of a minimum level of gold production based on a challenging work plan and operating budget was exceeded. Details of these operational targets are set out in the Company's 2019 annual report.

The share component of the awarded performance bonus amounted to \$140,000. 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 2019, which for the relevant period was 17.8 cents per Share. Accordingly, the share component of the entitlement due to Mr Williams amounted to 786,516 Rights, comprising 393,258 Service Rights and 393,258 Deferred Rights.

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, which do not require shareholder approval.

The Rights available under the Red 5 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 requirements – 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 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 Rights constitutes reasonable remuneration given the circumstances of the Company and the position held by Mr Williams. Accordingly, the proposed issue of 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 Rules requirements – Listing Rule 10.14

Listing Rule 10.14 provides that a company must not issue Equity Securities to a director of the company under an employee incentive scheme unless the issue has been approved by holders of ordinary securities. If approval is given by shareholders under Listing Rule 10.14, separate shareholder approval is not required under Listing Rule 10.11. As such, shareholder approval is sought under Listing Rule 10.14 as Resolution 3 proposes the issue of Rights to Mr Williams who is a related party of the Company by virtue of his directorship.

Pursuant to the exception in ASX Listing Rule 7.2(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 10.11. Accordingly, the issue of Rights to Mr Williams pursuant to Resolution 3 will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

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 Rights to Mr Williams.

- (a) the Rights will be issued to Mark Williams (or his nominee).
- (b) the maximum number of Rights to be issued is 786,516.
- (c) a total of 1,625,470 Equity Securities (being 812,735 Service Rights and 812,735 Deferred Rights) have been issued under the STI plan to Mark Williams since the date of last approval, all of which were issued for no cash consideration.
- (d) senior executives are eligible to participate in the STI. Mark Williams is the only director that is eligible to participate (and has received securities under) in the STI at the date of this notice of meeting and explanatory memorandum.
- (e) the Company anticipates that the Rights will be issued on or around 20 November 2019 and in any event, no later than one month after the date of the meeting. It is noted that these securities can be issued up to 12 months after the meeting pursuant to ASX Listing Rule 10.15.7.
- (f) the Rights will be issued for no cash consideration as they are being issued as part of an executive compensation arrangement.
- (g) of the Rights portion of the STI award, half (393,258) will be issued as Service Rights which will only vest and become exercisable into Shares if Mr Williams is employed by the Company or a group company on 1 July 2020 (being 12 months from the end of the STI award period). The other half of the Rights portion (393,258) will be issued as Deferred Rights which will vest immediately upon issue and be exercised into Restricted Shares. The Restricted Shares will be subject to disposal restrictions for a period of two years from 30 June 2019. Shares issued upon the exercise of Rights will rank equally with all existing Shares on issue.
- (h) the deemed issue price of the Rights is 17.8 cents per Share.
- (i) no funds will be raised from the issue of the Rights.
- (j) no loans have or will be made by the Company in connection with the relevant Rights.
- (k) a voting exclusion statement for Resolution 3 is included in the notice of meeting preceding this explanatory memorandum.

Sections 200B and 200E of the Corporations Act

The Corporations Act restricts the benefits that can be given to persons who hold a "managerial or executive office" (as defined in the Corporations Act) on leaving their employment with the Company or any of its related bodies corporate.

Under Sections 200B and 200E of the Corporations Act, a company may only give a person a benefit in connection with them ceasing to hold a managerial or executive office if the benefit is approved by shareholders or an exemption applies.

Amendments to the Corporations Act in 2009 significantly expanded the scope of these provisions and lowered the threshold for termination benefits that do not require shareholder approval. The term “benefit” has a wide meaning and may include benefits resulting from the Board exercising certain discretions under the terms of Mr Williams’ short term incentive entitlements, including the discretion to determine the accelerated vesting or automatic vesting of Rights in certain circumstances.

Under the terms of Mr Williams’ short term incentive plan, he may become entitled to accelerated vesting or automatic vesting of shares if there is a change of control of the Company or upon cessation of employment in certain circumstances or as determined by the board. Accordingly, shareholder approval is sought for Mr Williams to be given any such benefit in connection with his retirement from office or employment with the Company if that occurs within 3 years of the date of this meeting.

The value of the benefit will depend on the number of shares that may vest and the market value of the shares at the time of cessation of employment.

Terms of the Red 5 Rights Plan Rules

The key terms of the Red 5 Short Term Incentive Plan and Red 5 Rights Plan Rules, under which the deferred STI is to be granted, is summarised as follows:

- Participants must be employees of Red 5 Limited (or a group or associated company);
- 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,
- 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.

Directors’ recommendation

The directors (other than Mr Williams) recommend that shareholders vote in favour of Resolution 3. The Chairman of the meeting intends to vote all available proxies in favour of Resolution.

RESOLUTION 4 – APPROVAL TO ISSUE 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 Company's Rights Plan. The Board proposes to issue 2,030,056 Performance Rights to Mr Williams (or his nominee) subject to the approval of shareholders. The issue of the Performance Rights represents the Long Term Incentive (LTI) component of Mr Williams' remuneration for the 2020 financial year.

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 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) 50% of the Target level of Performance Rights (1,015,028 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:

| Company's TSR performance relative to TSR performance of S&P/ASX All Ordinaries Gold Index during the relevant Measurement Period | Portion of Performance Rights that vest |
|---|--|
| 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 the Company's TSR is equal to the TSR of 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 253,757 (being 25% of this tranche of the Performance Rights; the mid-point between the "Threshold" and "Target" levels of vesting).

- (b) 20% of the Target level of award of Performance Rights (406,011 Performance Rights) will be tested for vesting based on growth in the Company's Ore Reserves (Proved and Probable) during the Measurement Period (excluding 50% of acquired Ore Reserves), 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 the total growth in the Company's Ore Reserves over the Measurement Period is 20%, a total of 203,005 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) 20% of the Target level of award of Performance Rights (406,011 Performance Rights) will be tested for vesting at the end of the Measurement Period against the following vesting scale relating to budgeted operating costs per ounce or AISC in respect of all three of the financial years within the Measurement Period (averaged):

| Company's Operating Costs as % Budgeted Operating Costs (averaged over 3 years) | Portion of Performance Rights that vest |
|---|---|
| >95% | Nil |
| Threshold: 95% | 25% |
| Target: 90% | 50% |
| Stretch: 80% | 100% |
| Outcomes between specified performance and award levels | Pro-rata |

For example, on the basis the Company's operating costs were 85% budgeted operating costs, a total of 304,508 Performance Rights would vest (being 50% of this tranche of the Performance Rights; the mid-point between the "Target" and "Stretch" levels of vesting).

- (d) 10% of the Target level of award of Performance Rights (203,006 Performance Rights) will be tested for vesting against safety compliance conditions at the end of the Measurement Period as set out in the following table:

| Performance measure | Hurdles |
|---------------------|--|
| Safety compliance | <ul style="list-style-type: none"> - no fatalities; - maintenance of the ISO14001 and ISO18001 certifications; and - year on year improvement in TRIFR safety performance |

Notes:

1. *The binary conditions do not have a stretch outcome and will either vest or not vest without being subject to scaling.*
 2. *All of the outcomes in this category must be achieved in order for any Performance Rights to vest and no partial vesting will occur for partial achievement of the sub-conditions.*
- (e) As a requirement additional to those outlined at (a) to (d), vesting of all Performance Rights is also conditional on the following gates being exceeded:
- a positive TSR for the Measurement Period; and
 - 80% of budgeted gold production by 30 June 2020.

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

- (a) 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;
- (b) 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;
- (c) Mr Williams ceasing to be an employee for any reason other than retirement, permanent disability or death; or
- (d) 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 as summarised in the explanatory memorandum in relation to Resolution 4.

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 his death or permanent disability.

The Company will issue Shares to Mr Williams (or his nominee) as soon as practicable after the vesting of 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.

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.

The following information is provided to shareholders for the purposes of Listing Rule 10.15A:

- (a) the Performance Rights will be issued to Mr Mark Williams (or his nominee), a director of the Company;
- (b) the maximum number of Performance Rights to be issued is 2,030,056 and the maximum number of Shares to be issued upon vesting of the Performance Rights is 2,030,056;
- (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. Accordingly, 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) a total of 36,160,099 Performance Rights have been issued under the Rights Plan since it was adopted by the Directors on 16 August 2017 and last approved by shareholders on 22 September 2017, including 9,637,208 Performance Rights issued to Mark Williams in September 2017 and December 2018. The balance of 26,522,891 Performance Rights were issued to senior management and operating personnel in accordance with Long Term Incentive Plan entitlements pursuant to Red 5 Rights Plan. All Performance Rights were issued for nil cash consideration;

- (e) 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 Participant 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;
- (f) 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. Any additional personnel who become entitled to participate in the Rights Plan after this resolution was approved and who were not named in the notice of meeting will not participate until shareholder approval is obtained, if required, under ASX Listing Rule 10.14;
- (g) 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
- (h) a voting exclusion statement is included in the notice of meeting.

ASX Listing Rule 7.1

If Shareholders approve Resolution 4 pursuant to ASX Listing Rule 10.14, then approval is not required for the purposes of ASX Listing Rule 7.1. Accordingly, if Resolution 4 is approved and the 2,030,056 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.

Corporations Act – Sections 200B and 200E

The Corporations Act restricts the benefits that can be given to persons who hold a "managerial or executive office" (as defined in the Corporations Act) on leaving their employment with the Company or any of its related bodies corporate.

Under Sections 200B and 200E of the Corporations Act, a company may only give a person a benefit in connection with them ceasing to hold a managerial or executive office if the benefit is approved by shareholders or an exemption applies.

The term "benefit" has a wide meaning and may include benefits resulting from the Board exercising certain discretions under the terms of Mr Williams' long term incentive entitlements, including the discretion to determine the accelerated vesting or automatic vesting of Performance Rights in certain circumstances (as summarised in the explanatory memorandum in relation to Resolution 4).

Under the terms of the Rights Plan, the Board may exercise its discretion to accelerate vesting if deemed appropriate, including in connection with a termination. However, there is no trigger to vest Rights upon cessation of employment and it should be noted that any vesting triggered by a change in control event is not a termination benefit.

Directors recommendation

Each of the Directors (excluding Mark Williams) believes that the approval in relation to the issue of the Performance Rights to Mark Williams is in the best interests of Shareholders as a whole. The Directors (excluding Mark Williams) recommend that shareholders vote in favour of Resolution 4 and each of the directors (excluding Mark Williams) intends to, the extent not excluded, vote any Shares they own in favour of Resolution 4.

The Chairman of the meeting intends to vote all available proxies in favour of Resolution 4.

RESOLUTIONS 5 TO 8 – APPROVAL OF ISSUE OF SHARES PURSUANT TO NON-EXECUTIVE DIRECTORS SHARE PLAN

Background

The Red 5 Non-Executive Directors Share Plan (the **NED Plan**) was last approved by shareholders at the Company's 2017 annual general meeting and approvals to issue shares under the NED Plan to individual directors were approved again at the 2018 AGM. The purpose of the NED Plan is to provide non-executive directors of the Company with the ability to sacrifice their directors' fees to acquire ordinary fully paid shares in the capital of the Company. The salary sacrifice serves as an effective cash preservation mechanism whilst further aligning the interests of directors with those of shareholders of the Company.

ASX Listing Rule 10.14 provides that a company must not issue or agree to issue securities under an incentive plan to a director, or an associate of a director, without the approval of shareholders.

Pursuant to ASX Listing Rule 7.2 Exception 14, approval under ASX Listing Rule 7.1 is not required in order to issue shares to the non-executive directors of the Company as approval is being obtained under ASX Listing Rule 10.14. Accordingly, the issue of shares to the non-executive directors of the Company pursuant to Resolutions 5 to 8 will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

The Company seeks approval for the issue of Shares to its non-executive directors (Kevin Dundo, John Colin Loosemore, Ian Macpherson and Steven Tombs) under the NED Plan, for the purposes of ASX Listing 10.14 and for all other purposes.

Summary of NED Plan and ASX Listing Rule 10.15

In summary, and in accordance with the requirements of ASX Listing Rule 10.15, the following information is provided in relation to the proposed issue of shares to the non-executive directors of the Company under the proposed NED Plan:

- (a) the persons for whom approval is sought under ASX Listing Rule 10.14 are Kevin Dundo (Resolution 5), Colin Loosemore (Resolution 6), Ian Macpherson (Resolution 7) and Steven Tombs (Resolution 8), each of whom are non-executive directors of the Company. These are all of the non-executive directors who are presently entitled to participate in the NED Plan.
- (b) each non-executive director who wishes to participate in the NED Plan must provide notice to the Company indicating the percentage of their directors' fees that they elect to sacrifice under the terms of the NED Plan. The specified percentage must be at least 10% (unless otherwise determined by the Board) and may be up to 100%.
- (c) the maximum number of securities that can be issued under the NED Plan is the total remuneration of the non-executive directors, being up to \$650,000, noting that as at the date of this notice of meeting, the anticipated maximum remuneration of non-executive directors for the current financial year is \$410,000 exclusive of superannuation, divided by the issue price of the

shares (as determined in paragraph (e) below). In any case, the total number of shares in any financial year that can be issued pursuant to the NED Plan will not exceed 5% of the Company's outstanding issued capital at any time.

- (d) the Company, at its discretion, may either issue new ordinary fully paid shares to the non-executive directors or procure that shares are acquired on the ASX in the name of the eligible non-executive directors under the NED Plan.
- (e) each non-executive director will be provided with the number of ordinary fully paid shares in the Company equal to the amount of fees sacrificed by the director in the relevant year, divided by:
 - in the case of shares being purchased on the ASX, the average price paid for shares on the ASX under the NED Plan (inclusive of costs associated with their acquisition); or
 - in the case of shares being issued by the Company, the volume weighted average price for sales of the Company's shares on ASX for the five trading days immediately leading up to the date of the issue of the shares.

For the purposes of Listing Rule 10.15.2, the maximum number of Shares that will be issued pursuant to Resolutions 5 to 8 is 370,000 Shares to Mr Dundo (Resolution 5), 290,000 Shares to Mr Loosemore (Resolution 6), 320,000 Shares to Mr Macpherson (Resolution 7) and 280,000 Shares to Mr Tombs (Resolution 8), which amounts have been calculated based on those parties' remuneration (excluding superannuation) divided by a notional issue price of \$0.33 per share (based on the last closing price of the Company's shares traded on ASX on 10 October 2019).

- (f) no shares have been issued under the NED Plan since share issues were last approved at the Company's 2018 annual general meeting.
- (g) the Company will issue the shares under the NED Plan from time to time, but in any case, it will not issue any shares under the NED Plan more than 12 months after this annual general meeting pursuant to any approval granted under Resolutions 5 to 8.
- (h) there are no restrictions on the transfer of shares issued to the non-executive directors under the NED Plan.
- (i) the NED Plan is administered by the Board who, subject to the ASX Listing Rules, the Corporations Act and any other regulatory requirements that apply to the Company, may by resolution amend or vary the NED Plan provided that no such right may, without the consent of the participant, in any manner adversely affect their rights under any share rights already granted under the NED Plan.
- (j) no loans have been or will be made by the Company in connection with the NED Plan.
- (k) a voting exclusion statement for Resolutions 5 to 8 are included in the notice of meeting preceding this explanatory memorandum.

The following amendments to the NED Plan may be made by the Board without the approval of shareholders:

- any amendments necessary to ensure that the NED Plan is in compliance with the ASX Listing Rules and any other applicable legal requirements;
- amendments that are of an administrative nature;
- amendments to the definitions of Eligible Persons under the NED Plan unless such changes would expand the class of Eligible Persons; and
- amendments to the manner in which the NED Plan is administered.

The following amendments to the NED Plan will require shareholder approval:

- amendments to the maximum number of ordinary shares in the Company that may be issued to any one participant under the NED Plan;
- amendments to the provisions with respect to the assignment of share rights;
- amendments which would expand the definition of persons eligible to participate in the NED Plan;
- amendments to the amending provisions of the NED Plan; and
- amendments to reduce the price at which shares are issued under the NED Plan.

If a non-executive director ceases (for whatever reason) to be a director during a year:

- (a) but before any Shares have been provided to that Eligible Director under the NED Plan in respect of that financial year, no Shares will be provided to the non-executive director in relation to the financial year, but the Company must pay to the Eligible Director the amount, in cash, equal to the portion of the sacrificed amount for that year on a pro-rata basis;
- (b) but before all Shares have been provided to that Eligible Director under the NED Plan in respect of that financial year, no further Shares will be provided to the Eligible Director, but the Company must pay to the Eligible Director the amount, in cash, equal to the portion of the sacrificed amount for the year that remains unsatisfied by the issue of Shares, on a pro-rata basis; or
- (c) but after all Shares have been provided to that Eligible Director under the NED Plan in respect of that financial year, the Eligible Director must pay to the Company the amount, in cash, equal to the portion of the sacrificed salary that remains unearned, on a pro-rata basis.

An analysis of any Shares issued to non-executive directors during the year will be included in the Company's annual report for the relevant year.

Recommendation

The Managing Director, Mark Williams, who is the only director not entitled to participate in the NED Plan, recommends that shareholders vote in favour of Resolutions 5 to 8. The Chairman of the meeting intends to vote all available proxies in favour of Resolutions 5 to 8.

GLOSSARY OF TERMS

"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).

"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.

"NED Plan" means the Red 5 Non-Executive Directors' Share Plan.

"Remuneration Report" means the report contained in the annual financial report of the Company for the year ended 30 June 2019.

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

"TSR" means total shareholder return.

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



RED 5 LIMITED

ABN: 73 068 647 710

REGISTERED OFFICE:

LEVEL 2
35 VENTNOR AVENUE
WEST PERTH WA 6005



«EFT_REFERENCE_NUMBER»

«Holder_name»
«Address_line_1»
«Address_line_2»
«Address_line_3»
«Address_line_4»
«Address_line_5»

«Company_code» «Sequence_number»

SHARE REGISTRY:

Security Transfer Australia Pty Ltd
All Correspondence to:
PO BOX 52
Collins Street West VIC 8007
Suite 913, Exchange Tower
530 Little Collins Street
Melbourne VIC 3000
T: 1300 992 916 F: +61 8 9315 2233
E: registrar@securitytransfer.com.au
W: www.securitytransfer.com.au

Code:

RED

Holder Number:

«HOLDER_NUM

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.

**VOTE
ONLINE**

Lodge your proxy vote securely at www.securitytransfer.com.au

1. Log into the Investor Centre using your holding details.
2. Click on "Proxy Voting" and provide your Online Proxy ID to access the voting area.

«ONLINE

SECTION A: Appointment of Proxy

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

The meeting chairperson

OR

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 Annual General Meeting of the Company to be held at 10:00am WST on Wednesday 20 November 2019 at The Celtic Club, 48 Ord Street, West Perth, Western Australia and at any adjournment of that meeting.

Chairperson authorised to exercise undirected proxies on remuneration related resolutions:

Where I/we have appointed the Chairperson of the meeting as my/our proxy (or the Chairperson of the meeting becomes my/our proxy by default) and I/we am/are entitled to vote on the relevant resolutions, I/we expressly authorise the Chairperson of the meeting to exercise my/our proxy in respect of each of proposed Resolutions 2 to 8 even though each of those resolutions is connected directly or indirectly with the remuneration of a member of the key management personnel of the Company, and even though the Chairperson of the meeting is a member of key management personnel for the Company.

Please note: If the Chairperson of the meeting is (or becomes) your proxy, you can direct the Chairperson of the meeting how to exercise your proxy on proposed Resolutions 2 to 8 by marking the appropriate box in Section B below.

SECTION B: Voting Directions

Please mark "X" in the box to indicate your voting directions to your Proxy. The Chairperson of the Meeting intends to vote undirected proxies in FAVOUR of all the resolutions. In exceptional circumstances, the Chairperson of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

| RESOLUTION | For | Against | Abstain* | | For | Against | Abstain* |
|---|--------------------------|--------------------------|--------------------------|--|--------------------------|--------------------------|--------------------------|
| 1. Re-election of Kevin Dundo as a director | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 5. Approval for participation of Kevin Dundo in NED Share Plan | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Remuneration report | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 6. Approval for participation of Colin Loosemore in NED Share Plan | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Approval for issue of Service and Deferred Rights to Mark Williams | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 7. Approval for participation of Ian Macpherson in NED Share Plan | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Approval to issue Performance Rights to Mark Williams | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | 8. Approval for participation of Steven Tombs in NED Share Plan | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

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.

SECTION C: Signature of Security Holder(s)

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Security Holder

Security Holder 2

Security Holder 3

Sole Director & Sole Company Secretary

Director

Director/Company Secretary

Proxies must be received by Security Transfer Australia Pty Ltd no later than 10:00am WST on Monday 18 November 2019

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REDPX1201119





My/Our contact details in case of enquiries are:

Name:

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1. NAME AND ADDRESS

This is the name and address on the Share Register of the Company. If this information is incorrect, please make corrections on this form. Shareholders sponsored by a broker should advise their broker of any changes. Please note that you cannot change ownership of your shares using this form.

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 the Company.

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 contacting the Company's share registry 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

Individual: where the holding is in one name, the Shareholder must sign.

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 Australia Pty Ltd no later than the date and time stated on the form overleaf. Any Proxy form received after that time will not be valid for the scheduled meeting.

The proxy form does not need to be returned to the share registry if the votes have been lodged online.

Security Transfer Australia Pty Ltd

Online www.securitytransfer.com.au

Postal Address PO BOX 52
Collins Street West VIC 8007

Street Address Suite 913, Exchange Tower
530 Little Collins Street
Melbourne VIC 3000

Telephone 1300 992 916

Facsimile +61 8 9315 2233

Email registrar@securitytransfer.com.au

PRIVACY STATEMENT

Personal information is collected on this form by Security Transfer Australia Pty Ltd as the registrar for securities issuers for the purpose of maintaining registers of security holders, 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 Australia Pty Ltd or you would like to correct information that is inaccurate please contact them on the address on this form.

