

RED 5 LIMITED

ABN 73 068 647 610

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY MEMORANDUM

PROXY FORM

Date and time of meeting

23 November 2006 at 10.00 a.m.

Place of meeting

Constitutional Centre of Western Australia
Corner of Havelock Street and Parliament Place
West Perth, Western Australia

RED 5 LIMITED

ABN 73 068 647 610

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 Constitutional Centre of Western Australia, corner of Havelock Street and Parliament Place, West Perth, Western Australia on Thursday, 23 November 2006 at 10.00 a.m.

AGENDA

ORDINARY BUSINESS

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 2006.

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

1. Re-election of Peter Rowe as a director

"That Mr Peter Rowe, being a director of the Company, retires by rotation in accordance with Clause 7.3(a) of the Constitution 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 a non-binding resolution.

2. Remuneration report

"That for the purposes of Section 250R(2) of the Corporations Act, the Company adopt the Remuneration Report."

SPECIAL BUSINESS

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

3. Issue of options to Societe Generale

"That for the purposes of ASX Listing Rule 7.3 and for all other purposes, approval is given for the directors to allot and issue 12,500,000 options over fully paid shares to Societe Generale Australia Branch (or its nominee) as part consideration for the provision of finance facilities to the Company, further details of which are set out in the explanatory memorandum accompanying the notice of meeting."

The Company will disregard any votes cast on this resolution by Societe Generale Australia Branch (or any person who may participate in the proposed issue and a person who may obtain a benefit, except a benefit solely in the capacity of a security holder, if the resolution is passed) and any associates of those persons.

By order of the Board

Frank Campagna
Company Secretary

Perth, Western Australia
16 October 2006

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.

NOTES

A member of the Company who is entitled to attend and vote at the meeting may appoint a proxy to attend and vote for the member at the meeting. A proxy need not be a member of the Company.

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

In accordance with Regulation 7.11.37 of the Corporations Regulations, the directors have determined that the identity of those entitled to attend and vote at the meeting is to be taken as those persons who held shares in the Company as at 10.00 a.m. on 21 November 2006.

RED 5 LIMITED

ABN 73 068 647 610

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 2006 (including the financial statements, directors' report and auditors' report) was included in the 2006 annual report of the Company, which was distributed to shareholders along with this notice of meeting.

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 PETER ROWE AS A DIRECTOR

The Constitution requires that one third of the directors in office (other than a Managing Director) must retire by rotation at each annual general meeting of the Company.

Mr Peter Rowe therefore retires at the forthcoming annual general meeting in accordance with the Constitution and being eligible, has offered himself for re-election at the meeting.

Mr Rowe is currently an executive officer of AngloGold Ashanti Limited, in charge of its corporate technical group. After qualifying as a chemical engineer, Mr Rowe spent 20 years with Anglo American and De Beers in South Africa before moving to Australia in the early 1990's. He has held a number of senior managerial positions in Australia, including Project Director of the Fimiston Expansion, General Manager of the Boddington Gold Mine and of the Boddington Expansion Project and Managing Director and CEO of Bulong Nickel. He currently resides in Johannesburg, South Africa.

RESOLUTION 2 – REMUNERATION REPORT

The Remuneration Report is contained in the Directors' Report section of the Company's 2006 annual report.

The Remuneration Report describes the underlying policies and structure of the remuneration arrangements 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 the Company. However, shareholders should note that the vote on Resolution 2 is not binding on the Company or the directors.

RESOLUTION 3 – ISSUE OF OPTIONS TO SOCIETE GENERALE

In September 2006, Red 5 agreed the terms of a finance facility of \$2 million to be provided by Societe Generale Australia Branch (Societe Generale). The facility will be used to fund the bankable feasibility study on the Siana project and for the balance of the purchase consideration payable on a second hand ball mill for the project. Under the terms of the facility, Red 5 has agreed to grant 12,500,000 unlisted options exercisable at 17 cents each on or before 30 June 2008 to Societe Generale.

ASX Listing Rule 7.1 prohibits a listed company from issuing shares representing more than 15% of its issued capital in any 12 month period without obtaining shareholder approval. Resolution 3 seeks approval for the issue of the 12,500,000 unlisted options to Societe Generale (or its nominee). If the resolution is approved then the issue of those options will not be counted in the Company's 15% capacity.

Under ASX Listing Rule 7.3 the following information is provided to shareholders:

- (a) the total number of options to be issued is 12,500,000.
- (b) the options are to be issued as part consideration for the provision of a finance facility to the Company and will be issued for no deemed cash consideration.
- (c) the options will be exercisable at 17 cents each on or before 30 June 2008. The full terms and conditions of the options are set out below.
- (d) the options will be issued to Societe Generale (or its nominee) no later than 3 months after the date of the meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules), and it is anticipated that they will be issued as one allotment.
- (e) no cash funds will be raised from the issue of the options. Any funds received from the exercise of the options may be used as repayment of the finance facility or as working capital for the Company.

Terms and conditions of unlisted options

The options entitle the holder to subscribe for ordinary fully paid shares (Shares) in the capital of the Company on the following terms and conditions:

- (a) each option entitles the holder the right to subscribe for and be allotted one Share upon exercise of the option and payment of 17 cents each.
- (b) options may be exercised at any time by sending a completed and signed notice of exercise form, together with payment of 17 cents (Exercise Price) for each option, to the Company's share registry.
- (c) the option holder will not be required to exercise all of the options to which it is entitled at one time, but must exercise options in multiples of 3,000,000, save if the holding is less than 3,000,000 in which case all the options may be exercised. Shares allotted on the exercise of an option will be allotted or issued in accordance with the terms of the options, and in any event, not more than 14 days after the receipt of a properly executed notice of exercise and the required application moneys.
- (d) a notice of exercise is only effective when the Exercise Price has been paid or is taken to have been paid in full either by payment of the Exercise Price in cash or cleared funds or by set off against amounts due by the Company to the option holder, or by a combination of such payment and set off.
- (e) each option will automatically lapse if not exercised on or before 5.00 p.m. WST on 30 June 2008 (Expiry Date).
- (f) options may only be transferred to a related entity of the option holder at any time prior to the Expiry Date.
- (g) the options will be unlisted and the period during which the options may be exercised will not be extended.
- (h) Shares allotted pursuant to the exercise of options will rank equally with the then issued ordinary shares of the Company.

- (i) option holders are not permitted to participate in new issues of shares as option holders. Option holders may participate in pro-rata new issues of shares if the option is exercised before the relevant record date for that new issue. In such cases the Exercise Price will be reduced in accordance with the formula set out in Rule 6.22 of the ASX Listing Rules as if the options were themselves quoted options. Option holders will be advised at least 9 business days before the record date for a proposed new issue.
- (j) if there is a bonus issue (as defined in the ASX Listing Rules) to the holders of Shares, the number of Shares over which the option is exercisable will be increased by the number of Shares which the option holder would have received if the options had been exercised before the record date of such bonus issue.
- (k) if the issued capital of the Company is reorganised, the rights of the option holders must be changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation (with such rules being taken to apply as if the options were themselves quoted options).
- (l) an adjustment is to be made even if the event resulting in that adjustment occurs before the date on which the option was granted.

GLOSSARY OF TERMS

“ASX” means Australian Stock Exchange Limited;

“ASX Listing Rules” means the official listing rules of ASX;

“Board” means the board of directors of the Company;

“Company” or “Red 5” means Red 5 Limited (ABN 73 068 647 610);

“Constitution” means the constitution of the Company as amended from time to time;

“Corporations Act” means the Corporations Act 2001 (Commonwealth);

“Corporations Regulations” means the Corporations Regulations 2001 (Commonwealth).

RED 5 LIMITED

ABN 73 068 647 610

PROXY FORM

Company Secretary
Red 5 Limited
Level 2, 35 Ventnor Avenue
West Perth Western Australia 6005

FACSIMILE: (08) 9481 5950

I/We _____
being a member of Red 5 Limited,

holding _____ shares in the capital of the Company,

hereby appoint _____

or failing him/her, the Chairman of the meeting as my/our proxy to vote on my/our behalf at the annual general meeting of the Company to be held on 23 November 2006 at the Constitutional Centre of Western Australia, corner of Havelock Street and Parliament Place, West Perth, Western Australia, and at any adjournment thereof. If no voting directions are given, the Chairman will vote in favour of each resolution.

Instructions on voting

	FOR	AGAINST	ABSTAIN
Resolution 1 Re-election of Peter Rowe as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Remuneration report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Issue of options to Societe Generale	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

OR

If the Chairman of the meeting is appointed as your proxy, or may be appointed by default and you do **not** wish to direct your proxy how to vote in respect of the resolutions, please place a mark in this box. ☐

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he/she has an interest in the outcome of the resolution and votes cast by him/her other than as proxy holder will be disregarded because of that interest. The Chairman intends to vote in favour of each resolution.

YOU MUST EITHER MARK THE BOXES DIRECTING YOUR PROXY HOW TO VOTE OR MARK THE BOX INDICATING THAT YOU DO NOT WISH TO DIRECT YOUR PROXY HOW TO VOTE, OTHERWISE THIS APPOINTMENT OF PROXY FORM WILL BE DISREGARDED.

Dated this _____ day of _____ 2006

Individuals and joint holders to sign:

Companies to sign (affix common seal if applicable):

Usual signature

Director, or sole director and sole secretary
(please delete as applicable)

Usual signature

Director or Company Secretary

VOTING BY PROXY

1. A member of the Company entitled to attend and vote at the annual general meeting is entitled to appoint a proxy (who need not be a member) to attend and vote on his/her behalf.
2. If the member is entitled to cast two or more votes at the meeting, they may appoint two proxies. If the member appoints two proxies and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half of the votes.
3. The proxy form must be received at the Company's registered office at Level 2, 35 Ventnor Avenue, West Perth, Western Australia, 6005, or by facsimile on (08) 9481 5950 and in both cases, not less than 48 hours before the time of the holding of the meeting.
4. In the case of joint holders of a share in the Company the vote of the senior who tenders a vote, whether in person or by proxy, attorney or representative, must be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority is determined by the order in which the names stand in the register.
5. An instrument appointing a proxy must be in writing under the hand of the appointor or of the appointor's attorney, duly authorised in writing or, if the appointor is a corporation, under seal. A copy of the power of attorney must be lodged for any proxy appointed under a power of attorney.
6. A proxy for a corporation must be appointed under the common seal of the corporation or signed in accordance with the requirements of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
 - 2 directors of the company; or
 - a director and a company secretary of the company; or
 - for a proprietary company that has a sole director who is also the sole company secretary, that director.

For the Company to rely on the assumptions set out in Sections 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

7. If no voting instructions are marked on the proxy form then the proxy may vote as he/she thinks fit or may abstain from voting.

If a proxy is instructed to abstain from voting on an item of business, that person is directed not to vote on the shareholder's behalf on a poll and the shares the subject of the proxy appointment will not be counted in calculating the required majority.

Shareholders who return their proxy forms with a direction how to vote but do not nominate the identity of their proxy will be taken to have appointed the chairman of the meeting as their proxy to vote on their behalf. If a proxy form is returned and the nominated proxy does not attend the meeting, the chairman of the meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the chairman of the meeting which do not contain a direction how to vote will be used to support each of the resolutions proposed in the notice of meeting.