

RED 5 LIMITED

ABN 73 068 647 610



NOTICE OF GENERAL MEETING

EXPLANATORY MEMORANDUM

PROXY FORM

Date and time of meeting

21 January 2010 at 10.00 a.m.

Place of meeting

City West Receptions
45 Plaistowe Mews
West Perth, Western Australia



15 December 2009

Dear Shareholders

A meeting of shareholders of Red 5 Limited has been convened primarily to approve the issue of 192 million shares (tranche 2) to complete the \$44.95 million equity component of the Siana development funding. Initial proceeds of \$15.19 million (tranche 1) were received from the issue of 98 million shares on 10 December 2009.

Deutsche Bank AG and Ashmore Investment Management of the United Kingdom who are mandated to provide an offer of US\$40 million in a senior secured debt facility have commenced legal and technical due diligence activities.

Activities at the Siana mine site have commenced following Board authorisation for expenditures on the mine access road and accommodation and administration buildings.

At the Mapawa MPSA, a drill rig has arrived on site and at the date of this letter is preparing to commence drilling the first of seven holes.

Please give your urgent consideration to the enclosed notice of meeting and to voting on the general meeting resolutions. Those parties who have committed to providing the funds cannot vote – which includes nine of the ten largest pre-placement shareholders.

Should you have any questions in regard to the meeting or any other aspect of Red 5's business, please do not hesitate to contact me.

Yours faithfully

Colin G Jackson
Chairman
0407 718 372

RED 5 LIMITED

ABN 73 068 647 610

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of shareholders of Red 5 Limited (Company) will be held at City West Receptions, 45 Plaistowe Mews, West Perth, Western Australia on Thursday, 21 January 2010 at 10.00 a.m.

AGENDA

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

1. Ratification of share issue

“That for the purposes of ASX Listing Rule 7.4 and for all other purposes, shareholders ratify the placement made by the Company in December 2009 of 98,000,000 ordinary fully paid shares at an issue price of 15.5 cents each, further details of which are set out in the explanatory memorandum accompanying the notice of meeting.”

For the purposes of ASX Listing Rule 7.5, the Company will disregard any votes cast on this resolution by any shareholder who participated in the share placement and any of their associates.

2. Approval of share placement

“That for the purposes of ASX Listing Rule 7.1 and for all other purposes, shareholders approve the issue of 192,000,000 ordinary fully paid shares at an issue price of 15.5 cents each, for the purposes and on the terms set out in the explanatory memorandum accompanying the notice of meeting.”

The Company will disregard any votes cast on this resolution by 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

15 December 2009

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.

PROXIES

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 19 January 2010.

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 general meeting of shareholders of the Company and should be read in conjunction with the accompanying notice of meeting.

BACKGROUND

On 4 December 2009, the Company announced a share placement of 290,000,000 shares to professional and sophisticated investors by Petra Capital Pty Ltd (Lead Manager) in Australia, Singapore and Hong Kong and Southern Cross Equities Limited in London, to raise gross proceeds of \$44.95 million. These funds are to be used as the equity contribution for the development of the Siana project and to carry out further exploration programmes.

The share placement was to be conducted in two tranches with Tranche 1 comprising 98,000,000 shares and Tranche 2 of 192,000,000 shares being subject to shareholder approval. The fees payable by the Company to Petra Capital Pty Ltd and Southern Cross Equities Limited for management of the share placement are in aggregate \$2,341,000.

The Company also announced that Deutsche Bank AG, Sydney branch and Ashmore Investment Management Limited, a subsidiary of Ashmore Group plc, had been mandated in relation to a senior secured financing package of US\$40 million, following which any financing commitment would be subject to normal detailed due diligence and all necessary approvals.

At completion of the equity raising and financial close of the senior debt financing package, the development of the Siana project will be fully funded. The Siana development capital cost is estimated at US\$80 million including US\$63 million in direct and indirect costs to first gold pour, US\$10 million in working capital (based on a gold spot price of US\$800 per ounce for gold sales during the six month commissioning/ramp-up phase) and US\$7 million for a capital cost overrun facility.

Resolution 1 of the notice of meeting is for the ratification of Tranche 1 of the placement, which was completed on 10 December 2009. Resolution 2 is to approve Tranche 2 of the placement, with settlement of this portion of the capital raising scheduled to be completed as soon as practicable after the meeting.

RESOLUTION 1 – RATIFICATION OF SHARE ISSUE

Settlement of Tranche 1 of the share placement occurred on 10 December 2009 with the allotment by the Company of 98,000,000 ordinary fully paid shares at a subscription price of 15.5 cents per share, for gross proceeds of \$15.19 million.

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 (subject to certain exceptions).

Under ASX Listing Rule 7.4, a company can seek ratification of issues that have been made within the 12 month period. The effect of such ratification is that the issue of shares is then deemed to have been made as if shareholder approval had been obtained, thus not counting towards the 15% limit.

Resolution 1 seeks the ratification by shareholders of the issue of the 98,000,000 shares to clients of Petra Capital Pty Ltd and Southern Cross Equities Limited. If the resolution is approved then those shares will be deemed to have been issued pursuant to shareholder approval thus they will not be counted in the 15% capacity.

ASX Listing Rule 7.5 requires that the following information be provided to shareholders for the purposes of obtaining shareholder approval pursuant to ASX Listing Rule 7.4:

- (a) the total number of securities issued was 98,000,000 fully paid shares;
- (b) the issue price of the securities was 15.5 cents per share;
- (c) the shares were allotted and credited as fully paid and rank equally with the existing shares on issue;
- (d) the shares were allotted and issued to clients of Petra Capital Pty Ltd and Southern Cross Equities Limited, who are not related parties of the Company; and
- (e) the funds raised are to be used for the development of the Siana project, ongoing exploration and drilling programmes at the Mapawa project and for general working capital purposes.

The Board recommends shareholders vote in favour of Resolution 1 as it allows the Company to ratify the above issue of shares and retain the flexibility to issue further securities representing up to 15% of the Company's share capital during the next 12 month period.

RESOLUTION 2 – APPROVAL OF SHARE PLACEMENT

Tranche 2 of the share placement comprises the issue of 192,000,000 ordinary fully paid shares at a subscription price of 15.5 cents per share for gross proceeds of \$29.76 million.

ASX Listing Rule 7.1 provides generally that a listed company may not issue shares equal to more than 15% of the company's issued share capital in any 12 months without obtaining shareholder approval. Resolution 2 seeks the approval of shareholders to issue shares representing more than the 15% limit.

In accordance with ASX Listing Rule 7.3 the following information is provided to shareholders:

- (a) the maximum number of securities that may be issued under Resolution 2 is 192,000,000 ordinary fully paid shares;
- (b) the shares will be issued and allotted within 3 months from the date of the meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules);
- (c) the shares will be issued at a price of 15.5 cents per share;
- (d) the shares will be allotted and issued to clients of Petra Capital Pty Ltd and Southern Cross Equities Limited, who are not related parties of the Company;
- (e) the shares will be allotted and credited as fully paid and rank equally with existing shares on issue;
- (f) the issue of the shares will occur as a single allotment; and
- (g) the funds raised are to be used for the development of the Siana project, ongoing exploration and drilling programmes at the Mapawa project and for general working capital purposes.

The Board recommends that shareholders vote in favour of Resolution 2 as the capital raised will make a significant contribution to the development of the Siana project and will facilitate the Company's transition from explorer to producer.

GLOSSARY OF TERMS

“ASX” means ASX 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 adopted by shareholders on 19 July 2002;

“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 general meeting of the Company to be held on 21 January 2010 at City West Receptions, 45 Plaistowe Mews, 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 Ratification of share issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Approval of share placement	<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.

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 _____ 2010

Individuals and joint holders to sign:

Companies to sign (affix common seal if applicable):

Signature

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

Signature

Director or Company Secretary

VOTING BY PROXY

1. A member of the Company entitled to attend and vote at the 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 on 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.