

RED 5 LIMITED

ABN 73 068 647 610



NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY MEMORANDUM

PROXY FORM

Date and time of meeting

23 November 2011 at 10.00 a.m.

Place of meeting

Celtic Club
48 Ord Street
West Perth, Western Australia

For personal use only



7 October 2011

Dear Shareholders

At the Annual General Meeting to be held on 23 November 2011 you will be asked to vote on eight resolutions.

Four of the resolutions; the re-election of two directors, consideration of the remuneration report and the approval for the issue of shares to a director, are common to most of our meetings. The last, the issue of shares to the managing director is a normal component of his bonus, where 50% of the bonus awarded is issued in shares escrowed for two years so as to align his interests with those of other shareholders.

The remaining four resolutions mostly reflect a company transitioning from an explorer to a gold producer with a ten-fold permanent employee increase to nearly 500 and with imminent revenue and expense cash flows approaching \$150 million per annum.

The resolution on remuneration of non-executive directors is simply a practical one. The current aggregate of board and committee fees plus statutory superannuation is \$256,150 which is close to the current shareholder approved maximum of \$270,000. The statutory and legal demands of directors continue to rise and with the business growing the Company needs flexibility.

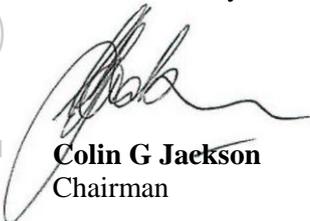
The resolution on approval of a performance rights plan is to allow the Company to remain competitive in its remuneration armoury with respect to retaining and attracting senior professionals in a resource sector market where the availability of experienced and energetic individuals is stretched.

The resolution on share consolidation is to deliver a share price that reflects producer status rather than speculative explorer status, and to allow North American institutional funds which have share price thresholds, to join the register.

The final resolution is the adoption of a new constitution, updating the current constitution for changes in the law and business practices over the last nine years.

Please feel free to contact me (cjackson@red5limited.com or 0407 718 372) or Frank Campagna, the Company Secretary (fcampagna@red5limited.com or 9322 4455), should you wish to discuss any matters relating to the notice of meeting or the Company's business.

Yours faithfully



Colin G Jackson
Chairman

For personal use only

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, 23 November 2011 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 2011.

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

1. Re-election of Mark Milazzo as a director

“That Mr Mark Milazzo, having been appointed as a director of the Company on 1 May 2011 and being eligible for re-election in accordance with Clause 7.3(f) of the Constitution, is hereby re-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, 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.”

3. Remuneration of non-executive directors

“That for the purposes of Clause 7.5(a) of the Constitution, ASX Listing Rule 10.17 and for all other purposes, the maximum aggregate remuneration payable to non-executive directors be set at \$500,000 per annum, to be payable in accordance with the terms and conditions set out in the explanatory memorandum.”

The Company will disregard any votes cast on this resolution by a non-executive director and any of their associates.

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

4. 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 2011.”

In accordance with the Corporations Act, a vote on Resolution 4 must not be cast (in any capacity) by or on behalf of a member of key management personnel (KMP), details of whose remuneration are included in the Remuneration Report, or a Closely Related Party of such a member of KMP.

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.

5. Approval for issue of shares to director

“That for the purposes of ASX Listing Rule 10.11 and for all other purposes, shareholders approve the allotment and issue of 385,760 ordinary fully paid shares (on a pre-consolidation basis which will be 38,576 ordinary fully paid shares once Resolution 7 takes effect) to Gregory Edwards or his nominee, under and in accordance with his executive compensation arrangements.”

For the purposes of ASX Listing Rule 10.13, the Company will disregard any votes cast on Resolution 5 by Gregory Edwards and any of his associates.

6. Approval of Performance Rights Plan

“That for the purposes of ASX Listing 7.2 (Exception 9) and for all other purposes, any issue of securities made under the Red 5 Limited Performance Rights Plan, a summary of the terms and conditions of which is set out in the explanatory memorandum accompanying the notice of meeting, within the period of 3 years from the date of passing this resolution, is approved as an exception to ASX Listing Rule 7.1.”

The Company will disregard any votes cast on this resolution by any of the Directors and any of their associates.

7. Share consolidation

“That for the purposes of Section 254H of the Corporations Act and for all other purposes, the issued capital of the Company be consolidated on the following basis:

- (a) that every ten (10) Shares in the capital of the Company be consolidated into one (1) Share;
- (b) the Options on issue shall be adjusted in accordance ASX Listing Rule 7.22;
- (c) where the consolidation results in a fraction of a Share or Option being held by a Shareholder or Optionholder (as the case may be), the Directors of the Company be authorised to round that fraction up to the nearest whole Share or Option; and
- (d) the consolidation shall take effect on a date to be announced to the ASX in accordance with the requirements of the ASX Listing Rules.”

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

8. Adoption of new constitution

“That for the purposes of Section 136 of the Corporations Act and for all other purposes, the constitution contained in the document tabled at the meeting and signed by the chairman for the purposes of identification, be and is hereby approved and adopted as the new constitution of the Company in substitution for and to the exclusion of the existing Constitution.”

By order of the Board

Frank Campagna
Company Secretary

Perth, Western Australia
7 October 2011

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

Proxy appointments

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

Undirected proxies

Please note that a member of KMP, or a Closely Related Party of a KMP, is only entitled to vote on Resolutions 3, 4, 5 and 6 as proxy for a person entitled to vote on those resolutions in accordance with a specific voting direction on the proxy form.

You should also be aware that the Company is required to disregard a vote if it is cast by the Chairman as proxy for a person who is entitled to vote on Resolutions 3, 4, 5 and 6 and the proxy is not directed how to vote.

Therefore, in order for your vote to count and if you intend to appoint the Chairman as your proxy (or the Chairman is appointed as your proxy by default), you should direct your proxy how to vote by ticking the relevant boxes next to each item on the proxy form (ie. For, Against or Abstain) OR by ticking the "Chairman's box" (in which case the Chairman will vote your proxy in favour of each of the resolutions).

Voting entitlements

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 2011.

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 2011 (including the financial statements, directors' report and auditors' report) was included in the 2011 annual report of the Company, which was distributed to all shareholders. A copy of the annual report may be accessed by visiting 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 MARK MILAZZO AS A DIRECTOR

Mr Mark Milazzo was appointed as an independent non-executive director of the Company since the last annual general meeting. In accordance with Clause 7.3(f) 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 and is then eligible for re-election.

Mr Milazzo 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 Milazzo is a mining engineer with over 30 years experience in mining operations. Until recently he was General Manager of HWE Mining Pty Ltd where he was responsible for managing a portfolio of surface and underground mining contracts for a wide range of clients across a range of commodities.

The Board (other than Mr Milazzo) recommends that shareholders vote in favour of the re-election Mr Milazzo as a director of the Company.

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

ASX Listing Rule 14.4 and Clause 7.3(a) of 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 Kevin Dundo 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 Dundo holds a Bachelor of Commerce from the University of Western Australia and a Bachelor of Laws from the Australian National University. Mr Dundo practices as a lawyer and specialises in the commercial and corporate areas (in particular, mergers and acquisitions), with experience in the mining sector, the service industry and the financial services industry.

The Board (other than Mr Dundo) recommends that shareholders vote in favour of the re-election Mr Dundo as a director of the Company.

RESOLUTION 3 – REMUNERATION OF NON-EXECUTIVE DIRECTORS

ASX Listing Rule 10.17 and Clause 7.5(a) of the Constitution provides that the maximum aggregate amount of the remuneration payable to non-executive directors is to be determined by shareholders in general meeting.

Resolution 3 seeks the approval of shareholders to increase the maximum fees payable to non-executive directors in each financial year from \$270,000 to \$500,000 in aggregate, to be apportioned between them as determined by Board resolution. The current level of fees paid to non-executive directors amounts to a total of \$256,150 per annum, inclusive of statutory superannuation contributions.

The proposed new aggregate fixed sum per annum has been determined after considering the number of non-executive directors on the Board and reviewing comparable companies listed on the ASX.

The proposed aggregate sum is not intended to be distributed in full. The unused portion will enable the Company to appoint additional directors in the future, if that is considered desirable in the circumstances and to allow for possible fee increases in the future in line with market conditions or significant changes to the Company's business.

Voting exclusion

All non-executive Directors are excluded from voting on the resolution.

RESOLUTION 4 – REMUNERATION REPORT

The Remuneration Report is contained in the Directors' Report section of the Company's 2011 annual report. The Remuneration Report describes the underlying policies 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. However, shareholders should note that the vote on Resolution 4 is not binding on the Company or the directors.

Voting exclusion

Members of key management personnel of the Company will be excluded from voting on Resolution 4.

RESOLUTION 5 – APPROVAL FOR ISSUE OF SHARES TO DIRECTOR

The Company proposes to issue a total of 385,760 ordinary fully paid shares (on a pre-consolidated basis) to the Managing Director of the Company, Gregory Edwards (or his nominee), as part of his executive compensation arrangements. If Resolution 7 is passed, the number of ordinary fully paid shares to be issued to Mr Edwards on a post-consolidated basis is 38,576. Under the terms of an executive employment agreement, Mr Edwards is entitled to a performance bonus of up to 75% of annual salary, weighted equally between the achievement of agreed milestones and targets and peer group share price performance.

One half of the performance bonus is payable in cash and one half is to be satisfied by the issue of shares, subject to prior shareholder approval. Shares issued pursuant to the performance bonus are subject to voluntary escrow for a period of two years from the end of the performance assessment period. Where shareholder approval is not obtained, the share component of the bonus is payable in cash.

Following performance reviews during the year, Mr Edwards became entitled to performance bonuses which included the issue of shares as follows:

Pre-consolidation		Post-consolidation		Period ended
Number	Deemed issue price	Number	Deemed issue price	
138,885	\$0.2048	13,888	\$2.048	December 2010
246,875	\$0.1200	24,688	\$1.20	June 2011

The deemed issue prices are based on the volume weighted average price of the Company's shares in the 5 days preceding the end of the relevant performance period.

ASX Listing Rule and Corporations Act requirements

Mr Edwards is a director of the Company and thereby a related party. ASX Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party unless an exception applies.

In addition, the proposed issue of shares to Mr Edwards constitutes the giving of a financial benefit to a related party. The Directors (other than Mr Edwards) have determined that the proposed issue of shares is reasonable given the circumstances of the Company and the position held by Mr Edwards. Accordingly, the proposed issue of shares to Mr Edwards falls within the 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.

Pursuant to the exception in ASX Listing Rule 7.1(14), approval under ASX Listing Rule 7.1 is not required in order to issue shares to Mr Edwards as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of shares to Mr Edwards 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.

Information required by ASX Listing Rule 10.11

In accordance with the requirements of ASX Listing Rule 10.13, the following information is provided in relation to the proposed issue of shares to Mr Edwards.

- (a) the shares will be issued to Gregory Edwards (or his nominee).
- (b) the maximum number of shares to be issued is 385,760 (or 38,576 on a post-consolidation basis).
- (c) the shares will be issued no later than 1 month after the date of the meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules).
- (d) the shares will be issued for no cash consideration as they are being issued as part of an executive compensation arrangement.
- (e) the shares will rank equally with all existing shares on issue.
- (f) the deemed issue price of the shares is:
 - 20.48 cents per share for 138,885 shares and 12.00 cents per share for 246,875 shares on a pre-consolidated basis; or
 - \$2.048 per share for 13,888 shares and \$1.20 per share for 24,688 shares on a post-consolidated basis.
- (g) no funds will be raised from the issue of the shares.

Voting exclusion

The Company will disregard any votes cast on Resolution 5 by Gregory Edwards and any of his associates.

Directors' recommendation

The directors (other than Mr Edwards) recommend that shareholders vote in favour of Resolution 5.

RESOLUTION 6 – APPROVAL OF PERFORMANCE RIGHTS PLAN

General

The Directors have resolved to implement a Performance Rights Plan (PR Plan) to provide ongoing incentives to selected employees, Directors and consultants of the Company or any of its subsidiaries (Eligible Participants).

ASX Listing Rule 7.1 prohibits a listed company from issuing equity securities representing more than 15% of its issued capital in any 12 month period without obtaining shareholder approval (subject to certain exceptions). ASX Listing Rule 7.2 (Exception 9) provides that securities issued under an employee incentive scheme are excluded from this restriction, provided that, within 3 years before the date of issue, issues of securities under the scheme have been approved by shareholders in general meeting.

If Resolution 6 is passed, the Company will be able to issue equity securities under the PR Plan without affecting the Company's ability to issue up to 15% of its total ordinary securities without shareholder approval in any 12 month period.

It should be noted that Directors of the Company will not be eligible to participate in the PR Plan without first obtaining specific shareholder approval.

The objective of the PR Plan is to attract, motivate and retain Eligible Participants by providing performance related incentives and rewards. The PR Plan will also:

- (a) link the reward of key personnel with the achievements of strategic goals and the long term performance of the Company;
- (b) align the financial interests of Eligible Participants with those of Shareholders; and
- (c) provide additional incentives to Eligible Participants to focus on superior performance that creates Shareholder value.

The Directors consider this to be a cost effective and efficient means of providing targeted incentives and rewarding Eligible Participants and expects it to result in future benefits to both the Company and Eligible Participants.

No Performance Rights have yet been issued under the PR Plan. The Company has previously established an Employee Share Option Plan which will operate in conjunction with the proposed PR Plan.

A summary of the terms and conditions of the PR Plan are set out below. A copy of the full terms and conditions of the PR Plan may be obtained by contacting the Company.

Summary of the Performance Rights Plan

The material terms of the PR Plan are summarised as follows:

- (a) **Offer of Rights:** The Board is responsible for administering and managing the PR Plan. When an Eligible Participant satisfies specified criteria imposed by the Board (including performance criteria and specified periods of tenure) the Board may make a written offer (Offer) of Performance Rights to an Eligible Participant. The Offer will specify the number of Performance Rights offered (as determined by the Board) and the conditions that must be met by the Eligible Participant before the Performance Rights will vest.
- (b) **Performance Rights:** Performance Rights will not be quoted on ASX. Each Performance Right will, upon vesting, entitle the holder to one (1) ordinary fully paid share in the capital of the Company.
- (c) **Vesting Conditions:** The Performance Rights will not vest unless the vesting conditions imposed by the Board have been satisfied. These will typically be linked to the achievement of key performance indicators or other conditions relevant to the position of the Eligible Participant.
- (d) **No Consideration:** An Eligible Participant will not be required to make any payment in return for a grant of Performance Rights nor for the issue of shares upon the vesting of Performance Rights.

- (e) **Lapse of Performance Rights:** Performance Rights that have not vested will lapse on a maximum of the seventh anniversary of the date of grant of the Performance Rights or on the first to occur of certain specified events, including:
- (i) the performance conditions attaching to the Performance Right not being satisfied within the nominated prescribed period;
 - (ii) a purported transfer of the Performance Rights (other than a permitted transfer);
 - (iii) a determination by the Board, acting reasonably, that the Eligible Participant has acted fraudulently, dishonestly or is in breach of their obligations to the Company;
 - (iv) the Eligible Participant ceasing to be an Eligible Participant, other than by reason of retirement, permanent disability, retrenchment or death;
 - (v) a resolution being passed to wind up the Company;
 - (vi) in the event of a Takeover Bid for the Company's shares or a scheme of arrangement for the merger of the Company with another entity, unless the relevant Offer specifies otherwise, or the Board has in its absolute discretion determined that the performance conditions attaching to the Performance Rights have been satisfied on a pro-rata basis over the period of time from the grant date to the date the Takeover Bid or the scheme of arrangement and therefore a proportion (as determined by the Board) of the Performance Rights will vest; or
 - (vii) any other circumstances specified by the Board in the Offer.

If an Eligible Participant ceases to be an Eligible Participant by reason of retirement, permanent disability, retrenchment or death, the Board may determine that some or all of an Eligible Participant's Performance Rights will vest even if a performance condition has not been satisfied. If no such determination is made by the Board within 3 months after the person ceases to be an Eligible Participant, all Performance Rights held by that Eligible Participant will automatically lapse.

- (f) **Shares Allotted Upon Vesting of Performance Rights:** The Company will issue shares to the Eligible Participant as soon as practicable after the vesting of Performance Rights. The shares allotted under the PR Plan will be of the same class and will rank equally with all other issued shares in the Company at the date of issue. The Company will apply for quotation of the new shares on ASX within the time required by ASX Listing Rules.
- (g) **Transfer of Performance Rights:** Performance Rights are not transferable except with the prior written consent of the Board or to a legal personal representative of the holder, following the holder's death.
- (h) **Reorganisation of Capital:** If the Company reorganises its capital, Performance Rights on issue will be reorganised in accordance with the ASX Listing Rules, such that the holder of a Performance Right does not receive a benefit that holders of ordinary shares do not receive.
- (i) **No Other Rights:** A Performance Right gives the holder no rights other than as expressly provided in the PR Plan and those provided at law where such rights cannot be excluded. Holders of Performance Rights will not be entitled as a result of holding Performance Rights to vote at meetings of shareholders, receive dividends, participate in surplus profits or assets of the Company upon a winding up, or participate in new issues of securities offered to shareholders

Voting exclusion and Directors' recommendation

The Directors may participate in the PR Plan (subject to specific shareholder approval) and are therefore excluded under the ASX Listing Rules from voting on Resolution 6. Accordingly, the Directors make no recommendation to shareholders in respect of voting on Resolution 6.

RESOLUTION 7 – SHARE CONSOLIDATION

Background

Resolution 7 seeks the approval of shareholders to a consolidation of the Company's issued capital by consolidating every ten (10) existing Shares into one (1) new Share (Consolidation).

The purpose of the Consolidation is to provide the Company with a more appropriate capital structure for a company of its size and nature. The Company currently has in excess of 1.2 billion Shares on issue. The Board considers that having such a large number of Shares on issue imposes a number of disadvantages on the Company including:

- additional share price volatility arising from the fact that the minimum share price movement permitted by the ASX (of 0.5 cents) represents a higher proportion of the Company's share price than it would if the Company had a share price comparable to other companies with a similar market capitalisation;
- the Company has a far greater number of Shares on issue than comparable companies;
- negative perceptions associated with a relatively lower share price; and
- precluding investment by institutional and foreign investors who may be limited by their mandates from investing in securities with share prices below a specified threshold.

As at the date of this notice of meeting, the Company has 1,283,674,237 Shares on issue. If Resolution 7 is passed the number of Shares on issue will be reduced to approximately 128,367,423. Under the Consolidation, the number of the existing Options on issue and their respective exercise prices will be reorganised in accordance with ASX Listing Rule 7.22.1. The Options currently on issue and the effect of the Consolidation on these Options, is set out in the table below.

Pre-consolidation		Post-consolidation		Expiry date
Number	Exercise price	Number	Exercise price	
700,000	\$0.25	70,000	\$2.50	30 June 2013
700,000	\$0.25	70,000	\$2.50	30 April 2014
700,000	\$0.40	70,000	\$4.00	30 April 2016

Implementation of Consolidation

Section 254H of the Corporations Act provides that a company may, by resolution passed in general meeting, convert all or any of its shares into a larger or smaller number of shares. Resolution 7 seeks Shareholder approval to consolidate the Company's issued capital by consolidating every ten existing Shares into one new Share. Accordingly, if Resolution 7 is passed, the consolidation will result in a reduction in the number of Shares on issue by approximately 1,155,306,814.

The table below shows the number of Shares and Options before and after the Consolidation.

Securities on issue	Pre-consolidation	Post-consolidation *
Shares	1,283,674,237	128,367,423
Options	2,100,000	210,000

* Subject to rounding adjustments

Shareholders will hold the same proportion of the Company's share capital and net assets before and after the Consolidation. The existing rights attaching to the Shares and Options will not be affected by the Consolidation.

Holding Statements

As from the effective date of the Consolidation, all holding statements for Shares and certificates for Options will cease to have any effect except as evidence of entitlement to a certain number of post-Consolidation Shares and Options.

After the Consolidation becomes effective, the Company will despatch a notice to Shareholders and Optionholders advising them of the number of Shares and Options held by each Shareholder and Optionholder (as the case may be) both before and after the Consolidation. The Company will also arrange for new holding statements and Option certificates to be issued to Shareholders and Optionholders.

Options

Resolution 7 also seeks Shareholder approval for the Options on issue to be adjusted in accordance with ASX Listing Rule 7.22.1, which requires that the number of Options on issue be consolidated in the same ratio as the Shares and their exercise prices be amended in inverse proportion to that ratio.

Accordingly, if Resolution 7 is passed, every ten existing Options on issue will be consolidated into one Option and the current exercise price of each Option will be multiplied by ten to obtain the new exercise price post-Consolidation. The table above shows the number of Options and their exercise prices before and after the Consolidation.

Fractional entitlements

The Consolidation will result in any Shareholder or Optionholder whose existing holding is not a multiple of ten receiving a fraction of a Share or Option (as the case may be). These fractional entitlements will be rounded up as part of the Consolidation, so that the consolidated holding will be rounded up to the nearest whole number.

Taxation

It is not considered that any taxation consequences will exist for Shareholders and Optionholders arising from the Consolidation. However, Shareholders and Optionholders are advised to seek individual tax advice on the effect of the Consolidation on their personal taxation affairs. Neither the Company, nor the Directors accept any responsibility for the individual taxation consequences arising from the Consolidation.

Indicative timetable *

The consolidation is expected to take effect on 25 November 2011 in accordance with the following proposed Consolidation timetable:

Date	Details
23 November 2011	Shareholder approval of Consolidation.
24 November 2011	Last day for trading in pre-consolidated securities.
25 November 2011	Trading commences in the Consolidated securities on a deferred settlement basis.
1 December 2011	Last day for the Company to register transfers on a pre-consolidated basis.
2 December 2011	First day for the Company to send a notice to each security holder; first day for the Company to register securities on a post-Consolidated basis; and first day for issue of new holding statements. From now on, the Company must reject transfers that were issued before the Consolidation.
8 December 2011	Despatch date. Deferred settlement trading ends. Last day for the Company to send notices to all Shareholders. Last day for securities to be entered into the holder's security holdings.

* These dates are indicative only and are subject to change.

Directors' recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 7.

RESOLUTION 8 – ADOPTION OF NEW CONSTITUTION

It is proposed that the existing Constitution of the Company be repealed in its entirety and replaced with a new constitution. The existing Constitution was adopted on 19 July 2002. The proposed new constitution is a standard form constitution appropriate for a public company and reflects current Corporations Act and ASX Listing Rule provisions as well as contemporary business practices.

Under the Corporations Act, a company may elect to either amend parts of its constitution or replace the entire document. As there have been a number of changes to the Corporations Act since the adoption of the existing Constitution in July 2002, the Directors believe that it is preferable in the circumstances to repeal the existing document and to replace it with a new constitution.

The proposed new constitution is broadly consistent with the provisions of the existing Constitution. However, there are some differences to reflect recent changes in the law and in business practices. In particular, the Corporations Act was amended in June 2010 with the introduction of a new test for the payment of dividends by a company. The former “profits test” has been replaced with a new test for the payment of dividends. Under the new test, a company may pay dividends if:

- (a) the company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend;
- (b) it is fair and reasonable to the company's shareholders as a whole; and
- (c) the payment of the dividend does not materially prejudice the company's ability to pay its creditors.

Clause 6.7(j) of the proposed new constitution is a new provision which allows for direct voting. Direct voting is a mechanism by which members can vote directly on resolutions which are to be determined by poll. Votes cast by direct vote by a member are taken to have been cast on the poll as if the member had cast the votes on the poll at the meeting. Directors must elect that votes can be cast via direct vote for all or any resolutions and determine the manner appropriate for the casting of direct votes. The Company does not, however, have any immediate intention to implement direct voting.

A number of amendments are also proposed in the proposed new constitution to ensure that it is as clear and concise as possible. There have been no fundamental changes to shareholders rights, such as the rights to vote, participate in dividends or in the event of a winding up.

Pursuant to Section 136(2) of the Corporations Act, a special resolution of shareholders is required for the adoption of a new constitution for the Company.

A copy of the proposed new constitution can be inspected free of charge at the Company's registered office. In addition, registered shareholders may make a written request to the Company prior to the annual general meeting for a copy of the new constitution to be sent to them.

The Board recommends that shareholders vote in favour of Resolution 8.

GLOSSARY OF TERMS

“**ASIC**” means 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.

“**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 KMP.

“**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).

“**Director**” means a director of the Company.

“**KMP**” means the people who have authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director.

“**Option**” means an option to subscribe for an ordinary fully paid share in the Company.

“**Optionholder**” means a registered holder of an Option.

“**Performance Right**” means a right to have issued one ordinary fully paid share in the Company upon satisfaction of vesting conditions.

“**PR Plan**” means the Performance Rights Plan, a summary of the terms and conditions of which is set out in this explanatory memorandum.

“**Share**” means an ordinary fully paid share in the capital of the company.

“**Shareholder**” means a registered holder of a Share.

“**Takeover Bid**” has the meaning given to that term in Section 9 of the Corporations Act.

