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RED 5 LIMITED

ABN 73 068 647 610



NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY MEMORANDUM

PROXY FORM

Date and time of meeting

18 November 2020 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, 18 November 2020 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 2020.

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

1. Re-election of Colin Loosemore as a director

“That Colin Loosemore, 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 2020.”

Voting prohibition statement: *In accordance with the Corporations Act, the Company will disregard any votes cast on Resolution 2 by or on behalf of either a member of Key Management Personnel (details of whose remuneration are included in the Remuneration Report) or a Closely Related Party of a member of Key Management Personnel, unless the vote is cast as proxy for a person entitled to vote on Resolution 2, 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 of Red 5 Rights Plan

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

Voting exclusion statement: The Company will disregard any votes cast in favour of Resolution 3 by or on behalf of a person who is eligible to participate in the Red 5 Rights Plan and any associates of those persons. However, the Company need not disregard a vote if it is cast in favour of Resolution 3 by:

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

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 1,526,102 Performance Rights to Mark Williams (or his nominee), in accordance with the Red 5 Rights Plan and upon the terms and conditions described in the explanatory memorandum accompanying the notice of meeting.”

Voting exclusion statement: The Company will disregard any votes cast in favour of Resolution 4 by or on behalf of Mark Williams and any other person who will obtain a material benefit as a result of the issue (except a benefit solely by reason of being the holder of ordinary securities in the Company), and any associates of those persons. However, this does not apply to a vote cast in favour of Resolution 4 by:

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

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

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

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

By order of the Board

Frank Campagna
Company Secretary

Perth, Western Australia
9 October 2020

Voting exclusion note

Where a voting exclusion applies, the Company will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Proxy appointments

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

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

Voting prohibition statement for Key Management Personnel

Members of Key Management Personnel (which includes the directors) will not be able to vote as proxy on Resolutions 2 and 4 unless you instruct them how to vote or, in the case of the Chairman of the meeting, unless you expressly authorise him to do so.

If you intend to appoint a member of Key Management Personnel (other than the Chairman) as your proxy, you should ensure that you direct the member of Key Management Personnel how to vote on Resolutions 2 and 4.

If you intend to appoint the Chairman of the meeting as your proxy for Resolutions 2 and 4, you can direct the Chairman how to vote by marking one of the voting boxes on the proxy form for Resolution 2. If you do not direct the Chairman how to vote, then by submitting the proxy form, you will be expressly authorising the Chairman to exercise the proxy in respect of Resolutions 2 and 4 even though it is connected with the remuneration of members of Key Management Personnel.

COVID-19 health restrictions

The Company is monitoring the ongoing impact of the COVID-19 global pandemic and particularly in relation to public health concerns and government limits on gatherings of people. In the event that restrictions on public gatherings in Western Australia change, the Company will consider the circumstances as regards to meeting arrangements and details will be provided to shareholders by way of an announcement to the ASX.

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 16 November 2020.

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 2020 (including the financial statements, directors' report and auditors' report) was included in the 2020 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 COLIN LOOSEMORE 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, 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 (John) Colin Loosemore 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 Loosemore is a geologist with over 40 years' experience in multi-commodity exploration including over 30 years as a director of public exploration companies within Australia and overseas. He graduated from London University in 1970 and the Royal School of Mines in 1977. Mr Loosemore was most recently Managing Director of Archipelago Resources plc where he oversaw development of the Toka Tindung Gold Mine in Sulawesi Indonesia. Mr Loosemore is chairman of the Health, Safety, Environment and Community Committee and a member of the Audit Committee.

The Board (other than Mr Loosemore) recommends that shareholders vote in favour of the re-election of Mr Loosemore 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 2020 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.

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

The Directors unanimously recommend that Shareholders vote in favour of adopting the Remuneration Report. The Chairman of the meeting intends to vote all available proxies in favour of Resolution 2.

RESOLUTION 3 – APPROVAL OF RED 5 RIGHTS PLAN

Background

The Red 5 Limited Rights Plan (**Rights Plan**) was approved by Shareholders at a general meeting of the Company held in September 2017. Since approval of the Rights Plan, the Company has issued a total of 46,602,130 Performance Rights, which has to date resulted in the vesting and exercise into 10,991,282 Shares, pursuant to the Rights Plan. A copy of the full terms and conditions of the Rights Plan is available to shareholders upon request.

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

ASX Listing Rule 7.2 (Exception 13) sets out an exception to ASX Listing Rule 7.1 which provides that issues under an employee incentive scheme are exempt for a period of 3 years from the date on which shareholders approve the issue of securities under the scheme as an exception to ASX Listing Rule 7.1.

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

If Resolution 3 is passed, the Company will be able to proceed with the issue of equity incentives under the Rights Plan as an exception to Listing Rule 7.1. If Resolution 3 is not passed, equity incentives under the Rights Plan may still be issued but not as an exception to Listing Rule 7.1.

Material terms of Rights Plan

Consistent with the terms set out in the Company's 2017 Notice of General Meeting, below are the material terms of the Rights Plan:

- (a) **Offer of Rights:** The Board is responsible for administering and managing the Red 5 Rights 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 during the measurement period (**Measurement Period**) before the Performance Rights will vest.
- (b) **Vesting conditions:** The Performance Rights will vest upon:
 - (1) the vesting conditions imposed by the Board having been satisfied. These will typically be linked to service of the Eligible Participant (i.e. continued employment), performance of the Company or the Eligible Participant, or any combination;
 - (2) the Board determining that some or all the Performance Rights vest earlier than the Measurement Period;
 - (3) if the Performance Rights do not vest within the Measurement Period, then retesting (being the re-application of the vesting conditions) may occur a year after the initial Measurement Period, provided the Offer contemplates retesting;
 - (4) in the event of a change of control or major return of capital to shareholders, Performance Rights will vest in the proportion that the Company's share price has grown relative to the share price at the start of the Measurement Period or otherwise in the proportion determined at the discretion of the Board.

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- (c) **Vesting percentage:** The Board has the discretion to increase or decrease, including to nil, the vesting percentage of the Performance Rights, taking into account factors such as the Company's performance from the perspective of shareholders.
 - (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 (unless otherwise determined by the Board).
 - (e) **Lapse of Performance Rights:** Performance Rights will lapse on the earlier of:
 - (1) the performance conditions attaching to the Performance Right not being satisfied within the nominated prescribed period;
 - (2) a purported transfer of the Performance Rights (other than a permitted transfer);
 - (3) a determination by the Board, acting reasonably, that the Eligible Participant has committed an act of fraud, defalcation or gross misconduct in relation to the Company;
 - (4) the Eligible Participant ceasing to be an Eligible Participant, other than by reason of retirement, permanent disability, redundancy or death (**Special Circumstances**);
 - (5) a determination by the Board; or
 - (6) any other circumstances specified by the Board in the Offer.
 - (f) **Exercise of Performance Rights:** When Performance Rights vest they shall automatically be exercised. Upon vesting and exercise of a Performance Right, the Board will determine in its absolute discretion whether to deliver the value of the Performance Rights in shares, cash payment or a combination.
 - (g) **Issue of shares:** For any Performance Rights determined to be satisfied in shares, the Board will determine in its discretion to either issue as new shares (subject to any necessary shareholder or regulatory approvals) or arrange for shares to be acquired on-market for the Eligible Participant.
 - (h) **Transfer of Performance Rights:** Performance Rights are not transferable except by operation of law on the death or legal incapacity of the Eligible Participant to the legal personal representative of the holder.
 - (i) **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.
 - (j) **Early vesting:** In the event of a takeover bid, a compromise or arrangement, the reconstruction of the Company, its amalgamation with any other company or cessation of employment by Special Circumstances, the Board may in its absolute discretion determine that the performance conditions attaching to the Performance Rights have been satisfied on a pro-rata basis over the Measurement Period from the grant date and therefore a proportion (as determined by the Board) of the Performance Rights may vest. Upon the cessation of employment of the Eligible Participant pursuant to Special Circumstances, the Board may determine that the Performance Rights do not lapse upon termination of employment and will vest upon satisfaction of the relevant conditions at the end of the Measurement Period, as if the Eligible Participant had remained employed. Further, subject to (e) above and Division 2 of Part 2D.2 of the Corporations Act, the Board retains the discretion to trigger or accelerate payment or vesting of the Performance Rights upon termination of employment of the Eligible Participant.
 - (k) **No other rights:** A Performance Right gives the holder no rights other than as expressly provided in the Rights Plan and those provided at law where such rights cannot be excluded. Holders of Performance Rights will not be entitled as a result of holding Performance Rights to continued employment of the Company.

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

The Directors may alter, delete or add to the provisions of the Rights Plan without obtaining the consent of Shareholders of the Company provided such alterations or deletions are consistent with the ASX Listing Rules.

Approval is sought in relation to the Red 5 Rights Plan for a further three years from the date of the annual general meeting.

The maximum number of securities proposed to be issued by the Company in respect of the Rights Plan over the next three years is up to 45 million securities, being less than 2.3% of the issued share capital of the Company as at the date of this notice of meeting. Any further securities issued under the Rights Plan beyond that stated maximum, will only be issued to the extent that the Company has placement capacity or otherwise seeks further shareholder approval. If shareholder approval for Resolution 3 is not obtained, any securities granted under the Red 5 Rights Plan will not be excluded from the Company's placement capacity.

A voting exclusion statement is provided in the notice of meeting. Although there is no intention for non-executive Directors to participate in the Rights Plan (except with prior specific shareholder approval), all Directors are excluded under the ASX Listing Rules from voting on Resolution 3. Accordingly, the Directors make no recommendation to shareholders in respect of voting on Resolution 3.

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 Red 5 Rights Plan. The Board proposes to issue 1,526,102 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 2021 financial year.

If Resolution 4 is passed, the Company will be able to proceed with the issue of Performance Rights to Mark Williams as the long term incentive component of his remuneration package, which is designed to promote sustainable value creation and to build further alignment with shareholders' interests. If Resolution 4 is not passed, the Company will not be able to proceed with the issue of Performance Rights to Mark Williams as a long term incentive and the Company may need to consider other forms of performance-based remuneration, including by the payment of cash.

Key terms of Performance Rights

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

The measurement period applicable to each tranche in each offer of Performance Rights is three years from 1 July 2020 to 30 June 2023 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 (763,051 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 that 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 190,762 (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 (305,220 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 that the total growth in the Company's Ore Reserves over the Measurement Period is 20%, a total of 152,610 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.

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- (c) 20% of the Target level of award of Performance Rights (305,220 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 per ounce or AISC 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 that the Company's operating costs per ounce or AISC were 85% budgeted operating costs, a total of 152,610 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 (152,611 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
 - 90% of budgeted gold production over the Measurement Period.

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 3.

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. Alternatively, the Board may elect to acquire shares on-market to deliver to Mr Williams (or his nominee) upon the vesting of Performance Rights.

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

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

ASX Listing Rule 10.14

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

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

- (a) the Performance Rights will be issued to Mark Williams (or his nominee), a director of the Company;
- (b) the maximum number of Performance Rights to be issued is 1,526,102 and the maximum number of Shares to be issued upon vesting of the Performance Rights is 1,526,102;
- (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) Total remuneration for Mr Williams for 2020 financial year inclusive of short term and long term incentive entitlements was \$1,236,343. The Performance Rights the subject of Resolution 4 will comprise the long term incentive plan entitlement for Mr Williams for FY2021, being remuneration payable in the ordinary course by the Company.
- (e) a total of 46,602,130 Performance Rights have been issued under the Rights Plan since it was adopted by the Directors in August 2017 and last approved by shareholders on 22 September 2017, including a total of 11,667,264 Performance Rights issued to Mark Williams in September 2017, December 2018 and December 2019. The balance of 34,934,866 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;
- (f) separate from Performance Rights issued under the Red 5 Rights plan approved in September 2017, a total of 1,918,328 Service Rights and 1,918,328 Deferred Rights have been issued since 22 September 2017 under the Company's Short Term Incentive Plan. These Rights represent the deferred component of short term incentive awards which are subject to escrow and service conditions. The above number of Rights include a total of 1,205,993 Service Rights and 1,205,993 Deferred Rights issued to Mark Williams in December 2018 and December 2019. All Service Rights and Deferred Rights were issued for nil cash consideration. From the date of passing of Resolution 3, any Shares resulting from the vesting of any Short Term Incentive (and which the Board elects to satisfy in Shares rather than cash, including upon vesting of any Deferred Rights or Service Rights) will be issued pursuant to the renewed Rights Plan;

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- (g) Mr Williams is the only executive director of the Company and as at the date of this notice of meeting is the only director eligible to participate in the Rights Plan, however, in accordance with the definition of Eligible 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;
 - (h) details of any Performance Rights issued under the Rights Plan will be published in each annual report of the Company relating to a period in which Performance Rights have been issued and that approval for the issue of Performance Rights was obtained, if required, under ASX Listing Rule 10.14. Any additional personnel covered by Listing Rule 10.14, 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;
 - (i) 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
 - (j) 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 1,526,102 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 3).

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 recommendations

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.

For personal use only

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).

"Directors" means the board of directors of the Company as at the date of the Notice of Meeting.

"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.

"Remuneration Report" means the report contained in the annual financial report of the Company for the year ended 30 June 2020.

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

"Shareholder" means a holder of a Share.

"TSR" means total shareholder return.

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



Red 5 Limited | ABN 73 068 647 610

AGM Proxy Voting Form

If you are attending the meeting in person, please bring this with you for Securityholder registration.

Holder Number:

Your proxy voting instruction must be received by **10.00am (WST) on Monday, 16 November 2020**, being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY

Complete the form overleaf in accordance with the instructions set out below.

YOUR NAME AND ADDRESS

- The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: <https://investor.automic.com.au/#/home> Shareholders sponsored by a broker should advise their broker of any changes.

STEP 1 – APPOINT A PROXY

If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chair of the Meeting will be appointed as your proxy by default.

DEFAULT TO THE CHAIR OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chair of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chair of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

STEP 2 - VOTES ON ITEMS OF BUSINESS

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

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 Shareholders should sign.

Power of attorney: If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

Companies: To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

Email Address: Please provide your email address in the space provided.

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at <https://automic.com.au>.

Lodging your Proxy Voting Form:

Online:

Use your computer or smartphone to appoint a proxy at

<https://investor.automic.com.au/#/login>

or scan the QR code below using your smartphone

Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting Form.



BY MAIL:

Automic
GPO Box 5193
Sydney NSW 2001

IN PERSON:

Automic
Level 5, 126 Phillip Street
Sydney NSW 2000

BY EMAIL:

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BY FACSIMILE:

+61 2 8583 3040

All enquiries to Automic:

WEBCHAT: <https://automicgroup.com.au/>

PHONE: 1300 288 664 (Within Australia)
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