

20 July 2018

Receipt of Third Supplementary Target's Statement

Red 5 Limited (ASX: RED) (**Red 5** or the **Company**) acknowledges that Bullseye Mining Limited ACN 118 341 736 (**Bullseye**) has lodged a Third Supplementary Target's Statement in respect to the Company's off-market takeover bid for all the fully paid ordinary shares in Bullseye.

A copy of the Third Supplementary Target's Statement is **attached** to this announcement.

ENDS

For more information:

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This is the third supplementary target's statement under section 644 of the Corporations Act 2001 (Cth) issued by Bullseye Mining Limited ACN 118 341 736 (**Bullseye** or the **Company**) in relation to the off-market takeover bid for all the ordinary shares in the capital of Bullseye, on issue as at 5.00pm (Perth time) on 4 April 2018, by Red 5 Limited ACN 068 647 610 (**Red 5**) through its wholly owned subsidiary Opus Resources Pty Ltd ACN 099 235 533 (**Red 5 Offer**) and was approved by a resolution passed by the directors of Bullseye.

This Third Supplementary Target's Statement supplements, and should be read together with, Bullseye's target's statement dated 27 April 2018 (**Target's Statement**), Bullseye's first supplementary target's statement dated 14 May 2018 (**First Supplementary Target's Statement**) and Bullseye's second supplementary target's statement dated 28 May 2018 (**Second Supplementary Target's Statement**). A copy of this Third Supplementary Target's Statement was lodged with ASIC on 19 July 2018. Neither ASIC nor any of its officers take any responsibility for the content of this supplementary target's statement.¹

Signed for and on behalf of Bullseye Mining Limited by



Peter Joseph Burns FCMI (London)
Chairman

Bullseye Mining Limited



THIRD SUPPLEMENTARY TARGET'S STATEMENT

19 July 2018

Dear Shareholder,

This Third Supplementary Target's Statement is to provide further disclosure in relation to the Target's Statement, namely to advise you of a new circumstance that has arisen since the Target's Statement was lodged and that would have been required to be included in the Target's Statement if it had arisen before the Target's Statement was lodged.

That is, the Board has:

- agreed to conduct a new capital raising through the fully underwritten issue of convertible notes to various sophisticated and professional investors to raise up to £15,000,000 (approx. A\$26.79 million²) through the issue of up to 150 convertible notes, each with a face value of £100,000 (**Convertible Notes**). The underwriter is Mr Desmond Mullan;
- entered into a Gold Prepayment Deed and associated agreements with entities associated with Mr Desmond Mullan (**Lender**), by which the Lender will advance up to A\$100 million to be repaid by the Company via the delivery of future physical gold ounces to the Lender (equal to a value of A\$100 million plus accrued interest and fees); and

¹ Words and phrases defined in the Target's Statement have the same meaning in this Third Supplementary Target's Statement (unless otherwise defined). This Third Supplementary Target's Statement will prevail to the extent of any inconsistency with the Target's Statement, the First Supplementary Target's Statement and the Second Supplementary Target's Statement.

² Based on exchange rate £0.56 : AU\$1.00

- agreed to issue 767,297 Bullseye Shares to Challenge Drilling Pty Ltd (or its nominee) (**Challenge**) as partial payment for the drilling services provided by Challenge at the North Laverton Gold Project (**NLGP**) in accordance with an agreement between the Company and Challenge dated 21 April 2017 (**Challenge Share Issue**).

(together, the **Proposed Transactions**).

The Proposed Transactions are being put to Shareholders because the Proposed Transactions may give rise to a right of termination of the Red 5 Offer. Therefore, the Proposed Transactions may result in Red 5 not proceeding with the Red 5 Offer (see section 5 below). If Red 5 does not proceed with the Red 5 Offer, the Proposed Transactions can proceed without Shareholder approval. Bullseye is seeking Shareholder approval because at the date of this Third Supplementary Target's Statement, Red 5 has not indicated whether it will still proceed with the Red 5 Offer.

While there are significant potential benefits of the Proposed Transactions, Shareholders must be aware that there are also numerous potential disadvantages and risks, which may be apparent today, or could arise in the future. Such disadvantages could have a significant negative impact on the Company and its future performance. In particular, incoming investors may be discouraged from offering to acquire Bullseye Shares if they do not deem the terms of the Proposed Transactions, to be attractive, or prevailing market conditions move against the agreed terms of the Proposed Transactions.

It is anticipated that a Notice of Meeting and Explanatory Statement will be dispatched to Bullseye Shareholders in the week commencing 23 July 2018. The Explanatory Statement will include detailed disclosure on the implications of approving the Proposed Transactions (including the relevant disadvantages and risks) and that the Proposed Transactions would constitute a breach of Conditions of the Red 5 Offer (see section 5 below).

1 Capital Raising Update

In the Supplementary Target's Statement, Bullseye stated that it had entered into the following arrangements with Mr Desmond Mullan:

- a Share Subscription Agreement dated 10 May 2018, under which Mr Mullan agreed to subscribe for \$3 million of Bullseye Shares at an issue price of \$0.30 per Bullseye Share; and
- a Working Capital Agreement dated 10 May 2018, under which Mr Mullan agreed to advance up to \$1 million to the Company, with the monies advanced by Mr Mullan to be converted (at Mr Mullan's election) to Bullseye Shares at an issue price of \$0.30 per Bullseye Share.

At the date of this Third Supplementary Target's Statement, Mr Mullan has not subscribed for any Bullseye Shares pursuant to the Share Subscription Agreement, or converted any of his loan pursuant to the Working Capital Arrangement.

Bullseye advises that the Convertible Notes will:

- replace and supersede the Share Subscription Agreement; and
- replace the Working Capital Agreement. The \$1 million advanced under the Working Capital Agreement (together with accrued interest) will be directed to partial payment of the subscription price for the Convertible Notes. The Working Capital Agreement will then be terminated.

The Proposed Transactions are subject to Bullseye Shareholder approval to allow Bullseye Shareholders to consider the transactions in light of the Red 5 Offer. As explained above, the Notice of Meeting and Explanatory Statement will include disclosure on the implications of approving the Proposed Transactions under the Red 5 bid.

2 Convertible Notes

A summary of the key terms of the Convertible Notes are set out in **Annexure 1** to this Third Supplementary Target's Statement.

At maturity, the Company has the option to either convert or redeem the Convertible Notes. Noteholders will be able to convert all or part of their Convertible Notes into Bullseye Shares at an issue price of \$0.26 per Bullseye Share.

The Board envisages that, if approved by Shareholders, the funds raised from the Convertible Notes will provide the Company with adequate funding for development of the Company's flagship North Laverton Gold Project, via further large-scale drill programs targeting extension of the overall life-of-mine (LOM) and completion of the Bankable Feasibility Study (BFS) at the NLGP.

Funding from the Convertible Notes is anticipated to be used for:

- further life of mine extension drilling works at NLGP;
- process plant licensing, final design and construction costs for the NLGP;
- exploration and development of any existing project or tenement held by the Company; and
- for general working capital purposes.

The underwriter is Mr Mullan in accordance with the terms of the Underwriting Agreement set out in **Annexure 2** of this Third Supplementary Target's Statement. No underwriting fee is payable by the Company.

Under the Corporations Act, Mr Mullan is, by virtue of being the father of a director, a related party who may only deal with the Company on arm's length terms in the absence of Shareholder approval. The Board has resolved that any financial benefit conferred on Mr Mullan by the transactions contemplated by the Convertible Note Deed are on terms more favourable to the Company than those on which it is reasonable to expect if the Company was dealing at arm's length. The Board considers that the Convertible Notes is in the best interests of Bullseye Shareholders. The following are key considerations in favour of the underwritten Convertible Notes:

- an improved working capital position arising from the reduced cash flow strain as a result of interest payable on and repayment of the Convertible Notes being settled through the issue of shares;
- access to funds for the Company's development strategy; and
- development of a relationship with a potentially significant group of independent third party investors who may become long-term key strategic investors.

Shareholders should also be aware that the terms of the Convertible Note may make the Company less attractive to other potential acquirers of their Shares.

3 Gold Prepayment Deed

A summary of the key terms of the Gold Prepayment Deed is set out in **Annexure 3** to this Third Supplementary Target's Statement.

Under the Corporations Act, the Lender is, by virtue of being the father of a director, a related party who may only deal with the Company on arm's length terms in the absence of Shareholder approval. The Board has resolved that any financial benefit conferred on Mr Mullan by the transactions contemplated by the Convertible Note Deed are on terms more favourable to the Company than those on which it is reasonable to expect if the Company was dealing at arm's length.

The use of funds from the Gold Prepayment Deed will primarily be utilised to support the capital expenditure program relating to the expansion, process plant construction, mine development and ultimate production of the NLGP as a new stand-alone gold mine as well as funding the Company's general working capital requirements. The Board may also, with the Lender's prior written consent, channel any excess funds (if available) from the Gold Prepayment Deed towards the development of the Company's other projects, including the Southern Cross Gold Project and the Aurora Gold Project.

Given the current development status of the NLGP and the absence of a bankable feasibility study for a stand-alone gold mining operation at the NLGP, the Board believes that the terms of the Gold Prepayment Deed are extremely attractive when compared to other similar debt funded mine development options.

The Board is of the view that the Gold Prepayment Deed is on terms more favourable to the Company than arm's length and at least as favourable as would be available in the market generally for a company in similar circumstances. The arrangement also offers the significant benefit of minimising further dilution to Shareholders.

4 Challenge Share Issue

On 21 April 2017, the Company entered into an agreement with Challenge Drilling Pty Ltd (**Challenge**). Under that agreement, the parties agreed that a percentage of drilling costs undertaken by Challenge would be settled by issuing Bullseye Shares at an issue price of \$0.27 per Bullseye Share. This arrangement extended the Company's available cash reserves resulting in additional drill metres during the 2017 drill program.

On 8 March 2018, Challenge invoiced the Company A\$207,170.11 to be settled by issue of Bullseye Shares. Shareholders will therefore be asked to approve the issue of 767,297 Bullseye Shares to Challenge (or its nominee) as partial payment for the drilling services provided by Challenge at the NLGP. The Bullseye Shares are being issued in satisfaction of the invoice for drilling services and will be issued on the same terms as existing Bullseye Shares.

5 Red 5 Offer Conditions

The Red 5 Offer is subject to a number of Conditions, which are set out in Section 9.2 of the Bidder's Statement and Annexure A of the Target's Statement.

In light of the above disclosures, the Board is of the opinion that a number of these Conditions have already been or will be breached if Shareholder approval is obtained for the Proposed Transactions:

- (a) **condition 9.2 (e) (no material adverse change)** – between the Announcement Date and the end of the Red 5 Offer Period there is no event, change, matter, circumstance or thing which occurs whether individually or when aggregated with all such events, changes, matters, circumstances or things of a like kind that:
- (1) has had, or would be reasonably likely to have, a material adverse effect on the business, assets, liabilities, financial or trading position, profitability or prospects of the Target taken as a whole, as determined by an independent expert appointed by the Bidder;
 - (2) has caused, or would be reasonably likely to cause, a diminution in the total non-current assets of the Target by at least AUD 400,000 compared to the approximately AUD 16,600,000 of non-current assets stated in the Target's 30 June 2017 financial statements, as determined by an independent expert appointed by the Bidder;
 - (3) has caused, or would be reasonably likely to cause, a diminution in the net assets of the Target by at least AUD 400,000 compared to the approximately AUD 17,500,000 of net assets stated in the Target's 30 June 2017 financial statements (as lodged with ASIC), as determined by an independent expert appointed by the Bidder; or
 - (4) has resulted, or will result, in the Target or another member of the Target Group entering into or terminating a material agreement or instrument where the consideration is in excess of AUD 400,000 for any individual item or in excess of AUD 4,000,000 in aggregate, other than those events, changes, matters, circumstances or things;
 - (5) required or permitted by the Red 5 Offer; or
 - (6) done or not done at the prior written request or with the prior written acknowledgement and approval of the Bidder;

The Convertible Notes and Gold Prepayment Deed will likely trigger this defeating condition.

- (b) **condition 9.2(i) (Share Capital)** provides that it is a condition of the offer that as at the announcement date:
- i. there are no more than 285,553,798 Bullseye Shares on issue; and
 - ii. there are no securities convertible into Bullseye Shares other than the 20,000,000 Bullseye Options and 8,000,000 Bullseye Performance Rights on issue as at 31 January 2018.

The Convertible Notes will likely trigger this defeating condition.

- (c) **condition 9.2(k) (No Prescribed Occurrence)** triggers a defeating condition on the happening of a Prescribed Occurrence. "Prescribed Occurrence" will likely include the agreement to issue convertible notes.
- (d) **condition 9.2(m) (Conduct of Bullseye's Affairs)** both the Gold Prepayment Deed and the Convertible Notes will likely constitute the "incurring of a liability in excess of \$400,000", thus triggering the defeating condition.

Red 5 has yet to provide any response or update as to how it will respond to a breach of the above Conditions.

6 Alternative offers

Late on 16 July 2018, as the above arrangements were being finalised, Mr Wu Qiyuan made an alternative offer to the Board. The Board has not yet had a chance to fully review and discuss the merits of the alternative proposal. Full details of the alternative offer will be provided in the Notice of Meeting.

What should you do now?

You should continue to **REJECT** the Red 5 Offer. To reject the Red 5 Offer, **DO NOT RESPOND** and **DO NOTHING** in relation to any documents sent to you by Red 5.

Bullseye shareholders do not need to take any further action in relation to the Proposed Transactions at this time.

A notice of meeting containing information relating to the Proposed Transactions, reasons for your Directors' recommendation and details of the shareholders meeting is expected to be sent to Bullseye shareholders in the week commencing 23 July 2018.

Bullseye shareholders will then be given the opportunity to vote on the Proposed Transactions at a meeting expected to be held in August 2018.

Indicative timetable

Set out below is an indicative timetable for the Notice of Meeting:

Indicative timetable	
Event	Date
Board approval of convertible note deed, Underwriting Agreement and Gold Prepayment Deed	16 July 2018
Execution of conditional convertible note deed	17 July 2018
Acceptance of Underwriting Agreement	17 July 2018
Execution of Gold Prepayment Deed	17 July 2018
Dispatch of Notice of Meeting	25 July 2018
Shareholders Meeting	20 August 2018
Convertible Note Issue Date	31 August 2018
Convertible Note Maturity Date	29 February 2020

This is an indicative timetable only and is subject to change.

Consents

As permitted by ASIC Class Order 13/521, this Third Supplementary Target's Statement contains statements that are made, or based on statements made, in documents lodged with ASIC or ASX. Pursuant to this Class Order, the consent of persons to whom such statements are attributed is not required for the inclusion of those statements in this Third Supplementary Target's Statement.

Any Bullseye Shareholder who would like to receive a copy of any of the documents (or parts of the documents) that contain the statements which have been included pursuant to ASIC Class Order 13/521 may, during the Offer Period, obtain a copy free of charge (within 2 Business Days of the request) by contacting Bullseye.

Shareholder Information Line

Bullseye shareholders who have questions about the Proposed Transactions can call the Bullseye Shareholder Information Line on +61 (08) 9331 6611.

Approval of Third Supplementary Target's Statement

This Third Supplementary Target's Statement has been approved by unanimous resolution of the directors of Bullseye.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Peter J Burns". The signature is written in a cursive style with a large initial "P".

Peter Joseph Burns FCMI (London)
Chairman
Bullseye Mining Limited

Annexure 1 – Key terms of Convertible Notes

- **(Maturity Date):** the Convertible Notes have a maturity date of 18 months after their issue.
- **(Interest):** 8% per annum on the principal amount, payable quarterly in arrears until maturity or date of conversion. Interest payable may be satisfied, at the discretion of the Company (prior to the relevant interest payment date) and subject to the Corporations Act, by the issue of shares.
- **(Security):** the Company will grant the Noteholders a first ranking security over the mining leases M37/1309, M37/108, M37/519 and M37/1167, to be shared pari passu with the Lender of the Gold Prepayment Deed. The Noteholders will become beneficiaries under a security trust structure to be implemented and will remain in place to reflect the Convertible Notes as secured money until either converted or repaid in full.
- **(Conversion Price):** A\$0.26 per share.² However, if the Company issues new equity the conversion price is adjusted to a 20% discount to the new equity issue price.
- **(Conversion):** full or partial conversion at any time prior to 15 days before maturity at Noteholder's discretion. Conversion at Company's discretion during the 15 days prior to maturity.
- **(Redemption):** if Notes are not converted, cash redemption upon maturity (18 months from the date of issue) at £100,000 per Note.
- **(Transferability):** the Convertible Notes are transferrable.

² As the notes have a face value of £100,000 and convert at \$0.26 the Convertible Notes will convert to Bullseye Shares and interest on the Convertible Note if taken in Bullseye Shares will be taken to be the currency exchange rate denominated in £ per Australian Dollar (AUD/GBP) equal to the rate on the day as selected by the Company acting reasonably.

Annexure 2 – Underwriting Agreement

Mr Desmond Mullan
29 Franjo Tudmana,
Bigackovici,
Medjugorje,
Bosnia Hertegovina

UNDERWRITING AGREEMENT

The Directors
Bullseye Mining Limited
c/o Aspen Corporate
Level 2, 102 Beaufort Street,
Perth, Western Australia, 6000

11 July 2018

Dear Directors,

Proposed £15,000,000 Private Placement of Convertible Notes by Bullseye Mining Limited

The matters set out in this document are strictly confidential. They concern a proposal by Bullseye Mining Limited (ACN 118 341 736) (**Company**) to undertake a £15,000,000 Private Placement of Convertible Notes (**C-Note Placement**) in accordance with the terms of the deed entered into by the Company on 11 July 2018 (**C-Note Deed**) and my commitment to fully underwrite the C-Note Placement.

- 1 The Company's C-Note Placement is proposed to be issued at a face value of £100,000 to raise approximately £15 million.
- 2 I agree to underwrite the whole of C-Note Placement. This obliges me to subscribe for all notes offered in the C-Note Placement for which the Company does not hold valid subscriptions within the timeframe required by the Deed (**Shortfall Securities**).
- 3 I will be notified by the Company of the final number of the Shortfall Securities.
- 4 I will lodge with the Company application money in immediately available cleared funds and valid applications for the Shortfall Securities within four business days of the Company issuing me a shortfall notice. I acknowledge the Company has established a GBP trust account to accept application money.
- 5 By entering into this document, I agree that I have made my own enquiries regarding the Company. The Company make no representations or inducements to me other than as set out in this document. My decision to enter into this obligation is based on my own enquiries and investigation, including the merits and risks involved.
- 6 I confirm that I will be converting my existing loan facility of A\$1,000,000 (plus applicable interest) into application proceeds for the C-Note Placement. This will necessitate cancelling the Subscription Agreement and Loan Agreement between the Company and me (both dated 10 May 2018).
- 7 I confirm that no underwriting fee is payable to me with respect to my obligation or otherwise in connection with this document or the transactions contemplated by this document.
- 8 I am responsible for paying all costs, expenses and charges incurred arising out of or in relation to this document.

9 This document is governed by the laws of Western Australia and each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Western Australia.

Yours sincerely,


Desmond Mullan

Accepted and agreed



.....
Bullseye Mining Limited

.....17th July..... 2018

Annexure 3 – Key terms of the Gold Prepayment Deed

- **(Gold Prepay Facility Amount):** AUD\$100 million. The Gold Prepay Facility Amount is to be advanced by the Lender and repaid by the Company via the delivery of future physical gold ounces to the Lender.
- **(Purpose - Use of Funds):** primarily utilised to support the capital expenditure program relating to the expansion, process plant construction, mine development and ultimate production of the North Laverton Gold Project as a new stand-alone gold mine.
- **(Facility Rate - Margin):** 9.8% per annum.
- **(Facility Fees):** Fees and charges in line with standard commercial rates and customary of a facility of this nature.
- **(Upfront Option Period of Lender):** the Lender, at their election, is granted an upfront option period of 10 Months from date of execution of the Gold Prepayment Deed, or other such term as agreed between the Parties, to elect to proceed with advancing of funds under the Gold Prepayment Deed.
- **(Spot Price for Gold Prepay Calculations):** A\$1,700 per ounce.
- **(Funds Utilisation - First Drawdown):** Anticipated to be 10 months from execution of the Gold Prepayment Deed and upon Conditions Precedent for Gold Prepayment drawdown being satisfied.
- **(Gold Repayment Delivery Schedule):** The gold and all associated fees and charges must be repaid via quarterly deliveries of gold, anticipated to commence within 24 months of first drawdown and across a delivery period of up to 48 months. A contract will be entered into between the Lender and the Company which will contain the relevant terms relating to the delivery of the gold.
- **(Security):** The Company will grant the Lender a first ranking security over the mining leases M37/1309, M37/108, M37/519 and M37/1167, to be shared pari passu with the Convertible Note Holders. The Lender will become a beneficiary under a security trust structure to be implemented and will remain in place to reflect this facility as secured money until repaid in full.
- **(Accelerated Delivery):** Upon 5 business days' prior written notice the Company may elect to deliver additional ounces of gold in reduction of the overall outstanding gold ounces to be delivered.