



23 July 2013

Dear Shareholder

RIGHTS ISSUE – NOTICE TO ELIGIBLE SHAREHOLDERS

On 19 July 2013, Red 5 Limited (**Red 5 or Company**) announced that it will be undertaking a pro-rata non-renounceable entitlements offer of up to 135,488,008 fully paid ordinary shares in Red 5 (**New Shares**) to existing eligible shareholders at an issue price of \$0.35 each per New Share to raise up to \$47,420,802 before costs (**Offer**). Eligible Shareholders will be able to subscribe for 1 New Share for every 1 ordinary fully paid share (**Share**) they hold on the record date.

Details of the Offer are summarised below and are set out in full in a Prospectus which has been prepared for the purposes of the Offer. The Prospectus has been lodged with the Australian Securities and Investments Commission (**ASIC**) and the Australian Securities Exchange (**ASX**) and is available on the ASX web-site at www.asx.com.au. A copy of the Prospectus is also available on the Company's web-site at www.red5limited.com.

A printed copy of the Prospectus and an Entitlement and Acceptance Form will be despatched to Eligible Shareholders shortly.

Purpose of the Offer

The Company intends to use the funds raised under the Entitlements Offer for the implementation of interim tailings storage solutions for the Siana gold mine in the Philippines (being construction of a lined tailings pond and a paste fill plant), to enable the mine, which is currently on care and maintenance, to recommence mining operations and gold production. In addition, the Company intends to progress the construction of a new longer term tailings dam and to repay the existing prepaid swap debt facility, pay outstanding creditors that have deferred invoices and continue with pit dewatering initiatives at the Siana mine.

The Offer will raise up to \$47,420,802 (before costs). The minimum subscription is \$35 million. The Offer is not underwritten. It is proposed that the funds raised under the Entitlements Offer be allocated, upon successful completion of the Entitlements Offer, in the following manner:

Proposed use of funds	Minimum Subscription	Full Subscription
	A\$	A\$
New tailings storage facility land acquisition	1,000,000	4,000,000
Design and permitting of new tailings storage facility	1,297,000	1,297,000
Thicken/Filtration paste plant procurement and installation	5,000,000	6,400,000
HDPE lined tailings storage pond interim facility	1,700,000	1,700,000
De-watering and other sustaining capital	1,100,000	2,400,000
Current liabilities	6,000,000	6,000,000
Partial repayment of the Prepaid Swap Facility	16,400,000	16,400,000
Costs associated with the Entitlements Offer *	2,006,000	2,644,000
Working capital	497,000	6,579,802
Total	\$35,000,000	\$47,420,802

* This figure includes an allowance for amounts that may be payable as broker or advisor fees in placing any shortfall.

The actual allocation of funds may change depending on the outcome of technical evaluations of alternative tailings storage solutions, design and permitting issues related to the construction of the long term tailings storage facility, prevailing market conditions and changes in other circumstances affecting the Company. The Company will provide details of its actual expenditure in its periodic reports and as otherwise required by the ASX Listing Rules.

Basis of participation

Under the Offer, Eligible Shareholders will be entitled to apply for 1 New Share at a price of \$0.35 each per New Share for every 1 Share held as at 5.00 pm Perth time on 30 July 2013 (**Record Date**), subject to the terms of the Offer (**Entitlement**). Fractional Entitlements to New Shares will be rounded up to the nearest whole New Share.

The New Shares will be issued on the same terms as existing Shares and will rank equally with existing Shares from the date of issue. The Company will apply to have the New Shares quoted on ASX.

The Entitlements are non-renounceable and will therefore not be tradable on ASX or otherwise transferable. Eligible Shareholders who do not take up their Entitlement in full will not receive any value in respect of those Entitlements they do not take up.

To accept their Entitlement, eligible shareholders should complete the Entitlement and Acceptance Form and return the form to the Company's Share Registry and either forward a cheque for the amount payable for the New Shares to the Share Registry or pay by electronic funds transfer in accordance with the instructions on the Entitlement and Acceptance Form.

Eligible Shareholders

Red 5 will be making the Offer available to Eligible Shareholders only. Eligible Shareholders are those shareholders who:

- (a) are the registered holder of Red 5 Shares as at the Record Date;
- (b) have a registered address in Australia or New Zealand or have a registered address in certain other jurisdictions where the Company has determined that such persons can be offered and issued with New Shares without the Company having to comply with any conditions or additional disclosure or legal requirements; and
- (c) are eligible under all applicable laws to take up their Entitlements.

In particular, the Offer has not been and will not be registered under the United States Securities Act of 1933 and is not being made in the United States or to persons resident in the United States.

Shortfall offer

The shortfall offer is a separate and independent offer to be made under the Prospectus to Eligible Shareholders and other eligible investors to subscribe for Shares that are not otherwise taken up in the Offer, at a price of \$0.35 each per New Share. Eligible Shareholders may subscribe for additional New Shares in excess of their Entitlement under the shortfall offer.

Timetable

Event	Date
Red 5 announces intention to conduct the Entitlement Offer	19 July 2013
Prospectus and Appendix 3B lodged with ASIC and ASX	19 July 2013
Despatch letter to Existing Option holders	22 July 2013
Despatch letter to Shareholders	23 July 2013
"Ex" Date (if securities were trading)	24 July 2013
Record Date	30 July 2013
Opening date of Entitlement Offer and Prospectus and Entitlement and Acceptance Forms sent to Shareholders	6 August 2013
Closing date for acceptances under the Entitlement Offer (5.00 pm Perth time)	20 August 2013

Event	Date
Securities quoted on a deferred settlement basis (if securities were trading)	21 August 2013
Red 5 to notify ASX of under subscriptions under the Entitlement Offer	23 August 2013
Completion of the Entitlement Offer and Red 5 to issue and allot New Shares under the Entitlement Offer	28 August 2013
Statements despatched to Eligible Shareholders receiving New Shares under the Entitlement Offer	28 August 2013
Deferred settlement trading ends (if securities were trading)	28 August 2013
Reinstatement of trading of all Shares (including New Shares) on ASX	29 August 2013
Completion of the Shortfall Offer (if required)	20 November 2013

The timetable is indicative only and may change, subject to the requirements of the ASX Listing Rules and the *Corporations Act 2001* (Cth).

Capital structure

At the date of the Prospectus, Red 5 has 135,488,008 Shares and 220,000 unlisted options on issue.

Following completion of the Offer and the issue of the New Shares (and provided that no Options are exercised prior to completion of the Offer), the Company will have the following securities on issue:

Shares

	Shares on issue (Minimum Subscription)	Shares on issue (Full Subscription)
Shares on issue at the date of Prospectus	135,488,008	135,488,008
Number of New Shares under Entitlements Offer	100,000,000	135,488,008
Total	235,488,008	270,976,016

Unlisted Options

Number of Options	Exercise price	Expiry date
70,000	\$2.50	30 April 2014
40,000	\$2.70	31 December 2014
70,000	\$4.00	30 April 2016
40,000	\$4.30	31 December 2016

Quotation of New Shares

At the request of the Company, Shares in Red 5 were suspended from trading on ASX on 30 April 2013 and currently remain in voluntary suspension.

The Board has resolved to maintain the current voluntary suspension from trading in the Company's securities in place, while it seeks to successfully complete the Entitlements Offer and balance sheet restructuring. It is expected that trading in Red 5 securities will recommence shortly after the close of the Entitlements Offer.

In the event that the New Shares are not admitted to quotation on ASX, they will not be issued by the Company and all Application Monies will be refunded to Applicants.

Prospectus and continuous disclosure

The Prospectus is a "transaction specific prospectus" and has been prepared in accordance with section 713 of the Corporations Act. In general terms "transaction specific prospectuses" are only required to contain information in relation to the effect of the issue of securities on the Company and the rights attaching to the securities being offered. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

Eligible Shareholders should carefully read the Prospectus and have regard to all publicly available information on Red 5 before making a decision whether or not to invest.

In particular, the Prospectus contains an update on the Siana Gold Mine and Red 5's current activities and details of the investment and business risk factors that Eligible Shareholders should consider prior to participating in the Offer.

Further information

As noted above, the Prospectus and your personalised Entitlement and Acceptance Form will be despatched to you shortly.

If you have any queries regarding the Offer, please contact the Company as follows:

Telephone: (+61-8) 9322 4455

E-mail: info@red5limited.com

Postal address: PO Box 1911, West Perth, Western Australia 6872

Yours faithfully



Colin Jackson
Chairman