

19 February 2018

## Intention to Make Takeover Bid for Bullseye Mining Limited

Red 5 Limited (ASX: RED) (“**Red 5**” or “the **Company**”) advises of its intention to make a conditional off-market takeover bid (“**Offer**”) for all of the fully paid ordinary shares (“**Shares**”) in Bullseye Mining Limited (“**Bullseye**”).

Bullseye is an unlisted public company whose Western Australian-based gold portfolio includes the Laverton Project, located ~30km to the north of the Darlot Gold Mine, the Southern Cross Gold Project and the Aurora Gold Project.

The proposed transaction is consistent with Red 5’s previously announced Eastern Goldfields Consolidation Strategy, given the proximity of the Laverton Project to the centrally located processing facility at Darlot.

Bullseye shareholders will be offered 1 fully-paid ordinary share in Red 5 for every 5 Bullseye Shares they hold<sup>1</sup>. The Offer values the equity in Bullseye at approximately A\$4.016 million<sup>2</sup> at the current trading price of Red 5 shares.

Red 5 wrote to the directors of Bullseye and sought to commence discussions in December 2017, but has been unable to initiate any meaningful engagement. Accordingly, Red 5 intends to make an Offer directly to Bullseye shareholders, to enable all Bullseye shareholders to consider and assess what Red 5 believes is an attractive Offer providing a clear pathway to the commercialisation of Bullseye’s projects as part of a stronger, larger ASX-listed gold producing company.

### Transaction details

The Offer will be made by the Company (either directly or via one of its subsidiaries as the bid vehicle) and will be implemented by way of an off-market takeover under the *Corporations Act 2001* (Cth) (“**Corporations Act**”) given that Bullseye has in excess of 50 members.

The Offer will be subject to a number of conditions including a 90% minimum acceptance condition, Australian Foreign Investment Review Board (“**FIRB**”) approval, and a number of other customary conditions including there being no regulatory action, no prescribed occurrences and no material adverse change in respect of Bullseye. A full list of the proposed bid conditions is provided in Appendix 1 of this announcement.

The Offer extends to Bullseye Shares that are issued before the end of the Offer period on the exercise of Bullseye Options or Performance Rights.

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<sup>1</sup> Any fractional entitlement will be rounded down to the nearest whole number.

<sup>2</sup> Based on the 5 day VWAP of Red 5’s Shares as at close of trading on 16 February 2018 of \$0.0684, Bullseye having 285,553,798 shares currently on issue and assuming vesting of 8,000,000 Target Performance Rights during the Offer period.

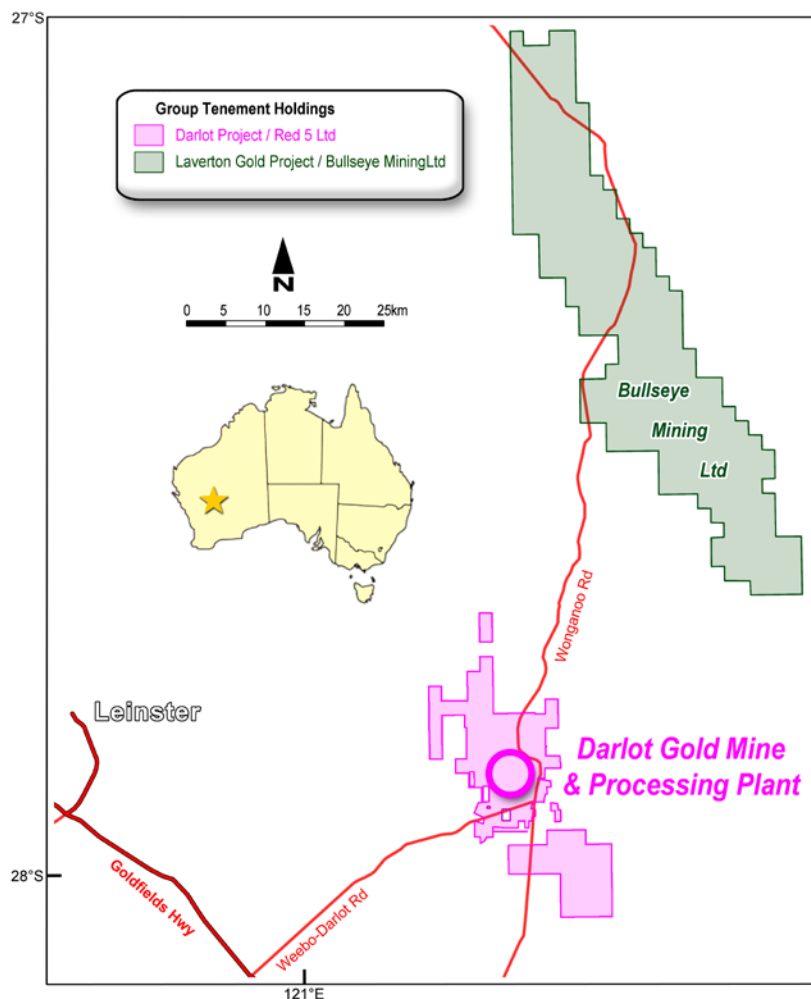
The Company notes that Options and Performance Rights currently outstanding in Bullseye were only issued to the directors of Bullseye in December 2017 after Red 5 made its approach to the Board of Bullseye.

If there are any validly issued Bullseye convertible securities outstanding at the end of the Offer period, Red 5 intends to acquire them by private treaty or, in the absence of such agreement, compulsory acquisition.

Further details about the Offer will be contained in Red 5's Bidder's Statement which will be sent to Bullseye shareholders in due course, currently expected to be late March/early April 2018. The Bidder's Statement will set out important information for Bullseye shareholders including how to accept the Offer, the key reasons why Bullseye shareholders should accept the Offer and information about Red 5.

**Transaction rationale**

The transaction is consistent with Red 5's stated Eastern Goldfields Consolidation Strategy. Bullseye's Laverton Gold Project is in close proximity to the Darlot processing plant (see map below) and supports the Company's mill expansion objectives, as well as adding to its long-term exploration portfolio. For Bullseye shareholders, it provides a clear pathway for Bullseye's projects to be commercialized, while reducing their project development risk by gaining exposure to Red 5's existing asset portfolio and technical skills.



Green highlighted areas are Bullseye tenements in close proximity to pink highlighted Darlot operations. Bullseye has additional projects not shown on this map

**Advisers**

Legal advisers to Red 5 are HopgoodGanim Lawyers.

**ENDS**

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**About Red 5 Limited**

Red 5 Limited (ASX: RED) is an Australian gold producer with an asset portfolio in the Eastern Goldfields region of Western Australia comprising the operating Darlot Gold Mine and the King of the Hills (KOTH) Gold Project.

Red 5 holds a commanding 25,700ha footprint in the highly-endowed Yandal gold district, one of Australia's most active gold provinces, and an expanding Mineral Resource inventory, gold production and outstanding exploration and growth potential.

The Group, through its associated Philippine company Greenstone Resources Corporation, also holds interests in the Siana Gold Project, located in the established gold mining region of Surigao del Norte in the Philippines. Mining operations at the Siana Gold Project are currently suspended pending an improvement in operating conditions in the Philippines. Siana retains significant inherent value, including a substantial gold inventory, a modern 1.1Mtpa treatment facility, an open pit mine and a part-developed underground mine.

## Appendix 1 - Conditions to the Offer

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### 1. Conditions

The Offer and any contract arising from the acceptance of the Offer will be subject to fulfilment or waiver of the following conditions before the end of the Offer Period.

- (a) **(minimum ownership)** during, or at the end of, the Offer Period, the number of Target Shares in which Bidder and its associates together have relevant interests is at least 90% (by number) of all Target Shares on issue;
- (b) **(Foreign Acquisitions and Takeovers Act)** between the Announcement Date and the end of the Offer Period, and if required, the Treasurer of the Commonwealth of Australia or their agent consents under the *Foreign Acquisitions and Takeovers Act 1974* (Cth) (**FATA**) to the proposed acquisition by Bidder of Target Shares under the Bid and the Treasurer is taken to have so consented:
  - (1) if Bidder receives written notice from or on behalf of the Treasurer to the effect that the acquisition of Target Shares is not inconsistent with the Australian Government's foreign investment policy or is not objected to under the FATA; or
  - (2) if notice of the Bid or proposed acquisition of Target Shares is given to the Treasurer and the Treasurer has ceased to be empowered to make any order under Part II of the FATA in relation to the proposed acquisition by Bidder of Target Shares under the Bid because of lapse of time;
- (c) **(no Public Authority intervention)** between the Announcement Date and the end of the Offer Period:
  - (1) there is not in effect any preliminary or final decision, order or decree issued by a Public Authority; and
  - (2) no application is made to any Public Authority (other than by any member of Bidder and any of its Subsidiaries); and
  - (3) no action or investigation is instituted or threatened by any Public Authority with respect to any member of the Target Group,

in consequence of or in connection with the Offer (other than an application to, or a decision or order of, ASIC or the Takeovers Panel under, or relating to a breach of Chapter 6A, 6B or 6C of the Corporations Act or relating to unacceptable circumstances within the meaning of section 657A of the Corporations Act in consequence of, or in connection with, the Offer), which:

- (4) restrains or prohibits (or, if granted, could restrain or prohibit), or otherwise materially adversely affect the making of the Offer or the completion of any transaction contemplated by the Offer (whether subject to conditions or not) or the rights of Bidder in respect of Target and the Target Shares to be acquired under the Offer; or
- (5) requires the divestiture by any member of the Bidder Group of any Target Shares, or the divestiture of any material assets of the Target Group or any member of the Bidder Group;

- (d) **(no material acquisitions, disposals, cancellations or new commitments)** except for any proposed transaction or item fairly disclosed in writing to the Bidder, none of the following events occurs between the Announcement Date and the end of the Offer Period:
- (1) Target or another member of the Target Group acquires, offers to acquire or agrees to acquire one or more companies, businesses or assets (or any interest in one or more companies, businesses or assets, other than an interest in a member of the Target Group which is held by another person for the benefit of any other member of the Target Group) or makes an agreement for an amount or consideration in excess of AUD 400,000 for any individual item or in excess of AUD 2,000,000 in aggregate;
  - (2) Target or another member of the Target Group disposes of or agrees to dispose of one or more companies, businesses or assets (or any interest in one or more companies, businesses or assets) or makes an agreement for an amount or consideration in excess of AUD 400,000 for any individual item or in excess of AUD 800,000 in aggregate;
  - (3) a member of the Target Group enters into or agrees to enter into any farm-in, farm-out, joint venture or partnership or other management agreement that requires or is reasonably likely to involve payments, expenditure or the foregoing of revenue, by a member of the Target Group in excess of AUD 400,000 in aggregate; or
  - (4) a tenement, permit or licence granted to or held by any member of the Target Group relating to the Target Projects is revoked, surrendered, relinquished or terminated or a member of the Target Group agrees to the same without there being a reasonable likelihood of such tenement, permit or licence being allowed to continue, renewed or extended on terms which are no less favourable to the member of the Target Group;
- (e) **(no material adverse change)** – between the Announcement Date and the end of the 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 Offer; or
- (6) done or not done at the prior written request or with the prior written acknowledgement and approval of the Bidder;
- (f) **(rehabilitation liability)** – the rehabilitation liabilities in respect of the Target Projects do not exceed \$2,500,000 in aggregate as at the Announcement Date or at the end of the Offer Period;
- (g) **(data room access)** - within 3 Business Days of the Target establishing or compiling a due diligence data room (whether in physical, virtual or electronic form) capable of access by any third party (**Data Room**) comprising due diligence material in connection with the Target Group or the Target Projects, the Target provides access to the Bidder to that Data Room;
- (h) **(no persons exercising rights under certain agreements or instruments)** between the Announcement Date and the end of the Offer Period, no person exercises any rights under any provision of any agreement or other instrument to which a member of the Target Group is a party, or by or to which a member of the Target Group or any of its assets may be bound or be subject (which, if exercised, will have or is reasonably likely to have a material adverse effect on the Target Group taken as a whole), to:
  - (1) require monies borrowed by, or other financial accommodation provided to, a member of the Target Group to be paid or repaid immediately or earlier than the repayment or maturity date stated in such agreement or other instrument;
  - (2) terminate or modify any such agreement or instrument or require that any action be taken thereunder (including the acceleration of the performance of any obligation thereunder);
  - (3) terminate or modify the interest of a member of the Target Group in any farm-in, farm-out, partnership, joint venture, trust, corporation or other entity (or any arrangements relating to such interest); or
  - (4) require that any assets, shares or business of a member of the Target Group be sold, transferred or offered for sale or transfer, including under any pre-emptive rights or similar provisions, as a result of the acquisition of Target Shares by Bidder;
- (i) **(no change of control rights)** between the Announcement Date and the end of the Offer Period, no person has or will have any right as a result of the Bidder making the Offer or announcing its intention to make the Offer, or acquiring Target Shares under the Offer, to:
  - (1) acquire, or require the disposal of, or require any entity within the Target Group to offer to dispose of, any material asset of any entity within the Target Group;
  - (2) terminate, or vary the terms or performance of, any material agreement with any entity within the Target Group;
  - (3) terminate, or vary the terms of any material approvals, licenses or permits issued by any Public Authority to any entity within the Target Group; or

- (4) require repayment of any moneys borrowed by or any other indebtedness of any entity within the Target Group earlier than its stated maturity date, or withdraw or inhibit the ability of any entity within the Target Group to borrow moneys or incur indebtedness, other than as fully and fairly disclosed by the Target to the Bidder prior to the Announcement Date;
- (j) **(distributions)** between the Announcement Date and the end of the Offer Period, Target does not make or declare any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie);
- (k) **(prescribed occurrences)** between the Announcement Date and the end of the Offer Period, none of the following events happen:
- (1) Target converts all or any of its shares into a larger or smaller number of shares;
  - (2) a member of the Target Group resolves to reduce its share capital in any way;
  - (3) a member of the Target Group:
    - (1) enters into a buy-back agreement; or
    - (2) resolves to approve the terms of a buy-back agreement under section 257C(1) or section 257D(1) of the Corporations Act;
  - (4) a member of the Target Group issues Shares, or grants an option over its Shares, or agrees to make such an issue or grant such an option;
  - (5) a member of the Target Group issues, or agrees to issue, convertible notes;
  - (6) a member of the Target Group disposes, or agrees to dispose, of the whole, or a substantial part, of the Target Group's business or property;
  - (7) a member of the Target Group resolves to be wound up;
  - (8) a liquidator or provisional liquidator of a member of the Target Group is appointed;
  - (9) a court makes an order for the winding up of a member of the Target Group;
  - (10) an administrator of a member of the Target Group is appointed under sections 436A, 436B or 436C of the Corporations Act;
  - (11) a member of the Target Group executes a deed of company arrangement;
  - (12) a receiver or a receiver and manager is appointed in relation to the whole, or a substantial part, of the property of a member of the Target Group; or
  - (13) a member of the Target Group grants or agrees to grant an Encumbrance in or over the whole, or a substantial part, of the Target Group's business or property;

- (l) **(share capital)** as at the Announcement Date:
  - (1) there are no more than 285,553,798 Target Shares on issue; and
  - (2) there are no securities convertible into Target Shares other than the 20,000,000 Target Options and 8,000,000 Target Performance Rights on issue as at 31 January 2018;
- (m) **(conduct of Target's affairs)** between the Announcement Date and the end of the Offer Period no member of the Target Group without the prior written consent of the Bidder:
  - (1) changes its constitution or passes any special resolution;
  - (2) enters into any guarantee, indemnity or guarantee and indemnity on behalf of any member of the Target Group in relation to an amount in excess of AUD 400,000;
  - (3) increases the remuneration or otherwise materially varies the engagement terms of or employment arrangements with any director of a member of the Target Group or any key management personnel of the Target Group where the total annual employment cost of that director or employee equals or exceeds AUD 200,000, except in accordance with contractual arrangements in existence on the Announcement Date or any determination of a board of a member of the Target Group made prior to the Announcement Date; or
  - (4) without prejudice to conditions 1(d) and 1(e) above and paragraphs 1(m)(1) to 1(m)(3) above enters into or agrees to enter into any agreement or commitment with a third party that would require expenditure, the foregoing of revenue or the incurring of a liability by one or more members of the Target Group in excess of AUD 400,000.

## 2. Definitions

The following definitions apply in interpreting the Bid Conditions:

**Announcement Date** means the date on which the Offer was announced to ASX by Red 5, being 19 February 2018;

**Associate** has the meaning given to that term in the Corporations Act;

**ASIC** means the Australian Securities and Investments Commission;

**ASX** means ASX Limited ABN 98 008 624 691;

**Bid or Takeover Bid** means an off-market takeover bid by Bidder for all Target Shares under Chapter 6 of the Corporations Act;

**Bidder** means Red 5 Limited and/or one of its wholly owned subsidiaries;

**Bid Condition** means each condition set out above;

**Bidder Group** means the Bidder and each of its 'related bodies corporate' (as defined in the Corporations Act);

**Bidder's Statement** means the bidder's statement to be issued by Bidder in respect of the Bid;



**Corporations Act** means the *Corporations Act 2001* (Cth);

**Encumbrance** means an interest or power:

- (a) reserved in or over any interest in any asset including any retention of title; or
- (b) created or otherwise arising in or over any interest in any asset under a bill of sale, mortgage, charge, lien, pledge, trust or power, by way of security for the payment of debt or any other monetary obligation or the performance of any other obligation and includes any agreement to grant or create any of the above;

**Offer** means each offer to acquire Target Shares to be made by Bidder to Target Shareholders in connection with the Bid;

**Offer Period** means the period during which Offers are open for acceptance;

**Public Authority** means any federal, provincial, state or other government, governmental or public department, court, tribunal, administrative, statutory or judicial entity, arbitral body, securities commission or stock exchange (such as ASX);

**Register** means the register of Target Shareholders maintained by Target in accordance with the Corporations Act;

**Subsidiary** has the meaning given in the Corporations Act;

**Takeovers Panel** means the Takeovers Panel referred to in Division 2, Part 6.10 of the Corporations Act;

**Target Board** means the board of directors of Target;

**Target Group** means Target and each of its Subsidiaries;

**Target** means Bullseye Mining Limited ACN 118 341 736;

**Target Options** means the 20,000,000 options to acquire Target Shares as disclosed to the Bidder prior to the Announcement Date pursuant to a register dated 31 January 2018 on the following terms: 10,000,000 at \$0.30 exercisable on or before 10 December 2020, 6,000,000 at \$0.40 exercisable on or before 10 December 2020 and 4,000,000 at \$0.50 exercisable on or before 10 December 2020;

**Target Performance Rights** means the 8,000,000 performance rights to acquire, for nil consideration, Target Shares as disclosed to the Bidder prior to the Announcement Date pursuant to a register dated 31 January 2018 (subject to stipulated and automatic vesting conditions);

**Target Projects** means the Laverton Project, Southern Cross Gold Project, Aurora Gold Project, Johnston Range Iron & Gold Project, Newfield Project, Mt. Clara Copper Project, Leonora Nickel Project and Boorabbin Project, including any other mining tenements granted in lieu of or in connection with the project(s);

**Target Shares** means fully paid ordinary shares in Target; and

**Target Shareholder** means a person who is registered as the holder of Target Shares in the Register.

### **3. Interpretation**

- (a) Headings are for convenience only, and do not affect the interpretation of this document.
- (b) The following rules also apply in interpreting this document, except where the context makes it clear that a rule is not intended to apply:
  - (i) the singular includes the plural, and the converse also applies;
  - (ii) a gender includes all genders;
  - (iii) if a word or phrase is defined, its other grammatical forms have a corresponding meaning;
  - (iv) unless otherwise stated references in this document to sections, paragraphs and sub-paragraphs are to sections, paragraphs and sub-paragraphs of this document;
  - (v) a reference to a person includes a corporation; and
  - (vi) a reference to dollars, \$ or AUD is to Australian currency.
- (c) References to time are references to the time in Perth, Australia on the relevant date, unless stated otherwise.