

CORPORATE GOVERNANCE POLICIES

REMUNERATION AND NOMINATION COMMITTEE CHARTER

FUNCTIONS AND RESPONSIBILITIES

The Remuneration and Nomination Committee (Committee) is a committee of the Board of Directors of Red 5 Limited (Company) with its principle functions being to:

- advise the Board on the selection and appointment of directors to the Board;
- advise the Board on Board composition;
- review and recommend to the Board overall strategies in relation to executive remuneration policies;
- review and make recommendations to the Board in respect of compensation arrangements for the Managing Director and all non-executive directors;
- review and make recommendations to the Board in respect of all equity based remuneration plans; and
- assist the Board in identifying the skills and experience required to constitute an effective Board.

COMPOSITION OF COMMITTEE

The Committee shall comprise at least three non-executive members of the Board. The majority of directors on the Committee shall be independent of management and the Company. The Committee is to be chaired by an independent director who is not the Chairman of the Board.

If the Company is included in the S&P/ASX 300 Index at the beginning of any financial year the Committee will be comprised solely of non-executive directors for the duration of that financial year.

MEETINGS OF COMMITTEE

The Committee shall meet as frequently as required. The Committee shall have access to professional advice from external advisers. The Committee may meet with these external advisers without management being present.

No employee, including the Managing Director, should attend any meeting where his or her performance or compensation is discussed, unless specifically invited by the Committee.

Two members of the committee shall comprise a quorum. Where only two members are present, the unanimous vote of the two members will constitute an act of the Committee. Where the Committee comprises more than two committee members, the vote of a majority of the members present will constitute an act of the Committee.

REMUNERATION POLICIES

The Company's remuneration policies are designed to align executive remuneration with shareholders' interests and to retain appropriately qualified executive talent for the benefit of the Company. The main principles of the policy are:

- reward reflects the competitive market in which the Company operates; and
- individual reward should be linked to performance criteria.

The Committee will, in consultation with the Managing Director, review and recommend to the Board for approval, the Company's general approach to compensation and will oversee the ongoing development and implementation of the compensation regime.

General director remuneration

Shareholder approval must be obtained in relation to the overall limit set for directors' fees. The directors shall set individual Board fees within the limit approved by shareholders.

Executive remuneration

The Company's remuneration policy for the Managing Director and senior management is designed to promote superior performance and long term commitment to the Company. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the Company's operations. The Managing Director and senior management receive a base remuneration which is market related, together with performance based remuneration linked to the achievement of pre-determined milestones and targets.

Overall remuneration policies are determined by the Board and are adapted to reflect competitive market and business conditions. Within this framework, the Committee considers remuneration policies and practices generally and determines specific remuneration packages and other terms of employment for the Managing Director and senior management. Executive remuneration and other terms of employment are reviewed annually by the Committee having regard to performance, relevant comparative information and expert advice.

The proportion of fixed and variable remuneration is established for the Managing Director and senior executives by the Committee. The objective of short term incentives is to link achievement of the Company's operational targets with the remuneration received by executives charged with meeting those targets. The objective of long term incentives is to reward executives in a manner which aligns this element of their remuneration with the creation of shareholder wealth.

Performance incentives may be offered to the Managing Director and senior management of the Company through the operation of performance bonus schemes. The performance bonus, based on a percentage of annual salary, may be payable upon achievement of agreed key performance indicators (KPIs), which may be weighted equally between agreed milestones and relative peer group share price performance. A declared bonus may be payable in a proportion of cash and shares in the Company, subject to shareholder approval, if required. KPIs are reviewed and agreed annually by the Committee and include financial and non-financial objectives. Measures chosen directly align the individual's reward to the KPIs of the Company and to its strategy and performance.

The structure of remuneration packages for the Managing Director and other senior executives comprises:

- a fixed sum base salary plus superannuation benefits;
- short term incentives through eligibility to participate in a performance bonus scheme if deemed appropriate.
- long term incentives through the Managing Director and other senior executives being eligible to participate in share option schemes or performance rights plans with the prior approval of shareholders, as required.

Non-executive directors remuneration

In accordance with current corporate governance practices, the structure for the remuneration of non-executive directors and senior executives is separate and distinct. Shareholders approve the maximum aggregate remuneration payable to non-executive directors.

The Committee recommends the actual payments to directors and the Board is responsible for ratifying any recommendations. Additional fees are payable to a director for the chairing of committees of the Board. Non-executive directors are entitled to statutory superannuation benefits.

The Board approves any consultancy arrangements for non-executive directors who provide services outside of and in addition to their duties as non-executive directors.

Non-executive directors may be entitled to participate in equity based remuneration schemes. Shareholders must approve the framework for any equity based compensation schemes and if a recommendation is made for a director to participate in an equity scheme, that participation must be specifically approved by the shareholders.

All directors are entitled to have their indemnity insurance paid by the Company.

Securities issued under equity-based remuneration scheme

Shareholders must approve the framework for any equity based remuneration schemes and if a recommendation is made for a director to participate in an equity scheme, that participation must be approved by shareholders.

For any incentive schemes or equity based plans which are adopted, the Committee is responsible for:

- reviewing their terms at least annually (including any performance hurdles);
- ensuring that they comply with legislation and regulatory requirements and reflect industry standards;
- overseeing their administration (including compliance with rules that restrict participants from hedging the economic risk of their security holdings);
- considering whether shareholder approval is required or desirable for the schemes or plans and for any changes to them; and
- ensuring that payments and awards of equity are made in accordance with their terms and any shareholder approval.

Directors, officers and employees are prohibited from entering into arrangements for the hedging, or otherwise limiting their exposure to risk in relation to unvested shares, options or rights issued or acquired under the Company's employee equity scheme.

Where a director or senior executive enters into arrangements for the hedging of vested options granted under the Company's employee equity scheme, details of the hedging arrangements must be immediately notified to the Chairman or Company Secretary.

BOARD COMPOSITION AND NOMINATION PROCEDURES

The Committee is responsible for regularly reviewing the composition and membership of the Board, based on a preferred mix of skills, knowledge, experience and capabilities which will enable the Board to meet both the current and future requirements of the Company. When a Board vacancy exists, the Committee is also responsible for initiating the selection process for potential directors. This includes an assessment of the necessary and desirable competencies of Board members, Board succession plans and an evaluation of the Board's performance.

When a Board vacancy occurs, whether due to retirement of a director or growth or complexity of the Company, the Committee will identify the particular skills, experience and expertise that will best complement Board effectiveness and then undertake a process to identify candidates who can meet those criteria. Certain procedures are followed, including the following:

- determine the skills and experience appropriate for the appointee having regard to those of the existing directors and any other likely changes to the Board.
- agree the process and timetable for identifying such a person, which may involve an external recruitment firm.
- a short list of candidates to be prepared after assessing the candidates on the following basis:
 - competencies and qualifications;
 - independence;
 - other directorships;

- time availability;
- contribution to the overall balance of the composition of the Board; and
- depth of understanding of the role of and legal obligations of a director.

Terms and conditions of the appointment, including the level of remuneration, are discussed with the nominees.

A background check will be undertaken on any proposed director prior to any invitation being made for appointment as a director of the Company.

If an invitation to become a director is accepted, the Board will appoint the new director during the year and that person will then stand for re-election by shareholders at the next annual general meeting. Shareholders are provided with relevant information on any directors standing for re-election at a general meeting of the Company, including relevant qualifications and experience.

Written agreements are entered into with each director which sets out their terms of appointment.

When appointed to the Board, all new directors receive an induction appropriate to their experience, to familiarise them with matters relating to the Company's operations, strategy and current issues. Directors are also encouraged to undertake professional development programmes to develop and maintain the skills and knowledge needed to perform their role as directors of the Company.

Directors are not appointed for specific terms, as their periods in office are regularly reviewed as part of annual performance evaluation processes and they are subject to re-election every three years.

PERFORMANCE EVALUATION PRACTICES

General

As part of the annual review of the performance of the Board, the appropriate size, composition and terms and conditions of appointment to (and retirement from) the Board are considered. The level of remuneration for non-executive directors is considered with regard to practices of other public companies, external professional advice (if considered necessary) and the aggregate amount of fees approved by shareholders.

Formal processes have been established to review the Board's performance and the performance of individual directors (including the Managing Director), committees of the Board and key executives, at least annually.

Managing Director

The Board annually reviews the performance of the Managing Director. At the commencement of each financial year, the Board and the Managing Director agree a set of Company specific performance measures to be used in the review for the forthcoming year.

These include:

- the extent to which key operational goals and strategic objectives are achieved;
- development of management and staff;
- compliance with legal and Company policy requirements; and
- achievement of key performance indicators which may include a combination of agreed milestones and relative peer group share price performance.

Senior executives

The Managing Director is responsible for assessing the performance of the key executives within the Company. This is carried out through a formal process involving a formal meeting with each senior executive.

The basis of evaluation of senior executives is on agreed performance measures.

Board

The process for reviewing and evaluating the performance of the Board requires the Board to meet annually with the specific purpose of reviewing the role of the Board, assessing its performance over the previous 12 months, including comparison with others and examining ways of assisting the Board in performing its duties more effectively.

The annual review includes consideration of the following measures:

- comparison of the performance of the Board against the requirements of the Board charter;
- assessment of the performance of the Board over the previous twelve months having regard to the corporate strategies, operating plans and the annual budget;
- review the Board's interaction with management;
- identification of any particular goals and objectives of the Board for the next year;
- review the type and timing of information provided to the directors; and
- identification of any necessary or desirable improvements to Board or committee charters.

The method and scope of the performance evaluation is set by the Board and includes a Board self-assessment checklist to be completed by each director. The Board may also use an independent adviser to assist in the review.

Committees

Similar procedures to those for the Board review are applied to evaluate the performance of each of the Board committees.

An assessment is made of the performance of each committee against each charter and areas identified where improvements can be made.

Non-executive directors

The Chairman has primary responsibility for conducting performance appraisals of non-executive directors in conjunction with them, having particular regard to:

- contribution to Board discussion and function;
- degree of independence including relevance of any conflicts of interest;
- availability for and attendance at Board meetings and other relevant events;
- contribution to Company strategy;
- membership of and contribution to any Board committees; and
- suitability to Board structure and composition.

Where the Chairman, following a performance appraisal, considers that action must be taken in relation to a director's performance, the Chairman must consult with the remainder of the Board regarding whether a director should be counselled to resign, not seek re-election, or in exceptional circumstances, whether a resolution for the removal of a director be put to shareholders.